

# **REVENUE AUTHORITY OF PRINCE GEORGE'S COUNTY**

## **FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT**

**YEAR ENDED JUNE 30, 2015**

## TABLE OF CONTENTS

Independent Auditor's Report .....	1-2
Management's Discussion and Analysis .....	3-7
<b>Financial Statements</b>	
Statement of Net Position .....	8
Statement of Revenues, Expenses and Change in Net Position.....	9
Statement of Cash Flows .....	10-11
Notes to Financial Statements.....	12-23



## CliftonLarsonAllen

### INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Revenue Authority of Prince George's County, Maryland

#### **Report on the Financial Statements**

We have audited the accompanying statement of net position, statement of revenues, expenses and changes in net position, and statement of cash flows of the Revenue Authority of Prince George's County, Maryland, a component unit of Prince George's County, Maryland as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the entity'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### ***Opinion***

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 Revenue Authority of Prince George's County, Maryland as of June 30, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 14 to the financial statements, the prior year net position has been restated to record previously donated land. Our opinion is not modified with respect to that matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2015 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Baltimore, Maryland  
November 5, 2015

**REVENUE AUTHORITY OF  
PRINCE GEORGE'S COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

This discussion and analysis of the Revenue Authority of Prince George's County (the Authority), a component unit of Prince George's County, Maryland, provides an overview of the financial activities for the fiscal year ended June 30, 2015. Please read this in conjunction with the Authority's basic financial statements, which begin on page 8.

**Financial Highlights**

- Cash and cash equivalents for the year ended June 30, 2015 was \$9,473,983.
- Assets exceeded liabilities by \$34,112,702 as of June 30, 2015. The largest component of the Authority's net position, about 41% or \$13,873,584, was invested in Capital Assets, such as Land; Property, Plant and Equipment; and Leasehold Improvements.
- Operating income for the year ended June 30, 2015 was \$3,470,817.

**Using This Annual Report**

This annual report consists of a series of financial statements: The Statement of Net Position, the Statement of Revenues, Expenses and Change in Net Position, and the Statements of Cash Flows.

The Statement of Net Position presents the financial position of the Authority on a full accrual historical cost basis. The Authority's net position is the difference between what the Authority owns and what the Authority owes. Increases or decreases in the Authority's net position are one indicator of whether the Authority's financial health is improving or deteriorating.

The Statement of Revenues, Expenses and Change in Net Position presents the results of the activities over the course of the year showing how the net position changed during the year.

The Statements of Cash Flows presents changes in cash and cash equivalents, resulting from operating, financing, and investing activities.

The Notes to the Financial Statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements.

**REVENUE AUTHORITY OF  
PRINCE GEORGE'S COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

**Summary of Statement of Net Position**

	<b>2015</b>	Restated <b>2014</b>
	<u>                    </u>	<u>                    </u>
Current assets	\$ 19,054,220	\$ 24,717,924
Noncurrent assets	17,301,313	14,104,688
	<u>                    </u>	<u>                    </u>
Total assets	36,355,533	38,822,612
	<u>                    </u>	<u>                    </u>
Current liabilities	2,105,148	5,586,822
Noncurrent liabilities	137,683	173,494
	<u>                    </u>	<u>                    </u>
Total liabilities	2,242,831	5,760,316
	<u>                    </u>	<u>                    </u>
Net investment in capital assets	13,873,584	13,918,459
Restricted (Note 5)	57,509	155,163
Unrestricted		
Designated (Note 12)	8,102,800	9,831,702
Undesignated	12,078,809	9,156,971
	<u>                    </u>	<u>                    </u>
Total net position	<u>\$ 34,112,702</u>	<u>\$ 33,062,295</u>

The largest portion of the Authority's assets is parking and other receivables, which make up \$9,489,092 of total assets. The largest portion of the Authority's liabilities is the accounts payable and accrued expenses, which represents \$1,192,615 of the Authority's liabilities. Net position increased by \$3,550,407 of which \$2,500,000 was contributed to the County for fiscal year 2015.

**REVENUE AUTHORITY OF  
PRINCE GEORGE'S COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

**Summary of Statement of Revenues, Expenses and Change in Net Position**

	<u>2015</u>	<u>2014</u>
Total operating revenues	\$ 17,069,174	\$ 15,903,555
Total operating expenses	<u>(13,598,356)</u>	<u>(13,217,140)</u>
Operating income	3,470,817	2,686,415
Net non-operating revenues (loss)	<u>79,589</u>	<u>(5,392)</u>
Change in net position	<u>3,550,407</u>	<u>2,681,023</u>
Contribution to the County	<u>(2,500,000)</u>	<u>(2,500,000)</u>
Net position, beginning of year, as restated	<u>33,062,295</u>	<u>32,881,272</u>
Net position, end of year	<u>\$ 34,112,702</u>	<u>\$ 33,062,295</u>

The Authority's two major areas of revenue collections are the parking operations and rent income from the County. Revenues from parking operations consist of collections of daily and monthly parking fees, parking meters, and parking violations. Revenues from parking operations were \$14,991,605 in fiscal year 2015. Rent income from Prince George's County was \$660,000 in fiscal year 2015.

The Capital Centre project revenues from leased property were \$129,735 in fiscal year 2015.

Other income was \$647,794 in fiscal year 2015. The Authority received reimbursement of expenses recorded for the management of the Prince George's County Police Department Security program.

Management fee income related to the Red Light Camera Enforcement Program and False Alarm Reduction Unit were, \$483,507 and \$62,657, respectively in fiscal year 2015. The management fee earned was 12.5% of gross revenues for both programs.

Management fee income related to the Automated Speed Enforcement Program was \$93,876 in fiscal year 2015. The management fee earned was 2% of net revenues for the program.

The Authority's three major areas of expense are parking operations, general and administrative expenses, and depreciation and amortization expenses. Expenses related to the parking operations for fiscal year 2015 were \$10,499,855.

**REVENUE AUTHORITY OF  
PRINCE GEORGE'S COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

General and administrative expenses were \$2,275,121 which primarily consists of the salaries of administrative personnel and related overhead and facilities expenses. As a percentage of total revenues, general and administration expenses were 13.33% for fiscal year 2015.

Depreciation and amortization expense was \$673,380 in fiscal year 2015.

Non-operating revenues (expenses) consist of interest income on short-term investments and interest charges on long-term debt. Net non-operating expenses were \$79,589 in fiscal year 2015.

The Authority contributed an additional \$2,500,000 to the County from its unrestricted net position for fiscal year 2015. This contribution will be used to assist the County in meeting its commitment of providing services to County residents.

**Capital Assets**

The Authority's capital asset, net of accumulated depreciation and amortization, are presented in the following table as of June 30, 2015 and 2014.

	<b>Capital Assets as of June 30</b>	
	<b>(net of accumulated depreciation/amortization)</b>	
	<b>2015</b>	Restated <b>2014</b>
Land	\$ 7,225,144	\$ 7,225,144
Office building	4,003,062	4,077,079
Parking structures	2,033,010	2,429,854
Parking equipment	65,967	17,621
Office equipment	72,807	78,802
Meters	16,628	18,962
Vehicles	329,883	229,827
Leasehold improvements	396,157	27,399
<b>Total</b>	<b>\$ 14,142,657</b>	<b>\$ 14,104,688</b>

Total additions for the year were \$718,633. Total depreciation and amortization expenses for the year were \$673,380.

**Debt**

Debt includes obligations for equipment and vehicles under capital leases in the amount of \$269,073.



**REVENUE AUTHORITY OF  
PRINCE GEORGE'S COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

**Contacting the Authority's Financial Management**

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the Authority's finances and show the Authority's accountability for the money it earns. If you have any questions about this report or need additional financial information, please contact us at 1300 Mercantile Lane, Suite 108, Largo, Maryland 20774.

**REVENUE AUTHORITY OF  
PRINCE GEORGE'S COUNTY  
STATEMENT OF NET POSITION  
JUNE 30, 2015**

**Assets**

Current assets

Cash and cash equivalents (Note 2)	\$ 9,473,983
Parking and other receivables	9,489,092
Other current assets	<u>91,145</u>

Total current assets	<u>19,054,220</u>
----------------------	-------------------

Non-Current assets

Note Receivable (Note 13)	3,158,656
Land, not being depreciated (Note 3)	7,225,144
Capital assets being depreciated, net (Note 3)	<u>6,917,513</u>

Total noncurrent assets	<u>17,301,313</u>
-------------------------	-------------------

Total assets	<u>36,355,533</u>
--------------	-------------------

**Liabilities and Net Position**

Current liabilities

Accounts payable and accrued expenses	1,192,615
Deferred revenue	148,842
Due to WMATA (Note 7)	101,400
Due to others	530,900
Capital lease obligation, current portion (Note 4)	<u>131,390</u>

Total current liabilities	<u>2,105,148</u>
---------------------------	------------------

Noncurrent liabilities

Capital lease obligation, net of current portion (Note 4)	<u>137,683</u>
---	----------------

Total liabilities	<u>2,242,831</u>
-------------------	------------------

**Net Position**

Net investment in capital assets	13,873,584
Restricted (Note 5)	57,509
Unrestricted	
Designated (Note 12)	8,102,800
Undesignated	<u>12,078,809</u>

<b>Total Net Position</b>	<u><u>\$ 34,112,702</u></u>
---------------------------	-----------------------------

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

**REVENUE AUTHORITY OF  
PRINCE GEORGE'S COUNTY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2015**

<b>Operating Revenues</b>	
Parking operations	\$ 14,991,605
Rent income from Prince George's County (Note 6)	660,000
Capital Centre project	129,735
Management fee - red light	483,507
Management fee - false alarm	62,657
Management fee - automated speed enforcement	93,876
Other	<u>647,794</u>
 Total operating revenues	 <u>17,069,174</u>
<b>Operating Expenses</b>	
Parking operations	10,499,855
General and administrative	2,275,121
Depreciation and amortization (Note 3)	673,380
Rent payment to Prince George's County (Note 6)	<u>150,000</u>
 Total operating expenses	 <u>13,598,356</u>
 Operating income	 <u>3,470,817</u>
<b>Non-Operating Revenues (Expenses)</b>	
Interest income	89,547
Interest expense	<u>(9,958)</u>
 Net non-operating revenues	 <u>79,589</u>
 Change in net position	 3,550,407
 Contribution to the County (Note 6)	 (2,500,000)
 Net position, beginning of year, as restated	 <u>33,062,295</u>
 <b>Net Position, End of Year</b>	 <u><u>\$ 34,112,702</u></u>

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

**REVENUE AUTHORITY OF  
PRINCE GEORGE'S COUNTY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2015**

<b>Cash flows from operating activities</b>	
Cash received from operations	\$ 23,053,701
Cash paid to suppliers	(25,676,196)
Cash paid to employees	(3,453,877)
Cash paid to board members	<u>(22,800)</u>
Net cash used by operating activities	<u>(6,099,173)</u>
<b>Cash flows from capital and related financing activities</b>	
Purchases of capital assets	(484,425)
Principal paid on capital leases and notes payable	(132,364)
Interest paid on debt	<u>(9,958)</u>
Net cash used by capital and related financing activities	<u>(626,746)</u>
<b>Cash flows from investing activities</b>	
Investment earnings	<u>89,547</u>
Net decrease in cash and cash equivalents	(6,636,372)
Cash and cash equivalents, beginning of year	<u>16,110,355</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 9,473,983</u></u>
<b>Non-cash capital and related financing activities:</b>	
Acquisition of capital lease	<u><u>\$ 234,208</u></u>

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

**REVENUE AUTHORITY OF  
PRINCE GEORGE'S COUNTY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Reconciliation of operating income to net cash provided by operating activities**

Operating income	\$ 3,470,817
Adjustments to reconcile operating income to net cash used in operating activities	
Contribution to the County	(2,500,000)
Net gain on disposal of assets	(11,715)
Depreciation and amortization	673,380
Bad debt expense	1,674,087
Effect of changes in operating assets and liabilities:	
Accounts receivable	(2,787,313)
Note receivable	(3,158,656)
Other current assets	140,557
Accounts payable and accrued expenses	202,919
Deferred revenue	104,473
Due to Prince George's County	(4,131,437)
Due to WMATA	(45,453)
Due to others	367,757
Deposits Held	(98,589)

**Net cash used by operating activities** \$ (6,099,173)

**REVENUE AUTHORITY OF  
PRINCE GEORGE'S COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 1: SUMMARY OF ACCOUNTING POLICIES**

**General Information**

The Revenue Authority of Prince George's County (the Authority) is a body corporate and politic established under the authority of Maryland law passed in 1996. In 1997, the County Council of Prince George's County, Maryland (the County) enacted legislation to create a separate entity whose purpose is to exercise its powers for projects within the boundary lines of the County devoted wholly or partially for public uses, good, or general welfare, and to stimulate employment and economic growth. The Authority is a component unit of the County. The Authority has seven board members and two ex-officio members. The County Executive appoints five board members and the County Council appoints two board members. The County Executive and County Council have oversight responsibility for approval of the Authority's operating and capital improvement budgets.

**Basis of Accounting**

The Authority is an enterprise fund and prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this method, revenues are recognized when earned and expenses are recognized when incurred. The Authority applies all relevant GASB pronouncements.

The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Authority's ongoing operations. The principal operating revenues of the Authority are revenues generated from its parking operations. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Cash and Cash Equivalents**

The Authority considers all highly liquid instruments, which are to be used for current operations and which have an original maturity of three months or less at the time of purchase, to be cash and cash equivalents, except for the liquid instruments held as part of investments under the Maryland Local Government Investment Pool (the MLGIP).

**REVENUE AUTHORITY OF  
PRINCE GEORGE'S COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 1: SUMMARY OF ACCOUNTING POLICIES (Continued)**

**Accounts Receivable**

Accounts receivable consists primarily of amounts due from fees for parking operations. The allowance method is used to determine uncollectible accounts receivable. The allowance is based on management's analysis of specific accounts. An allowance for doubtful accounts has been established based on a pro-rated evaluation of aged citations as well as whether the citations have Maryland State tags, or Out-of-State tags. The allowance for doubtful accounts was \$32,332,643 at June 30, 2015. The Authority will write-off citations when they are deemed uncollectable and have aged out for 10 years. The Authority wrote off \$2,600,640 of citations in fiscal year 2015 that had aged over 10 years.

**Capital Assets**

Capital assets are recorded at cost. The Authority capitalizes all expenditures for property and equipment over \$5,000. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, which range from 2 to 70 years, or the lesser of the useful life of the asset or the lease period for capital leases. When assets are sold or otherwise disposed of, the asset and related accumulated depreciation and amortization are removed from the accounts, and any remaining gain or loss is included in operations. Repairs and maintenance are charged to expense when incurred.

**Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The Authority did not have any deferred outflows or deferred inflows at June 30, 2015. Net investment in capital assets consists of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any borrowing used for the acquisition of those assets. Unrestricted net position represents resources available to meet the general operations of the Authority and may be used to meet current expenses for any purpose. Net position is reported as restricted where there are limitations imposed on their use either through legislation or through external restrictions imposed by creditors, grantors, laws or regulations. Unrestricted net position is reported as designated where there are limitations imposed by the Board of Directors.

**Revenues**

Revenues are recognized during the period in which the revenues are earned.

**REVENUE AUTHORITY OF  
PRINCE GEORGE'S COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 1: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)**

**Use of Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Financial Instruments and Credit Risk**

Financial instruments that potentially subject the Authority to concentrations of credit risk consist principally of investments held at creditworthy financial institutions. By policy, these investments are kept within limits designed to prevent risks caused by concentration. Credit risk with respect to trade and other receivables is limited because the Authority deals with a large number of customers.

**NOTE 2: CASH AND CASH EQUIVALENTS**

Cash and cash equivalents are composed of the following at June 30, 2015.

Cash deposits	\$ 1,545,526
Repurchase agreements	698,595
HarborBank Certificate of Deposit	103,285
Maryland Local Government Investment Pool	<u>7,126,577</u>
<b>Total cash and cash equivalents</b>	<b><u>\$ 9,473,983</u></b>

**Investment Policy**

The Authority's primary objective for the management of its funds is the protection of investment principal in the overall portfolio through the use of diversification and third-party collateralization while maintaining sufficient liquidity to meet all cash flow requirements. The secondary objective is to maximize investment return consistent with risk limitations.



**REVENUE AUTHORITY OF  
PRINCE GEORGE'S COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 2: CASH AND CASH EQUIVALENTS (Continued)**

The Authority is authorized to invest in U.S. Government Securities, U.S. Agency Securities, repurchase agreements, certificates of deposit and time deposits, Pooled Investments created under the Maryland Local Government Investment Pool (the MLGIP) and money market mutual funds as stipulated in the Authority's investment policy.

The Revenue Authority participates in the MLGIP. The MLGIP is an external investment pool that is not subject to regulation by the SEC. However, the pool is governed by Article 95 Section 22G of the Annotated Code of Maryland and under the control of the State Treasurer, subject to oversight by the MLGIP Advisory Committee. All securities in the MLGIP are valued daily on an amortized cost basis, which approximates fair value.

***Credit Risk***

Credit risk involves disclosing the credit quality of investments in debt securities as described by nationally recognized rating agencies.

The Authority's cash balances consist of demand and money market accounts. These accounts are maintained at federally insured commercial banks. Excess cash is invested in overnight repurchase agreements (Repos) with a commercial bank. Repos are secured by U.S. Treasury or Agency securities. These obligations are rated AAA by Moody's and AAA by Standard and Poor's. The collateral, in an amount not less than 102% of the fair market value of the securities, is held by the bank's trust department in the Authority's name. In addition, the Authority has funds in the Maryland Local Government Investment Pool (MLGIP), which are cash equivalents. Cash equivalents are reported at their fair value, which is equal to the carrying value at June 30, 2015.

***Custodial Credit Risk***

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover deposits that are in the possession of an outside party. Custodial credit risk for investments is the risk that securities are uninsured, unregistered, and held by the counterparty, or by its trust department or agent, but not in the Authority's name. All funds deposited by the Authority are held by independent third party financial institutions (custodians) and are secured by collateral that is above the level required by the Public Funds law of the State of Maryland (102%). As of June 30, 2015, there were no deposits or investments exposed to custodial credit risk.

**REVENUE AUTHORITY OF  
PRINCE GEORGE'S COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 3: CAPITAL ASSETS**

	Restated Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Capital assets not being depreciated:				
Land	\$ 7,225,144	\$ -	\$ -	\$ 7,225,144
Capital assets being depreciated/amortized:				
Office building	5,181,165	-	-	5,181,165
Parking structures	11,681,833	-	-	11,681,833
Parking equipment	493,072	56,832	-	549,904
Office equipment	458,091	29,890	-	487,981
Meters	197,773	-	-	197,773
Vehicles	577,073	234,208	131,495	679,786
Leasehold improvements	1,563,135	397,703	-	1,960,838
Total capital assets being depreciated:	<u>20,152,142</u>	<u>718,633</u>	<u>131,495</u>	<u>20,739,281</u>
Less accumulated depreciation/amortization for:				
Office building	1,104,086	74,017	-	1,178,103
Parking structures	9,251,979	396,844	-	9,648,823
Parking equipment	475,451	8,486	-	483,937
Office equipment	379,289	35,885	-	415,174
Meters	178,811	2,334	-	181,145
Vehicles	347,246	126,868	124,210	349,904
Leasehold improvements	1,535,736	28,945	-	1,564,681
Total accumulated depreciation and amortization	<u>13,272,598</u>	<u>673,380</u>	<u>124,210</u>	<u>13,821,768</u>
Total capital assets being depreciated:	<u>6,879,544</u>	<u>45,254</u>	<u>7,285</u>	<u>6,917,513</u>
<b>Net capital assets</b>	<u>\$ 14,104,688</u>	<u>\$ 45,254</u>	<u>\$ 7,285</u>	<u>\$ 14,142,657</u>

**REVENUE AUTHORITY OF  
PRINCE GEORGE'S COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 4: CAPITAL LEASES**

The Authority leases furniture, equipment and fifteen vehicles under eight separate capital leases expiring by the year 2018. The assets and liabilities under the capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are amortized over the lower of their lease terms or their estimated productive lives.

Amortization of the assets under the capital leases is included in depreciation and amortization expense for fiscal year 2015.

Capital lease activity for the years ended June 30, 2015 is as follows:

<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Decreases</u>	<u>Balance June 30, 2015</u>	<u>Due Within One Year</u>
\$ 186,229	\$ 234,208	\$ (151,365)	\$ 269,073	\$ 131,390

Future minimum lease payments, by year and in the aggregate, under the capital leases are as follows:

Year ending June 30,	
2016	\$ 142,352
2017	89,989
2018	53,573
Total minimum lease payments	<u>285,914</u>
Less: amount representing interest	<u>(16,841)</u>
<b>Present value of future minimum lease payments</b>	<u><u>\$ 269,073</u></u>
Due within one year	\$ 131,390
Long-term portion	<u>137,683</u>
<b>Future minimum lease payments</b>	<u><u>\$ 269,073</u></u>

**REVENUE AUTHORITY OF  
PRINCE GEORGE'S COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 5: RESTRICTIONS OF NET ASSETS**

	<b>2015</b>
Net assets are restricted for the following purposes:	
Closed Circuit Television Repair & Replacement Reserves	57,509
<b>Total restricted net assets</b>	<b>\$ 57,509</b>

**NOTE 6: RELATED PARTY TRANSACTIONS**

*Prince George's County (Parking Facilities Lease)*

On August 29, 2013, the Authority executed an agreement effective July 1, 2012 to lease several parking facilities from the County. The term of the agreement was from July 1, 2012 to June 30, 2014. The agreement automatically renews annually. As part of this agreement, the County assigned 366 in-service parking meters to the Authority. Under the terms of the lease agreement, the Authority is required to maintain and operate the parking facilities and meters. The Authority is entitled to charge patrons reasonable rates and fees, which are subject to County approval.

The Authority has agreed to pay the County an annual rent of \$150,000 plus the net revenue earned from the facilities and meters after deducting all related expenses and any reserves for future maintenance and capital improvements. The lease renews automatically unless either party provides written notice of termination.

For the year ended June 30, 2015, the Authority agreed to pay to the County \$850,000 for shared parking fine revenues. Additionally, the Authority agreed to pay the County \$2,500,000, which was transferred from unrestricted assets.

*Prince George's County (Construction and Parking Facility Management Agreement)*

The Authority and the County have entered into a management agreement for the Hyattsville Justice Center garage. Under the terms of this agreement, the Authority was responsible for the design and financing of the facility's construction; however, the agreement provides that the County shall serve as an agent of the Authority for the administration of all design and construction

**REVENUE AUTHORITY OF  
PRINCE GEORGE'S COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 6: RELATED PARTY TRANSACTIONS (Continued)**

contracts and, as such, the County managed the construction. The Authority is obligated to maintain and operate the Justice Center garage in accordance with the Lease Agreement discussed below. The Authority is responsible for collecting all fees received from the public for the use of the facility and payment of all operating expenses. The County has agreed to reimburse the Authority for all deficits arising from the operation of this facility; conversely, the Authority will pay the County any net income as defined in the agreement. In addition, the County has agreed to pay the Authority a management fee of \$90,000 annually for the first ten years after completion, \$115,000 annually for years 11 through 18, and a mutually agreed upon amount thereafter. Pursuant to this agreement, the Authority received a management fee of \$115,000 for the year ended June 30, 2015.

***Prince George's County (Hyattsville Justice Center Lease Agreement)***

The Authority and the County also entered into a lease agreement dated May 1, 1986 (the Lease Agreement) wherein the County has agreed to lease the Justice Center from the Authority. The initial term ended on the date on which all outstanding principal and interest of the Series 1992 Bonds was repaid, which was May 1, 2005. The lease term may be extended for four additional ten-year periods.

For the year ended June 30, 2008, the Authority entered into an operating and management agreement with the County for the payment of rent. Under the terms of this agreement, the Authority is entitled to the reimbursement of all costs and an administrative fee equal to 10% of such costs. Preceding this agreement, the County agreed to pay rent to the Authority equal to the amount of principal and interest payments due on the Series 1992 Bonds. Pursuant to the agreements, the County paid rent of \$660,000 for the year ended June 30, 2015.

In addition to this rent, the County is obligated to pay an annual fee to the Authority. This annual fee was \$100,000 per year beginning May 1986 until substantial completion on August 1, 1990, \$30,000 per year for the 10 years after completion, \$40,000 per year for the 11<sup>th</sup> through 18<sup>th</sup> years from completion, and \$50,000 per year thereafter. Pursuant to this agreement, the Authority received an annual fee of \$50,000 for the year ended June 30, 2015.

The County is also obligated to pay certain administrative expenses associated with the Justice Center.

**REVENUE AUTHORITY OF  
PRINCE GEORGE'S COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 7: OPERATING AND MANAGEMENT AGREEMENT WITH  
WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY**

The Authority and the County entered into an operating and management agreement with the Washington Metropolitan Area Transit Authority (WMATA), dated January 1, 1987, covering 400 spaces in the New Carrollton parking facility. Under the terms of this agreement, the Authority is entitled to a management fee and reimbursement of certain costs equal to the sum of (a) a fixed annual fee of \$15 per space (b) 40% of operation and maintenance costs and (c) 25% of attendant costs. This management fee is to be deducted from any revenue generated by these 400 spaces. The amount due to WMATA for the year ended June 30, 2015 was \$101,400.

**NOTE 8 GROUND LEASE**

The Authority entered into a long term ground lease agreement, approximately 70 years, as landlord, with Capital Centre LLC, as tenant, on April 17, 2000 and amended on August 24, 2001. The agreements were consented to and approved by Prince George's County. The property consists of approximately 490,625 gross leasable square feet, upon which a shopping center known as Boulevard at the Capital Center was constructed.

Under the agreement, the tenant pays base rent in accordance with a base rent schedule. In addition, the tenant pays increased square footage base rent when improvements exceed two hundred-seventy thousand (275,000) usable square feet. Ground lease rent and additional base rent for fiscal year 2015 is \$129,735.

**NOTE 9: COMMITMENTS**

***Operating Leases***

The Authority leases office space, parking lots and miscellaneous office equipment under non-cancelable operating leases, which expire at various times through 2022.

Effective November 1, 2015, the Authority renegotiated its lease with Mercantile Place #1 Limited Partnership for office space in Largo, Maryland. The lease term is 7 years terminating on October 31, 2022. The Authority is also required to pay the lessor a maintenance fee and a portion of real estate taxes related to the property.

**REVENUE AUTHORITY OF  
PRINCE GEORGE'S COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 9: COMMITMENTS (Continued)**

The Authority entered into one new lease agreement with Mercantile Place #1 Limited Partnership for office space known as suite 100-A in Largo, Maryland, for a period of 1 year commencing on November 1, 2015 and terminating on October 31, 2016. The Authority has the option to renew the lease for 3 additional terms of one year each commencing at the expiration of the initial term.

The Authority entered into a lease agreement with the Maryland Transit Administration (MTA) for the New Carrollton East lot for a period of one year commencing on March 1, 2015 and terminating on February 29, 2016. The Authority has the option to renew the lease for an additional term of one year commencing at the expiration of the initial term. For the year ended June 30, 2015, the Authority paid \$88,833.

Minimum future rental payments under non-cancelable operating leases are as follows:

<u>Year ending June 30,</u>	
2016	\$ 316,890
2017	283,625
2018	287,431
2019	295,350
2020	303,487
2021	311,848
2022	320,439
2023	<u>107,776</u>
<b>Future minimum lease payments</b>	<b><u><u>\$ 2,226,847</u></u></b>

Rent expense for the year ended June 30, 2015 was \$311,341.

**NOTE 10: BENEFIT PLAN**

The Authority participates in the ADP Prototype 401(k) Plan. All employees are eligible for the Plan. The Authority is required to make contributions to the Plan equal to 5% of each eligible employee's gross salary.

For the year ended June 30, 2015, total contributions by the Authority to the eligible employees of the 401K retirement plan were \$146,878.

**REVENUE AUTHORITY OF  
PRINCE GEORGE'S COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 11: RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance covering these risks. Settled claims resulting from these risks have not exceeded insurance coverage for the past three years.

**NOTE 12: RESERVES FOR SPECIAL PROJECTS, FUTURE MAINTENANCE-REPAIR AND REPLACEMENT COSTS and OPERATING RESERVES**

In fiscal year 2007, the Revenue Authority established reserves for special projects and for future maintenance, repair and replacement costs. The reserve for special projects is to fund future projects which promote the public interest and economic development of Prince George's County. The reserve for future maintenance, repair and replacement costs is for non-recurring maintenance, repair and replacement costs of capital facilities and equipment.

In fiscal year 2015, the Revenue Authority established an operating reserve to fund short term agency operating cash needs in case of limited cash balances. The operating reserve balance is calculated at 5% of the current fiscal year approved operating budget.

<u>Designated Reserve Funds</u>	<u>June 30, 2015</u>
Maintenance	\$ 544,112
Special Projects	6,749,398
Operating	809,290
<b>Total designated reserve funds</b>	<b>\$ 8,102,800</b>

**NOTE 13: NOTES RECEIVABLE – GLENARDEN**

On September 22, 2014, the Revenue Authority executed a Memorandum of Agreement with the Redevelopment Authority of Prince George's County. The Authority provided funding in the amount of \$3,158,656 to the Redevelopment Authority for the purchase of the Glenarden apartment complex. According to the terms of the agreement The Redevelopment Authority will pay the daily accrual of simple interest at 3.5% of the principal amount funded. The interest payments are due on a semi-annual basis on January 1<sup>st</sup> and July 1<sup>st</sup> of each year. The term of the agreement is for a maximum of a 3 year period beginning September 23, 2014 or if the Redevelopment Authority sells the property to a successful developer before the expiration of the three year period.



**REVENUE AUTHORITY OF  
PRINCE GEORGE'S COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 14: Prior Period Adjustment**

On September 20, 2012, the Authority gained possession, of undeveloped land known as sub-division "Balk Hill Village". The zero dollar deed transfer from D.R. Horton, Inc. was recorded in the Authority's name and included two (2) parcels of land at the address known as St. Josephs Drive, Bowie, Maryland 20721. Parcel 1 is recorded as 10.030 acres at a value of \$30,700 and Parcel 2 is recorded as 8.580 acres at a value of \$1,886,700. The combined value of the land of \$1,917,400 was not initially recorded in the FY 2013 ledger or audit report; as a result the Authority has included the land value amount in the FY 2014 net position beginning balance.

Net Position, as previously stated	\$ 31,144,895
Prior Period Adjustment	1,917,400
Net Position, as restated	\$ 33,062,295