

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

ANNUAL FINANCIAL REPORT

For the years ended June 30, 2010 and 2009

REDEVELOPMENT AUTHORITY OF PRINCE GEORGE'S COUNTY

ANNUAL FINANCIAL REPORT

For the years ended June 30, 2010 and 2009

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Statements of Net Assets	8
Statements of Revenues, Expenses, and Changes in Net Assets	9
Statements of Cash Flows	10
Notes to Basic Financial Statements	11

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 year ended June 30, 2010, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Redevelopment Authority of Prince George's County as of June 30, 2009, were audited by other auditors whose report dated October 31, 2009, expressed an unqualified opinion on those statements. As discussed in Note 9, the Authority has restated its June 30, 2009 financial statements to correct an error in the accounting for certain capitalized costs. The other auditors reported on the June 30, 2009 financial statements before the restatement.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2010, and 2009, and its changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. We also audited the adjustment noted in Note 9 that was applied to restate the June 30, 2009 financial statements. In our opinion, such adjustment is appropriate and has been properly applied.

In accordance with *Governmental Audit Standards*, we have also issued a report dated December 29, 2010, on our consideration of the Plan's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audits.

The management's discussion and analysis ("MD&A") included on pages 2 through 6 are not a required part of the basic financial statements, but are 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 MD&A and the required supplementary information. However, we did not audit the information and express no opinion on it.

Clifton Gunderson LLP

Baltimore, Maryland
December 29, 2010

REDEVELOPMENT AUTHORITY OF PRINCE GEORGE'S COUNTY
Management's Discussion and Analysis
June 30, 2010 and 2009

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, 2010 and 2009. 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 2010

- The Authority's assets exceeded its liabilities at June 30, 2010 by \$59,264,507 (net assets). Of this amount, \$3,166,592 (unrestricted net assets) may be used to meet the Authority's general operations.
- Total net assets of the Authority decreased by \$392,653 from the previous year primarily due to loss on sales of property which were offset by receipts related to the Neighborhood Stabilization Program.
- The Authority has property inventory consisting of homes being rehabbed to be sold within a year.
- Total cost of real property owned by the Authority for long term future development decreased by \$2,821,095 from the previous fiscal year because of the sale of Palmer Park property.

Fiscal 2009

- The Authority's assets exceeded its liabilities at June 30, 2009 by \$59,657,160 (net assets). Of this amount, \$154,883 (unrestricted net assets) may be used to meet the Authority's general operations.
- Total net assets of the Authority increased by \$998,647 from the previous year primarily due to capital grants of \$1,651,000.
- Total cost of real property owned by the Authority for future development increased by \$373,785 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 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, 2010 and 2009

The Statement of Cash Flows shows actual cash activity for the period and provides 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 10 through 13.

FINANCIAL ANALYSIS

The following is a summary of assets, liabilities, and net assets at June 30, 2010, 2009, and 2008.

Summary of Assets, Liabilities and Net Assets

	2010	June 30, 2009	2008
		Restated	Restated
<u>Assets</u>			
Current assets	\$ 7,912,115	6,684,796	7,550,295
Capital assets	53,786,366	56,607,461	56,530,872
Total assets	<u>61,698,481</u>	<u>63,292,257</u>	<u>64,081,167</u>
<u>Liabilities</u>			
Current liabilities	1,294,794	1,554,221	2,000,663
Noncurrent liabilities	1,139,180	2,080,876	3,421,991
Total liabilities	<u>2,433,974</u>	<u>3,635,097</u>	<u>5,422,654</u>
<u>Net Assets</u>			
Invested in capital assets, net of related liabilities	51,927,340	53,456,101	51,272,204
Restricted for line of credit	-	-	200,000
Restricted for the African American Museum and Cultural Center	4,177,912	6,046,176	6,159,039
Unrestricted	3,159,255	154,883	1,027,270
Total net assets	<u>\$ 59,264,507</u>	<u>59,657,160</u>	<u>58,658,513</u>

Financial Analysis 2010

The Authority's investment in capital assets, net of accumulated depreciation totaled \$53,786,366 as of June 30, 2010 and was nearly all land and construction in progress. 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.

Cash and cash equivalents at June 30, 2010 totaled \$6,321,628 of which \$4,177,912 was restricted for the construction of the African American Museum and Cultural Center. Cash and cash equivalents decreased \$293,739 from the previous year because of a decline in grants from the County.

The Authority's net assets totaled \$59,264,507 as of June 30, 2010. Net assets invested in capital, net of related liabilities was \$51,920,003 which amounts to 87.6% of total net assets. Restricted net assets are resources subject to external restriction on how they may be used to meet the Authority's ongoing obligations. The Authority had \$4,177,912 in restricted net assets for the construction of the African American Museum and Cultural Center as of June 30, 2010.

REDEVELOPMENT AUTHORITY OF PRINCE GEORGE'S COUNTY
 Management's Discussion and Analysis
 June 30, 2010 and 2009

Financial Analysis 2009

The Authority's investment in capital assets, net of accumulated depreciation totaled \$56,607,461 as of June 30, 2009 and was nearly all land and construction in progress. 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.

Cash and cash equivalents at June 30, 2009 totaled \$6,615,367 of which \$6,046,176 was restricted for the construction of the African American Museum and Cultural Center. Cash and cash equivalents decreased \$699,453 from the previous year because of a decline in grants from the County.

The Authority's net assets (as restated) totaled \$59,657,160 as of June 30, 2009. Net assets invested in capital, net of related liabilities was \$53,456,101, which amounts to 89.6% of total net assets. Restricted net assets are resources subject to external restriction on how they may be used to meet the Authority's ongoing obligations. The Authority had \$6,046,176 in restricted net assets for the construction of the African American Museum and Cultural Center as of June 30, 2009.

Summary of Changes in Net Assets

	Years ended June 30,		
	2010	2009	2008
Total operating revenues	\$ 1,264,987	1,773,022	3,405,887
Total operating expenses	3,286,314	2,402,606	2,528,084
Operating income (loss)	(2,021,327)	(629,584)	877,803
Nonoperating revenues (expenses), net	(2,507,379)	(22,769)	(83,917)
Gain (loss) before capital contributions	(4,528,706)	(652,353)	793,886
Capital contributions	4,136,053	1,651,000	4,043,100
Increase in net assets	\$ (392,653)	998,647	4,836,986

Fiscal Year 2010

Operating revenue decreased due to a reduction in grants from the County. Operating expenses increased \$883,708 because of an increase in expenses related to the African American Museum and Cultural Center.

Non-operating revenues (expenses) of \$2.5 million resulted from loss on sale of large portion of the Palmer Park building to the Maryland National Capitol Park and Planning Commission (M-NCPPC).

Capital contributions increased by approximately \$2.5 million because of the Neighborhood Stabilization Program (NSP) grants from the U.S. Department of Housing and Urban Development Department (HUD).

REDEVELOPMENT AUTHORITY OF PRINCE GEORGE'S COUNTY
 Management's Discussion and Analysis
 June 30, 2010 and 2009

Fiscal Year 2009

Operating revenue decreased because of less grants from the County and operating expenses decreased approximately \$125,000 due to a decrease of \$209,000 in salaries and related costs, offset by increases in other general and administrative and grants and contractual expenses

Non-operating revenues (expenses) improved because of lower net interest.

Capital contributions decreased by approximately \$2.4 million because of less funding received from the County.

CAPITAL ASSETS

The Authority's capital assets as of June 30, 2010 and 2009 amounted to \$53,786,366 and \$56,607,461. The majority of capital assets is land held for future development as follows at June 30, 2010 and 2009:

	<u>June 30,2008</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30,2009</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30,2010</u>
Capital assets, not being depreciated:							
Land	\$ 53,134,221	136,662	-	\$ 53,270,883	128,539	(1,280,124)	\$ 52,119,298
Construction in Progress	1,368,152	-	-	1,368,152	-	-	1,368,152
Total capital assets being depreciated:	<u>54,502,373</u>	<u>136,662</u>	<u>-</u>	<u>54,639,035</u>	<u>128,539</u>	<u>(1,280,124)</u>	<u>53,487,450</u>
Capital assets being depreciated:							
Equipment	35,996	-	-	35,996	-	-	35,996
Building	2,114,939	-	-	2,114,939	-	(1,794,717)	320,222
Less accumulated depreciation	<u>(122,436)</u>	<u>(60,073)</u>	<u>-</u>	<u>(182,509)</u>	<u>(31,831)</u>	<u>157,038</u>	<u>(57,302)</u>
Total capital assets being depreciated:	<u>2,028,499</u>	<u>(60,073)</u>	<u>-</u>	<u>1,968,426</u>	<u>(31,831)</u>	<u>(1,637,679)</u>	<u>298,916</u>
Total capital assets	<u>\$ 56,530,872</u>	<u>76,589</u>	<u>-</u>	<u>\$ 56,607,461</u>	<u>96,708</u>	<u>(2,917,803)</u>	<u>\$ 53,786,366</u>

DEBT ADMINISTRATION

At June 30, 2010 and June 30, 2009 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 \$1,007,103 net of an \$866,009 reserve to reflect the present value of the loan. An unused line of credit of \$1,000,000 was closed during 2009. 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 Department's asset area control program.

REDEVELOPMENT AUTHORITY OF PRINCE GEORGE'S COUNTY
Management's Discussion and Analysis
June 30, 2010 and 2009

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, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents (note 2)		
Unrestricted	\$ 2,143,716	569,191
Restricted (note 3)	4,177,912	6,046,176
Prepaid expenses	5,223	5,248
Accrued interest receivable	-	11,381
Accounts receivable	229,544	52,800
Inventory - Property held for sale (note 8)	1,355,720	-
Total current assets	<u>7,912,115</u>	<u>6,684,796</u>
Capital assets: (notes 4 and 9)		
Land	52,119,298	53,270,883
Construction in progress	1,368,152	1,368,152
Building	320,222	2,114,939
Accumulated depreciation	(28,019)	(158,620)
Equipment	35,996	35,996
Accumulated depreciation	(29,283)	(23,889)
Total capital assets	<u>53,786,366</u>	<u>56,607,461</u>
Total assets	<u>61,698,481</u>	<u>63,292,257</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	461,530	495,789
Refundable deposit	118,500	118,500
Current portion of capital lease obligation	5,457	5,192
Current portion of accrued relocation costs (note 7)	709,307	934,740
Total current liabilities	<u>1,294,794</u>	<u>1,554,221</u>
Noncurrent liabilities:		
Accrued relocation costs, less current portion (note 7)	130,197	1,109,337
Capital lease obligation, less current portion	1,880	7,337
Note Payable to County (note 6)	1,007,103	964,202
Total noncurrent liabilities	<u>1,139,180</u>	<u>2,080,876</u>
Total liabilities	<u>2,433,974</u>	<u>3,635,097</u>
<u>NET ASSETS</u>		
Invested in capital assets, net of related liabilities (note 9)	51,920,003	53,456,101
Restricted for the African American Museum and Cultural Center	4,177,912	6,046,176
Unrestricted	3,166,592	154,883
Total net assets	\$ <u>59,264,507</u>	<u>59,657,160</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, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Operating revenues:		
Intergovernmental salary contribution (note 6)	\$ 745,809	681,654
Intergovernmental grants (note 6)	451,506	999,233
Fees & Miscellaneous	<u>67,672</u>	<u>92,135</u>
Total operating revenues	<u>1,264,987</u>	<u>1,773,022</u>
 Operating expenses:		
Salaries and related costs (note 6)	745,809	681,654
Grants and contractual services	2,404,940	1,400,479
Depreciation	31,832	60,073
General and administrative	<u>103,733</u>	<u>260,400</u>
Total operating expenses	<u>3,286,314</u>	<u>2,402,606</u>
Operating loss	<u>(2,021,327)</u>	<u>(629,584)</u>
 Nonoperating revenues (expenses):		
Loss on Sale of property (note 4)	(2,465,156)	-
Interest Income	1,187	18,305
Interest expense (note 6)	<u>(43,410)</u>	<u>(41,074)</u>
Net nonoperating revenues (expenses)	<u>(2,507,379)</u>	<u>(22,769)</u>
Loss before capital contributions	(4,528,706)	(652,353)
Capital contributions (notes 6 and 10)	<u>4,136,053</u>	<u>1,651,000</u>
Changes in net assets	(392,653)	998,647
Net assets, beginning of year	59,657,160	59,001,024
Prior period adjustment (note 9)	-	<u>(342,511)</u>
Net assets, beginning of year, as restated	<u>59,657,160</u>	<u>58,658,513</u>
Net assets, end of year	<u>\$ 59,264,507</u>	<u>59,657,160</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, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Cash received from customers and County general fund	\$ 342,434	1,138,568
Payments to suppliers for goods and services	(2,451,927)	(904,639)
Payments for general and administrative expenses	39,682	(99,465)
Net cash and cash equivalents used in operating activities	(2,069,811)	134,464
Cash flows from capital and related financing activities:		
Proceeds from sale of capital asset (note 4)	1,569,521	-
Acquisition of capital assets	(3,936,369)	(2,486,903)
Principal payments on capital lease	(5,192)	(4,938)
Capital grants received	4,136,053	1,651,000
Interest payments	(509)	-
Net cash and cash equivalents provided (used) in capital and related financing activities	1,763,504	(840,841)
Cash flows from investing activities:		
Interest on investments	12,568	6,924
Net decrease in cash and cash equivalents	(293,739)	(699,453)
Cash and cash equivalents, beginning of year	6,615,367	7,314,820
Cash and cash equivalents, end of year	\$ 6,321,628	6,615,367
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (2,021,327)	(629,584)
Adjustments to reconcile operating income to net cash and cash equivalents		
Depreciation	31,832	60,073
Effect of changes in operating assets and liabilities:		
Prepaid expenses	25	1,659
Accounts Receivable	(176,744)	180,441
Deposit	-	1,000
Accounts payable	96,403	283,752
	(2,069,811)	(102,659)

See accompanying notes to basic financial statements.

REDEVELOPMENT AUTHORITY OF PRINCE GEORGE'S COUNTY

Notes to Basic Financial Statements

June 30, 2010 and 2009

(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 seven 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. The Authority has elected not to follow subsequent private-sector guidance.

(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.

(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) Net Assets

Net Assets are comprised of three categories: Net assets invested in capital assets, net of related debt, Restricted net assets, and Unrestricted net assets. The first is based on total capital assets, less depreciation, less related debt. Restricted net assets are assets whose use is restricted by external persons or bodies. Net assets which are neither restricted nor related to capital assets are reported as unrestricted net assets.

(Continued)

REDEVELOPMENT AUTHORITY OF PRINCE GEORGE'S COUNTY

Notes to Basic Financial Statements

June 30, 2010 and 2009

(g) 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 2010 and 2009 the cost was offset by an equal amount of contribution income.

(h) Operating and Non-operating 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 non-operating.

(i) Use of Restricted Versus Unrestricted Assets

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first and the unrestricted resources as needed.

(j) 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, 2010 and 2009 amounted to \$852,003 and \$843,287, respectively. Such amounts are insured except for \$602,003 and \$618,287 at June 30, 2010 and 2009. Additionally, the Authority's invests funds in the County pooled account, as follows as of June 30, 2010 and 2009:

	<u>2010</u>		
	<u>Fair Value</u>	<u>Maturity</u>	<u>% of Portfolio</u>
County's cash and investment pool	<u>\$ 5,469,625</u>	Less than 1 year	<u>100.00%</u>
Total	<u><u>\$ 5,469,625</u></u>		<u><u>100.00%</u></u>
	 <u>2009</u>		
	<u>Fair Value</u>	<u>Maturity</u>	<u>% of Portfolio</u>
County's cash and investment pool	<u>\$ 5,772,080</u>	Less than 1 year	<u>100.00%</u>
Total	<u><u>\$ 5,772,080</u></u>		<u><u>100.00%</u></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.

REDEVELOPMENT AUTHORITY OF PRINCE GEORGE'S COUNTY
Notes to Basic Financial Statements
June 30, 2010 and 2009

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.

Custodial credit risk for deposits is the risk that, in the event of the failure of the depository financial institution; the Authority will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Authority's deposits are held in County bank accounts. Deposits at these financial institutions were fully insured or collateralized at year-end

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

The Authority had cash with the County's cash and investments pool, stated at fair value, amounting to \$5,469,625 and \$5,772,080 at June 30, 2010 and 2009, 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.

(3) Restricted Cash and Cash Equivalents

As of June 30, 2010 and 2009, cash restricted for the African American museum and Cultural Center amounted to \$4,177,912 and \$6,046,176 respectively.

(4) Capital Assets

Capital asset activity for the years ended June 30, 2010 and 2009 were as follows:

	2008	Additions	Disposals	2009	Additions	Disposals	2010
Capital assets not being depreciated:							
Land:	\$						
Suitland Manor Redevelopment	43,888,436	87,875	-	43,976,311	110,227	-	44,086,538
Route 1 Gateway Arts District	2,726,708	(3,479)	-	2,723,229	5,823	-	2,729,052
Palmer Park Shopping Center	1,577,697	-	-	1,577,697	-	(1,280,124)	297,573
Addison Road	1,961,294	31,788	-	1,993,082	10,870	-	2,003,952
Other Projects	2,980,086	20,478	-	3,000,564	1,620	-	3,002,184
Total land and associated costs	53,134,221	136,662	-	53,270,883	128,540	(1,280,124)	52,119,299
Construction in Progress	1,368,152	-	-	1,368,152	-	-	1,368,152
Total capital assets, not being depreciated	54,502,373	136,662	-	54,639,035	128,540	(1,280,124)	53,487,451
Capital assets, being depreciated							
Equipment	35,996	-	-	35,996	-	-	35,996
Building	2,114,939	-	-	2,114,939	-	(1,794,717)	320,222
Less accumulated depreciation	(122,436)	(60,073)	-	(182,509)	(31,832)	157,038	(57,303)
Total capital assets, being depreciated	2,028,499	(60,073)	-	1,968,426	(31,832)	(1,637,679)	298,915
Total capital assets	\$ 56,530,872	76,589	-	56,607,461	96,708	(2,917,803)	53,786,366

REDEVELOPMENT AUTHORITY OF PRINCE GEORGE'S COUNTY
Notes to Basic Financial Statements
June 30, 2010 and 2009

The Authority may develop the land or contribute or sell portions to other organizations for development consistent with the Authority's mission. Construction was substantially completed at the Palmer Park project at July 1, 2007 and sold a substantial portion to M-NCPPC in March 2010.

(5) Inventory – Property Held for Sale

The Authority began purchasing and rehabbing homes under the Neighborhood Stabilization Program in fiscal year 2010. During the year, sixteen homes were purchased and five homes were sold. The remaining eleven homes had accumulated purchase and rehab costs of \$1,368,152 at June 30, 2010.

(6) Related Party Transactions

The Authority received administrative operating grants from the County of \$229,100 in fiscal years 2010 and 2009. The County also contributed an operating grant of \$700,000 in 2009 to the Authority to administer on behalf of the African American Cultural Center and Museum. The Authority received capital grants from the County of \$1,800,000 in fiscal year 2010 and \$1,651,000 in fiscal year 2009. Other 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 2010 and 2009. These staff costs were \$745,809 and \$681,554 respectively and were offset by an equal amount of contribution income.

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 payable balance was stated at \$1,007,103, net of a \$866,009 reserve for the present value of interest as of June 30, 2010. The note payable balance was stated at \$964,202, net of a \$908,911 reserve for the present value of interest as of June 30, 2009. The note is due the earlier of twenty years or when the property is sold.

(7) 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, 2010 are scheduled to be paid through 2012 as follows:

	Year Ended June 30	Amount
2011		709,307
2012		130,197
Total		839,504
Less current portion		(709,307)
Noncurrent portion		\$ 130,197

(Continued)

REDEVELOPMENT AUTHORITY OF PRINCE GEORGE'S COUNTY

Notes to Basic Financial Statements

June 30, 2010 and 2009

(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 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) Prior Period Adjustment

Fiscal year 2009 has been restated to properly record certain operating expenses that had previously been capitalized as land. Operating expense increased by \$237,123, Land decreased by \$579,634, and beginning net assets decreased by \$345,511 for fiscal year 2009.

(10) Contingencies

During fiscal year 2010 The Authority received significant financial assistance of \$2,408,459 from the U.S. Government under the Neighborhood Stabilization Program. During fiscal years 2010 and 2009 The Authority received \$150,000 and \$130,000 respectively, from 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.