



REVENUE
AUTHORITY
OF PRINCE
GEORGE'S
COUNTY



REVENUE AUTHORITY OF PRINCE GEORGE'S COUNTY
Financial Statements and Supplemental Information
With Independent Auditor's Report
Year Ended June 30, 2024

**REVENUE AUTHORITY OF PRINCE GEORGE’S COUNTY
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
YEAR ENDED JUNE 30, 2024**

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements 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, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as of June 30, 2024, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

The Authority's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report

that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 to 9 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Disclaimer of Opinion on Supplementary Information

Our audit was conducted for the purposes of forming an opinion on the financial statements as a whole. The combining statement of net position and combining statement of revenues, expenses and changes in net position, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the 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 October 31, 2024 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.

Lanham, Maryland
October 31, 2024

Watson Rice LLP

**REVENUE AUTHORITY OF
PRINCE GEORGE’S COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS – UNAUDITED
JUNE 30, 2024**

This discussion and analysis of the Revenue Authority of Prince George’s County (the “Authority”), a component unit of Prince George’s County, Maryland (the “County”), provides an overview of the financial activities for the fiscal year ended June 30, 2024. Please read this in conjunction with the Authority’s basic financial statements, which begin on page 10.

Financial Highlights

- Cash, cash equivalents, and investments as of June 30, 2024, was \$24,145,174.
- Assets exceeded liabilities by \$41,559,027 as of June 30, 2024. The significant component of the Authority’s net position, about 48% or \$19,898,750 was recorded as Undesignated Funds, which is considered unrestricted.
- Operating income for the year ended June 30, 2024, totaled \$3,294,291.

Overview of the Financial Statements

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 - UNAUDITED
JUNE 30, 2024**

Summary of Statement of Net Position

The largest portion of the Authority's assets is capital assets being depreciated, consisting of parking structures and leasehold improvements, which makes up \$34,508,193 of total assets. The largest portion of the Authority's liabilities are bonds payable, which represents \$85,091,540 of the total liabilities. Net position decreased by \$6,819,796 for fiscal year 2024. This was due primarily to a change in the accounting estimates for the allowance for doubtful accounts, which reduced net position in fiscal year 2024 by \$10,926,125. Without this change in estimate, net position would have increased by \$4,106,329.

	<u>2024</u>	<u>2023</u>
Current assets	\$ 47,980,824	\$ 58,382,710
Capital assets	66,730,952	66,764,325
Other noncurrent assets	22,050,081	24,730,081
Total assets	<u>136,761,857</u>	<u>149,877,116</u>
Current liabilities	12,543,345	14,182,494
Noncurrent liabilities	82,659,485	87,315,799
Total liabilities	<u>95,202,830</u>	<u>101,498,293</u>
Net investment in capital assets	8,612,127	7,879,507
Restricted	2,028,783	2,119,355
Unrestricted		
Equity investments in joint ventures	5,794,726	5,794,726
Designated	5,224,641	10,094,232
Undesignated	19,898,750	22,491,003
Total net position	<u>\$ 41,559,027</u>	<u>\$ 48,378,823</u>

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
JUNE 30, 2024**

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

	<u>2024</u>	<u>2023</u>
Total operating revenues	\$ 21,105,676	\$ 19,016,417
Total operating expenses	<u>(17,811,385)</u>	<u>(15,857,301)</u>
Operating income	3,294,291	3,159,116
Net non-operating (expenses) revenues	<u>(10,114,087)</u>	<u>353,598</u>
Change in net position	(6,819,796)	3,512,714
Net position, beginning of year	<u>48,378,823</u>	<u>44,866,109</u>
Net position, end of year	<u>\$ 41,559,027</u>	<u>\$ 48,378,823</u>

The Authority's two major areas of revenue collections are parking operations and rental income from the County for 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 \$16,672,377 for fiscal year 2024.

The Authority, as per the agreement with the County, received rental income from the Hyattsville Justice Center of \$660,000 for fiscal year 2024.

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 \$75,827 for fiscal year June 30, 2024.

In fiscal year 2024, management fee income related to the School Bus Stop Arm Enforcement Program was \$1,636,571, Red-Light Camera Enforcement Program was \$485,210, False Alarm Reduction Unit was \$164,774, Automated Speed Enforcement Program was \$16,003, and Other Operating Programs including the Abandoned Vehicle Unit was \$564,274.

Collection fee income was \$126,276 for fiscal year 2024.

Other income was \$704,364 for fiscal year 2024, inclusive of a \$500,000 payment from the County as a supplemental payment made due to the termination of the management fee surrounding the New Carrollton garage.

The Authority received certain funds to cover portion of debt service due during the fiscal year ended June 30, 2024. These amounts included \$2,636,545 for debt service related to the Series 2016 bonds and \$718,993 for debt service related to the Series 2018 bonds.

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
JUNE 30, 2024**

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

Expenses related to the parking operations for fiscal year 2024 were \$12,538,280 or 59% of total operating revenues.

General and administrative expenses were \$2,238,119, 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 11% for fiscal year 2024.

Depreciation and amortization incurred during the year ended June 30, 2024 was \$2,285,500.

Payment to the County for fiscal year 2024 was \$30 based on terms in the ground lease for the Upper Marlboro Courthouse (see Note 11 – Related Party Transactions).

Repair and maintenance expenses for leased property totaled \$749,486.

Non-operating revenues (expenses) consist of the reimbursement revenues from the County related to bond debt service, interest income on short-term investments, and interest charges on long-term debt. In fiscal year 2024, it also includes the change in bad debt allowance methodology, totaling \$10,926,125. Net non-operating expenses were \$10,114,087 in fiscal year 2024.

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
JUNE 30, 2024**

Capital Assets

The Authority's capital assets, net of accumulated depreciation and amortization, are presented in the following table as of June 30, 2024 and 2023.

Capital Assets as of June 30

(net of accumulated depreciation, amortization, or impairment)

	<u>2024</u>	<u>2023</u>
Capital assets not being depreciated:		
Land	\$29,188,578	\$ 29,188,578
Construction in progress	3,034,181	\$ 3,034,181
Total capital assets not being depreciated	<u>32,222,759</u>	<u>32,222,759</u>
Capital assets being depreciated, net:		
Parking structures	28,549,596	29,607,107
Parking equipment	831,704	1,103,440
Office equipment	170,284	180,630
Meters	36,996	56,857
Leasehold improvements	3,061,059	1,131,053
Right-of-use assets:		
Office space	1,454,485	1,727,201
Equipment	14,880	23,100
Subscriptions	11,998	41,130
Vehicles	377,192	671,049
Total capital assets being depreciated/amortized, net	<u>34,508,193</u>	<u>34,541,566</u>
Total	<u>\$66,730,952</u>	<u>\$ 66,764,325</u>

Total additions for the year, net of disposals, is \$2,252,127. Total depreciation and amortization for the year were \$2,285,500.

Additional information related to capital assets can be found in Note 7 – Capital Assets.

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
JUNE 30, 2024**

Debt

The Authority's total debt is presented in the following table as of June 30, 2024 and 2023.

	Total Debt	
	2024	2023
Lease Revenue Bonds	\$ 17,855,000	\$ 20,435,000
Premium on Lease Revenue Bonds	1,080,356	1,080,356
Special Obligation Bonds	26,995,000	27,245,000
Premium on Special Obligation Bonds	131,185	131,185
Revenue Bonds	39,030,000	40,000,000
Lease Liability	2,214,308	2,811,080
Subscription Liability	9,950	34,327
Total	\$ 87,315,799	\$ 91,736,948

Additional information on the Authority's long-term debt can be found in the notes to the financial statements (notes 3, 4, and 8).

Contacting the Authority's Financial Management

This financial report is designed to provide citizens, customers, and creditors with a general overview of the Authority's finances and show the Authority's accountability for its resources and obligations. If you have any questions about this report or would like additional information, please call at 301-772-2060, or write to 1300 Mercantile Lane, Suite 108, Largo, Maryland 20774. If you would like additional information about the Authority, please visit the website at <https://www.princegeorgescountymd.gov/departments-offices/revenue-authority>

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
STATEMENT OF NET POSITION
JUNE 30, 2024**

Assets

Current assets

Cash, cash equivalents, and investments (Note 2)	\$ 10,150,008
Restricted cash (Note 2)	13,995,166
Parking and other receivables, net	19,520,430
Due from Prince George's County (Note 11)	1,488,623
Lease receivable (Note 5)	2,680,000
Other current assets	146,597

Total current assets	47,980,824
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Non-Current assets

Lease receivable (Note 5)	16,255,355
Equity investments in joint ventures (Note 6)	5,794,726
Capital assets not being depreciated (Note 7)	32,222,759
Capital assets being depreciated/amortized, net (Note 7)	34,508,193

Total non-current assets	88,781,033
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Total assets	136,761,857
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Liabilities

Current liabilities

Accounts payable and accrued expenses	3,457,779
Due to affiliates	3,090,425
Lease liability, current portion (Note 3)	571,364
Subscription liability, current portion (Note 4)	9,950
Bonds interest payable (Note 8)	1,338,827
Bonds payable (Note 8)	4,075,000

Total current liabilities	12,543,345
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NonCurrent liabilities

Bonds payable (Note 8)	81,016,540
Lease liability, net of current portion (Note 3)	1,642,945

Total noncurrent liabilities	82,659,485
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Total liabilities	95,202,830
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Net Position

Net investment in capital assets	8,612,127
Restricted (Note 9)	2,028,783
Unrestricted	
Equity investments in joint ventures (Note 6)	5,794,726
Designated (Note 10)	5,224,641
Undesignated	19,898,750

Total Net Position	\$ 41,559,027
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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
YEAR ENDED JUNE 30, 2024**

Operating Revenues

Parking operations	\$ 16,672,377
Rental income from Prince George's County	660,000
Rental income from leased property	75,827
Management fee - red light camera	485,210
Management fee - false alarm	164,774
Management fee - automated speed enforcement	16,003
Management fee - school bus stop arm enforcement	1,636,571
Management fee - other operating programs	564,274
Collection fees	126,276
Other	704,364
Total operating revenues	<u>21,105,676</u>

Operating Expenses

Parking operations	12,538,280
General and administrative	2,238,119
Depreciation and amortization	2,285,500
Repair and maintenance for leased property	749,486
Total operating expenses	<u>17,811,385</u>
Operating Income	<u>3,294,291</u>

Non-Operating Revenues (Expenses)

Debt service reimbursement for 2016 Bond Series	2,636,545
Debt service reimbursement for 2018 Bond Series	718,993
Interest income	1,044,663
Interest expense	(3,588,163)
Change in bad debt allowance methodology (Note 1)	<u>(10,926,125)</u>
Net non-operating revenues (expenses)	<u>(10,114,087)</u>
Change in net position	(6,819,796)
Net position, beginning of year	<u>48,378,823</u>
Net Position, End of Year	<u><u>\$ 41,559,027</u></u>

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

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2024**

Cash flows from operating activities

Cash received from operations	\$ 17,052,389
Cash paid to suppliers	(10,291,274)
Cash paid to employees	(5,580,393)
Cash paid to board members	(62,400)
Net cash provided by operating activities	<u>1,118,322</u>

Cash flows from capital and related financing activities

Acquisition or development of capital assets	(2,252,127)
Principal paid on leases and subscriptions	(621,149)
County contributions related to debt service	3,355,538
Principal paid on bonds	(3,800,000)
Interest paid on bonds	(3,619,713)
Net cash used in capital and financing activities	<u>(6,937,451)</u>

Cash flows from investing activities

Investment earnings	<u>1,044,663</u>
Net cash provided by investing activities	<u>1,044,663</u>

Net decrease in cash, cash equivalents, investments, and restricted cash (4,774,466)

Cash, cash equivalents, investments, and restricted cash, beginning of year 28,919,640

Cash, cash equivalents, investments, and restricted cash, end of year \$ 24,145,174

Non-cash capital and related financing activities:

Debt repayments offset through County lease activity	<u>\$ 2,580,000</u>
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Reconciliation of operating income to net cash provided by operating activities

Net operating income:	\$ 3,294,291
Adjustments to reconcile operating income to net cash provided by operating activities:	
Bad debt expense (not including change in accounting estimate)	3,721,851
Depreciation and amortization	2,285,500
Changes in operating assets and liabilities:	
Due to affiliates	1,201,963
Other current assets	17,961
Accounts payable	(408,182)
Due from Prince George's County	(762,901)
Unearned revenue	(2,636,545)
Accounts receivable, excluding change in estimate	(5,595,616)
Net cash provided by operating activities	<u>\$ 1,118,322</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, 2024**

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 – a quasi-governmental entity - 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 review of the Authority’s operating and approval of the capital improvement budgets.

Basis of Accounting

The Authority operates 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, and Investments

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 in the Maryland Local Government Investment Pool (the MLGIP, which is considered an External Investment Pool), which are considered investments.

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The External Investment Pools operate in conformity with all 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 and/or 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 non-operating income 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 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 \$50,016,457 as of June 30, 2024. The Authority will write-off citations when they are deemed uncollectable and are aged for 10 years or longer. The Authority wrote off \$8,302,720 of citations in fiscal year 2024 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 using the straight-line method over the estimated useful lives of the assets, which

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

range from 2 to 30 years, or the lesser of the useful life of the asset or the lease period for 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 recorded as expenses when incurred. Costs incurred for capital construction are carried in construction in progress until completion.

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.

In accordance with GASB 89, *Accounting for Interest Cost Incurred Before the End of 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.

Right of Use Assets

The financial statements include the adoption of GASB Statement No. 87, *Leases*. When the Authority is the lessee, it recognizes a lease liability and an intangible right-to-use lease asset.

Net Position

Net position represents the difference between assets and deferred outflows, less liabilities and deferred inflows. 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 and lease liabilities. 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 or unrestricted net position is available.

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net position is reported as restricted where there are limitations 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 year in which they are earned. Unearned revenues are recorded for amounts, such as grants, that have been received but not yet earned.

Use of Estimates

In accordance with accounting principles generally accepted in the United States of America, management utilizes estimates and assumptions. These estimates and assumptions may affect certain reported amounts for assets, liabilities, contingent items, revenues, and expenses during the reporting period. Actual results may 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. These investments are kept within limits designed to prevent risks caused by concentration.

Subscription-based IT Arrangements

The Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription-Based Information Technology Arrangements, which establishes requirements for subscription asset accounting based on the principle that the right to use a subscription asset represents an asset. The Authority recognizes a subscription liability and an intangible right to use subscription assets.

**REVENUE AUTHORITY OF
PRINCE GEORGE’S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Change in Accounting Estimate – Methodology for the Allowance for Doubtful Accounts and Bad Debt Expense

Prior to fiscal year 2024, an allowance for doubtful accounts had 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. In fiscal year 2024, the Authority incorporated additional criteria into this calculation based on historical analysis of actual collections on outstanding receivables. As such, an additional allowance has been established for accounts aged two years or older. This resulted in an additional allowance of \$10,926,125 being recorded in addition to the \$39,090,332 allowance that was already established under prior accounting policy, for a total of \$50,016,457.

NOTE 2: CASH, CASH EQUIVALENTS, INVESTMENTS, AND RESTRICTED CASH

Cash, cash equivalents, investments, and restricted cash are composed of the following as of June 30, 2024. Restricted cash is cash held in interest-bearing accounts associated with bonds.

	<u>2024</u>
Cash deposits	\$ 4,994,956
Petty cash	6,056
Zions Bank - Bond Trustee*	5,871,324
BNY Mellon - Bond Trustee*	8,123,842
Maryland Local Government Investment Pool	<u>5,148,996</u>
Total cash, cash equivalents, investments, and restricted cash	<u>\$ 24,145,174</u>

**Restricted Cash*

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

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

Investment Policy

The Authority's primary objective for the management of its funds is the protection of investment principal in the overall portfolio. This is achieved by diversification, third-party collateralization, and maintaining sufficient liquidity to reasonably meet all cash flow requirements. A 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. 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.

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 2: CASH, CASH EQUIVALENTS, AND INVESTMENTS (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, 2024, there was \$5,271,284 of uninsured cash that is collateralized by securities held by the pledging financial institution.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates 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. The Authority's investments held in the MLGIP do not have a maturity date and they are considered liquid investments.

NOTE 3: LEASES - LESSEES

The Authority entered into a lease for the use of Quadiant Postage Meter (leased asset – equipment) expiring November 2026. An initial lease liability was recorded in the amount of \$9,274. The Authority is required to make annual fixed payments of \$1,623. The lease has an interest rate of 1.9670%.

The Authority entered into a lease for the use of Konica Minolta – Bizhub (leased asset – equipment) expiring January 2026. An initial lease liability was recorded in the amount of \$36,099. The Authority is required to make monthly fixed payments of \$551. The lease has an interest rate of 0.8220%.

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 3: LEASES - LESSEES (Continued)

The Authority entered into a lease for the use of 1300 Mercantile Lane (leased asset – parking structures) expiring October 31, 2029. An initial lease liability was recorded in the amount of \$1,909,013. The Authority is required to make monthly fixed payments of \$22,950, increasing by approximately 3% per year as per the lease agreement. The lease has an interest rate of 2.6390%.

The Authority leases vehicles under seven separate leases expiring by the year 2027. The assets and liabilities under the 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 leases is included in depreciation and amortization expense for fiscal year 2024.

Lease liability activity for the year ended June 30, 2024 is as follows:

<u>Balance July 1, 2023</u>	<u>Additions</u>	<u>Decreases</u>	<u>Balance June 30, 2024</u>	<u>Due Within One Year</u>
\$ 2,811,080	\$ -	\$ 596,772	\$ 2,214,308	\$ 571,363

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

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	571,363	56,560	627,924
2026	493,415	53,283	546,698
2027	380,496	29,136	409,632
2028	347,848	16,646	364,495
2029	313,777	7,363	321,140
2030	107,409	591	108,000
Total	\$ 2,214,308	\$ 163,580	\$ 2,377,888

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 4: SUBSCRIPTION ASSETS

Right of Use Assets

For the year ended June 30, 2024, the financial statements include the adoption of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this Statement, an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset.

On September 15, 2022, the Authority entered into a 36-month subscription for the use of Passport Cloud-Based Integrated Parking Management System. An initial subscription liability was recorded in the amount of \$29,857. As of June 30, 2024, the value of the subscription liability is \$9,950. The Revenue Authority of Prince George's County, MD is required to make annual fixed payments of \$9,950. The subscription has an interest rate of 2.3540%.

On June 15, 2022, Revenue Authority of Prince George's County, MD entered into a 36-month subscription for the use of DebtBook Database Subscriptions. An initial subscription liability was recorded in the amount of \$28,973. As of June 30, 2024, the value of the subscription liability is \$0.

Subscription liability activity for the year ended June 30, 2024, is as follows:

<u>Balance July 1, 2023</u>	<u>Additions</u>	<u>Decreases</u>	<u>Balance June 30, 2024</u>	<u>Due Within One Year</u>
\$ 34,327	\$ -	\$ 24,377	\$ 9,950	\$ 9,950

Future minimum subscription payments, by year and in the aggregate, are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 9,950	\$ 234	\$ 10,184

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 4: SUBSCRIPTION ASSETS (Continued)

Assets under leases and subscriptions recorded in capital assets being depreciated/amortized in the statement of net position as of June 30, 2024, were as follows:

Right-of-use assets:	
Office space	\$ 1,909,013
Equipment	38,908
Vehicles	2,022,840
Subscriptions	58,830
Less: accumulated amortization	(2,171,037)
Assets under leases and subscriptions, net	<u>\$ 1,858,555</u>

NOTE 5: LEASE RECEIVABLES – DUVALL WING

On May 23, 2018, the Revenue Authority executed two (2) 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.

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. Interest on the lease is equivalent to interest accruing on the Lease Revenue Refunding Bonds, Series 2018A, which 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 Lease Revenue Refunding Bonds, Series 2018A is calculated based on a 360-day year comprised of twelve 30-day months. During the year ended June 30, 2024, lease revenue totaled \$718,993, inclusive of the amortization on the bond premium of \$158,101, which is included in debt service reimbursement for 2018 Bond series on the statement of revenues, expenses, and change in net position.

**REVENUE AUTHORITY OF
PRINCE GEORGE’S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 5: LEASE RECEIVABLES – DUVALL WING (Continued)

Future minimum lease payments to be received as of June 30, 2024, were as follows:

<u>June 30,</u>	<u>Principal Payments</u>	<u>Interest</u>	<u>Total Payments</u>
2025	2,838,101	758,440	3,596,541
2026	2,948,101	648,238	3,596,339
2027	3,063,101	532,060	3,595,161
2028	3,188,101	410,260	3,598,361
2029	3,318,101	281,447	3,599,548
2030	3,448,101	144,559	3,592,660
	<u>\$ 18,803,606</u>	<u>\$ 2,775,004</u>	<u>\$ 21,578,610</u>

NOTE 6: 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 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, 2024 are \$0. As of June 30, 2024, the Authority’s equity investment is \$3,708,625.

**REVENUE AUTHORITY OF
PRINCE GEORGE’S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

**NOTE 6: EQUITY INVESTMENTS IN JOINT VENTURES – BRENTWOOD
(Continued)**

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, 2024, the Authority’s equity investment is \$2,086,101.

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 7: CAPITAL ASSETS

	Balance June 30, 2023	Additions	Deletions	Balance June 30, 2024
Capital assets not being depreciated:				
Land	\$ 29,188,578	\$ -	\$ -	\$ 29,188,578
Construction in Progress	3,034,181	-	-	3,034,181
Total capital assets not being depreciated:	<u>32,222,759</u>	<u>-</u>	<u>-</u>	<u>32,222,759</u>
Capital assets being depreciated/amortized:				
Parking structures	43,427,342	-	-	43,427,342
Parking equipment	2,146,823	-	-	2,146,823
Office equipment	947,882	27,210	3,051	972,041
Meters	358,503	-	-	358,503
Leasehold improvements	2,928,674	2,212,200	-	5,140,874
Leased Asset - office space	1,909,013	-	-	1,909,013
Leased Asset - equipment	38,908	-	-	38,908
Leased Subscription	58,830	-	-	58,830
Leased Asset - vehicles	2,025,680	58,490	61,330	2,022,840
Total capital assets being depreciated/amortized:	<u>53,841,654</u>	<u>2,297,900</u>	<u>64,381</u>	<u>56,075,173</u>
Less accumulated depreciation for:				
Parking structures	13,820,235	1,057,511	-	14,877,746
Parking equipment	1,043,383	271,736	-	1,315,119
Office equipment	767,252	34,505	-	801,757
Meters	301,646	19,861	-	321,507
Leasehold improvements	1,797,621	282,194	-	2,079,815
Total accumulated depreciation	<u>17,730,137</u>	<u>1,665,807</u>	<u>-</u>	<u>19,395,944</u>
Leased Asset - office space	181,812	272,716	-	454,528
Leased Asset - equipment	15,808	8,220	-	24,028
Leased Subscription	17,700	29,132	-	46,832
Leased Asset - vehicles	1,354,632	291,017	-	1,645,649
Total accumulated amortization	<u>1,569,952</u>	<u>601,085</u>	<u>-</u>	<u>2,171,037</u>
Net capital assets being depreciated and amortized:	<u>34,541,566</u>	<u>31,008</u>	<u>64,381</u>	<u>34,508,193</u>
Net capital assets	<u>\$ 66,764,325</u>	<u>\$ 31,008</u>	<u>\$ 64,381</u>	<u>\$ 66,730,952</u>

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 8: BONDS PAYABLE

Changes in bonds payable for the fiscal year ended June 30, 2024 were as follows:

	Balance June 30, 2023	Additions	Deductions	Balance June 30, 2024	Due Within One Year
Special Obligation Bonds					
Series 2016, Term 2030	\$ 945,000	\$ -	\$ (250,000)	\$ 695,000	\$ 400,000
Series 2016, Term 2036	6,000,000	-	-	6,000,000	-
Premium	14,547	-	-	14,547	-
	<u>6,014,547</u>	<u>-</u>	<u>-</u>	<u>6,014,547</u>	<u>-</u>
Series 2016, Term 2046	20,300,000	-	-	20,300,000	-
Premium	116,638	-	-	116,638	-
	<u>20,416,638</u>	<u>-</u>	<u>-</u>	<u>20,416,638</u>	<u>-</u>
Lease Revenue Refunding Bonds					
Series 2018A, Term 2030	8,130,000	-	(1,000,000)	7,130,000	1,050,000
Premium	1,080,356	-	-	1,080,356	-
	<u>9,210,356</u>	<u>-</u>	<u>(1,000,000)</u>	<u>8,210,356</u>	<u>1,050,000</u>
Series 2018B, Term 2030	12,305,000	-	(1,580,000)	10,725,000	1,630,000
Revenue Bonds					
Series 2020, Term 2040	40,000,000	-	(970,000)	39,030,000	995,000
Total Bonds Payable	<u>\$ 88,891,541</u>	<u>\$ -</u>	<u>\$ (3,800,000)</u>	<u>\$ 85,091,541</u>	<u>\$ 4,075,000</u>

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 ("TIF") for the Series 2016 Bonds and other amounts payable under its Indenture of Trust.

During the year ended June 30, 2024, tax increment revenues of \$2,636,545 were received by the Authority, which was recognized as debt service reimbursement for 2016 Bond Series on the statement of revenues, expenses, and change in net position.

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 8: BONDS PAYABLE (Continued)

The Series 2016 Bonds are special obligations of the Authority. The principal, or redemption price and interest, are paid from tax increment revenues received from the County and money on deposit in certain funds and accounts created by the bond's indenture. This includes the Surplus Reserve Fund, Debt Service Reserve Fund, and the Debt Service Fund in the name of the Authority, as defined, established under the bond's indenture. As of June 30, 2024, the balances in the respective funds are as follows: Surplus Reserve Fund of \$2,249,954, Net Revenue Fund \$2,731,096, Debt Service Reserve Fund of \$2,709,000, Debt Service Fund of \$409,130 and an Administrative Expense Fund of \$24,662 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 based on 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>Maturity</u>
Series 2016, Term 2030	\$ 1,700,000	4.375%	July 1, 2025
Series 2016, Term 2036	\$ 6,000,000	4.750%	July 1, 2031
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, 2024, was \$1,341,344, all of which was received as tax increment revenues from the County. As of June 30, 2024, accrued interest of \$665,203 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.

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 8: BONDS PAYABLE (Continued)

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:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	400,000	1,330,406	1,730,406
2026	555,000	1,312,906	1,867,906
2027	730,000	1,287,650	2,017,650
2028	905,000	1,252,975	2,157,975
2029	1,105,000	1,209,988	2,314,988
2030-2035	11,415,000	5,769,338	17,184,338
2036-2039	11,885,000	1,456,750	13,341,750
Total	<u>\$ 26,995,000</u>	<u>\$ 13,620,013</u>	<u>\$ 40,615,013</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 made by the County pursuant to financing leases (See Note 5).

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 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 based on 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:

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 8: BONDS PAYABLE (Continued)

	<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

The total interest payments on the Bonds for the year ended June 30, 2024, was \$718,993, all of which was reimbursed by the County. As of June 30, 2024, accrued interest of \$126,407 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>
2025	2,680,000	758,438	3,438,438
2026	2,790,000	648,238	3,438,238
2027	2,905,000	532,060	3,437,060
2028	3,030,000	410,260	3,440,260
2029	3,160,000	281,447	3,441,447
2030	3,290,000	144,559	3,434,559
Total	<u>17,855,000</u>	<u>2,775,001</u>	<u>20,630,001</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.

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 8: BONDS PAYABLE (Continued)

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 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, 2024, the balances in the respective funds are as follows: Reserve Fund of \$2,318,799, Bond Fund of \$1,732,340, and Project Fund of \$1,803,539 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, 2024, the amount of \$547,217 accrued in interest, of which the entire balance remains payable.

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>Principal Amount</u>	<u>Rate</u>	<u>Final Maturity</u>
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, 2024**

NOTE 8: BONDS PAYABLE (Continued)

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.

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	995,000	1,292,380	2,287,380
2026	1,015,000	1,268,648	2,283,648
2027	1,040,000	1,242,127	2,282,127
2028	1,070,000	1,214,680	2,284,680
2029	1,100,000	1,185,032	2,285,032
2030-2034	5,995,000	5,587,655	11,582,655
2035-2039	7,055,000	4,570,278	11,625,278
2040-2044	8,410,000	3,238,795	11,648,795
2045-2049	10,180,000	1,596,156	11,776,156
2050	2,170,000	94,264	2,264,264
Total	<u>\$ 39,030,000</u>	<u>\$ 21,290,014</u>	<u>\$ 60,320,014</u>

Conduit Bond – Hamilton Manor Apartments Project, Series 2023

On August 1, 2023, the Revenue Authority of Prince George’s County (the “Authority”) issued \$9,395,000 of its Capital Appreciation Revenue Bonds (Hamilton Manor Apartments Issue), Series 2023 (the “Bonds”). The proceeds were used to make a loan to Hamilton Manor Mezzanine Partners LLC to finance, refinance or reimburse the borrower for certain costs of: (i) the refinancing of certain indebtedness, the proceeds of which were used to finance the acquisition, construction, improvement and equipping of the 245-unit affordable workforce housing facility known as The Hamilton Manor Apartments located at 3343 Lancer Drive, Hyattsville, MD 20782 and 3326 Lancer Drive, Hyattsville, MD 2078, (ii) the funding of capitalized interest, any credit enhancement costs, liquidity costs and/or debt service reserve fund relating to the Bonds, and (iii) the funding of certain issuance costs related to the Bonds. The Bonds are special, limited obligations of the Authority payable from loan payments received from the borrower and other amounts pledged. The bonds are not a general obligation of the Authority or Prince George’s County, Maryland and shall not constitute a debt of the Authority or Prince George’s County, Maryland.

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 9: RESTRICTIONS OF NET POSITION

Net Position is restricted for the following purposes:

Bond Reserve Fund for Series 2016 bonds	\$ 2,000,000
Closed Circuit Television Repair & Replacement Reserves	28,783
Total restricted net position	\$ 2,028,783

NOTE 10: 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 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 targeted to be 5% of the current fiscal year approved operating budget.

Designated Reserve Funds

Special Projects	\$	4,222,767
Maintenance		396,366
Operating		526,483
Suitland Economic Development		79,025
Total designated reserve funds	\$	5,224,641

NOTE 11: RELATED PARTY TRANSACTIONS

Due from Affiliates

The Authority has amounts due from affiliates related to operating costs of certain lease property on behalf of these affiliates. The amounts are non-interest bearing and due on demand. As of June 30, 2024, the amounts due from affiliates is \$1,610,208. This amount is included in the Parking and other receivables amount on the Statement of Net Position.

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 11: RELATED PARTY TRANSACTIONS (Continued)

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.

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, and 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, 2024.

**REVENUE AUTHORITY OF
PRINCE GEORGE’S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 11: RELATED PARTY TRANSACTIONS (Continued)

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.

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 \$660,000 for reimbursement of operating expenses during the year ended June 30, 2024, which is included in rental income from Prince George’s County on the statement of revenues, expenses, and change in net position.

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, 2024.

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. Refer to Note 5 for additional information.

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.

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 11: RELATED PARTY TRANSACTIONS (Continued)

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, 2024.

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. Refer to Note 5 for additional information.

As of June 30, 2024, the amount due from the County consisted of the following and is included in Due from Prince George's County on the statement of net position. The amount due to the County is included in Due to Affiliates on the statement of net position.

HJC rent receivable, July 1, 2022 - June 30, 2023	\$	660,000
HJC garage management fee		115,000
HJC annual fee		50,000
NCG fee related to Addendum #5 of lease agreement		500,000
Payment from the County's Department of Corrections		6,197
Reimbursement from the County Abandoned Vehicle Unit		611,141
Fringe lot expense reimbursement		334,246
Fed Ex Field events reimbursement		12,038
		2,288,623
Less: amount paid during the fiscal year		(800,000)
Amount due from the County		1,488,623
Annual Ground Lease Agreement payment		(30)
Annual Information Technology service cost		(443,600)
Amount due to the County		(443,630)
Net due from County	\$	1,044,993

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 11: RELATED PARTY TRANSACTIONS (Continued)

School Bus Stop Arm Enforcement Program

The Authority and the Prince George's County Public Schools ("PGCPS") entered into a Memorandum of Understanding ("MOU") effective July 1, 2020 in which the Authority was contracted to manage the program funds, citations, and program personnel on behalf of Prince George's County Public Schools ("PGCPS") in relation to the School Bus Stop Arm Enforcement Program. The term of the agreement is from the effective date and shall continue until and unless terminated by either party. The Authority, in consideration of the services provided, will be compensated twelve and a half percent (12.5%) of the gross revenues of the program fund monthly. For the period ending June 30, 2024, the Authority earned \$1,636,571.

NOTE 12: 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, 2024, total contributions by the Authority to the eligible employees of the 401K retirement plan were \$236,381 and is included in general and administrative expenses on the statement of revenues, expenses, and change in net position.

NOTE 13: 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 14: SUBSEQUENT EVENTS

Events that occur after the statement of net 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 October 31, 2024 noting no subsequent events requiring disclosure in the accompanying notes.

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
COMBINING STATEMENT OF NET POSITION - UNAUDITED
JUNE 30, 2024**

Assets	Operating	Economic Development - Suitland	Total
Current assets			
Cash, cash equivalents, and investments	\$ 1,947,140	\$ 8,202,868	\$ 10,150,008
Restricted cash	13,995,166	-	13,995,166
Parking and other receivables	19,520,430	-	19,520,430
Due from Prince George's County	1,488,623	-	1,488,623
Lease receivable	2,680,000	-	2,680,000
Other current assets	146,597	-	146,597
Total current assets	39,777,956	8,202,868	47,980,824
Non-Current assets			
Lease receivable	16,255,355	-	16,255,355
Equity investments in joint ventures	5,794,726	-	5,794,726
Capital assets not being depreciated	4,122,344	28,100,415	32,222,759
Capital assets being depreciated/amortized, net	34,508,193	-	34,508,193
Total non-current assets	60,680,618	28,100,415	88,781,033
Total assets	100,458,574	36,303,283	136,761,857
Liabilities			
Current liabilities			
Accounts payable and accrued expenses	2,526,634	931,145	3,457,779
Due to affiliates	3,090,425	-	3,090,425
Lease liability, current portion	571,364	-	571,364
Subscription liability, current portion	9,950	-	9,950
Bonds interest payable	-	665,203	665,203
Bonds payable	4,348,624	400,000	4,748,624
Total current liabilities	10,546,997	1,996,348	12,543,345
Noncurrent liabilities			
Bonds payable	54,290,355	26,726,185	81,016,540
Lease liability, net of current portion	1,642,945	-	1,642,945
Total noncurrent liabilities	55,933,300	26,726,185	82,659,485
Total liabilities	66,480,297	28,722,533	95,202,830
Net Position			
Net investment in capital assets	2,150,601	6,461,526	8,612,127
Restricted	28,783	2,000,000	2,028,783
Unrestricted			
Equity investments in joint ventures	5,794,726	-	5,794,726
Designated	5,224,641	79,025	5,303,666
Undesignated	20,779,526	(959,801)	19,819,725
Total Net Position	\$ 33,978,277	\$ 7,580,750	\$ 41,559,027

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGE IN NET POSITION - UNAUDITED
YEAR ENDED JUNE 30, 2024**

	Operating	Economic Development - Suitland	Total
Operating Revenues			
Parking operations	\$ 16,672,377	\$ -	\$ 16,672,377
Rental income from Prince George's County	660,000	-	660,000
Rental income from leased property	-	75,827	75,827
Management fee - red light camera	485,210	-	485,210
Management fee - false alarm	164,774	-	164,774
Management fee - automated speed enforcement	16,003	-	16,003
Management fee - school bus stop arm enforcement	1,636,571	-	1,636,571
Management fee - other operating programs	564,274	-	564,274
Collection fees	126,276	-	126,276
Other	704,364	-	704,364
Total operating revenues	<u>21,029,849</u>	<u>75,827</u>	<u>21,105,676</u>
Operating Expenses			
Parking operations	12,538,280	-	12,538,280
General and administrative	2,238,119	-	2,238,119
Depreciation and amortization	2,285,500	-	2,285,500
Repair and maintenance for leased property	-	749,486	749,486
Total operating expenses	<u>17,061,899</u>	<u>749,486</u>	<u>17,811,385</u>
Operating income/(loss)	<u>3,967,950</u>	<u>(673,659)</u>	<u>3,294,291</u>
Non-Operating Revenues (Expenses)			
Debt service reimbursement for 2016 Bond Series	-	2,636,545	2,636,545
Interest income	635,199	409,464	1,044,663
Interest expense	(2,255,944)	(1,332,219)	(3,588,163)
Change in bad debt allowance methodology (Note 1)	<u>(10,926,125)</u>	<u>-</u>	<u>(10,926,125)</u>
Net non-operating revenues (expenses)	<u>(11,827,877)</u>	<u>1,713,790</u>	<u>(10,114,087)</u>
Change in net position	<u>(7,859,927)</u>	<u>1,040,131</u>	<u>(6,819,796)</u>
Net position, beginning of year	41,838,204	6,540,619	48,378,823
Net Position, end of year	<u>\$ 33,978,277</u>	<u>\$ 7,580,750</u>	<u>\$ 41,559,027</u>