

REVENUE AUTHORITY OF PRINCE GEORGE'S COUNTY

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

YEAR ENDED JUNE 30, 2019

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying statement of net position, statement of revenues, expenses and changes in net position, and statement of cash flows of the Revenue Authority of Prince George's County, Maryland (the Authority), a component unit of Prince George's County, Maryland as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of June 30, 2019, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Combining Statement of Net Position and Statement of Revenues, Expenses, and Change in Net Position are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining Statement of Net Position and Statement of Revenues, Expenses, and Change in Net Position has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2019 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Baltimore, Maryland
October 11, 2019

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

This discussion and analysis of the Revenue Authority of Prince George's County (the Authority), a component unit of Prince George's County, Maryland, provides an overview of the financial activities for the fiscal year ended June 30, 2019. Please read this in conjunction with the Authority's basic financial statements, which begin on page 8.

Financial Highlights

- Cash, cash equivalents and investments for the year ended June 30, 2019 was \$15,924,479.
- Assets exceeded liabilities by \$44,724,253 as of June 30, 2019. The significant component of the Authority's net position, about 37.92% or \$16,961,453 was recorded as Unrestricted-Undesignated Funds.
- Operating income for the year ended June 30, 2019 was \$2,205,566.

Using This Annual Report

This annual report consists of a series of financial statements: The Statement of Net Position, the Statement of Revenues, Expenses and Change in Net Position, and the Statements of Cash Flows.

The Statement of Net Position presents the financial position of the Authority on a full accrual historical cost basis. The Authority's net position is the difference between what the Authority owns and what the Authority owes. Increases or decreases in the Authority's net position are one indicator of whether the Authority's financial health is improving or deteriorating.

The Statement of Revenues, Expenses and Change in Net Position presents the results of the activities over the course of the year showing how the net position changed during the year.

The Statement of Cash Flows presents changes in cash and cash equivalents, resulting from operating, financing, and investing activities.

The Notes to the Financial Statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements.

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

Summary of Statement of Net Position

	2019	2018
Current assets	\$ 36,943,561	\$ 39,312,540
Noncurrent assets	<u>72,137,734</u>	<u>71,002,919</u>
Total assets	<u>109,081,295</u>	<u>110,315,459</u>
Current liabilities	6,685,124	7,591,377
Noncurrent liabilities	<u>57,671,918</u>	<u>60,148,368</u>
Total liabilities	<u>64,357,042</u>	<u>67,739,745</u>
Net investment in capital assets	11,932,953	8,729,128
Restricted	4,232,137	6,133,290
Unrestricted		
Equity Investment in Joint Venture	5,794,726	5,794,726
Designated	5,802,984	5,568,296
Undesignated	<u>16,961,453</u>	<u>16,350,274</u>
Total net position	<u>\$ 44,724,253</u>	<u>\$ 42,575,714</u>

The largest portion of the Authority's assets is Capital Assets Not Being Depreciated, consisting of Land and Construction in Process, which makes up \$34,703,074 of total assets. The largest portion of the Authority's liabilities is bonds payable, which represents \$59,699,008 of the total liabilities. Net position increased by \$2,148,539 for fiscal year 2019.

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

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

	<u>2019</u>	<u>2018</u>
Total operating revenues	\$ 19,368,491	\$ 19,397,503
Total operating expenses	<u>(17,162,925)</u>	<u>(15,709,708)</u>
Operating income	2,205,566	3,687,795
Net non-operating loss	<u>(57,027)</u>	<u>(169,422)</u>
Change in net position	<u>2,148,539</u>	<u>3,518,373</u>
Net position, beginning of year	<u>42,575,714</u>	<u>39,057,341</u>
Net position, end of year	<u>\$ 44,724,253</u>	<u>\$ 42,575,714</u>

The Authority's two major areas of revenue collections are parking operations and rent income from the County. Revenues from parking operations consist of collections of daily and monthly parking fees, parking meters, and parking violations. Revenue from parking operations was \$16,715,657 in fiscal year 2019.

The Suitland project revenue from leased property was \$250,126 in fiscal year 2019.

Management fee income related to the Red-Light Camera Enforcement Program and False Alarm Reduction Unit (FARU) was, \$714,088 and \$88,960, respectively in fiscal year 2019. The management fee earned was 12.5% of gross revenues for both programs.

Management fee income related to the Automated Speed Enforcement Program was \$40,611 in fiscal year 2019. The management fee earned was 2% of net revenues for the program.

Management fee income related to operating programs was \$705,821 in fiscal year 2019.

Collection fee income was \$105,931 in fiscal year 2019.

Other income was \$42,297 in fiscal year 2019.

TIF Revenue of \$1,079,665 and County Debt Service of \$1,209,083 was received from Prince George's County in fiscal year 2019.

The Authority's three major areas of expense are parking operations, general and administrative expenses, and depreciation and amortization expenses. Expenses related to the parking operations for fiscal year 2019 were \$11,456,700.

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

General and administrative expenses were \$2,861,747, which primarily consists of the salaries of administrative personnel and related overhead and facilities expenses. As a percentage of total operating revenues, general and administration expenses were 14.78% for fiscal year 2019.

Depreciation and amortization expenses was \$949,279 in fiscal year 2019.

Rent payment to Prince George's County for fiscal year 2019 was \$150,030.

Real estate development cost totaled \$1,396,900 for fiscal year 2019.

Non-operating revenues (expenses) consist of TIF revenue, Debt service income, interest income on short-term investments and interest charges on long-term debt. Net non-operating expenses were \$57,027 in fiscal year 2019.

Capital Assets

The Authority's capital assets, net of accumulated depreciation and amortization, are presented in the following table as of June 30, 2019 and 2018.

	Capital Assets as of June 30	
	<u>(net of accumulated depreciation/amortization)</u>	
	2019	2018
Land	\$ 31,105,978	\$ 30,460,358
Construction in progress	3,597,096	745,821
Parking structures	438,624	835,469
Parking equipment	334,620	16,150
Office equipment	112,665	90,935
Meters	87,222	130,727
Vehicles	452,430	594,822
Leasehold improvements	901,614	633,051
Total	\$ 37,030,249	\$ 33,507,333

Total additions for the year, net of disposals of \$24,391, were \$4,472,193. Total depreciation and amortization expenses for the year were \$949,279.

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

Debt

The Authority's long-term debt is presented in the following table as of June 30, 2019 and 2018.

	Gross Long-Term Debt	
	2019	2018
Lease Revenue Bonds	\$ 29,830,000	\$ 33,755,000
Premium Lease Revenue Bonds	1,712,759	1,870,860
Special Obligation Bonds	28,000,000	28,000,000
Premium Special Obligation Bonds	156,249	162,515
Capital Leases	627,314	490,174
Total	\$ 60,326,322	\$ 64,278,549

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

Contacting the Authority's Financial Management

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the Authority's finances and show the Authority's accountability for the money it earns. If you have any questions about this report or need additional financial information, please contact us at 1300 Mercantile Lane, Suite 108, Largo, Maryland 20774.

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
STATEMENT OF NET POSITION
JUNE 30, 2019**

Assets

Current assets

Cash and cash equivalents and investments (Note 2)	\$ 15,924,479
Parking and other receivables, net	18,365,328
Due from Prince George's County (Note 13)	312,105
Lease receivable (Note 4)	2,230,000
Other current assets	<u>111,649</u>

Total current assets 36,943,561

Non-Current assets

Lease receivable (Note 4)	29,312,759
Equity investment in joint venture (Note 5)	5,794,726
Capital assets not being depreciated (Note 6)	34,703,074
Capital assets being depreciated, net (Note 6)	<u>2,327,175</u>

Total non-current assets 72,137,734

Total assets 109,081,295

Liabilities

Current liabilities

Accounts payable and accrued expenses	1,995,771
Due to WMATA (Note 8)	66,063
Due to others	391,840
Unearned grant revenue (Note 9)	681,655
Deposits held	5,899
Capital lease obligation, current portion (Note 7)	324,404
Bond interest payable	889,492
Bond payable (Note 10)	<u>2,330,000</u>

Total current liabilities 6,685,124

NonCurrent liabilities

Bonds payable (Note 10)	57,369,008
Capital lease obligation, net of current portion (Note 7)	<u>302,910</u>

Total noncurrent liabilities 57,671,918

Total liabilities 64,357,042

Net Position

Net investment in capital assets	11,932,953
Restricted (Note 11)	4,232,137
Unrestricted	
Equity investment in joint venture (Note 5)	5,794,726
Designated (Note 12)	5,802,984
Undesignated	<u>16,961,453</u>

Total Net Position \$ 44,724,253

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

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019**

Operating Revenues

Parking operations	16,715,657
Rent income from Prince George's County	660,000
Rental income	250,126
Management fee - red light	714,088
Management fee - false alarm	88,960
Management fee - automated speed enforcement	40,611
Management fee - operating programs	705,821
Collection fee	150,931
Other	<u>42,297</u>
 Total operating revenues	 <u>19,368,491</u>

Operating Expenses

Parking operations	11,456,700
General and administrative	2,861,747
Depreciation and amortization	949,279
Rent payment to Prince George's County	150,030
Rental expense	94,784
Property tax	23,984
Real estate development Cost	1,396,900
Other	<u>229,501</u>
 Total operating expenses	 <u>17,162,925</u>

Operating income	<u>2,205,566</u>
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Non-Operating Revenues (Expenses)

TIF revenue	1,079,665
County Debt Service	1,209,083
Interest income	267,084
Interest expense	<u>(2,612,859)</u>

Net non-operating expenses	<u>(57,027)</u>
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Change in net position	2,148,539
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Net position, beginning of year	<u>42,575,714</u>
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Net Position, End of Year	<u>\$ 44,724,253</u>
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The accompanying notes are an integral part of these financial statements.

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019**

Cash flows from operating activities	
Cash received from operations	\$ 18,926,898
Cash paid to suppliers	(13,898,353)
Cash paid to employees	(4,676,587)
Cash paid to board members	<u>(51,000)</u>
Net cash provided by operating activities	<u>300,958</u>
Cash flows from capital and related financing activities	
Notes payable and capital leases	
Purchases of capital assets	(3,850,965)
Land purchase	(645,620)
Proceeds from the sale of capital assets	24,391
County contributions	2,288,748
Principal paid on capital leases and notes payable net	137,140
Interest paid on debt	<u>(1,836,493)</u>
Net cash used by capital and related financing activities	<u>(3,882,799)</u>
Cash flows from investing activities	
Receipt of loan payment	1,484,924
Investment earnings	<u>267,084</u>
Net cash provided by investing activities	<u>1,752,008</u>
Net decrease in cash and cash equivalents	(1,829,833)
Cash and cash equivalents, beginning of year	<u>17,754,312</u>
Cash and cash equivalents, end of year	<u><u>\$ 15,924,479</u></u>
Non-cash capital and related financing activities:	
Acquisition of capital lease	\$ 477,858
Debt repayments offset through County lease activity	4,083,101
Net non-cash provided by capital and related financing activities	<u><u>\$ 4,560,959</u></u>

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

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019**

Reconciliation of operating income to net cash provided by operating activities

Operating income	\$ 2,205,566
Adjustments to reconcile operating income to net cash used in operating activities	
Depreciation and amortization	949,279
Bad debt expense	2,688,864
Effect of changes in operating assets and liabilities:	
Accounts receivable	(5,058,958)
Other current assets	41,421
Accounts payable and accrued expenses	(216,716)
Due to Prince George's County	(640,030)
Due to WMATA	23,480
Due to others	315,153
Deposits held	(7,100)
	<hr/>
Net cash provided by operating activities	<u>\$ 300,958</u>

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

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Information

The Revenue Authority of Prince George's County (the Authority) is a body corporate and politic established under the authority of Maryland law passed in 1996. In 1997, the County Council of Prince George's County, Maryland (the County) enacted legislation to create a separate entity whose purpose is to exercise its powers for projects within the boundary lines of the County devoted wholly or partially for public uses, goods, or general welfare, and to stimulate employment and economic growth. The Authority is a component unit of the County. The Authority has seven board members and two ex-officio members. The County Executive appoints five board members and the County Council appoints two board members. The County Executive and County Council have oversight responsibility for approval of the Authority's operating and capital improvement budgets.

Basis of Accounting

The Authority is an enterprise fund and prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this method, revenues are recognized when earned and expenses are recognized when incurred. The Authority applies all relevant GASB pronouncements.

The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Authority's ongoing operations. The principal operating revenues of the Authority are revenues generated from its parking operations. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Cash and Cash Equivalents

The Authority considers all highly liquid instruments, which are to be used for current operations and which have an original maturity of three months or less, to be cash and cash equivalents, except for the liquid instruments held as part of investments under the Maryland Local Government Investment Pool (the MLGIP).

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Certificates of deposit are carried at amortized cost.

Allowance for Uncollectible Receivable

Accounts receivable consists primarily of amounts due from fees for parking operations. The allowance is based on management's analysis of specific accounts. An allowance for doubtful accounts has been established based on a pro-rated evaluation of aged citations as well as whether the citations have Maryland State tags, or Out-of-State tags. The allowance for doubtful accounts was \$44,156,438 at June 30, 2019. The Authority will write-off citations when they are deemed uncollectible and have aged out for 10 years. The Authority wrote off \$3,040,119 of citations in fiscal year 2019 that had aged over 10 years.

Capital Assets

Capital assets are recorded at cost. The Authority capitalizes all expenditures for property and equipment over \$500. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, which range from 2 to 30 years, or the lesser of the useful life of the asset or the lease period for capital leases. When assets are sold or otherwise disposed of, the asset and related accumulated depreciation and amortization are removed from the accounts, and any remaining gain or loss is included in operations. Repairs and maintenance are charged to expense when incurred.

Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The Authority did not have any deferred outflows or deferred inflows at June 30, 2019. Net investment in capital assets consists of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any borrowing used for the acquisition of those assets. Unrestricted net position represents resources available to meet the general operations of the Authority and may be used to meet current expenses for any purpose.

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position (Continued)

Net position is reported as restricted where there are limitations imposed on their use either through legislation or through external restrictions imposed by creditors, grantors, laws or regulations. Unrestricted net position is reported as designated where there are limitations imposed by the Board of Directors.

Revenues

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

Use of Estimates

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

Financial Instruments and Credit Risk

Financial instruments that potentially subject the Authority to concentrations of credit risk consist principally of investments held at creditworthy financial institutions. By policy, these investments are kept within limits designed to prevent risks caused by concentration. Credit risk with respect to trade and other receivables is limited because the Authority deals with a large number of customers.

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2: CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments are composed of the following at June 30, 2019.

Cash deposits	\$ 1,597,944
Petty cash	9,099
Repurchase agreements	1,455,440
Old Line Bank Certificate of Deposit	993,529
Harbor Bank Certificate of Deposit	106,430
BNY Mellon - Bond Trustee*	5,686,267
Maryland Local Government Investment Pool	<u>6,075,770</u>
Total cash, cash equivalents and investments	<u>\$ 15,924,479</u>

*Restricted Cash

Investment Policy

The Authority's primary objective for the management of its funds is the protection of investment principal in the overall portfolio through the use of diversification and third-party collateralization while maintaining sufficient liquidity to meet all cash flow requirements. The secondary objective is to maximize investment return consistent with risk limitations.

The Authority is authorized to invest in U.S. Government Securities, U.S. Agency Securities, repurchase agreements, certificates of deposit and time deposits, pooled Investments created under the Maryland Local Government Investment Pool (the MLGIP) and money market mutual funds as stipulated in the Authority's investment policy.

The Revenue Authority participates in the MLGIP, which is an external investment pool that is not subject to regulation by the SEC. However, the pool is governed by Article 95 Section 22G of the Annotated Code of Maryland and under the control of the State Treasurer, subject to oversight by the MLGIP Advisory Committee. All securities in the MLGIP are valued daily on an amortized cost basis, which approximates market value.

Credit Risk

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

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

The Authority's cash balances consist of demand and money market accounts. These accounts are maintained at federally insured commercial banks. Excess cash is invested in overnight repurchase agreements (Repos) with a commercial bank. Repos are secured by U.S. Treasury or Agency securities. The collateral, in an amount not less than 102% of the fair market value of the securities, is held by the bank's trust department in the Authority's name. In addition, the Authority has funds in the Maryland Local Government Investment Pool (MLGIP), which are cash equivalents.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover deposits that are in the possession of an outside party. Custodial credit risk for investments is the risk that securities are uninsured, unregistered, and held by the Counterparty, or by its trust department or agent, but not in the Authority's name. All funds deposited by the Authority are held by independent third-party financial institutions (custodians) and are secured by collateral that is above the level required by the Public Funds law of the State of Maryland (102%). As of June 30, 2019, there were no deposits or investments exposed to custodial credit risk.

Investment Rate Risk

Interest rate risk is the risk that changes in the market interest rates that will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to change in market interest rates. Information about the sensitivity of the fair values of the Authority's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Authority's investments by maturity as of June 30, 2019:

Investment type	Less than 6 Months	6 to 12 Months	1 to 3 Years	Total
Certificates of Deposit	\$ -	\$ 1,099,959	\$ -	\$ 1,099,959

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3: NOTES RECEIVABLES

On September 22, 2014, the Revenue Authority executed a Memorandum of Agreement with the Redevelopment Authority of Prince George's County. The Authority provided funding in the amount of \$3,158,656 to the Redevelopment Authority for the purchase of the Glenarden apartment complex. On March 1, 2017, the Redevelopment Authority executed an agreement with a qualified Developer for the Glenarden project and per the terms of the agreement, the note was due within 3 years from that date.

On October 25, 2017, The Revenue Authority received a principal payment from the Redevelopment Authority in the amount of \$1,673,732. On December 14, 2018, The Revenue Authority received the remaining principal payment of \$1,484,924 from the Redevelopment Authority to settle the note. The note is considered paid in full.

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

On May 23, 2018, the Revenue Authority executed two (2) Capital Lease agreements with Prince George's County Government. The leases are referred to as the 2018A and the 2018B Financing Lease.

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

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

The County is responsible for the principal, interest, and premium of the bond debt issued for the rehabilitation and repair. The lease period is for a maximum of 17 years or until the bonds are no longer outstanding. Future minimum lease payments to be received as of June 30, 2019, were as follows:

Year ending June 30,	<u>Amounts</u>
2020	3,601,923
2021	3,594,103
2022	3,596,905
2023	3,604,591
2024-2028	17,987,290
2029-2030	<u>7,165,866</u>
Total minimum lease payments	39,550,678
Less: amount representing interest	<u>8,007,919</u>
Net minimum lease payments	<u><u>\$ 31,542,759</u></u>

NOTE 5: EQUITY INVESTMENTS IN JOINT VENTURE – BRENTWOOD

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

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

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

The Authority committed \$3,708,625 in capital funding as an equity investment into the project for 0.01% ownership interest. The Authority is entitled to Priority Returns and a cash distribution equal to 25% from all net available cash flows at least one time per year. The net cash distribution available will be determined after a distribution to the Managing Member for repayment of Predevelopment Loans, then distribution to the Managing member for the return of all EB5 Contributions, then distributions to the Landex Member and the Authority for any unpaid Priority Returns. Priority Returns accrue monthly as of September 1, 2016. Priority returns earned by the Authority as of June 30, 2019 are \$340,110. As of June 30, 2019, the Authority's equity investment is \$3,708,625.

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

The Project located at 4100 Rhode Island Avenue, Brentwood, Maryland 20722 is a mixed-use project consisting of market-rate rental apartment units, first floor retail space, artist studio space and appurtenant parking spaces. The Project is scheduled for completion by the end of calendar year 2020.

The Authority committed \$2,086,101 in capital funding as an equity investment into the project for 0.01% ownership interest. The Authority is entitled a cash distribution equal to 23.65% from all net available cash flows at least one time per year. The net cash distribution available will be determined after a distribution to the Managing Member for repayment of Predevelopment Loans, then distribution to the Managing Member for the return of all EB5 Contributions, then distributions to the Landex Member for any unpaid Priority Returns. Priority Returns accrue monthly as of April 27, 2018. As of June 30, 2019, the Authority's equity investment is \$2,086,101.

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 6: CAPITAL ASSETS

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
Capital assets not being depreciated:				
Land	\$ 30,460,358	\$ 645,620	\$ -	\$ 31,105,978
Construction in Progress	745,821	2,851,275	-	3,597,096
Total capital assets not being depreciated:	<u>31,206,179</u>	<u>3,496,895</u>	<u>-</u>	<u>34,703,074</u>
Capital assets being depreciated/amortized:				
Parking structures	11,681,833	-	-	11,681,833
Parking equipment	566,633	390,623	9,472	947,784
Office equipment	638,482	61,901	-	700,383
Meters	358,503	-	-	358,503
Vehicles	1,044,610	175,274	122,564	1,097,320
Leasehold improvements	<u>2,341,387</u>	<u>371,892</u>	<u>-</u>	<u>2,713,279</u>
Total capital assets being depreciated:	<u>16,631,448</u>	<u>999,690</u>	<u>132,036</u>	<u>17,499,102</u>
Less accumulated depreciation/amortization for:				
Parking structures	10,846,364	396,845	-	11,243,209
Parking equipment	550,483	63,997	1,316	613,164
Office equipment	547,547	40,171	-	587,718
Meters	227,776	43,505	-	271,281
Vehicles	449,787	301,431	106,329	644,889
Leasehold improvements	<u>1,708,336</u>	<u>103,330</u>	<u>-</u>	<u>1,811,666</u>
Total accumulated depreciation and amortization	<u>14,330,293</u>	<u>949,279</u>	<u>107,645</u>	<u>15,171,927</u>
Net capital assets being depreciated:	<u>2,301,155</u>	<u>50,411</u>	<u>24,391</u>	<u>2,327,175</u>
Net capital assets	<u><u>\$ 33,507,334</u></u>	<u><u>\$ 3,547,306</u></u>	<u><u>\$ 24,391</u></u>	<u><u>\$ 37,030,249</u></u>

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7: CAPITAL LEASES

The Authority leases furniture, equipment and Thirty-two vehicles under eleven separate capital leases expiring by the year 2022. The assets and liabilities under the capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are amortized over the lower of their lease terms or their estimated productive lives.

Amortization of the assets under the capital leases is included in depreciation and amortization expense for fiscal year 2019.

Capital lease activity for the year ended June 30, 2019 is as follows:

<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Decreases</u>	<u>Balance June 30, 2019</u>	<u>Due Within One Year</u>
\$ 490,174	\$ 477,858	\$ (340,718)	\$ 627,314	\$ 324,404

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

Year ending June 30,	
2020	\$ 338,833
2021	273,485
2022	<u>34,247</u>
Total minimum lease payments	646,565
Less: amount representing interest	<u>(19,251)</u>
Present value of future minimum lease payments	<u>\$ 627,314</u>
Due within one year	324,404
Long-term portion	<u>302,910</u>
Future minimum lease payments	<u>\$ 627,314</u>

Assets under capital leases recorded in the statement of net position as of June 30, 2019, were as follows:

Vehicles	\$ 856,634
Security Equipment	341,584
Less: accumulated depreciation	<u>(422,197)</u>
Assets acquired under capital leases, net	<u>\$ 776,021</u>

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

**NOTE 8: OPERATING AND MANAGEMENT AGREEMENT & LEASED
PROPERTY WITH WASHINGTON METROPOLITAN AREA TRANSIT
AUTHORITY**

The Authority and the County entered into an operating and management agreement with the Washington Metropolitan Area Transit Authority (WMATA), dated January 1, 1987, covering 400 spaces in the New Carrollton parking facility. Under the terms of this agreement, the Authority is entitled to a management fee and reimbursement of certain costs equal to the sum of (a) a fixed annual fee of \$15 per space (b) 40% of operation and maintenance costs and (c) 25% of attendant costs. This management fee is to be deducted from any revenue generated by these 400 spaces.

On May 7, 2019 the Authority was notified that WMATA, by approval of land transfer from the Maryland Transit Authority, was the new owner and landlord of 15.782 acres of land "New Carrollton Garage East Lot". Concurrently, the lease agreement in which the Authority leases the lot for parking revenues was transferred.

The amount due to WMATA for the year ended June 30, 2019 was \$66,063.

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

In December 2014, The Authority was awarded from the Maryland Department of Housing and Community Development (DHCD) the FY 2015 Strategic Demolition and Smart Growth Investment Fund (SDSGIF) grant. The grant award amount of Four Hundred Thousand Dollars (\$400,000) was made available to assist with the design, site preparation and the construction of the Hamilton Street Structured Parking Facility project. The Authority received the funding of the award in January 2018.

On December 28, 2017, the Authority and the City of Hyattsville, an incorporated municipality of the State of Maryland issued a Memorandum of Understanding (MOU). The City of Hyattsville was awarded a grant from the FY 2015 Strategic Demolition and Smart Growth Investment Fund (SDSGIF) grant from the Maryland Department of Housing and Community Development (DHCD). The City desired to support the Authority's conceptual drawings for the Hamilton Street Parking Facility project and so issued the MOU in which they contributed Two Hundred and Eighty-One Thousand, Six Hundred and Fifty-Five Dollars (\$281,655) for the purpose of subsidizing the cost of engineering and design services provided pursuant to a Development Agreement. The Authority received the funding in January 2018.

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 10: BONDS PAYABLE

Changes in bonds payable for the fiscal year ended June 30, 2019 was as follows:

	Balance			Balance	Amounts Due Within One Year
	July 1, 2018	Additions	Deductions	June 30, 2019	
Special Obligation Bonds					
Series 2016, Term 2030	\$ 1,700,000	\$ -	\$ -	\$ 1,700,000	\$ 100,000
Series 2016, Term 2036	6,000,000	-	-	6,000,000	-
Premium	20,197	-	(1,130)	19,067	-
	<u>6,020,197</u>	<u>-</u>	<u>(1,130)</u>	<u>6,019,067</u>	<u>-</u>
Series 2016, Term 2046	20,300,000	-	-	20,300,000	-
Premium	142,318	-	(5,136)	137,182	-
	<u>20,442,318</u>	<u>-</u>	<u>(5,136)</u>	<u>20,437,182</u>	<u>-</u>
Lease Revenue Refunding Bonds					
Series 2018A, Term 2030	15,255,000	-	(3,575,000)	11,680,000	830,000
Premium	1,870,860	-	(158,101)	1,712,759	-
	<u>17,125,860</u>	<u>-</u>	<u>(3,733,101)</u>	<u>13,392,759</u>	<u>830,000</u>
Series 2018B, Term 2030	18,500,000	-	(350,000)	18,150,000	1,400,000
Total Bonds Payable	<u>\$ 63,788,375</u>	<u>\$ -</u>	<u>\$ (4,089,367)</u>	<u>\$ 59,699,008</u>	<u>\$ 2,330,000</u>

Special Obligation Bonds, Series 2016

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

The Series 2016 Bonds are special obligations of the Revenue Authority payable solely from the amounts received from the County and amounts held under the Indenture of Trust.

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 10: BONDS PAYABLE (Continued)

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

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

The total interest payments on the bonds for the year ended June 30, 2019, was \$1,374,375.

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

Projected Bond Principal Liability and Accrued Interest Payable

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

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 100,000	\$ 1,370,000	\$ 1,470,000
2021	175,000	1,362,344	1,537,344
2022	225,000	1,352,500	1,577,500
2023	255,000	1,341,344	1,596,344
2024	250,000	1,330,406	1,580,406
2025-2029	3,695,000	6,221,019	9,916,019
2030-2034	8,860,000	4,611,838	13,471,838
2035-2039	14,440,000	1,456,750	15,896,750
Total	<u>\$ 28,000,000</u>	<u>\$ 19,046,201</u>	<u>\$ 47,046,201</u>

**REVENUE AUTHORITY OF
PRINCE GEORGE’S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 10: BONDS PAYABLE (Continued)

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

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

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

Interest on the Series 2018A and 2018B Bonds is payable according to the terms specified by the Indenture semiannually on May 1 and November 1 of each year commencing on November 1, 2018. Interest on the Series 2018A and 2018B Bonds is calculated on the basis of a 360-day year comprised of twelve 30-day months. The Term 2030 Bonds were issued at a premium of \$1,884,034. The premiums are being amortized over the life of the term of bonds. The Bonds were issued in two series as follows:

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

The total interest payments on the bonds for the year ended June 30, 2019, was \$1,238,484.

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

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 10: BONDS PAYABLE (Continued)

Projected Bond Principal Liability and Accrued Interest Payable

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

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	2,230,000	1,213,823	3,443,823
2021	2,295,000	1,141,003	3,436,003
2022	2,385,000	1,053,805	3,438,805
2023	2,485,000	961,491	3,446,491
2024	2,580,000	862,792	3,442,792
2025-2029	14,565,000	2,630,443	17,195,443
2030	3,290,000	144,559	3,434,559
Total	<u>\$ 29,830,000</u>	<u>\$ 8,007,916</u>	<u>\$ 37,837,916</u>

NOTE 11: RESTRICTIONS OF NET POSITION

	<u>2019</u>
Net Position is restricted for the following purposes:	
Bond Reserve Fund for Series 2016 bonds	\$ 2,000,000
County Supplement for Suitland Land Acquisitions	2,219,627
Closed Circuit Television Repair & Replacement Reserves	<u>12,510</u>
Total restricted net position	<u>\$ 4,232,137</u>

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

In fiscal year 2007, the Revenue Authority established reserves for special projects and for future maintenance, repair and replacement costs. The reserve for special projects is to fund future projects, which promote the public interest and economic development of Prince George's County. The reserve for future maintenance, repair and replacement costs is for non-recurring maintenance, repair and replacement costs of capital facilities and equipment.

In fiscal year 2015, the Revenue Authority established an operating reserve to fund short-term agency operating cash needs in case of limited cash balances. The operating reserve balance is calculated at 5% of the current fiscal year approved operating budget.

Designated Reserve Funds	2019
Special Projects	\$ 2,186,888
Maintenance	2,652,396
Operating	963,700
Total designated reserve funds	\$ 5,802,984

NOTE 13: RELATED PARTY TRANSACTIONS

Prince George's County (Parking Facilities Lease)

On August 29, 2013, the Authority executed an agreement effective July 1, 2012 to lease several parking facilities from the County. The term of the agreement was from July 1, 2012 to June 30, 2014. The agreement automatically renews annually. As part of this agreement, the County assigned 366 in-service parking meters to the Authority. Under the terms of the lease agreement, the Authority is required to maintain and operate the parking facilities and meters. The Authority is entitled to charge patrons reasonable rates and fees, which are subject to County approval.

The Authority has agreed to pay the County an annual rent of \$150,000 plus the net revenue earned from the facilities and meters after deducting all related expenses and any reserves for future maintenance and capital improvements. The lease renews automatically unless either party provides written notice of termination.

For the year ended June 30, 2019, the Authority agreed to pay to the County \$850,000 for shared parking fine revenues.

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 13: RELATED PARTY TRANSACTIONS (Continued)

Prince George's County (Construction and Parking Facility Management Agreement)

The Authority and the County have entered into a management agreement for the Hyattsville Justice Center garage. Under the terms of this agreement, the Authority was responsible for the design and financing of the facility's construction; however, the agreement provides that the County shall serve as an agent of the Authority for the administration of all design and construction contracts and, as such, the County managed the construction.

The Authority is obligated to maintain and operate the Justice Center garage in accordance with the Lease Agreement discussed below. The Authority is responsible for collecting all fees received from the public for the use of the facility and payment of all operating expenses. The County has agreed to reimburse the Authority for all deficits arising from the operation of this facility; conversely, the Authority will pay the County any net income as defined in the agreement. In addition, the County has agreed to pay the Authority a management fee of \$90,000 annually for the first ten years after completion, \$115,000 annually for years 11 through 18, and a mutually agreed upon amount thereafter. Pursuant to this agreement, the Authority received a management fee of \$115,000 for the year ended June 30, 2019.

Prince George's County (Hyattsville Justice Center Lease Agreement)

The Authority and the County also entered into a lease agreement dated May 1, 1986 (the Lease Agreement) wherein the County agreed to lease the Justice Center from the Authority. The initial term ended on the date on which all outstanding principal and interest of the Series 1992 Bonds was repaid, which was May 1, 2005. The lease term was mutually agreed to extend for four additional ten-year periods.

For the year ended June 30, 2008, the Authority entered into an operating and management agreement with the County for the payment of rent. Under the terms of this agreement, the Authority is entitled to the reimbursement of all costs and an administrative fee equal to 10% of such costs. Preceding this agreement, the County agreed to pay rent to the Authority equal to the amount of principal and interest payments due on the Series 1992 Bonds. Pursuant to the agreements, the County paid rent of \$660,000 for the year ended June 30, 2019.

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 13: RELATED PARTY TRANSACTIONS (Continued)

In addition to this rent, the County is obligated to pay an annual fee to the Authority. This annual fee was \$100,000 per year beginning May 1986 until substantial completion on August 1, 1990, \$30,000 per year for the 10 years after completion, \$40,000 per year for the 11th through 18th years from completion, and \$50,000 per year thereafter. Pursuant to this agreement, the Authority received an annual fee of \$50,000 for the year ended June 30, 2019.

The County is also obligated to pay certain administrative expenses associated with the Justice Center.

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

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

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

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

Under the terms of this agreement, the Authority pays the County, as rent, Thirty Dollars (\$30.00) annually in advance with each payment due on the anniversary of the lease commencement date. Pursuant to the agreement, the Authority paid rent of \$30 for the year ended June 30, 2019.

Prince George's County (Lease - DuVall Wing)

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

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 13: RELATED PARTY TRANSACTIONS (Continued)

Due from Prince George's County consisted of the following activity during the year ended June 30, 2019:

Annual facilities lease	\$ (150,000)
Annual fines distribution	(850,000)
Annual Ground Lease UM Courthouse	(30)
Rent receivable, July 1, 2018 - June 30, 2019	660,000
HJC garage management fee due to the Authority	115,000
HJC annual fee due to the Authority	50,000
Payment to Department of Corrections 2019	15,797
Abandoned Vehicle Unit 2019 reimb.	396,416
DPWT 2019 Fringe lot reimb.	58,131
Fed Ex Field events reimb 2019	<u>16,791</u>
Net due from County	<u><u>\$ 312,105</u></u>

NOTE 14: COMMITMENTS

Operating Leases

The Authority leases office space, parking lots and miscellaneous office equipment under non-cancelable operating leases, which expire at various times through 2022.

Effective November 1, 2015, the Authority renegotiated its lease with Mercantile Place #1 Limited Partnership for office space in Largo, Maryland. The lease term is 7 years terminating on October 31, 2022. The Authority is also required to pay the lessor a maintenance fee and a portion of real estate taxes related to the property.

The lease with the Maryland Transit Administration (MTA) for the New Carrollton East lot is for a five-year period commencing on July 1, 2017 and terminating on June 30, 2022 with the option to renew the lease for an additional term of five years commencing at the expiration of the initial term. On March 6, 2019 the MTA transferred the 15.782 acres of land to the Washington Metropolitan Area Transit Authority (WMATA). Concurrent to the change in ownership, the lease agreement was transferred to WMATA under the existing approved terms. For the year ended June 30, 2019, the Authority paid \$105,060.

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 14: COMMITMENTS (Continued)

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

<u>Year ending June 30.</u>	
2020	402,541
2021	409,624
2022	420,371
2023	<u>103,920</u>
Future minimum lease payments	<u>\$ 1,336,456</u>

Rent expense for the year ended June 30, 2019 was \$354,063.

NOTE 15: BENEFIT PLAN

The Authority participates in the ADP Prototype 401(k) Plan. All employees are eligible for the Plan. The Authority is required to make contributions to the Plan equal to 5% of each eligible employee's gross salary.

For the year ended June 30, 2019, total contributions by the Authority to the eligible employees of the 401K retirement plan were \$174,932.

NOTE 16: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance covering these risks. Settled claims resulting from these risks have not exceeded insurance coverage for the past three years.

NOTE 17: ESCROW ACCOUNT – INDUSTRIAL DEVELOPMENT AUTHORITY CALLABLE BONDS

On May 14, 2018, the Revenue Authority issued \$18,500,000 of taxable Lease Revenue Refunding Bonds, Series 2018B to advance refund \$17,300,000 of certain maturities to the Industrial Development Authority's Taxable Lease Revenue Bonds, Series 2009. At June 30, 2019, \$16,280,000 of the bonds that mature in 2020 are considered defeased and are not included in these financial statements.

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

**NOTE 17: ESCROW ACCOUNT – INDUSTRIAL DEVELOPMENT AUTHORITY
CALLABLE BONDS (Continued)**

The bonds have a callable date on October 15, 2019. The Revenue Authority established an escrow account with Zions Bank to fulfill the interest and principal payments that are due on the bonds. The account earns interest on a monthly basis which will be applied to future required payments. Once the bonds have been paid in full, the escrow account will be closed. The Escrow account balance as of June 30, 2019 is \$16,358,741.

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY
COMBINING STATEMENTS OF NET POSITION
JUNE 30, 2019**

Assets	Operating	Economic Development	Total
Current assets			
Cash and cash equivalents	\$ 7,723,877	\$ 8,200,602	\$ 15,924,479
Parking and other receivables	18,361,923	3,405	18,365,328
Due from Prince George's County	312,105	-	312,105
Lease receivable	2,230,000	-	2,230,000
Other current assets	111,649	-	111,649
Total current assets	28,739,554	8,204,007	36,943,561
Non-Current assets			
Lease receivable	29,312,759	-	29,312,759
Equity investment in joint venture	5,794,726	-	5,794,726
Capital assets not being depreciated	6,496,996	28,206,078	34,703,074
Capital assets being depreciated, net	2,327,175	-	2,327,175
Total non-current assets	43,931,656	28,206,078	72,137,734
Total assets	72,671,210	36,410,085	109,081,295
Liabilities			
Current liabilities			
Accounts payable and accrued expenses	1,927,947	67,824	1,995,771
Due to WMATA	66,063	-	66,063
Due to others	391,840	-	391,840
Unearned grant revenue	681,655	-	681,655
Deposits held	25	5,874	5,899
Capital lease obligation, current portion	324,404	-	324,404
Bond interest payable	202,304	687,188	889,492
Bond payable	2,230,000	100,000	2,330,000
Total current liabilities	5,824,238	860,886	6,685,124
Noncurrent liabilities			
Bonds payable	29,312,759	28,056,249	57,369,008
Capital lease obligation, net of current portion	302,910	-	302,910
Total non-current liabilities	29,615,669	28,056,249	57,671,918
Total liabilities	35,439,907	28,917,135	64,357,042
Net Position			
Net investment in capital assets	6,496,857	5,436,096	11,932,953
Restricted	12,510	4,219,627	4,232,137
Unrestricted			
Equity investment in joint venture	5,794,726	-	5,794,726
Designated	5,595,234	207,750	5,802,984
Undesignated	19,331,976	(2,370,523)	16,961,453
Total Net Position	\$ 37,231,303	\$ 7,492,950	\$ 44,724,253

**REVENUE AUTHORITY OF
PRINCE GEORGE'S COUNTY**
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
JUNE 30, 2019

	<u>Operating</u>	<u>Economic Development</u>	<u>Total</u>
Operating Revenues			
Parking operations	\$ 16,715,657	\$ -	\$ 16,715,657
Rent income from Prince George's County	660,000	-	660,000
Rental income	-	250,126	250,126
Management fee - red light	714,088	-	714,088
Management fee - false alarm	88,960	-	88,960
Management fee - automated speed enforcement	40,611	-	40,611
Management fee - operating programs	705,821	-	705,821
Collection fee	150,931	-	150,931
Other	42,145	152	42,297
	<u>19,118,213</u>	<u>250,278</u>	<u>19,368,491</u>
Operating Expenses			
Parking operations	11,456,700	-	11,456,700
General and administrative	2,861,747	-	2,861,747
Depreciation and amortization	949,279	-	949,279
Rent payment to Prince George's County	150,030	-	150,030
Rental expense	-	94,784	94,784
Property tax	-	23,984	23,984
Real estate development Cost	-	1,396,900	1,396,900
Other	-	229,501	229,501
	<u>15,417,756</u>	<u>1,745,169</u>	<u>17,162,925</u>
Operating income	<u>3,700,457</u>	<u>(1,494,891)</u>	<u>2,205,566</u>
Non-Operating Revenues (Expenses)			
TIF revenue	-	1,079,665	1,079,665
County Debt Service	1,209,083	-	1,209,083
Interest income	96,039	171,045	267,084
Interest expense	(1,244,750)	(1,368,109)	(2,612,859)
Net non-operating expenses	<u>60,372</u>	<u>(117,399)</u>	<u>(57,027)</u>
Change in net position	3,760,829	(1,612,290)	2,148,539
Net position, beginning of year,	<u>33,470,474</u>	<u>9,105,240</u>	<u>42,575,714</u>
Net Position, End of Year	<u>\$ 37,231,303</u>	<u>\$ 7,492,950</u>	<u>\$ 44,724,253</u>