

REDEVELOPMENT AUTHORITY OF PRINCE GEORGE'S COUNTY

ANNUAL FINANCIAL REPORT

For the years ended June 30, 2008 and 2007

THOMPSON, COBB, BAZILIO & ASSOCIATES, PC

Certified Public Accountants and Management, Systems, and Financial Consultants

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Redevelopment Authority of Prince George's County

We have audited the accompanying financial statements of the Redevelopment Authority of Prince George's County (the Authority), a component unit of Prince George's County, Maryland, as of and for the years ended June 30, 2008 and 2007, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of June 30, 2008 and 2007, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Washington, DC
November 21, 2008

Thompson, Cobb, Bazilio & Associates, P.C.

REDEVELOPMENT AUTHORITY OF PRINCE GEORGE'S COUNTY

Management's Discussion and Analysis

June 30, 2008 and 2007

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, 2008 and 2007. The purpose of the Authority is to provide residential, commercial, or industrial development and redevelopment within Prince George's County, Maryland (County).

The Authority is a component unit of the County and is included in the County's government-wide financial statements.

FINANCIAL HIGHLIGHTS

Fiscal 2008

Assets exceeded liabilities at June 30, 2008 by \$59,001,024 (net assets). Of this amount, \$7,186,309 (unrestricted net assets) may be used for the Authority's general operations.

- Total net assets of the Authority increased by \$5,179,497 from the previous year due primarily to capital grants of \$4,043,100.
- Total cost of real property owned by the Authority for future development increased by \$2,223,388 from the previous fiscal year because of acquisition and development costs.

Fiscal 2007

- Assets exceeded liabilities at June 30, 2007 by \$53,821,527 (net assets). Of this amount, \$5,525,175 (unrestricted net assets) may be used for 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.

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 change 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 presents the Authority's assets less its liabilities at each fiscal year end. The difference between assets and liabilities is reported as net assets. Change in net assets over time may be helpful in indicating an improving or deteriorating financial position.

The Statement of Revenues, Expenses, and Change in Net Assets presents information on the Authority's 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, 2008 and 2007

The Statement of Cash Flows presents actual cash activity for the period and provides a reconciliation of operating income (loss) to net cash provided by operating activities.

The notes provide additional information that is essential to understand the information provided in the basic financial statements. Notes are presented on pages 9 through 13.

FINANCIAL ANALYSIS

The following is a summary of assets, liabilities, and net assets at June 30, 2008, 2007, and 2006.

Summary of Assets, Liabilities and Net Assets

	2008	June 30, 2007	2006
<u>Assets</u>			
Current assets	\$ 7,550,295	\$ 5,972,801	\$ 2,548,343
Capital assets	56,873,383	54,688,251	42,278,905
Total assets	<u>64,423,678</u>	<u>60,661,052</u>	<u>44,827,248</u>
<u>Liabilities</u>			
Current liabilities	2,000,663	1,799,847	1,836,634
Noncurrent liabilities	3,421,991	5,039,677	3,809,843
Total liabilities	<u>5,422,654</u>	<u>6,839,524</u>	<u>5,646,477</u>
<u>Net Assets</u>			
Invested in capital assets, net of related liabilities	51,614,715	48,096,352	36,801,142
Restricted for line of credit	200,000	200,000	200,000
Unrestricted	7,186,309	5,525,175	2,179,629
Total net assets	<u>\$ 59,001,024</u>	<u>\$ 53,821,527</u>	<u>\$ 39,180,771</u>

Financial Analysis 2008

The Authority's investment in capital assets of \$51,614,715 is nearly all land and construction-in-progress and amounted to 87.5% of total net assets as of June 30, 2008. The amount is presented net of accumulated depreciation and related liabilities. The Authority will use the land to facilitate redevelopment of the 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 as of June 30, 2008, also include restricted net assets of \$200,000 and unrestricted net assets of \$7,186,309. Restricted net assets are resources subject to external restrictions on how they may be used to meet the Authority's ongoing obligations. At June 30, 2008, the Authority reported positive balances in all categories of net assets.

Cash and cash equivalents at June 30, 2008 totaled \$7,314,820, including \$200,000 that was restricted as collateral on a \$1,000,000 line of credit that had no outstanding balance at June 30, 2008. Cash and cash equivalents increased \$1,728,893 from the previous year due to improvement in cash flows from operations and from capital contributions from the County for the African American Museum and Cultural Center which are being held for future expenditures.

REDEVELOPMENT AUTHORITY OF PRINCE GEORGE'S COUNTY

Management's Discussion and Analysis

June 30, 2008 and 2007

Financial Analysis 2007

The Authority's investment in capital assets of \$48,096,352 is nearly all land and construction in progress and amounted to 90.0% of total net assets as of June 30, 2007. The amount is presented net of accumulated depreciation and related liabilities. The Authority will use the land to facilitate redevelopment in the County consistent with the Authority's goals and objectives.

The Authority's net assets as of June 30, 2007, also include restricted net assets of \$200,000 and unrestricted net assets of \$5,525,175. Restricted net assets are resources subject to external restrictions 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 flows from operations and from capital contributions from the County for the African American Museum and Cultural Center which are being held for future expenditures.

Summary of Changes in Net Assets

	Years ended June 30,		
	2008	2007	2006
Total operating revenues	\$ 3,405,887	\$ 4,617,485	\$ 3,726,636
Total operating expenses	2,185,573	1,738,299	1,750,539
Operating income	1,220,314	2,879,186	1,976,097
Net nonoperating revenues (expenses)	(83,917)	18,858	4,716
Gain before capital contributions	1,136,397	2,898,044	1,980,813
Capital contributions	4,043,100	11,742,712	14,673,537
Increase in net assets	\$ 5,179,497	\$ 14,640,756	\$ 16,654,350

Fiscal Year 2008

Operating revenues decreased because of less grants from the County and no fee income.

Operating expenses increased approximately \$447,000 because of a \$500,000 grant for the McCormick Mansion.

Net non-operating revenues (expenses) decreased approximately \$103,000 in fiscal year 2008 from fiscal year 2007 because of imputed interest expense on the note payable to the County

Capital contributions decreased \$7.7 million because of less funding received from the County.

Fiscal Year 2007

Operating expenses decreased approximately \$12,000.

REDEVELOPMENT AUTHORITY OF PRINCE GEORGE'S COUNTY
Management's Discussion and Analysis
June 30, 2008 and 2007

Net 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.

CAPITAL ASSETS

The Authority's capital assets as of June 30, 2008 and 2007 amounted to \$56,873,383 and \$54,688,251 (net of accumulated depreciation). The majority of capital assets is land held for future development as follows at June 30, 2008 and 2007:

	<u>June 30, 2006</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2007</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2008</u>
Capital assets, not being depreciated:							
Land	\$ 39,475,278	\$ 12,040,024	\$ -	\$ 51,515,302	\$ 2,177,496	\$ (216,066)	\$ 53,476,732
Construction-in-Progress	2,795,438	425,694	(2,114,940)	1,106,192	261,960	-	1,368,152
Total capital assets not being depreciated	<u>42,270,716</u>	<u>12,465,718</u>	<u>(2,114,940)</u>	<u>52,621,494</u>	<u>2,439,456</u>	<u>(216,066)</u>	<u>54,844,884</u>
Capital assets being depreciated:							
Equipment	30,820	-	(19,995)	10,825	25,171	-	35,996
Building	-	2,114,939	-	2,114,939	-	-	2,114,939
Less accumulated depreciation	(22,631)	(56,371)	19,995	(59,007)	(63,429)	-	(122,436)
Total capital assets being depreciated	<u>8,189</u>	<u>2,058,568</u>	<u>-</u>	<u>2,066,757</u>	<u>(38,258)</u>	<u>-</u>	<u>2,028,499</u>
Total capital assets	<u>\$ 42,278,905</u>	<u>\$ 14,524,286</u>	<u>\$ (2,114,940)</u>	<u>\$ 54,688,251</u>	<u>\$ 2,401,198</u>	<u>\$ (216,066)</u>	<u>\$ 56,873,383</u>

DEBT ADMINISTRATION

At June 30, 2008 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 the property owned in Cheverly, Maryland is sold. The note is reported at \$923,128, net of a \$945,985 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 rehabilitate 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, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents (note 2)		
Unrestricted	\$ 7,114,820	\$ 5,385,927
Restricted (Note 6)	200,000	200,000
Prepaid expenses	2,234	2,969
Accounts receivable	100,000	250,664
Due from other governmental units	133,241	133,241
Total current assets	<u>7,550,295</u>	<u>5,972,801</u>
Noncurrent assets:		
Capital assets: (note 3)		
Equipment	35,996	10,825
Accumulated depreciation	(16,689)	(6,134)
Building	2,114,939	2,114,939
Accumulated depreciation	(105,747)	(52,873)
Land	53,476,732	51,515,302
Construction in progress	1,368,152	1,106,192
Total noncurrent assets	<u>56,873,383</u>	<u>54,688,251</u>
Total assets	<u>64,423,678</u>	<u>60,661,052</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	815,875	485,238
Refundable deposit	117,500	117,500
Current portion of capital lease obligation	4,938	-
Current portion of accrued relocation costs (Note 5)	1,062,350	1,197,109
Total current liabilities	<u>2,000,663</u>	<u>1,799,847</u>
Noncurrent liabilities:		
Accrued relocation costs, less current portion (note 5)	2,486,334	4,229,568
Capital lease obligation, less current portion	12,529	-
Note payable to County (note 4)	923,128	810,109
Total noncurrent liabilities	<u>3,421,991</u>	<u>5,039,677</u>
Total liabilities	<u>5,422,654</u>	<u>6,839,524</u>
<u>NET ASSETS</u>		
Invested in capital assets, net of related liabilities	51,614,715	48,096,352
Restricted for line of credit	200,000	200,000
Unrestricted	7,186,309	5,525,175
Total net assets	<u>\$ 59,001,024</u>	<u>\$ 53,821,527</u>

See accompanying notes to basic financial statements.

REDEVELOPMENT AUTHORITY OF PRINCE GEORGE'S COUNTY

Statements of Revenues, Expenses and Change in Net Assets

For the years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Operating revenues:		
Intergovernmental salary contribution (note 4)	\$ 890,404	\$ 882,153
Intergovernmental grants (note 4)	2,426,772	3,253,302
Fees and miscellaneous	88,711	482,030
Total operating revenues	<u>3,405,887</u>	<u>4,617,485</u>
Operating expenses:		
Salaries and related costs (note 4)	890,404	882,153
Grants and contractual services	1,112,804	690,568
Depreciation	63,429	56,372
General and administrative	118,936	109,206
Total operating expenses	<u>2,185,573</u>	<u>1,738,299</u>
Operating income	<u>1,220,314</u>	<u>2,879,186</u>
Nonoperating revenues (expenses):		
Interest income	30,899	18,858
Interest expense (note 4)	(114,816)	-
Net nonoperating revenues (expenses)	<u>(83,917)</u>	<u>18,858</u>
Gain before capital contributions	1,136,397	2,898,044
Capital contributions (note 4)	4,043,100	11,742,712
Change in net assets	<u>5,179,497</u>	<u>14,640,756</u>
Net assets, beginning of year	53,821,527	39,180,771
Net assets, end of year	<u>\$ 59,001,024</u>	<u>\$ 53,821,527</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, 2008 and 2007

	2008	2007
Cash flows from operating activities:		
Cash received from customers and County general fund	\$ 2,666,147	\$ 3,735,332
Payments to suppliers for goods and services	(1,107,316)	(682,160)
Payments for general and administrative expenses	(184,858)	(34,212)
Net cash and cash equivalents provided by operating activities	1,373,973	3,018,960
Cash flows from noncapital financing activities:		
Intergovernmental grants received	-	3,924,289
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(3,666,479)	(11,351,580)
Principal payments on capital lease	(9,500)	-
Capital grants received	4,000,000	8,489,410
Net cash and cash equivalents from capital and related financing activities	324,021	(2,862,170)
Cash flows from investing activities:		
Interest on investments	30,899	18,858
Net increase in cash and cash equivalents	1,728,893	4,099,937
Cash and cash equivalents, beginning of year	5,585,927	1,485,990
Cash and cash equivalents, end of year	\$ 7,314,820	\$ 5,585,927
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 1,220,314	\$ 2,879,186
Adjustments to reconcile operating income to net cash and cash equivalents used in operating activities:		
Depreciation	63,429	56,372
Changes in assets and liabilities:		
Prepaid expenses	735	4,491
Accounts receivable	150,664	-
Accounts payable	(61,169)	78,912
Net cash and cash equivalents provided by operating activities	\$ 1,373,973	\$ 3,018,961
Non-cash capital and related financing activities:		
Land contributions (note 7)	\$ 43,100	-

See accompanying notes to basic financial statements.

REDEVELOPMENT AUTHORITY OF PRINCE GEORGE'S COUNTY

Notes to Basic Financial Statements

June 30, 2008 and 2007

(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 the 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 of the Governmental Accounting Standards Board.

(c) Cash and Cash Equivalents

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.

REDEVELOPMENT AUTHORITY OF PRINCE GEORGE'S COUNTY

Notes to Basic Financial Statements

June 30, 2008 and 2007

(1) Summary of Significant Accounting Policies (Continued)

(f) Contributed Salaries and Related Costs

The costs of salaries and fringe benefits of staff provided by other County departments and entities are recorded as operating expenses. In fiscal years 2008 and 2007, the costs were offset by an equal amount of contribution income.

(g) Operating and Non-operating Revenues and Expenses

The Authority distinguishes operating revenues and expenses from non-operating 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 non-operating.

(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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) Cash and Cash Equivalents

The Authority's cash carrying amount and bank balance at June 30, 2008 and 2007 amounted to \$1,244,379 and \$1,082,816, respectively. Such amounts are insured except for \$1,082,816 and \$855,323 at June 30, 2008 and 2007. The uninsured amounts were secured by investments held by the fiscal agent. The Authority's funds are invested as follows as of June 30, 2008 and 2007:

Cash and Cash Equivalents

	Fair Value	2008 Maturity	% of Portfolio
Repurchase agreement	\$ 362,078	Less than 1 year	5.96%
County's cash and investment pool	5,708,363	Less than 1 year	94.04%
Total	\$ 6,070,441		100.00%

	Fair Value	2007 Maturity	% of Portfolio
Repurchase agreement	\$ 362,078	Less than 1 year	7.81%
County's cash and investment pool	5,708,363	Less than 1 year	92.19%
Total	\$ 6,070,441		100.00%

REDEVELOPMENT AUTHORITY OF PRINCE GEORGE'S COUNTY

Notes to Basic Financial Statements

June 30, 2008 and 2007

(2) Cash and Cash Equivalents (Continued)

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 Authority's agent in the Authority'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. Additionally, the Authority had cash with the County's cash and investments pool, stated at cost, amounting to \$5,708,363 and \$4,151,312 at June 30, 2008 and 2007, 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, 2008 and 2007, amounting to \$362,078 and \$351,779 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, 2008 and 2007 were as follows:

	<u>2006</u>	<u>Additions</u>	<u>Disposals</u>	<u>2007</u>	<u>Additions</u>	<u>Disposals</u>	<u>2008</u>
Land:							
Suitland Manor Redevelopment	\$ 32,319,465	\$ 9,467,420	\$ -	\$ 41,786,885	\$ 2,101,551	\$ -	\$ 43,888,436
Route 1 Gateway Arts Districts	2,720,323	70,901	-	2,791,224	-	(40,986)	2,750,238
Palmer Park Shopping Center	1,541,815	39,549	-	1,581,364	-	-	1,581,364
Addison Road	402,518	1,715,554	-	2,118,072	19,661	-	2,137,733
Other Projects	2,491,157	746,600	-	3,237,757	56,284	(175,080)	3,118,961
Total land and associated cost	<u>39,475,278</u>	<u>12,040,024</u>	<u>-</u>	<u>51,515,302</u>	<u>2,177,496</u>	<u>(216,066)</u>	<u>53,476,732</u>
Construction-in-progress	<u>2,795,438</u>	<u>425,694</u>	<u>(2,114,940)</u>	<u>1,106,192</u>	<u>261,960</u>	<u>-</u>	<u>1,368,152</u>
Total capital assets, not being depreciated	<u>42,270,716</u>	<u>12,465,718</u>	<u>(2,114,940)</u>	<u>52,621,494</u>	<u>2,439,456</u>	<u>(216,066)</u>	<u>54,844,884</u>
Capital assets, being depreciated							
Equipment	30,820	-	(19,995)	10,825	25,171	-	35,996
Building	-	2,114,939	-	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>	<u>(63,429)</u>	<u>-</u>	<u>(122,436)</u>
Total capital assets, being depreciated	<u>8,189</u>	<u>2,058,568</u>	<u>-</u>	<u>2,066,757</u>	<u>(38,258)</u>	<u>-</u>	<u>2,028,499</u>
Total capital assets	<u>\$ 42,278,905</u>	<u>\$ 14,524,286</u>	<u>\$ (2,114,940)</u>	<u>\$ 54,688,251</u>	<u>\$ 2,401,198</u>	<u>\$ (216,066)</u>	<u>\$ 56,873,383</u>

REDEVELOPMENT AUTHORITY OF PRINCE GEORGE'S COUNTY

Notes to Basic Financial Statements

June 30, 2008 and 2007

(3) Capital Assets (continued)

The Authority may develop the land or contribute or sell portions to other organizations for development consistent with the Authority's mission. During fiscal years 2008 and 2007, net rental income of approximately \$119,105 and \$128,032, respectively, 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 on July 1, 2007.

(4) Related Party Transactions

The Authority received administrative operating grants from the County of \$229,100 in fiscal years 2008 and 2007. The County also awarded operating grants of \$2,000,000 and \$2,500,000 in 2008 and 2007 to the Authority to administer on behalf of the African American Cultural Center and Museum. The Authority received capital grants from the County of \$4,043,100 in fiscal year 2008 and \$11,742,712 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 years 2008 and 2007. These staff costs were \$890,404 and \$882,153, respectively, and were offset by an equal amount of contribution income. The Housing Authority owes \$133,241 to the Authority for services provided in fiscal year 2007.

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 \$923,128, net of a \$949,985 reserve for the present value of interest. 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, 2008 are scheduled to be paid through 2012 as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2009	\$ 1,062,350
2010	1,272,258
2011	1,100,950
2012	113,126
Total	<u>3,548,684</u>
Less current portion	<u>(1,062,350)</u>
Noncurrent portion	<u><u>\$ 2,486,334</u></u>

REDEVELOPMENT AUTHORITY OF PRINCE GEORGE'S COUNTY

Notes to Basic Financial Statements

June 30, 2008 and 2007

(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, 2008 or 2007.

(7) 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.

(8) Contingencies

During fiscal year 2008, the Authority received \$197,672 of financial assistance from the State of Maryland in the form of grants. During fiscal year 2007, the Authority received \$766,914 in both Federal and State 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.