

REVENUE AUTHORITY OF PRINCE GEORGE'S COUNTY

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

YEAR ENDED JUNE 30, 2020

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying statement of net position, and the statements of revenues, expenses and change in net position and cash flows of the Revenue Authority of Prince George's County, Maryland (the "Authority"), a component unit of Prince George's County, Maryland as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority'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 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 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 financial position of the Authority as of June 30, 2020, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 8 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, ("GASB"), 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The combining statement of net position and statement of revenues, expenses and changes in net position are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statement of net position and statement of revenues, expenses and changes in net position have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2021, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's 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.



Baltimore, Maryland
January 9, 2021

**REVENUE AUTHORITY OF
PRINCE GEORGE’S COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

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, 2020. Please read this in conjunction with the Authority’s basic financial statements, which begin on page 9.

Financial Highlights

- Cash, cash equivalents and investments as of June 30, 2020 was \$37,492,168.
- Assets exceeded liabilities by \$41,291,366 as of June 30, 2020. The significant component of the Authority’s net position, about 44.56% or \$18,398,782 was recorded as Undesignated Funds, which is considered unrestricted.
- Operating loss for the year ended June 30, 2020 totaled (\$2,894,268). Operating loss prior to capital impairment was (\$987,867). The capital impairment to the Authority for year end June 30, 2020 was (\$1,906,401).

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 Statement of Cash Flows.

The Statement of Net Position presents the financial position of the Authority on a full accrual historical cost basis. Net Position is the difference between what the Authority possesses in assets less all amounts due to outside parties, both short-term and long-term. Increases or decreases in the Authority’s net position are indicators 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 Statement of Cash Flows presents changes in cash, cash equivalents and investments, 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, 2020**

Summary of Statement of Net Position

	<u>2020</u>	<u>2019</u>
Current assets	\$ 60,103,472	\$ 36,943,561
Capital assets	52,815,337	37,030,249
Noncurrent assets	<u>32,904,384</u>	<u>35,107,485</u>
 Total assets	 <u>145,823,193</u>	 <u>109,081,295</u>
 Current liabilities	 9,529,406	 6,685,124
Noncurrent liabilities	<u>95,002,421</u>	<u>57,671,918</u>
 Total liabilities	 <u>104,531,827</u>	 <u>64,357,042</u>
 Net investment in capital assets	 10,303,074	 11,932,953
Restricted	2,902,717	4,232,137
Unrestricted		
Equity Investments in Joint Ventures	5,794,726	5,794,726
Designated	3,892,067	5,802,984
Undesignated	<u>18,398,782</u>	<u>16,961,453</u>
 Total net position	 <u>\$ 41,291,366</u>	 <u>\$ 44,724,253</u>

The largest portion of the Authority's assets is capital assets not being depreciated, consisting of land and construction in process, which makes up \$51,641,181 of total assets. The largest portion of the Authority's liabilities are bonds payable, which represents \$97,204,641 of the total liabilities. Net position decreased by \$3,432,887 for fiscal year 2020.

The issuance of the Series 2020 Bonds for \$40,000,000 by the Authority increased both total current assets and total current liabilities during year ended June 30, 2020. In addition, the Authority was informed that the New Carrollton Garage facility was scheduled to be demolished, as a result an impairment to leasehold improvements was recorded.

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

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

	<u>2020</u>	<u>2019</u>
Total operating revenues	\$ 15,341,318	\$ 19,368,491
Total operating expenses	<u>(18,235,586)</u>	<u>(17,162,925)</u>
Operating income (loss)	(2,894,268)	2,205,566
Net non-operating loss	<u>(538,619)</u>	<u>(57,027)</u>
Change in net position	<u>(3,432,887)</u>	<u>2,148,539</u>
Net position, beginning of year	<u>44,724,253</u>	<u>42,575,714</u>
Net position, end of year	<u>\$ 41,291,366</u>	<u>\$ 44,724,253</u>

The Authority's two major areas of revenue collections are parking operations and rental income from the County related to the leasing of certain parking garage facilities. Revenues from parking operations consist of collections of daily and monthly parking fees, parking meters, and parking violations. Revenue from parking operations was \$12,773,949 in fiscal year 2020.

The Authority has acquired various properties for redevelopment in the Suitland Town Center beginning during fiscal year 2016. The revenue earned from the lease property related to the Suitland Town Center was \$76,625 during fiscal year June 30, 2020.

Management fee income related to the Red-Light Camera Enforcement Program and False Alarm Reduction Unit ("FARU") was \$599,923 and \$81,437, respectively, in fiscal year 2020. The management fee earned was 12.5% of gross revenues for both programs.

Management fee income related to the Automated Speed Enforcement Program was \$20,894 in fiscal year 2020. The management fee earned was 2% of net revenues for the program.

Management fee income related to operating programs was \$583,068 in fiscal year 2020.

The COVID-19 pandemic greatly reduced revenue collections for parking operations and management fees for the fourth quarter of the fiscal year compared to same period in 2019.

Collection fee income was \$112,564 in fiscal year 2020.

Other income was \$432,858 in fiscal year 2020.

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

The Authority received certain funds to cover portion of debt service due during the fiscal year ended June 30, 2020. These amounts included \$1,185,215 of debt service related to the Series 2016 Bonds and \$1,043,585 of the Series 2018 Bonds.

The Authority's three major areas of operating expenses are parking operations, general and administrative, depreciation, amortization and impairment expenses.

Expenses related to the parking operations for fiscal year 2020 were \$11,587,579 or 75.53% of total operating revenues.

General and administrative expenses were \$2,430,707, which primarily consists of the salaries of administrative personnel and related overhead and facilities expenses. As a percentage of total operating revenues, general and administration expenses were 15.84% for fiscal year 2020.

Depreciation and amortization incurred during the year ended June 30, 2020 was \$1,033,050. Impairment on the New Carrollton Garage, as noted in note 6 of the financial statements, was \$1,906,401 in fiscal year 2020.

Rent payment to Prince George's County for fiscal year 2020 was \$30 based on terms in the ground lease.

Repair and maintenance expenses for leased property totaled \$650,535.

The Authority participated in the development of real estate owned in Suitland for a total of \$399,000 for fiscal year 2020.

Non-operating revenues (expenses) consist of reimbursement revenues from the County related to bond debt service, interest income on short-term investments and interest charges on long-term debt. Net non-operating expenses were (\$538,619) in fiscal year 2020.

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

Capital Assets

The Authority's capital assets, net of accumulated depreciation, amortization and impairment, are presented in the following table as of June 30, 2020 and 2019.

	Capital Assets as of June 30	
	<small>(net of accumulated depreciation/amortization/impairment)</small>	
	2020	2019
Capital assets not being depreciated		
Land	\$ 31,105,978	\$ 31,105,978
Construction in progress	20,535,203	3,597,096
Total capital assets not being depreciated	51,641,181	34,703,074
Capital assets being depreciated, net		
Parking structures	41,780	438,624
Parking equipment	162,091	334,620
Office equipment	77,089	112,665
Meters	72,114	87,222
Vehicles	513,871	452,430
Leasehold improvements	307,211	901,614
Total capital assets being depreciated, net	1,174,156	2,327,175
Total	\$ 52,815,337	\$ 37,030,249

Total additions for the year, net of disposals and impairment, is \$16,609,142. Leasehold improvements related to the rehabilitation of the New Carrollton Garage facility were considered impaired in fiscal year 2020 due to the notification that the facility was scheduled for demolition by June 30, 2021. Total depreciation, amortization and impairment expenses for the year were \$2,939,451.

Additional information related to capital assets can be found in the Note 6 to the financial statements.

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

Debt

The Authority's long-term debt is presented in the following table as of June 30, 2020 and 2019.

	Long-Term Debt	
	<u>2020</u>	<u>2019</u>
Lease Revenue Bonds	\$ 27,600,000	\$ 29,830,000
Premium on Lease Revenue Bonds	1,554,658	1,712,759
Special Obligation Bonds	27,900,000	28,000,000
Premium on Special Obligation Bonds	149,983	156,249
Revenue Bonds	40,000,000	-
Capital Leases	<u>607,872</u>	<u>627,314</u>
Total	<u>\$ 97,812,513</u>	<u>\$ 60,326,322</u>

Additional information on the Authority's long-term debt can be found in the notes to the financial statements, notes 7 and 10.

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, 2020**

Assets

Current assets	
Cash, cash equivalents and investments (Note 2)	\$ 9,346,356
Restricted cash (Note 2)	28,145,812
Parking and other receivables, net	18,928,007
Due from Prince George's County (Note 13)	1,295,589
Lease receivable (Note 4)	2,295,000
Other current assets	<u>92,708</u>
Total current assets	<u>60,103,472</u>
Noncurrent assets	
Note receivable (Note 3)	250,000
Lease receivable (Note 4)	26,859,658
Equity investments in joint ventures (Note 5)	5,794,726
Capital assets not being depreciated (Note 6)	51,641,181
Capital assets being depreciated, net (Note 6)	<u>1,174,156</u>
Total noncurrent assets	<u>85,719,721</u>
Total assets	<u>145,823,193</u>

Liabilities

Current liabilities	
Accounts payable and accrued expenses	3,832,120
Due to affiliates	767,054
Unearned grant revenue (Note 9)	681,655
Capital lease obligations, current portion (Note 7)	340,092
Bonds interest payable (Note 10)	1,438,485
Bonds payable (Note 10)	<u>2,470,000</u>
Total current liabilities	<u>9,529,406</u>
Noncurrent liabilities	
Bonds payable (Note 10)	94,734,641
Capital lease obligations, net of current portion (Note 7)	<u>267,780</u>
Total noncurrent liabilities	<u>95,002,421</u>
Total liabilities	<u>104,531,827</u>

Net Position

Net investment in capital assets	10,303,074
Restricted (Note 11)	
Bond reserve fund for Series 2016 bonds	2,000,000
County supplement for Suitland land acquisitions	887,393
Closed circuit television repair and replacement reserves	15,324
Unrestricted	
Equity investments in joint ventures (Note 5)	5,794,726
Designated (Note 12)	3,892,067
Undesignated	<u>18,398,782</u>
Total Net Position	<u>\$ 41,291,366</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, 2020

Operating Revenues

Parking operations	\$ 12,773,949
Rental income from Prince George's County	660,000
Rental income from leased property	76,625
Management fee - red light camera	599,923
Management fee - false alarm	81,437
Management fee - automated speed enforcement	20,894
Management fee - operating programs	583,068
Collection fees	112,564
Other	<u>432,858</u>
 Total operating revenues	 <u>15,341,318</u>

Operating Expenses

Parking operations	11,587,579
General and administrative	2,430,707
Depreciation, amortization and impairment	2,939,451
Rental payment to Prince George's County	30
Repair and maintenance for leased property	650,535
Real estate development cost	399,000
Other	<u>228,284</u>
 Total operating expenses	 <u>18,235,586</u>

Operating loss	<u>(2,894,268)</u>
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Non-Operating Revenues (Expenses)

Debt service reimbursement for 2016 Bond Series	1,185,215
Debt service reimbursement for 2018 Bond Series	1,043,585
Interest income	224,433
Interest expense	<u>(2,991,852)</u>

Net non-operating expenses	<u>(538,619)</u>
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Change in net position	(3,432,887)
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Net position, beginning of year	<u>44,724,253</u>
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Net Position, End of Year	<u><u>\$ 41,291,366</u></u>
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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, 2020**

Cash flows from operating activities	
Cash received from operations	\$ 14,953,650
Cash paid to suppliers	(9,386,303)
Cash paid to employees	(4,849,185)
Cash paid to board members	<u>(60,600)</u>
Net cash provided by operating activities	<u>657,562</u>
Cash flows from capital and related financing activities	
Notes payable and capital leases	
Purchases of capital assets	(18,724,539)
County contributions related to debt service	2,228,800
Principal paid on capital leases and notes payable net	(19,442)
Proceeds from bond issuance	40,000,000
Interest paid from operations	<u>(2,549,125)</u>
Net cash provided by capital and related financing activities	<u>20,935,694</u>
Cash flows from investing activities	
Payment of note receivable	(250,000)
Investment earnings	<u>224,433</u>
Net cash used in investing activities	<u>(25,567)</u>
Net increase in cash, cash equivalents, investments and restricted cash	21,567,689
Cash, cash equivalents, investments and restricted cash, beginning of year	<u>15,924,479</u>
Cash, cash equivalents, investments and restricted cash, end of year	<u><u>\$ 37,492,168</u></u>
Non-cash capital and related financing activities:	
Acquisition of capital lease	\$ 318,474
Debt repayments offset through County lease activity	<u>2,388,101</u>
Net non-cash provided by capital and related financing activities	<u><u>\$ 2,706,575</u></u>
Cash, cash equivalents, investments and restricted cash	
Cash, cash equivalents and investments	\$ 9,346,356
Restricted cash	<u>28,145,812</u>
Total cash, cash equivalents, investments and restricted cash	<u><u>\$ 37,492,168</u></u>

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020**

Reconciliation of operating loss to net cash provided by operating activities

Operating loss	\$ (2,894,268)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation, amortization and impairment	2,939,451
Bad debt expense	141,849
Effect of changes in operating assets and liabilities:	
Accounts receivable	(704,528)
Due from Prince George's County	(983,484)
Other current assets	18,941
Accounts payable and accrued expenses	1,836,349
Due to WMATA	(66,063)
Due to affiliates	375,214
Deposits held	<u>(5,899)</u>
Net cash provided by operating activities	<u><u>\$ 657,562</u></u>

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

**REVENUE AUTHORITY OF
PRINCE GEORGE’S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1: SUMMARY OF SIGNIFICANT 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, goods, 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 Governmental Accounting Standards Board (“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, Cash Equivalents, Investments and Restricted Cash

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, 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”), which is considered an External Investment Pool).

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The External Investment Pools operate in conformity with all of the requirements of the Securities and Exchange Commission ("SEC") Rule 2(a)-7 as promulgated under the Investment Compact Act of 1940, as amended. Accordingly, the External Investment Pools qualify as 2(a)-7 like pools and are reported at the net asset value per share which is calculated using the amortized cost method.

Equity investments in Joint Ventures - Brentwood

Cost Method

For equity investments where the Authority does not control the investee, and where it is not the primary beneficiary of the joint venture and cannot exert significant influence over the financial and operating policies of the investee, the Authority follows the cost method of accounting. Under the cost method of accounting, dividends/priority returns received from the investment are recorded as dividend income within non-operating income.

Impairments

The Authority's management periodically assesses its cost method of accounting investments for impairment. If circumstances indicate that impairment may exist, investments are evaluated using fair values, where available, or the expected future cash flows of the investment. If the undiscounted expected future cash flows are lower than the Authority's carrying value of the investment, an impairment charge is recorded in operating expenses in the statement of revenues, expenses, and change in net position.

Parking and Other Receivables

Accounts receivable consists primarily of amounts due from violations and related fees for parking operations which are recorded when considered earned. 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 were issued to violators within or outside of the State of Maryland. The allowance for doubtful accounts was \$43,849,107 at June 30, 2020. The Authority will write-off citations when they are deemed uncollectable and have aged out for 10 years. The Authority wrote off \$4,499,113 of citations in fiscal year 2020 that had aged over 10 years.

Capital Assets

Capital assets are recorded at cost. The Authority capitalizes all expenditures for property and equipment over \$500. Depreciation and amortization are computed

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

using the straight-line method over the estimated useful lives of the assets, which range from 2 to 30 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.

In accordance with GASB 42, *Accounting and Financial Reporting for Impairment of Capitals Assets and for Insurance Recoveries*, the Authority reviews its capital assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, the Authority compares the carrying amount of the capital asset to its fair value to determine whether an impairment loss has occurred. The amount of impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. Impairment loss of \$1,906,401 was recognized during the year ended June 30, 2020 (see Note 6).

Recognition of Interest During Construction

In accordance with GASB 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, interest will be expensed as incurred with relation to the funding of the construction of the University of Maryland Regional Medical Center Garage Project.

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, 2020. Net investment in capital assets consists of capital assets, net of accumulated depreciation, amortization and any impairment adjustments, 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. The Authority's policy is to first apply restricted resources for which restricted and unrestricted net position is available.

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.

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues

Revenues are recognized during the year in which they are earned.

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, CASH EQUIVALENTS, INVESTMENTS, AND RESTRICTED CASH

Cash, cash equivalents, investments, and restricted cash are composed of the following at June 30, 2020:

Cash deposits	\$ 2,422,556
Petty cash	6,606
Harbor Bank Certificate of Deposit	106,650
Zions Bank - Bond Trustee*	22,794,963
BNY Mellon - Bond Trustee*	5,350,849
Maryland Local Government Investment Pool	<u>6,810,544</u>
Total cash, cash equivalents, investments and restricted cash	<u>\$ 37,492,168</u>

*Restricted Cash

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

**NOTE 2: CASH, CASH EQUIVALENTS, INVESTMENTS, AND RESTRICTED
CASH (Continued)**

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.

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 Authority participates in the MLGIP, which is an external investment pool that is not subject to regulation by the SEC. The MLGIP was established in 1982 under Article 95 Section 22G of the Annotated Code of Maryland and is under the administration of the Maryland State Treasurer, subject to oversight by the MLGIP Advisory Committee. Participation is voluntary and eligibility is regulated by MLGIP Local Government Article. The Authority adopted Governmental Accounting Standards Board Statement 79, "Certain External Investment Pools and Pool Participants," which requires disclosure of specific criteria regarding external investment pools. The MLGIP is managed in a "Rule 2(a)-7 like" manner and is reported at amortized cost pursuant to Rule 2(a)-7 under the Investment Company Act of 1940 at \$1 per share value. Financial statements and required supplemental information for the MLGIP can be obtained in writing from: Maryland Local Government Investment Pool; c/o PNC Institutional Investments Group; One East Pratt Street; Baltimore, Maryland, 21202; by calling 1- 800-492-5160, or the website, www.mlgip.com. The MLGIP is rated AAAM by Standard & Poor's, their highest rating for money market mutual funds.

Credit Risk

Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk involves disclosing the credit quality of investments in debt securities as described by nationally recognized rating agencies.

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PRINCE GEORGE'S COUNTY
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NOTE 2: CASH, CASH EQUIVALENTS, INVESTMENTS, AND RESTRICTED CASH (Continued)

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. 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 MLGIP, which are considered cash equivalents.

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 Authority, 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, 2020, there was \$2,223,286 of uninsured cash that is collateralized by securities held by the pledging financial institution.

Investment Rate Risk

Interest rate risk is the risk that changes in the market interest rates that will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to change in market interest rates. Information about the sensitivity of the fair values of the Authority's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Authority's investments by maturity as of June 30, 2020:

Investment type	Less than 6 Months	6 to 12 Months	1 to 3 Years	Total
MLGIP	\$ 6,810,544	\$ -	\$ -	\$ 6,810,544
Certificates of Deposit	-	106,650	-	106,650
Total	<u>\$ 6,810,544</u>	<u>\$ 106,650</u>	<u>\$ -</u>	<u>\$ 6,917,194</u>

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3: NOTE RECEIVABLE

On August 7, 2019, the Authority executed a Line of Credit Agreement and Promissory Note with the GFM Addison Plaza, LLC ("GFM"). The Authority provided funding in the amount of \$250,000 to the GFM for the development of a grocery store in Seat Pleasant, Maryland. GFM can draw funds from the line of credit for a period of four years and six months. The entire agreement expires ten years from the date of execution of the agreement. The note accrues interest at 2% per annum and is computed on a basis of actual days elapsed in a 360-day year. Interest earned during the year ended June 30, 2020, was \$4,556, of which the entire balance remains receivable and is included in other current assets on the statement of net position.

The repayment period for the outstanding principal, accrued interest and fees shall commence on the first day of the fifth anniversary of the execution of the agreement and continue on the first day of each month thereafter. The Authority, in its sole discretion, may forgive all or a portion of any amount due under this agreement prior to the commencement of the repayment period. As of June 30, 2020, the outstanding note receivable balance is \$250,000.

On August 7, 2019, the Authority executed a Reimbursement Agreement with the County in relation to the funds advanced by the Authority to GFM. Per the agreement, the County will reimburse the Authority annually for any outstanding advances made under the Line of Credit Agreement with GFM. The aggregate total of reimbursement will not exceed \$250,000. The Reimbursement Agreement will terminate on the earlier of August 7, 2029 or the termination of the Line of Credit Agreement. As of June 30, 2020, no advances or reimbursements of advances were made to the Authority.

NOTE 4: LEASE RECEIVABLES – UPPER MARLBORO COURTHOUSE AND DUVALL WING

On May 23, 2018, the Revenue Authority executed two capital lease agreements with the County. The leases are referred to as the 2018A and the 2018B Financing Lease.

The 2018A Financing Lease is associated with the County leasing a site identified as a 350,000 square feet of gross floor space, a four-level parking garage, a cafeteria, improvements, equipment and furnishings. In addition, the site contains an approximately 90,000 square foot, four story expansion interconnected to the existing Marbury Wing at its west end. The 2018B Financing Lease is associated with the County leasing the rehabilitated and repaired DuVall Wing of the County's Courthouse.

**REVENUE AUTHORITY OF
PRINCE GEORGE’S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

**NOTE 4: LEASE RECEIVABLES – UPPER MARLBORO COURTHOUSE AND
DUVALL WING (Continued)**

The County is responsible for the principal, interest, and premium of the bond debt issued for the site’s rehabilitation and repair, therefore lease payments will equal the annual debt service related to the bond debt. The lease period is for a maximum of 17 years or until the bonds are no longer outstanding. Future minimum lease payments to be received as of June 30, 2020, were as follows:

Year ending June 30,	<u>Amounts</u>
2021	\$ 3,594,104
2022	3,596,906
2023	3,604,592
2024	3,600,893
2025	3,596,541
2026-2030	<u>17,955,717</u>
Total minimum lease payments	35,948,753
Less: amount representing interest	<u>6,794,095</u>
Net minimum lease payments	<u>\$ 29,154,658</u>

NOTE 5: EQUITY INVESTMENTS IN JOINT VENTURES – BRENTWOOD

On September 1, 2016, the Authority executed an Operating Agreement for the Brentwood Development, LLC (“Brentwood Company”) with MM Brentwood, LLC (“Brentwood Managing Member”); Sea Eagle 3807, LLC (“Sea Eagle Landex Member”) and the Redevelopment Authority. The Brentwood Company was formed as a limited liability company under the Maryland Limited Liability Company Act on June 24, 2014. The Brentwood Company is organized for the purpose of acquiring, financing, developing, constructing and operating the Studio 3807 (“Brentwood Project”).

The Brentwood Project, located at 3807 Rhode Island Avenue, Brentwood, Maryland 20722, is a mixed-use project consisting of market-rate rental apartment units, first floor retail space, artist studio space and appurtenant parking spaces. The Brentwood Project was completed in September 2018.

The Authority committed \$3,708,625 in capital funding as an equity investment into the project for 0.01% ownership interest. The Authority is entitled to Priority Returns, as defined, and a cash distribution equal to 25% from all net available cash flows at least one time per year. The net cash distribution available will be

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

**NOTE 5: EQUITY INVESTMENTS IN JOINT VENTURES – BRENTWOOD
(Continued)**

determined after a distribution to the Brentwood Managing Member for repayment of Predevelopment Loans, as defined, then distribution to the Brentwood Managing Member for the return of all EB5 Contributions, as defined, then distributions to the Sea Eagle Landex Member and the Authority for any unpaid Priority Returns. Priority Returns accrue monthly as of September 1, 2016. Priority returns earned by the Authority as of June 30, 2020 are \$460,180, all of which remain received as of June 30, 2020. As of June 30, 2020, the Authority's equity investment is \$3,708,625.

On April 27, 2018, the Authority executed an Operating Agreement for 4100 RI, LLC ("4100 Company") with MM 4100 RI, LLC ("4100 Managing Member"); Sea Eagle 4100, LLC ("4100 Landex Member") and the Redevelopment Authority. The 4100 Company was formed as a limited liability company under the Maryland Limited Liability Company Act on December 17, 2014. The 4100 Company is organized for the purpose of acquiring, financing, developing, constructing and operating Artisan 4100 ("4100 Project").

The 4100 Project located at 4100 Rhode Island Avenue, Brentwood, Maryland 20722 is a mixed-use project consisting of market-rate rental apartment units, first floor retail space, artist studio space and appurtenant parking spaces. The 4100 Project was completed in February 2020.

The Authority committed \$2,086,101 in capital funding as an equity investment into the project for 0.01% ownership interest. The Authority is entitled a cash distribution equal to 23.65% from all net available cash flows at least one time per year. The net cash distribution available will be determined after a distribution to the 4100 Managing Member for repayment of Predevelopment Loans, as defined, then distribution to the 4100 Managing Member for the return of all EB5 Contributions, as defined, then distributions to the 4100 Landex Member for any unpaid Priority Returns. As of June 30, 2020, the Authority's equity investment is \$2,086,101.

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6: CAPITAL ASSETS

	<u>Balance June 30, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2020</u>
Capital assets not being depreciated:				
Land	\$ 31,105,978	\$ -	\$ -	\$ 31,105,978
Construction in progress	3,597,096	17,700,520	762,413	20,535,203
Total capital assets not being depreciated:	<u>34,703,074</u>	<u>17,700,520</u>	<u>762,413</u>	<u>51,641,181</u>
Capital assets being depreciated/amortized:				
Parking structures	11,681,833	-	-	11,681,833
Parking equipment	947,784	-	99,122	848,662
Office equipment	700,383	24,589	-	724,972
Meters	358,503	-	-	358,503
Vehicles	1,097,320	384,328	225,613	1,256,035
Leasehold improvements	2,713,279	1,394,132	1,807,279	2,300,132
Total capital assets being depreciated:	<u>17,499,102</u>	<u>1,803,049</u>	<u>2,132,014</u>	<u>17,170,137</u>
Less accumulated depreciation and amortization for:				
Parking structures	11,243,209	396,844	-	11,640,053
Parking equipment	613,164	73,407	-	686,571
Office equipment	587,718	60,165	-	647,883
Meters	271,281	15,108	-	286,389
Vehicles	644,889	306,271	208,996	742,164
Leasehold improvements	1,811,666	181,255	-	1,992,921
Total accumulated depreciation and amortization	<u>15,171,927</u>	<u>1,033,050</u>	<u>208,996</u>	<u>15,995,981</u>
Net capital assets being depreciated:	<u>2,327,175</u>	<u>769,999</u>	<u>1,923,018</u>	<u>1,174,156</u>
Net capital assets	<u>\$ 37,030,249</u>	<u>\$ 18,470,519</u>	<u>\$ 2,685,431</u>	<u>\$ 52,815,337</u>

During 2020, the Authority was informed that one of its leased properties (New Carrollton Garage facility –see Note 8) was planned to be demolished by June 30, 2021. Certain leasehold improvements were incurred throughout the term of the operating and management agreement. The leasehold improvements and parking equipment had an original cost of \$2,549,563 and accumulated depreciation of \$435,748 as of the date of impairment. The impairment loss was \$1,906,401 for fiscal year ended June 30, 2020, which was allocated between parking equipment \$99,122 and leasehold improvements \$1,807,279.

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 7: CAPITAL LEASES

The Authority leases furniture, equipment and twenty-nine vehicles under seven separate capital leases expiring by the year 2024. 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 2020.

Capital lease activity for the year ended June 30, 2020 is as follows:

<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Decreases</u>	<u>Balance June 30, 2020</u>	<u>Due Within One Year</u>
\$ 627,314	\$ 318,474	\$ (337,916)	\$ 607,872	\$ 340,092

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

Year ending June 30,	
2021	\$ 376,659
2022	120,596
2023	86,831
2024	<u>55,025</u>
Total minimum lease payments	639,111
Less: amount representing interest	<u>(31,239)</u>
Present value of future minimum lease payments	<u>\$ 607,872</u>
Due within one year	\$ 340,092
Long-term portion	<u>267,780</u>
Future minimum lease payments	<u>\$ 607,872</u>

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 7: CAPITAL LEASES (Continued)

Assets under capital leases recorded in capital assets being depreciated/amortized in the statement of net position as of June 30, 2020, were as follows:

Vehicles	\$ 1,239,050
Security Equipment	341,584
Less: accumulated depreciation	(887,192)
Assets acquired under capital leases, net	\$ 693,442

NOTE 8: OPERATING AND MANAGEMENT AGREEMENT & LEASED PROPERTY 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. On October 21, 2020, WMATA and the Authority executed the first amendment to the operating and management agreement. Per the amendment, effective July 1, 2019, all of the provisions of the operating and management agreement pertaining to the management fee will no longer be effective.

The lease agreement between WMATA and the Authority for 15.782 acres of land “New Carrollton Garage East Lot” is scheduled to expire June 30, 2022.

NOTE 9: UNEARNED GRANT REVENUE – STRATEGIC DEMOLITION AND SMART GROWTH INVESTMENT FUND (SDSGIF)

In December 2014, the Authority was awarded from the Maryland Department of Housing and Community Development (“DHCD”) the FY 2015 Strategic Demolition and Smart Growth Investment Fund (“SDSGIF”) grant. The grant award amount of four hundred thousand dollars (\$400,000) was made available to assist with the design, site preparation and the construction of the Hamilton Street

**REVENUE AUTHORITY OF
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JUNE 30, 2020**

NOTE 9: UNEARNED GRANT REVENUE – STRATEGIC DEMOLITION AND SMART GROWTH INVESTMENT FUND (SDSGIF) (Continued)

Parking Facility project. The Authority received the funding of the award in January 2018.

On December 28, 2017, the Authority and the City of Hyattsville (“City”), an incorporated municipality of the State of Maryland issued a Memorandum of Understanding (“MOU”). The City was awarded a grant from the FY 2015 Strategic Demolition and Smart Growth Investment Fund (“SDSGIF”) grant from the Maryland Department of Housing and Community Development (“DHCD”). The City desired to support the Authority’s conceptual drawings for the Hamilton Street Parking Facility project and issued the MOU in which they contributed two hundred and eighty-one thousand, six hundred and fifty-five dollars (\$281,655) for the purpose of subsidizing the cost of engineering and design services provided pursuant to a development agreement. The Authority received the funding of the MOU in January 2018.

As of June 30, 2020, the Authority is continuing exploration of developing the Hamilton Street Parking Facility. The Authority recorded a total of \$681,655 as deferred revenues until the criteria is met for the funds to be earned.

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 10: BONDS PAYABLE

Changes in bonds payable for the fiscal year ended June 30, 2020 were as follows:

	Balance, July 1, 2019	Additions	Deductions	Balance, June 30, 2020	Amounts Due Within One Year
Special Obligation Bonds					
Series 2016, Term 2030	\$ 1,700,000	\$ -	\$ (100,000)	\$ 1,600,000	\$ 175,000
Series 2016, Term 2036	6,000,000	-	-	6,000,000	-
Premium	19,067	-	(1,130)	17,937	-
	<u>6,019,067</u>	<u>-</u>	<u>(1,130)</u>	<u>6,017,937</u>	<u>-</u>
Series 2016, Term 2046	20,300,000	-	-	20,300,000	-
Premium	137,182	-	(5,136)	132,046	-
	<u>20,437,182</u>	<u>-</u>	<u>(5,136)</u>	<u>20,432,046</u>	<u>-</u>
Lease Revenue Refunding Bonds					
Series 2018A, Term 2030	11,680,000	-	(830,000)	10,850,000	860,000
Premium	1,712,759	-	(158,101)	1,554,658	-
	<u>13,392,759</u>	<u>-</u>	<u>(988,101)</u>	<u>12,404,658</u>	<u>860,000</u>
Series 2018B, Term 2030	18,150,000	-	(1,400,000)	16,750,000	1,435,000
Revenue Bonds					
Series 2020, Term 2040	-	40,000,000	-	40,000,000	-
Total Bonds Payable	<u>\$ 59,699,008</u>	<u>\$ 40,000,000</u>	<u>\$ (2,494,367)</u>	<u>\$ 97,204,641</u>	<u>\$ 2,470,000</u>

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Special Obligation Bonds, Series 2016

On April 13, 2016, the Authority issued \$28,000,000 in Special Obligation Bonds (Suitland-Naylor Road Project), Series 2016 (the "Series 2016 Bonds"), for purposes of acquiring and assembling land improvements, paying entitlement fees, financing working capital, financing improvements related to the Suitland District, funding a debt service reserve fund, funding initial administrative expenses, and paying costs of issuing the Series 2016 Bonds. Pursuant to the Revenue Authority Act, the County Council adopted Bill No. CB-102-2015 on November 17, 2015 authorizing the pledge by the County of Tax Increment Revenues deposited into the Tax Increment Fund as security for the Series 2016 Bonds. The County has covenanted in the Contribution Agreement that it will comply in all material respects with the requirements of the laws of the State of Maryland relating to the timely levy and collection of the Tax Increment Revenues for the Series 2016 Bonds and other amounts payable under its Indenture of Trust.

The Series 2016 Bonds are special obligations of the Authority, the principal or redemption price and interest are paid from tax incremental revenues received from the County and money on deposit in certain funds and accounts created by its Indenture, including the Surplus Reserve Fund, Debt Service Reserve Fund and the

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 10: BONDS PAYABLE (Continued)

Debt Service Fund in the name of the Authority, as defined, established under its Indenture. As of June 30, 2020, the balances in the respective funds are as follows: Surplus Reserve Fund of \$2,068,192, Debt Service Reserve Fund of \$2,718,567 and Debt Service Fund of \$564,090 which are included in the statement of net position as restricted cash.

Interest on the Series 2016 Bonds is payable, according to the terms specified by the Indenture, semiannually on January 1 and July 1 of each year commencing on July 1, 2016. Interest on the Series 2016 Bonds is calculated on the basis of a 360-day year comprised of twelve 30-day months. The Series 2016 Term 2036 Bonds were issued at a premium of \$22,740. The Series 2016 Term 2046 Bonds were issued at a premium of \$153,874. The premiums are being amortized using the straight-line method over the life of each term of bonds. The Series 2016 Bonds were issued in three series as follows:

	<u>Principal Amount</u>	<u>Rate</u>	<u>Final Maturity</u>
Series 2016, Term 2030	\$ 1,700,000	4.375%	July 1, 2024
Series 2016, Term 2036	\$ 6,000,000	4.750%	July 1, 2030
Series 2016, Term 2046	\$ 20,300,000	5.000%	July 1, 2038

The total interest payments on the Series 2016 Bonds for the year ended June 30, 2020, was \$1,372,188, of which \$1,185,215 was received as tax incremental revenues from the County. As of June 30, 2020, accrued interest of \$685,000 remains payable.

The Series 2016 Bonds are subject to optional redemption, extraordinary optional redemption, and mandatory redemption from excess tax increment revenues. Principal payments on the Series 2016 Bonds are due each July 1 beginning July 1, 2019 from excess tax increment revenues subject to the maximum cumulative redemption amounts.

Projected Bond Principal Liability and Accrued Interest Payable

The Series 2016 Bonds are subject to repayment to the bond holders at various maturity dates. The schedule below provides a projected annual liability of principal and accrued interest based on estimated tax increment revenues available for the following fiscal years ending:

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PRINCE GEORGE'S COUNTY
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JUNE 30, 2020**

NOTE 10: BONDS PAYABLE (Continued)

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 175,000	\$ 1,370,000	\$ 1,545,000
2022	225,000	1,362,344	1,587,344
2023	255,000	1,352,500	1,607,500
2024	250,000	1,341,344	1,591,344
2025	400,000	1,330,406	1,730,406
2026-2030	4,600,000	6,221,019	10,821,019
2031-2035	10,110,000	4,611,838	14,721,838
2036-2039	<u>11,885,000</u>	<u>1,456,750</u>	<u>13,341,750</u>
Total	<u>\$ 27,900,000</u>	<u>\$ 19,046,201</u>	<u>\$ 46,946,201</u>

Lease Revenue Refunding Bonds, Series 2018A (tax-exempt) and 2018B (taxable)

On May 14, 2018, the Authority issued Lease Revenue Refunding Bonds (Upper Marlboro Courthouse Project), \$15,255,000 Series 2018A (Tax-Exempt) (the "Series 2018A Bonds") and \$18,500,000 Series 2018B (Taxable) (the "Series 2018B Bonds," and together with the Series 2018A Bonds, the "Bonds"). The Bonds are limited obligations of the Authority payable solely from and secured by certain payments to be made by the County pursuant to financing leases (see Note 4).

The Series 2018A and 2018B Lease Revenue Refunding Bonds are special obligations of the Authority payable solely from the amounts received from the County, as noted above, and amounts held under its Indenture of Trust.

Interest on the Bonds begins accruing interest upon issuance and is payable according to the terms specified by its Indenture semiannually on May 1 and November 1 of each year commencing on November 1, 2018. Interest on the Bonds is calculated on the basis of a 360-day year comprised of twelve 30-day months. The Bonds were issued at a premium of \$1,884,034. The premiums are being amortized over the life of the term of Bonds. The Bonds were issued in two series as follows:

	<u>Principal Amount</u>	<u>Rate</u>	<u>Final Maturity</u>
Series 2018A, Term 2030	\$ 15,255,000	5.000%	May 1, 2030
Series 2018B, Term 2030	\$ 18,500,000	3.980%	May 1, 2030

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 10: BONDS PAYABLE (Continued)

The total interest payments on the Bonds for the year ended June 30, 2020, was \$1,043,585, of which \$1,043,585 was reimbursed by the County. As of June 30, 2020, accrued interest of \$190,167 remains payable.

The Bonds are subject to optional redemption and mandatory redemption from rent revenues. Principal payments on the Bonds are due each May 1 and November 1 beginning May 1, 2019 from rental revenues subject to the maximum cumulative redemption amounts.

Projected Bond Principal Liability and Accrued Interest Payable

The Bonds are subject to repayment to the bond holders at various maturity dates. The schedule below provides a projected annual liability of principal and accrued interest based on estimated rental revenues available on May 1 of the following years:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 2,295,000	\$ 1,141,003	\$ 3,436,003
2022	2,385,000	1,053,805	3,438,805
2023	2,485,000	961,491	3,446,491
2024	2,580,000	862,792	3,442,792
2025	2,680,000	758,440	3,438,440
2026-2030	<u>15,175,000</u>	<u>2,016,564</u>	<u>17,191,564</u>
Total	<u>\$ 27,600,000</u>	<u>\$ 6,794,095</u>	<u>\$ 34,394,095</u>

Special Obligation Bonds, Series 2020

On January 23, 2020, the Authority issued \$40,000,000 in Revenue Bonds (University of Maryland Regional Medical Center Garage Project), Series 2020 (taxable) (the "Series 2020 Bonds"), for purposes of constructing a parking facility, funding a reserve fund, funding a capitalized interest fund, funding initial administrative expenses, and paying costs of issuing the Series 2020 Bonds, pursuant to the Revenue Authority Act, Resolution No. 2019-01 adopted by the Authority on October 22, 2019, as amended by Resolution No. 2019-02 adopted by the Authority on December 17, 2019.

The Series 2020 Bonds are limited obligations of the Authority, the principal or redemption price and interest on which are payable solely from the general revenues and money on deposit in certain funds and accounts created by its

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 10: BONDS PAYABLE (Continued)

Indenture, including the Reserve Fund, Capitalized Interest Fund, and Project Fund in the name of the Authority, as defined, established under its Indenture. As of June 30, 2020, the balances in the respective funds are as follows: Reserve Fund of \$2,681,684, Capitalized Interest Fund of \$2,303,117 and Project Fund of \$17,810,162 which are included in the statement of net position as restricted cash.

Interest on the Series 2020 Bonds will be payable semi-annually on the first day of each August 1 and February 1 of each year, commencing on August 1, 2020, until the final maturity of the Series 2020 Bonds (August 2049).

Interest on the Series 2020 Bonds will be computed on the basis of a 360-day year composed of twelve 30-day months and will begin accruing upon issuance of the Bonds. During the year ended June 30, 2020, the amount of \$563,318 accrued in interest, of which the entire balance remains payable.

	<u>Principal Amount</u>	<u>Rate</u>	<u>Final Maturity</u>
Series 2020, Term 2023	\$ 970,000	2.150%	August 1, 2023
Series 2020, Term 2024	\$ 995,000	2.296%	August 1, 2024
Series 2020, Term 2025	\$ 1,015,000	2.346%	August 1, 2025
Series 2020, Term 2026	\$ 1,040,000	2.553%	August 1, 2026
Series 2020, Term 2027	\$ 1,070,000	2.593%	August 1, 2027
Series 2020, Term 2028	\$ 1,100,000	2.711%	August 1, 2028
Series 2020, Term 2029	\$ 1,130,000	2.781%	August 1, 2029
Series 2020, Term 2030	\$ 1,160,000	2.891%	August 1, 2030
Series 2020, Term 2031	\$ 1,195,000	3.011%	August 1, 2031
Series 2020, Term 2032	\$ 1,235,000	3.111%	August 1, 2032
Series 2020, Term 2033	\$ 1,275,000	3.161%	August 1, 2033
Series 2020, Term 2034	\$ 1,315,000	3.211%	August 1, 2034
Series 2020, Term 2040	\$ 8,925,000	3.523%	August 1, 2040
Series 2020, Term 2045	\$ 9,045,000	3.643%	August 1, 2045
Series 2020, Term 2049	\$ 8,530,000	3.713%	August 1, 2049

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 10: BONDS PAYABLE (Continued)

Projected Bond Principal Liability and Accrued Interest Payable

The Bonds are subject to repayment to the bond holders at various maturity dates. The schedule below provides a projected annual liability of principal and accrued interest based on estimated revenues available for the following fiscal years ending:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ -	\$ 1,308,029	\$ 1,308,029
2022	-	1,308,029	1,308,029
2023	-	1,308,029	1,308,029
2024	970,000	1,277,211	2,247,211
2025	995,000	1,245,249	2,240,249
2026-2030	5,355,000	5,710,022	11,065,022
2031-2035	6,180,000	4,740,761	10,920,761
2036-2040	-	3,601,133	3,601,133
2041-2045	8,925,000	2,263,017	11,188,017
2046-2050	<u>17,575,000</u>	<u>691,422</u>	<u>18,266,422</u>
Total	<u>\$ 40,000,000</u>	<u>\$ 23,452,902</u>	<u>\$ 63,452,902</u>

The Bonds are subject to optional redemption and mandatory sinking fund redemption. Principal payments on the Series 2020 Bonds are due each August 1 and February 1 beginning August 1, 2023 from general revenues subject to the maximum cumulative redemption amounts.

NOTE 11: RESTRICTIONS OF NET POSITION

	<u>2020</u>
Net Position is restricted for the following purposes:	
Bond Reserve Fund for Series 2016 bonds	\$ 2,000,000
County Supplement for Suitland Land Acquisitions	887,393
Closed Circuit Television Repair and Replacement Reserves	<u>15,324</u>
Total restricted net position	<u><u>\$ 2,902,717</u></u>

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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

In fiscal year 2007, the 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 the 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 addition, during fiscal year 2015, the 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.

Designated Reserve Funds	2020
Special Projects	\$ 2,491,423
Maintenance	436,944
Operating	963,700
Total designated reserve funds	\$ 3,892,067

NOTE 13: RELATED PARTY TRANSACTIONS

Due to Affiliates

The Authority has amounts due to affiliates related to operating costs of certain lease property on behalf of these affiliates. The amounts are noninterest-bearing and due on demand. As of June 30, 2020, the amounts due to affiliates is \$767,054.

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 ("Parking Facilities Lease"). 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.

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 13: RELATED PARTY TRANSACTIONS (Continued)

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.

On November 27, 2019, the Authority and the County executed Addendum No. 4 to the Parking Facilities Lease. The parties agreed that effective June 25, 2019, the payments the Authority owes the County under the Parking Facilities Lease are abated through maturity or refund of the Series 2020 Bonds, such that the Authority may use such funds to pay debt service on the Series 2020 Bonds.

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 ("HJC") 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 will serve as an agent of the Authority for the administration of all design and construction contracts and, as such, the County managed the construction.

The Authority is obligated to maintain and operate the HJC garage in accordance with the Lease Agreement described 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, 2020.

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 agreed to lease the HJC Garage 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 was mutually agreed to extend for four additional ten-year periods.

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 13: RELATED PARTY TRANSACTIONS (Continued)

During year ended June 30, 2008, the Authority entered into an operating and management agreement with the County for the payment of rent related to the HJC Garage. 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 (collectively, the "rent"). Pursuant to the agreements, the County paid rent of \$660,000 for the year ended June 30, 2020.

In addition to the 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 11th through 18th 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, 2020.

Prince George's County (2018A and B Lease and Debt Issuance)

During the year ended June 30, 2018, the Authority, the Industrial Development Authority of Prince George's County ("IDA"), and the County entered into agreements where the Authority issued debt to refund debt outstanding of IDA for the Upper Marlboro Courthouse and DuVall Wing. The Authority would take an ownership interest in the related property and would then lease the capital assets to the County for rent payments equal to the effective debt service on the debt.

Prince George's County (Ground Lease -Upper Marlboro Courthouse)

The Authority and the County entered into a lease agreement dated May 1, 2018 (the "Ground Lease Agreement") wherein the County agreed to lease the Northeast section of the intersection of Water Street and Justice Road ("Land") to the Authority. The term of the Ground Lease is from May 1, 2018 to June 30, 2035, unless terminated earlier in accordance with the terms of Ground Lease Agreement.

Under the terms of this agreement, the Authority pays the County, as rent, thirty dollars (\$30) annually in advance with each payment due on the anniversary of the lease commencement date. Pursuant to the agreement, the Authority paid rent of \$30 for the year ended June 30, 2020.

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 13: RELATED PARTY TRANSACTIONS (Continued)

Prince George's County (Lease - DuVall Wing)

The Authority and the County also entered into a lease agreement dated May 1, 2018 (the "Lease Agreement") wherein the County agreed to lease any and all improvements located thereon comprising the DuVall Wing of the Prince George's County Courthouse ("Leased Project") to the Authority. The term of the lease is from May 1, 2018 to May 1, 2035, unless such term is sooner terminated or relinquished in accordance with the lease.

As of June 30, 2020, amounts payable from the County consisted of the following and is included in due from the County on the statement of net position:

Annual Ground Lease Agreement payment UM Courthouse	\$	(30)
Rent receivable, July 1, 2019 - June 30, 2020		660,000
HJC garage management fee due to the Authority		115,000
HJC annual fee due to the Authority		50,000
Payment to Department of Corrections 2020		11,591
Abandoned Vehicle Unit 2020 reimb.		501,265
Department of Public Works and Transportation 2020 overage		(51,900)
FedEx Field events reimbursement 2020		9,663
		<hr/>
Net due from County	\$	<u>1,295,589</u>

NOTE 14: 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 base rate, and the lessor of a maintenance fee or a portion of real estate taxes related to the property. The Authority paid \$8,859 in maintenance fees for the year ended June 30, 2020.

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 14: COMMITMENTS (Continued)

The lease with the WMATA for the New Carrollton East lot is for a five-year period commencing on July 1, 2017 and terminating on June 30, 2022 with the option to renew the lease for an additional term of five years commencing at the expiration of the initial term.

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

<u>Year ending June 30,</u>	
2021	\$ 409,624
2022	420,371
2023	<u>103,920</u>
Future minimum lease payments	<u>\$ 933,915</u>

Rent expenses on all operating leases for the year ended June 30, 2020 was \$365,596. Parking operating lease expense amounted to \$107,161 and general & administrative lease expense amounted to \$258,435 for the year ended June 30, 2020.

Construction contracts

The Authority has entered into contracts for management and maintenance of certain parking garages in the amount of \$31,445,579. During the year ended June 30, 2020, \$17,857,171 has been drawn and \$13,588,408 remains to be drawn.

NOTE 15: 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, 2020, total contributions by the Authority to the eligible employees of the 401K retirement plan were \$190,532 and is included in general and administrative expenses on the statement of revenues, expenses and change in net position.

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 16: 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 17: ESCROW ACCOUNT – INDUSTRIAL DEVELOPMENT AUTHORITY CALLABLE BONDS

On May 14, 2018, the Authority issued \$18,500,000 of taxable Lease Revenue Refunding Bonds, Series 2018B (“Refunding Bonds”) to advance refund \$17,300,000 of certain maturities to the Industrial Development Authority’s Taxable Lease Revenue Bonds, Series 2009. \$16,280,000 of the Refunding Bonds were considered defeased.

The Refunding Bonds had a callable date on October 15, 2019. The Authority established an escrow account in the name of the Authority with Zions Bank to fulfill the interest and principal payments that are due on the Refunding Bonds. The account earned interest on a monthly basis which was applied to future required payments. The Refunding Bonds were paid in an amount of \$16,775,492, inclusive of \$495,492 on October 15, 2019 and the escrow account was closed.

NOTE 18: CONTINGENCY

In early 2020, a global pandemic - coronavirus (“COVID-19”) emerged. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity which could result in a loss of revenue and other material adverse effects to the Authority’s financial position, results of operations, and cash flows. As of June 30, 2020, the global pandemic is still on going. Management continues to monitor the results of operations to evaluate impact of the pandemic on the project. The Authority is not able to estimate the length or severity of this outbreak and the related financial impact.

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 19: SUBSEQUENT EVENT

Events that occur after the statement of financial position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net position date requires disclosure in the accompanying notes. Management evaluated the activity of the Authority through January 9, 2021 and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2020**

Assets	Operating	Economic Development	Total
Current assets			
Cash, cash equivalents, and investments	\$ 8,074,499	\$ 1,271,857	\$ 9,346,356
Restricted cash	22,794,963	5,350,849	28,145,812
Parking and other receivables	18,928,007	-	18,928,007
Due from Prince George's County	1,295,589	-	1,295,589
Lease receivable	2,295,000	-	2,295,000
Other current assets	92,708	-	92,708
Total current assets	53,480,766	6,622,706	60,103,472
Noncurrent assets			
Note receivable	250,000	-	250,000
Lease receivable	26,859,658	-	26,859,658
Equity investments in joint ventures	5,794,726	-	5,794,726
Capital assets not being depreciated	23,040,766	28,600,415	51,641,181
Capital assets being depreciated, net	1,174,156	-	1,174,156
Total noncurrent assets	57,119,306	28,600,415	85,719,721
Total assets	110,600,072	35,223,121	145,823,193
Liabilities			
Current liabilities			
Accounts payable and accrued expenses	3,554,936	277,184	3,832,120
Due to affiliates	767,054	-	767,054
Unearned grant revenue	681,655	-	681,655
Capital lease obligations, current portion	340,092	-	340,092
Bonds interest payable	753,485	685,000	1,438,485
Bonds payable	2,295,000	175,000	2,470,000
Total current liabilities	8,392,222	1,137,184	9,529,406
Noncurrent liabilities			
Bonds payable	66,859,658	27,874,983	94,734,641
Capital lease obligations, net of current portion	267,780	-	267,780
Total noncurrent liabilities	67,127,438	27,874,983	95,002,421
Total liabilities	75,519,660	29,012,167	104,531,827
Net Position			
Net investment in capital assets	4,401,793	5,901,281	10,303,074
Restricted	15,324	2,887,393	2,902,717
Unrestricted			
Equity investments in joint ventures	5,794,726	-	5,794,726
Designated	3,507,602	384,465	3,892,067
Undesignated	21,360,967	(2,962,185)	18,398,782
Total Net Position	\$ 35,080,412	\$ 6,210,954	\$ 41,291,366

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY**
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Operating</u>	<u>Economic Development</u>	<u>Total</u>
Operating Revenues			
Parking operations	\$ 12,773,949	\$ -	\$ 12,773,949
Rent income from Prince George's County	660,000	-	660,000
Rental income	-	76,625	76,625
Management fee - red light	599,923	-	599,923
Management fee - false alarm	81,437	-	81,437
Management fee - automated speed enforcement	20,894	-	20,894
Management fee - operating programs	583,068	-	583,068
Collection fees	112,564	-	112,564
Other	432,858	-	432,858
	<u>15,264,693</u>	<u>76,625</u>	<u>15,341,318</u>
Operating Expenses			
Parking operations	11,587,579	-	11,587,579
General and administrative	2,430,707	-	2,430,707
Depreciation and amortization	1,033,050	-	1,033,050
Rent payment to Prince George's County	30	-	30
Repair and maintenance for leased property	-	650,535	650,535
Real estate development cost	-	399,000	399,000
Other	-	228,284	228,284
	<u>15,051,366</u>	<u>1,277,819</u>	<u>16,329,185</u>
Operating income/(loss) prior to impairment	213,327	(1,201,194)	(987,867)
Impairment expense	1,906,401	-	1,906,401
Operating income/(loss) with impairment	<u>(1,693,074)</u>	<u>(1,201,194)</u>	<u>(2,894,268)</u>
Non-Operating Revenues (Expenses)			
Debt service reimbursement for 2016 Bond Series	-	1,185,215	1,185,215
Debt service reimbursement for 2018 Bond Series	1,043,585	-	1,043,585
Interest income	126,716	97,717	224,433
Interest expense	(1,628,118)	(1,363,734)	(2,991,852)
Net non-operating expenses	<u>(457,817)</u>	<u>(80,802)</u>	<u>(538,619)</u>
Changes in net position	(2,150,891)	(1,281,996)	(3,432,887)
Net position, beginning of year	<u>37,231,303</u>	<u>7,492,950</u>	<u>44,724,253</u>
Net Position, End of Year	<u>\$ 35,080,412</u>	<u>\$ 6,210,954</u>	<u>\$ 41,291,366</u>