

**REDEVELOPMENT
AUTHORITY OF
PRINCE GEORGE'S COUNTY**

ANNUAL FINANCIAL REPORT

For the years ended June 30, 2007 and 2006

REDEVELOPMENT AUTHORITY OF PRINCE GEORGE'S COUNTY

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Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	2
Basic Financial Statements:	
Statements of Net Assets	6
Statements of Revenues, Expenses, and Changes in Net Assets	7
Statements of Cash Flows	8
Notes to Basic Financial Statements	9

REDEVELOPMENT AUTHORITY OF PRINCE GEORGE'S COUNTY
Management's Discussion and Analysis
June 30, 2007 and 2006

As management of the Redevelopment Authority of Prince George's County (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal years ended June 30, 2007 and 2006. The purpose of the Authority is to provide residential, commercial, or industrial development and redevelopment within the County. The Authority is a component unit of Prince George's County, Maryland (the County) and is included in the County's government-wide financial statements.

FINANCIAL HIGHLIGHTS

Fiscal 2007

- The Authority's assets exceeded its liabilities at June 30, 2007 by \$53,821,527 (net assets). Of this amount, \$5,525,175 (unrestricted net assets) may be used to meet the Authority's general operations.
- Total net assets of the Authority increased by \$14,640,756 from the previous year primarily due to capital grants of \$11,742,712.
- Total cost of real property owned by the Authority for future development increased by \$10,350,778 from the previous fiscal year because of acquisition and development costs.

Fiscal 2006

- The Authority's assets exceeded its liabilities at June 30, 2006 by \$39,180,771 (net assets). Of this amount, \$2,179,345 (unrestricted net assets) may be used to meet the Authority's general operations.
- Total net assets of the Authority increased by \$16,654,350 from the previous year primarily due to capital grants of \$14,673,537.
- Total cost of real property owned by the Authority for future development increased by \$22,041,724 from the previous fiscal year because of acquisition and development cost.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements, which include the statement of net assets, statement of revenues, expenses and changes in net assets, statement of cash flows, as well as notes to the basic financial statements.

Basic Financial Statements

The Authority's financial statements are similar to private-sector financial statements.

The Statement of Net Assets shows the Authority's assets less its liabilities at each fiscal year end. The difference between assets and liabilities is reported as net assets. Changes in net assets over time may be helpful in indicating an improving or deteriorating financial position.

The Statement of Revenues, Expenses, and Changes in Net Assets presents information showing operations during the fiscal year. The statement presents all underlying events, which give rise to the changes in net assets, regardless of the timing of the related cash flows. Items such as vendor accounts payable and prepaid expenses will produce changes in cash in a future fiscal period.

REDEVELOPMENT AUTHORITY OF PRINCE GEORGE'S COUNTY
Management's Discussion and Analysis
June 30, 2007 and 2006

The Statement of Cash Flows shows actual cash activity for the period and provides reconciliation to the accrual based financial statements.

The notes provide additional information that is essential to understand the information provided in the basic financial statements. Notes are presented on pages 10 through 13.

FINANCIAL ANALYSIS

The following is a summary of assets, liabilities, and net assets at June 30, 2007, 2006, and 2005.

Summary of Assets, Liabilities and Net Assets

		June 30,		
		2007	2006	2005
<u>Assets</u>				
Current assets	\$	5,972,801	2,548,343	5,010,752
Capital assets		54,688,251	42,278,905	20,243,398
Total assets		<u>60,661,052</u>	<u>44,827,248</u>	<u>25,254,150</u>
<u>Liabilities</u>				
Current liabilities		1,799,847	1,836,634	1,608,622
Noncurrent liabilities		5,039,677	3,809,843	1,119,107
Total liabilities		<u>6,839,525</u>	<u>5,646,477</u>	<u>2,727,729</u>
<u>Net Assets</u>				
Invested in capital assets, net of related liabilities		48,096,352	36,801,142	18,288,371
Restricted for line of credit		200,000	200,000	200,000
Unrestricted		5,525,175	2,179,629	4,038,050
Total net assets	\$	<u><u>53,821,527</u></u>	<u><u>39,180,771</u></u>	<u><u>22,526,421</u></u>

Financial Analysis 2007

The Authority's investment in capital assets of \$48,096,352 is nearly all land and construction in progress and amounts to 90.0% of total net assets. The amount is presented net of any accumulated depreciation and related liabilities. The Authority will use the land to facilitate redevelopment in Prince George's County consistent with the Authority's goals and objectives. The Authority may develop some parcels of land, while others may be sold or contributed to other organizations for development.

The Authority's net assets also include restricted net assets of \$200,000 and unrestricted net assets of \$5,525,175. Restricted net assets are resources subject to external restriction on how they may be used to meet the Authority's ongoing obligations. At June 30, 2007, the Authority reported positive balances in all categories of net assets.

Cash and cash equivalents at June 30, 2007 totaled \$5,585,927 including \$200,000 that was restricted as collateral on a \$1,000,000 line of credit that had no outstanding balance at fiscal year end. Cash and cash equivalents increased \$4,099,937 from the previous year due to improvement in cash flow from operations and from capital contributions from the County for the African American Museum and Cultural Center which are being held for future expenditure.

REDEVELOPMENT AUTHORITY OF PRINCE GEORGE'S COUNTY
Management's Discussion and Analysis
June 30, 2007 and 2006

Financial Analysis 2006

The Authority's investment in capital assets of \$36,801,142 is nearly all land and construction in progress and amounts to 93.9% of total net assets. The amount is presented net of any accumulated depreciation and related liabilities. The Authority will use the land to facilitate redevelopment in Prince George's County consistent with the Authority's goals and objectives. The Authority may develop some parcels of land, while others may be sold or contributed to other organizations for development.

The Authority's net assets also include restricted net assets of \$200,000 and unrestricted net assets of \$2,179,629. Restricted net assets are resources subject to external restriction on how they may be used to meet the Authority's ongoing obligations. At June 30, 2006, the Authority reported positive balances in all categories of net assets.

Cash and cash equivalents at June 30, 2006 totaled \$1,485,990 including \$200,000 that was restricted as collateral on a \$1,000,000 line of credit that had no outstanding balance at fiscal year end. Cash and cash equivalents decreased \$2,277,074 from the previous year due to the use of the cash to fund 2006 activities.

Summary of Changes in Net Assets

	Years ended June 30,		
	2007	2006	2005
Total operating revenues	\$ 4,617,485	3,726,636	2,253,890
Total operating expenses	1,738,300	1,750,539	2,453,484
Operating income (loss)	2,879,185	1,976,097	(199,594)
Nonoperating revenues, net	18,858	4,716	2,484
Gain (loss) before capital contributions	2,898,043	1,980,813	(197,110)
Capital contributions	11,742,712	14,673,537	5,307,631
Increase in net assets	\$ 14,640,755	16,654,350	5,110,521

Fiscal Year 2007

Operating expenses decreased approximately \$12,000.

Non-operating revenues (expenses) increased approximately \$14,000 in fiscal year 2007 from fiscal year 2006.

Capital contributions decreased \$2.9 million because of less funding received from the County.

Fiscal Year 2006

Operating expenses decreased approximately \$703,000 in fiscal year 2006 because the Authority had funded \$646,165 to the African American Cultural Museum in 2005.

Non-operating revenues (expenses) increased approximately \$2,000 in fiscal year 2006 from fiscal year 2005.

REDEVELOPMENT AUTHORITY OF PRINCE GEORGE'S COUNTY
Management's Discussion and Analysis
June 30, 2007 and 2006

CAPITAL ASSETS

The Authority's capital assets as of June 30, 2007 and 2006 amounted to \$54,658,252 and \$42,279,605 (net of accumulated depreciation). The preponderance of capital assets is land held for future development as follows at June 30, 2007 and 2006:

	<u>June 30, 2006</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2007</u>
Capital assets, not being depreciated:				
Land	\$ 39,475,278	12,040,024	-	\$ 51,515,302
Construction in Progress	<u>2,795,438</u>	<u>425,694</u>	<u>(2,114,939)</u>	<u>1,106,193</u>
Total capital assets being depreciated:	<u>42,270,716</u>	<u>12,465,718</u>	<u>(2,114,939)</u>	<u>52,621,495</u>
Capital assets being depreciated:				
Equipment	30,820	-	(19,995)	10,825
Building		2,114,939		2,114,939
Less accumulated depreciation	<u>(22,631)</u>	<u>(56,371)</u>	<u>19,995</u>	<u>(59,007)</u>
Total capital assets being depreciated:	<u>8,189</u>	<u>2,058,568</u>	<u>-</u>	<u>2,066,757</u>
Total capital assets	<u>\$ 42,278,905</u>	<u>14,524,286</u>	<u>(2,114,939)</u>	<u>\$ 54,688,252</u>

DEBT ADMINISTRATION

At June 30, 2006 and June 30, 2007 the Authority owed the County a no interest promissory note of \$1,873,113 payable at the earlier of September 9, 2024 or at the time property owned in Cheverly, Maryland is sold. The note is reported at \$810,109, net of a \$1,063,003 reserve to reflect the present value of the loan. A line of credit of \$1,000,000 was available. In prior years it was used and repaid to provide working capital to purchase and rehab vacant houses under the U.S. Department of Housing and Urban Development's asset control area program.

Requests for Information

This Annual Financial Report is designed to provide a general overview of the Authority's financial position. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Redevelopment Authority of Prince George's County, 9201 Basil Court, Suite 155, Largo, Maryland 20785.

REDEVELOPMENT AUTHORITY OF PRINCE GEORGE'S COUNTY

Statements of Net Assets

June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents (note 2)		
Unrestricted	\$ 5,385,927	1,285,990
Restricted	200,000	200,000
Prepaid expenses	2,969	7,460
Accounts receivable	250,664	215,563
Due from other governmental units	133,241	839,330
Total current assets	<u>5,972,801</u>	<u>2,548,343</u>
Noncurrent assets:		
Capital assets: (note 3)		
Equipment	10,825	30,820
Accumulated depreciation	(6,134)	(22,631)
Building	2,114,939	-
Accumulated depreciation	(52,873)	-
Land	51,515,302	39,475,277
Construction in progress	1,106,192	2,795,439
Total noncurrent assets	<u>54,688,251</u>	<u>42,278,905</u>
Total assets	<u>60,661,052</u>	<u>44,827,248</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	485,238	1,222,087
Refundable deposit	117,500	117,500
Current portion of accrued relocation costs	1,197,109	497,047
Total current liabilities	<u>1,799,847</u>	<u>1,836,634</u>
Noncurrent liabilities:		
Accrued relocation costs, less current portion (note 5)	4,229,569	2,999,734
Note Payable to County (note 4)	810,109	810,109
Total noncurrent liabilities	<u>5,039,677</u>	<u>3,809,843</u>
Total liabilities	<u>6,839,525</u>	<u>5,646,477</u>
<u>NET ASSETS</u>		
Invested in capital assets, net of related liabilities	48,096,352	36,801,142
Restricted for line of credit	200,000	200,000
Unrestricted	5,525,175	2,179,629
Total net assets	\$ <u>53,821,527</u>	<u>39,180,771</u>

See accompanying notes to basic financial statements.

REDEVELOPMENT AUTHORITY OF PRINCE GEORGE'S COUNTY

Statements of Revenues, Expenses, and Changes in Net Assets

For the years ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Operating revenues:		
Gain on sale of land	\$ -	307,380
Intergovernmental salary contribution (note 4)	882,153	862,744
Intergovernmental grants (note 4)	3,253,302	2,546,265
Fees & Miscellaneous	<u>482,030</u>	<u>10,247</u>
Total operating revenues	<u>4,617,485</u>	<u>3,726,636</u>
Operating expenses:		
Salaries and related costs (note 4)	882,153	862,744
Grants and contractual services	690,569	725,410
Depreciation	56,372	6,164
General and administrative	<u>109,206</u>	<u>156,221</u>
Total operating expenses	<u>1,738,300</u>	<u>1,750,539</u>
Operating income	<u>2,879,185</u>	<u>1,976,097</u>
Nonoperating revenues (expenses):		
Interest Income	<u>18,858</u>	<u>4,716</u>
Net nonoperating revenues (expenses)	<u>18,858</u>	<u>4,716</u>
Gain (loss) before capital contributions	2,898,043	1,980,813
Capital contributions (note 4)	<u>11,742,712</u>	<u>14,673,537</u>
Changes in net assets	14,640,756	16,654,350
Net assets, beginning of year	<u>39,180,771</u>	<u>22,526,421</u>
Net assets, end of year	<u>\$ <u>53,821,527</u></u>	<u>39,180,771</u>

See accompanying notes to basic financial statements.

REDEVELOPMENT AUTHORITY OF PRINCE GEORGE'S COUNTY

Statements of Cash Flows

For the years ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Cash received from customers and County general fund	\$ 3,735,332	2,556,512
Payments to suppliers for goods and services	(682,160)	(1,372,804)
Payments for general and administrative expenses	<u>(34,212)</u>	<u>(158,108)</u>
Net cash and cash equivalents used in operating activities	<u>3,018,960</u>	<u>1,025,600</u>
Cash flows from noncapital financing activities:		
Intergovernmental grants received	<u>3,924,289</u>	<u>734,394</u>
Net cash and cash equivalents provided by noncapital financing activities	<u>3,924,289</u>	<u>734,394</u>
Cash flows from capital and related financing activities:		
Proceeds from sale of capital asset (note 7)	-	522,980
Deposit received	-	117,500
Acquisition of capital assets	(11,351,581)	(18,809,534)
Capital grants received	<u>8,489,410</u>	<u>14,127,272</u>
Net cash and cash equivalents provided by (used in) capital financing activities	<u>(2,862,171)</u>	<u>(4,041,782)</u>
Cash flows from investing activities:		
Interest on investments	<u>18,858</u>	<u>4,716</u>
Net increase (decrease) in cash and cash equivalents	<u>4,099,937</u>	<u>(2,277,072)</u>
Cash and cash equivalents, beginning of year	<u>1,485,990</u>	<u>3,763,062</u>
Cash and cash equivalents, end of year	\$ <u><u>5,585,927</u></u>	\$ <u><u>1,485,990</u></u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating income	\$ 2,879,185	1,976,097
Adjustments to reconcile operating loss to net cash and cash equivalents used in operating activities:		
Gain on sale of land	-	(307,380)
Depreciation	56,372	6,164
Contributed salary and fringe expense	882,153	862,744
Changes in assets and liabilities:		
Prepaid expenses	4,491	(2,795)
Accounts payable	<u>78,912</u>	<u>(646,486)</u>
Net cash and cash equivalents provided by operating activities	\$ <u><u>3,901,113</u></u>	\$ <u><u>1,888,344</u></u>

See accompanying notes to basic financial statements.

REDEVELOPMENT AUTHORITY OF PRINCE GEORGE'S COUNTY

Notes to Basic Financial Statements
June 30, 2007 and 2006

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

The Redevelopment 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 provide residential, commercial, or industrial development and redevelopment within County boundaries in furtherance of public interests. The Authority is a component unit of the County. The Authority's five board members are appointed by the County Executive and confirmed by the County Council. The County Executive and County Council have oversight responsibility for approval of the Authority's operating and capital improvement budgets.

(b) Basis of Accounting

The Authority's activities are accounted for following the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. Capital and operating grants from the State of Maryland and Prince George's County are recognized when the grantors make a formal, legally approved commitment with a certainty of payment. The Authority applies all applicable Financial Accounting Standards Board pronouncements issued on or prior to November 30, 1989 in accounting for and reporting its operations – unless these pronouncements conflict with pronouncements for the Governmental Accounting Standards Board.

(c) Cash and Cash Equivalents

For Statement of Cash Flows purposes, the Authority defines cash and cash equivalents as all highly liquid investments with a maturity of three months or less when purchased and all amounts or deposits in the County's cash and investment pool. Restricted cash and cash equivalents of \$200,000 represents funds restricted by terms of an unused line of credit of \$1,000,000.

(d) Capital Assets

Land is stated at original purchase price plus demolition, relocation, and other costs to prepare for construction. Additionally, net rental income during the relocation of tenants is offset against the carrying amount of the capital assets. Equipment and other assets costing over \$5,000 are capitalized.

(e) Depreciation

Equipment is depreciated using the straight-line method over a period of 5 to 10 years. Buildings are depreciated using the straight line method over a period of 40 years.

(f) Contributed Salaries and Related Costs

The costs of salaries and fringe benefits of staff provided by other County departments and entities are recorded at cost as operating expenses. In fiscal years 2006 and 2007 the cost was offset by an equal amount of contribution income.

(Continued)

REDEVELOPMENT AUTHORITY OF PRINCE GEORGE'S COUNTY

Notes to Basic Financial Statements
June 30, 2007 and 2006

(g) Operating and Nonoperating Revenues and Expenses

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. All other revenue and expenses that do not meet the criteria are considered nonoperating.

(h) Use of Estimates

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

(2) Cash and Investments

The Redevelopment Authority's cash carrying amount and bank balance at June 30, 2007 and 2006 amounted to \$1,082,816 and \$1,003,406, respectively. Such amounts are insured except for \$855,323 and \$775,991 at June 30, 2007 and 2006. The uninsured amounts were secured by investments held by the fiscal agent. The Authority's funds are invested as follows as of June 30, 2007 and 2006:

	<u>2007</u>		
	<u>Fair Value</u>	<u>Maturity</u>	<u>% of Portfolio</u>
Repurchase Agreement	\$ 351,779	Less than 1 year	7.81%
County's cash and investment pool	<u>4,151,312</u>	Less than 1 year	<u>92.19%</u>
Total	<u>\$ 4,503,091</u>		<u>100.00%</u>

	<u>2006</u>		
	<u>Fair Value</u>	<u>Maturity</u>	<u>% of Portfolio</u>
Repurchase Agreement	\$ 246,037	Less than 1 year	50.98%
County's cash and investment pool	<u>236,548</u>	Less than 1 year	<u>49.02%</u>
Total	<u>\$ 482,585</u>		<u>100.00%</u>

Interest Rate Risk. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk. The repurchase agreements are fully collateralized with investments held by the RA's agent in the RA's name. All amounts on deposit with the County are fully insured or collateralized with investments held by the County's agent in the County's name. The uninsured cash balances are collateralized by investments held by the bank.

Concentration Risk. The Authority does not have a formal policy limiting the amount it may invest in any one issuer.

Credit Risk. The Authority does not have a formal policy limiting its investments based on their credit rating.

(Continued)

REDEVELOPMENT AUTHORITY OF PRINCE GEORGE'S COUNTY
Notes to Basic Financial Statements
June 30, 2007 and 2006

Additionally the Authority had cash with the County's cash and investments pool, stated at cost, amounting to \$4,151,311 and \$236,548 at June 30, 2007 and 2006, respectively. State statutes authorize the County to invest in obligations of the U.S. Treasury and other government agencies and instruments, interest bearing accounts, certificates of deposit, repurchase agreements, and bankers' acceptances, money market accounts, and the State's investment pool.

Cash equivalents at June 30, 2007 and 2006, amounting to \$351,779 and \$246,037 represented repurchase agreements. Such assets are reported at cost, which approximates market value, and were fully collateralized with securities held by the Authority's agent.

(3) Capital Assets

Capital asset activity for the years ended June 30, 2007 and 2006 were as follows:

	2005	Additions	Disposals	2006	Additions	Disposals	2007
Capital assets not being depreciated:							
Land:							
Suitland Manor Redevelopment	\$ 12,145,688	20,173,777	-	32,319,465	9,467,420	-	41,786,885
Route 1 Gateway Arts District	2,686,256	34,067	-	2,720,323	70,901	-	2,791,224
Palmer Park Shopping Center	1,482,541	59,274	-	1,541,815	39,549	-	1,581,364
Addison Road	637,929	55,189	(290,600)	402,518	1,715,554	-	2,118,072
Other Projects	2,401,706	89,451	-	2,491,157	746,600	-	3,237,757
Total land and associated costs	<u>19,354,120</u>	<u>20,411,758</u>	<u>(290,600)</u>	<u>39,475,278</u>	<u>12,040,024</u>	<u>-</u>	<u>51,515,302</u>
Construction in Progress	<u>874,925</u>	<u>1,920,513</u>	<u>-</u>	<u>2,795,438</u>	<u>425,694</u>	<u>(2,114,939)</u>	<u>1,106,193</u>
Total capital assets, not being depreciated	<u>20,229,045</u>	<u>22,332,271</u>	<u>(290,600)</u>	<u>42,270,716</u>	<u>12,465,718</u>	<u>(2,114,939)</u>	<u>52,621,495</u>
Capital assets, being depreciated							
Equipment	30,820	-	-	30,820	-	(19,995)	10,825
Building					2,114,939		2,114,939
Less accumulated depreciation	<u>(16,467)</u>	<u>(6,164)</u>	<u>-</u>	<u>(22,631)</u>	<u>(56,371)</u>	<u>19,995</u>	<u>(59,007)</u>
Total capital assets, being depreciated	<u>14,353</u>	<u>(6,164)</u>	<u>-</u>	<u>8,189</u>	<u>2,058,568</u>	<u>-</u>	<u>2,066,757</u>
Total capital assets	<u>\$ 20,243,398</u>	<u>22,326,107</u>	<u>(290,600)</u>	<u>42,278,905</u>	<u>14,524,286</u>	<u>(2,114,939)</u>	<u>54,688,252</u>

The Authority may develop the land or contribute or sell portions to other organizations for development consistent with the Authority's mission. During 2007 and 2006 respectively, net rental income of approximately \$128,032 and \$266,280 related to assets acquired in those years was offset against the cost of acquiring such assets. Construction was substantially completed at the Palmer Park project at July 1, 2007.

(4) Related Party Transactions

The Authority received administrative operating grants from the County of \$229,100 in fiscal years 2007 and 2006. The County also contributed operating grants of \$2,500,000 and \$2,000,000 in 2007 and 2006 to the Authority to administer on behalf of the African American Cultural Center and

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REDEVELOPMENT AUTHORITY OF PRINCE GEORGE'S COUNTY

Notes to Basic Financial Statements

June 30, 2007 and 2006

Museum. The Authority received capital grants from the County of \$11,500,000 in fiscal year 2006 and \$12,000,000 in fiscal year 2007. Other capital grants were received from the Federal government and the State of Maryland and are not considered related party transactions.

Employees of the Prince George's County Department of Housing and Community Development (DHCD) filled staff positions in fiscal year 2007 and 2006. These staff costs were \$882,153 and \$862,744 respectively and were offset by an equal amount of contribution income. The Housing Authority owed \$133,241 to RA for services provided by RA in Fiscal Year 2007. The Housing Authority (HA) provided some services and paid certain bills on behalf of RA in prior fiscal years. At June 30, 2006 RA owed HA a net amount of \$140,847.

The County loaned \$1,873,113 to the Authority on September 10, 2004 for the purpose of purchasing property at 5801 and 5809 Annapolis Road in Cheverly, Maryland. The promissory note has an interest rate of 0% per annum. The note is stated in this report as \$810,109, net of a \$1,063,004 reserve for the present value of the interest. A capital contribution of \$1,063,004 from the county is also recorded. The note is due the earlier of twenty years or when the property is sold.

(5) Accrued Relocation Costs

The Authority is obligated to pay certain relocation costs of former tenants of purchased properties over a period of years pursuant to the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970. Amounts due at June 30, 2007 are scheduled to be paid through 2012 as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2008	1,197,109
2009	1,548,441
2010	1,359,878
2011	1,182,376
2012	<u>138,874</u>
Total	5,426,678
Less current portion	<u>(1,197,109)</u>
Noncurrent portion	<u><u>\$ 4,229,569</u></u>

(6) Line of Credit

The Authority has a line of credit amounting to \$1,000,000 with a local bank. When draws are made on the line, interest accrues at the LIBOR rate plus 2.25%. The agreement requires the Authority to maintain a balance on deposit with the bank of \$200,000. No amounts were outstanding on this agreement at June 30, 2007 or 2006.

(7) Contribution of Land

During fiscal year 2004, the Authority transferred lots in the Palmer Park project to Victory Housing, Inc. for construction of senior housing and lots in Mt. Rainier to Mount Rainier Artspace Limited Partnership. The Authority acquired the parcels at a cost of \$909,544 and \$397,033, respectively. The Authority received \$300,000 in cash compensation for the Mt. Rainier property. This receipt is netted against the parcel cost resulting in a \$1,006,577 land contribution expense.

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REDEVELOPMENT AUTHORITY OF PRINCE GEORGE'S COUNTY
Notes to Basic Financial Statements
June 30, 2007 and 2006

(8) Risk Management

The Authority is exposed to various risks of loss related to torts; theft to, damage to, and destruction of assets; errors and omissions; job related injuries to employees; and natural disasters. The Authority has purchased commercial insurance to mitigate its exposure for such losses. The insurance policies are subject to deductibles and maximum coverage. If the deductibles and maximums are exceeded, this could cause the Authority to suffer losses. The ultimate outcome of uninsured losses, if any, cannot presently be determined, and no liabilities have been established in the financial statements. There were no losses in excess of insurance coverage in the last three fiscal years.

(9) Contingencies

The Authority receives significant financial assistance from the U.S. Government and the State of Maryland in the form of grants. Entitlement to grant resources is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal and state regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits in accordance with grantor requirements. Any disallowances as a result of these audits become a liability of the Authority. The Authority estimates that no material liabilities will result from these audits.