

# REVENUE AUTHORITY OF PRINCE GEORGE'S COUNTY

## FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

YEARS ENDED JUNE 30, 2010 AND 2009

### TCBA

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# **REVENUE AUTHORITY OF PRINCE GEORGE'S COUNTY**

## **FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT**

**YEARS ENDED JUNE 30, 2010 AND 2009**

**REVENUE AUTHORITY OF  
PRINCE GEORGE'S COUNTY  
FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT  
YEARS ENDED JUNE 30, 2010 AND 2009**

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**THOMPSON, COBB, BAZILIO & ASSOCIATES, PC**  
*Certified Public Accountants and Management, Systems, and Financial Consultants*

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**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements, as listed in the table of contents, of the Revenue Authority of Prince George's County (the Authority), a component unit of Prince George's County, Maryland, as of and for the years ended June 30, 2010 and 2009. 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 audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2010 and 2009, and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

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

Washington, D.C.  
December 14, 2010

*Thompson, Cobb, Bazilio & Associates, PC*

**REVENUE AUTHORITY OF  
PRINCE GEORGE'S COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010 AND 2009**

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.

**Summary of Statements of Net Assets**

	<u>2010</u>	<u>2009</u>
Current assets	\$ 13,109,951	\$ 11,558,926
Noncurrent assets	<u>14,407,665</u>	<u>15,044,856</u>
Total assets	<u>27,517,616</u>	<u>26,603,782</u>
Current liabilities	2,587,193	1,758,626
Noncurrent liabilities	<u>197,210</u>	<u>268,302</u>
Total liabilities	<u>2,784,403</u>	<u>2,026,928</u>
Net assets invested in capital, net of related debt	14,220,969	14,785,405
Unrestricted	10,364,690	9,644,035
Restricted	<u>147,554</u>	<u>147,414</u>
Total net assets	<u>\$ 24,733,213</u>	<u>\$ 24,576,854</u>

The largest portion of the Authority's assets is capital assets, which make up \$14,407,665 of total assets. The largest portion of the Authority's liabilities is the payable to Prince George's County, Maryland (the County), which represents \$1,876,056 of the Authority's liabilities. Net assets increased by \$2,156,359 of which \$2,000,000 will be contributed to the County.

**REVENUE AUTHORITY OF  
PRINCE GEORGE'S COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010 AND 2009**

**Summary of Statements of Revenues, Expenses and Change in Net Assets**

	<u>2010</u>	<u>2009</u>
Total operating revenues	\$ 9,329,148	\$ 8,446,093
Total operating expenses	<u>(7,178,340)</u>	<u>(6,401,442)</u>
Operating income	2,150,808	2,044,651
Net non-operating revenues	<u>5,551</u>	<u>115,911</u>
Change in net assets	<u>2,156,359</u>	<u>2,160,562</u>
Net assets, beginning of year	24,576,854	23,416,292
Contribution to the County	<u>(2,000,000)</u>	<u>(1,000,000)</u>
Net assets, end of year	<u>\$ 24,733,213</u>	<u>\$ 24,576,854</u>

The Authority's two major areas of revenue collections are the 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. Revenues from parking operations were \$8,397,539 in fiscal year 2010 compared to \$7,668,184 in fiscal year 2009. The increase is the result of vigilant collection efforts and parking meter collections at the National Harbor in Oxon Hill, Maryland. Rent income from Prince George's County was \$660,000 in each of fiscal years 2010 and 2009.

Fiscal year 2010 was the first full fiscal year of parking meter collections and issuance of parking violation citations at the National Harbor in Oxon Hill, Maryland. The Authority currently oversees 69 single space meters. National Harbor parking meter revenue for fiscal year 2010 was \$489,835.

Other income was \$19,678 in fiscal year 2010 compared to \$17,480 in fiscal year 2009. The increase was primarily due to a recognized gain on the early termination of a lease.

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 2010 were \$5,620,755 compared to \$4,779,673 in fiscal year 2009. The 17% increase in parking operations is primarily due to expenses for snow removal due to unusually heavy snowfall in fiscal year 2010 and fees associated with collecting delinquent parking citations.

**REVENUE AUTHORITY OF  
PRINCE GEORGE'S COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010 AND 2009**

General and administrative expenses consist primarily of the salaries of administrative personnel and related overhead and facilities expenses. As a percentage of total revenues, general and administration expenses were 6% for fiscal year 2010, compared to 8% for fiscal year 2009. Depreciation and amortization expenses increased from \$723,724 in 2009 to \$771,564 in 2010, primarily due to the capitalization and amortization of newly acquired assets in 2010.

Net non-operating revenue consists of interest income on short-term investments and interest charges on long-term debt. Net non-operating revenues were \$5,551 in fiscal year 2010 compared to \$115,911 in fiscal year 2009. The 95% decrease is due to earning significantly lower interest rates on cash balances in 2010 compared to 2009.

The Authority will contribute an additional \$2,000,000 to the County from its unrestricted assets for fiscal year 2010 compared to \$1,000,000 in fiscal year 2009. This contribution will be used to assist the County in meeting its commitment of providing services to County residents.

**REVENUE AUTHORITY OF  
PRINCE GEORGE'S COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010 AND 2009**

**Capital Assets**

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2010</u>
Capital assets not being depreciated:				
Land	\$ 5,307,744	\$ -	\$ -	\$ 5,307,744
Capital assets being depreciated/amortized:				
Office building	5,181,165	-	-	5,181,165
Parking structures	11,681,833	-	-	11,681,833
Parking equipment	463,807	-	-	463,807
Office equipment	265,933	27,749	-	293,682
Meters	140,278	57,495	-	197,773
Vehicles	359,548	43,221	36,360	366,409
Leasehold improvements	1,527,489	25,701	-	1,553,190
<b>Total capital assets</b>	<u>24,927,797</u>	<u>154,166</u>	<u>36,360</u>	<u>25,045,603</u>
Less accumulated depreciation/ amortization for:				
Office building	734,001	74,017	-	808,018
Parking structures	7,283,358	396,844	-	7,680,202
Parking equipment	396,725	47,403	-	444,128
Office equipment	253,847	7,832	-	261,679
Meters	50,881	30,842	-	81,723
Vehicles	118,968	94,846	16,567	197,247
Leasehold improvements	1,045,161	119,780	-	1,164,941
<b>Total accumulated depreciation and amortization</b>	<u>9,882,941</u>	<u>771,564</u>	<u>16,567</u>	<u>10,637,938</u>
<b>Net capital assets</b>	<u>\$ 15,044,856</u>	<u>\$ (617,398)</u>	<u>\$ 19,793</u>	<u>\$ 14,407,665</u>

Total additions for the year were \$154,166. Total depreciation and amortization expenses for the year were \$771,564.

**REVENUE AUTHORITY OF  
PRINCE GEORGE'S COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010 AND 2009**

**Debt**

Debt includes obligations for equipment and vehicles under capital leases in the amount of \$186,697.

**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  
STATEMENTS OF NET ASSETS  
JUNE 30, 2010 AND 2009**

	<b>2010</b>	<b>2009</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents (Note 2)	\$ 12,658,249	\$ 11,308,346
Accounts receivable	349,286	177,188
Other current assets	102,416	73,392
<b>Total current assets</b>	<b>13,109,951</b>	<b>11,558,926</b>
<b>Noncurrent assets</b>		
Land (Note 3)	5,307,744	5,307,744
Capital assets, net (Note 3)	9,099,921	9,737,112
<b>Total noncurrent assets</b>	<b>14,407,665</b>	<b>15,044,856</b>
<b>Total assets</b>	<b>27,517,616</b>	<b>26,603,782</b>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable	122,569	74,737
Accrued expenses and other liabilities	290,696	214,469
Deferred rent	14,380	16,236
Deferred revenue	42,629	42,067
Due to Prince George's County (Note 6)	1,876,056	1,166,509
Due to WMATA (Note 7)	152,787	154,870
Capital lease obligation, current portion (Note 4)	88,076	89,738
<b>Total current liabilities</b>	<b>2,587,193</b>	<b>1,758,626</b>
<b>Noncurrent liabilities</b>		
Deposits held	98,589	98,589
Capital lease obligation, net of current portion (Note 4)	98,621	169,713
<b>Total noncurrent liabilities</b>	<b>197,210</b>	<b>268,302</b>
<b>Total liabilities</b>	<b>2,784,403</b>	<b>2,026,928</b>
<b>Commitments and contingencies</b>	-	-
<b>Net assets</b>		
Invested in capital assets, net of related debt	14,220,969	14,785,405
Unrestricted	10,364,690	9,644,035
Restricted (Note 5)	147,554	147,414
<b>Total net assets</b>	<b>\$ 24,733,213</b>	<b>\$ 24,576,854</b>

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

**REVENUE AUTHORITY OF  
PRINCE GEORGE'S COUNTY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS**  
**FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
<b>Operating Revenues</b>		
Parking operations	\$ 8,397,539	\$ 7,668,184
Rent income from Prince George's County (Note 6)	660,000	660,000
Capital Centre project	251,931	100,429
Other	19,678	17,480
	<u>9,329,148</u>	<u>8,446,093</u>
<b>Operating Expenses</b>		
Parking operations	5,620,755	4,779,673
General and administrative	636,021	748,045
Depreciation and amortization (Note 3)	771,564	723,724
Rent payment to Prince George's County (Note 6)	150,000	150,000
	<u>7,178,340</u>	<u>6,401,442</u>
Operating income	<u>2,150,808</u>	<u>2,044,651</u>
<b>Non-operating Revenues (Expenses)</b>		
Interest income	21,314	131,001
Interest expense	(15,763)	(15,090)
	<u>5,551</u>	<u>115,911</u>
Net non-operating revenues	<u>5,551</u>	<u>115,911</u>
Change in net assets	<u>2,156,359</u>	<u>2,160,562</u>
Net assets, beginning of year	24,576,854	23,416,292
Contribution to the County (Note 6)	(2,000,000)	(1,000,000)
Net assets, end of year	<u>\$ 24,733,213</u>	<u>\$ 24,576,854</u>

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

**REVENUE AUTHORITY OF  
PRINCE GEORGE'S COUNTY  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	<b>2010</b>	<b>2009</b>
<b>Cash flows from operating activities</b>		
Cash received from operations	\$ 8,161,181	\$ 7,532,667
Cash paid to suppliers	(4,176,568)	(3,407,283)
Cash paid to employees	(2,405,425)	(2,320,167)
Cash paid to board members	(33,600)	(33,200)
	<u>1,545,588</u>	<u>1,772,017</u>
 <b>Cash flows from capital and related financing activities</b>		
Purchases of capital assets	(107,478)	(122,527)
Principal paid on capital leases and notes payable	(96,055)	(93,332)
Interest paid on debt	(15,763)	(15,088)
	<u>(219,296)</u>	<u>(230,947)</u>
 <b>Cash flows from investing activities</b>		
Investment earnings	23,611	143,181
	<u>23,611</u>	<u>143,181</u>
 Net increase in cash and cash equivalents	1,349,903	1,684,251
Cash and cash equivalents, beginning of year	11,308,346	9,624,095
	<u>11,308,346</u>	<u>9,624,095</u>
 Cash and cash equivalents, end of year	<u>\$ 12,658,249</u>	<u>\$ 11,308,346</u>

(continued)

**REVENUE AUTHORITY OF  
PRINCE GEORGE'S COUNTY  
STATEMENTS OF CASH FLOWS - CONTINUED  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
Operating income	\$ 2,150,808	\$ 2,044,651
Contribution to the County	(2,000,000)	(1,000,000)
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	771,564	723,724
Loss on sale of vehicle	-	345
(Increase) decrease in assets:		
Accounts receivable	(172,098)	41,818
Other current assets	(29,024)	(24,873)
Increase (decrease) in liabilities:		
Accounts payable	43,601	(19,839)
Accrued expenses and other liabilities	76,227	(14,350)
Deferred rent	(1,856)	192
Deferred revenue	562	3,153
Due to Prince George's County	709,547	(207)
Due to City of Hyattsville	-	(17,370)
Due to WMATA	(2,083)	38,188
Notes payable, current portion	(1,660)	(3,415)
Net cash provided by operating activities	<u>\$ 1,545,588</u>	<u>\$ 1,772,017</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, 2009 AND 2008**

**NOTE 1: SUMMARY OF 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, good, 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 applicable Financial Accounting Standards Board (FASB) pronouncements issued on or prior to November 30, 1989 in accounting and reporting its operations, unless these pronouncements conflict with Governmental Accounting Standards Board (GASB) pronouncements. The Authority has also elected not to apply post-November 30, 1989 FASB pronouncements in accounting and reporting its operations.

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.

**REVENUE AUTHORITY OF  
PRINCE GEORGE'S COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009**

**NOTE 1: SUMMARY OF ACCOUNTING POLICIES (Continued)**

**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).

**Accounts Receivable**

Accounts receivable consists primarily of amounts due from fees for parking operations. The allowance method is used to determine uncollectible accounts receivable. The allowance is based on management's analysis of specific accounts. Management considers all accounts receivable to be fully collectible; therefore, no allowance for doubtful accounts has been established.

**Capital Assets**

Capital assets are recorded at cost. The Authority capitalizes all expenditures for property and equipment over \$5,000. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, which range from 2 to 70 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 Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any borrowings used for the acquisition of those assets. Unrestricted net assets represent resources available to meet the general operations of the Authority and may be used to meet current expenses for any purpose. Net assets are 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.

**Revenues**

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

**REVENUE AUTHORITY OF  
PRINCE GEORGE'S COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009**

**NOTE 1: SUMMARY OF ACCOUNTING POLICIES (Continued)**

**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.

**NOTE 2: CASH AND CASH EQUIVALENTS**

Cash and cash equivalents are composed of the following at June 30, 2010 and 2009.

	<u>2010</u>	<u>2009</u>
Cash deposits	\$ 1,072,844	\$ 1,163,797
Repurchase agreements	766,000	798,000
Harbor Bank Certificate of Deposit	101,161	-
Maryland Local Government Investment Pool	<u>10,718,244</u>	<u>9,346,549</u>
Total cash and cash equivalents	<u>\$ 12,658,249</u>	<u>\$ 11,308,346</u>

*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.

**REVENUE AUTHORITY OF  
PRINCE GEORGE'S COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009**

**NOTE 2: CASH AND CASH EQUIVALENTS (Continued)**

*Investment Policy (Continued)*

The Authority is authorized to invest in U.S. Government Securities, U.S. Agency Securities, repurchase agreements, certificates of deposit and time deposits and 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. The MLGIP 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 involves disclosing the credit quality of investments in debt securities as described by nationally recognized rating agencies.

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. These obligations are rated Aaa by Moody's and AAA by Standard and Poor's. 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. Cash equivalents are reported at their fair market value, which is equal to the carrying value at June 30, 2010 and 2009.

*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, 2010 and 2009, there were no deposits or investments exposed to custodial credit risk.

**REVENUE AUTHORITY OF  
PRINCE GEORGE'S COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009**

**NOTE 3: CAPITAL ASSETS**

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

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2010</u>
Capital assets not being depreciated:				
Land	\$ 5,307,744	\$ -	\$ -	\$ 5,307,744
Capital assets being depreciated/amortized:				
Office building	5,181,165	-	-	5,181,165
Parking structures	11,681,833	-	-	11,681,833
Parking equipment	463,807	-	-	463,807
Office equipment	265,933	27,749	-	293,682
Meters	140,278	57,495	-	197,773
Vehicles	359,548	43,221	36,360	366,409
Leasehold improvements	1,527,489	25,701	-	1,553,190
<b>Total capital assets</b>	<u>24,927,797</u>	<u>154,166</u>	<u>36,360</u>	<u>25,045,603</u>
Less accumulated depreciation/ amortization for:				
Office building	734,001	74,017	-	808,018
Parking structures	7,283,358	396,844	-	7,680,202
Parking equipment	396,725	47,403	-	444,128
Office equipment	253,847	7,832	-	261,679
Meters	50,881	30,842	-	81,723
Vehicles	118,968	94,846	16,567	197,247
Leasehold improvements	1,045,161	119,780	-	1,164,941
<b>Total accumulated depreciation and amortization</b>	<u>9,882,941</u>	<u>771,564</u>	<u>16,567</u>	<u>10,637,938</u>
<b>Net capital assets</b>	<u>\$ 15,044,856</u>	<u>\$ (617,398)</u>	<u>\$ 19,793</u>	<u>\$ 14,407,665</u>

**REVENUE AUTHORITY OF  
PRINCE GEORGE'S COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009**

**NOTE 3: CAPITAL ASSETS (Continued)**

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2009</u>
Capital assets not being depreciated:				
Land	\$ 5,307,744	\$ -	\$ -	\$ 5,307,744
Capital assets being depreciated/amortized:				
Office building	5,181,165	-	-	5,181,165
Parking structures	11,681,833	-	-	11,681,833
Parking equipment	455,167	8,640	-	463,807
Office equipment	250,929	15,004	-	265,933
Meters	154,405	94,885	109,012	140,278
Vehicles	262,704	166,674	69,830	359,548
Leasehold improvements	1,502,853	24,636	-	1,527,489
<b>Total capital assets</b>	<u>24,796,800</u>	<u>309,839</u>	<u>178,842</u>	<u>24,927,797</u>
Less accumulated Depreciation/ amortization for:				
Office building	659,984	74,017	-	734,001
Parking structures	6,886,514	396,844	-	7,283,358
Parking equipment	348,108	48,617	-	396,725
Office equipment	250,930	2,917	-	253,847
Meters	150,220	9,673	109,012	50,881
Vehicles	105,215	81,202	67,449	118,968
Leasehold improvements	934,707	110,454	-	1,045,161
<b>Total accumulated depreciation and amortization</b>	<u>9,335,678</u>	<u>723,724</u>	<u>176,461</u>	<u>9,882,941</u>
<b>Net capital assets</b>	<u>\$ 15,461,122</u>	<u>\$ (413,885)</u>	<u>\$ 2,381</u>	<u>\$ 15,044,856</u>

Depreciation and amortization expenses related to capital assets were \$771,564 and \$723,724 for the years ended June 30, 2010 and 2009, respectively.

**REVENUE AUTHORITY OF  
PRINCE GEORGE'S COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009**

**NOTE 4: CAPITAL LEASES**

The Authority leases furniture, equipment and fifteen vehicles under thirteen separate capital leases expiring by the year 2013. 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 years 2010 and 2009. Following is a summary of the property held under capital leases at June 30, 2010 and 2009:

	<b>2010</b>	<b>2009</b>
Vehicles	\$ 376,837	\$ 327,616
Furniture and Equipment	88,895	88,895
	465,732	416,511
Less: accumulated amortization	(120,579)	(175,585)
	<b>\$ 345,153</b>	<b>\$ 240,926</b>

Capital lease activity for the years ended June 30, 2010 and 2009 is as follows:

<b>Balance July 1, 2009</b>	<b>Additions</b>	<b>Decreases</b>	<b>Balance June 30, 2010</b>
\$ 259,451	\$ 43,221	\$ (115,975)	\$ 186,697
<b>Balance July 1, 2008</b>	<b>Additions</b>	<b>Decreases</b>	<b>Balance June 30, 2009</b>
\$ 182,959	\$ 162,875	\$ (86,383)	\$ 259,451

**REVENUE AUTHORITY OF  
PRINCE GEORGE'S COUNTY  
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**NOTE 4: CAPITAL LEASES (Continued)**

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

Year ending June 30,		
2011		98,370
2012		79,835
2013		<u>23,732</u>
Total minimum lease payments		201,937
Less: amount representing interest		<u>(15,240)</u>
Present value of future minimum lease payments	\$	<u>186,697</u>
Due within one year	\$	88,076
Long-term portion		<u>98,621</u>
Future minimum lease payments	\$	<u>186,697</u>

**NOTE 5: RESTRICTIONS OF NET ASSETS**

	<u>2010</u>	<u>2009</u>
Net assets are restricted for the following purposes:		
College Park Transit District Overlay Zone (TDOZ)	\$ 101,214	\$ 101,074
CCTV R&R Reserve	<u>46,340</u>	<u>46,340</u>
Total restricted net assets	<u>\$ 147,554</u>	<u>\$ 147,414</u>

**REVENUE AUTHORITY OF  
PRINCE GEORGE'S COUNTY  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 6: RELATED PARTY TRANSACTIONS**

*Prince George's County (Parking Facilities Lease)*

On April 16, 1990, the Authority executed an agreement effective July 1, 1988 to lease several parking facilities from the County. On July 1, 1994, the terms of the agreement were amended to extend the term of the agreement from June 30, 1993 to June 30, 2014. 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.

The Authority agreed to pay the County \$850,000 for shared parking fine revenue. This amount was agreed upon during the fiscal year 2010 budget process. For the years ended June 30, 2010 and 2009, the Authority has also agreed to pay to the County an additional \$2,000,000 and \$1,000,000, respectively, which will be transferred from unrestricted reserves.

*Maryland Transit Administration (New Carrollton East Lot)*

The Authority entered into a lease agreement with the Maryland Transit Administration (MTA) for a period of two years commencing on March 1, 2009 and terminating on February 28, 2011. The Authority has the option to renew the lease for an additional term of one year commencing at the expiration of the initial two-year term. For the years ended June 30, 2010 and 2009, the Authority paid \$90,757 and \$87,758, respectively.

**REVENUE AUTHORITY OF  
PRINCE GEORGE'S COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009**

**NOTE 6: 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 each of the years ended June 30, 2010 and 2009.

*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 has 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 may be extended 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 each of the years ended June 30, 2010 and 2009.

**REVENUE AUTHORITY OF  
PRINCE GEORGE'S COUNTY  
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**NOTE 6: 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 11<sup>th</sup> through 18<sup>th</sup> years from completion, and \$50,000 per year thereafter. Pursuant to this agreement, the Authority received an annual fee of \$40,000 for each of the years ended June 30, 2010 and 2009.

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

Due to Prince George's County consisted of the following at June 30, 2010 and 2009:

	<u>June 30, 2010</u>
Contribution to the County	\$ 2,000,000
Annual fines distribution	850,000
Annual facilities lease	150,000
Rent receivable, July 1, 2009 - June 30, 2010	(660,000)
HJC garage management fee due to the Authority	(115,000)
HJC annual fee due to the Authority	(40,000)
Payment to Department of Corrections	(15,935)
Payment from Washington Redskins	(1,565)
Reimbursement from the Red Light Cameras Program	(57,254)
Reimbursement from the False Alarms Reduction Unit Program	(234,190)
Total due to Prince George's County	<u>\$ 1,876,056</u>
	<u>June 30, 2009</u>
Contribution to the County	\$ 1,000,000
Annual fines distribution	850,000
Annual facilities lease	150,000
Rent receivable, July 1, 2008 - June 30, 2009	(660,000)
HJC garage management fee due to the Authority	(115,000)
HJC annual fee due to the Authority	(40,000)
Payment to Department of Corrections	(14,577)
Payment from Washington Redskins	(3,914)
Total due to Prince George's County	<u>\$ 1,166,509</u>

**REVENUE AUTHORITY OF  
PRINCE GEORGE'S COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009**

**NOTE 7: OPERATING AND MANAGEMENT AGREEMENT 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. The amounts due to WMATA for the years ended June 30, 2010 and 2009 were \$152,787 and \$154,870, respectively.

**NOTE 8: GROUND LEASE**

The Authority entered into a long term ground lease agreement, approximately 70 years, as landlord, with Capital Centre LLC, as tenant, on April 17, 2000 and amended on August 24, 2001. The agreements were consented to and approved by Prince George's County. The property consists of approximately 490,625 gross leasable square feet, upon which a shopping center known as Boulevard at the Capital Center was constructed.

Under the agreement, the tenant pays base rent in accordance with a base rent schedule. In addition, the tenant pays increased square footage base rent when improvements exceed two hundred-seventy thousand (275,000) usable square feet. Ground lease rent and additional base rent for fiscal year 2010 is \$101,747 and \$20,084, respectively.

**NOTE 9: COMMITMENTS**

*Operating Leases*

The Authority leases office space, vehicles and miscellaneous office equipment under noncancelable operating leases, which expire at various times through 2016.

Effective November 1, 2009, the Authority renegotiated its lease with Mercantile Place #1 Limited Partnership for office space in Largo, Maryland. The lease term is 6 years terminating on October 31, 2015. The Authority is also required to pay the lessor a maintenance fee and a portion of real estate taxes related to the property.

The Authority entered into four new lease agreements with Mercantile Place #1 Limited Partnership for office space in Largo, Maryland, for a period of 6 years commencing on November 1, 2009 and terminating on October 2015.

**REVENUE AUTHORITY OF  
PRINCE GEORGE'S COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009**

**NOTE 9: COMMITMENTS (Continued)**

In addition, the Authority continued its agreement with the Maryland Transit Administration to lease the New Carrollton East Public Parking Lot. Rental expenses related to this lot were \$90,757 and \$87,758 for the years ended June 30, 2010 and 2009, respectively.

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

Year ending June 30,	<u>2010</u>
2011	\$ 445,581
2012	391,261
2013	262,272
2014	245,700
2015	253,060
2016	85,180
Future minimum lease payments	<u>\$ 1,683,054</u>

Rent expense for the years ended June 30, 2010 and 2009 was \$340,656 and \$288,765, respectively.

**NOTE 10: 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, except 10% for the Executive Director.

For the years ended June 30, 2010 and 2009, total contributions by the Authority and employees to the retirement plan were \$181,272 and \$174,759, respectively.

**NOTE 11: 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.

**REVENUE AUTHORITY OF  
PRINCE GEORGE'S COUNTY  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 12: RESERVES FOR SPECIAL PROJECTS AND FUTURE MAINTENANCE,  
REPAIR AND REPLACEMENT COSTS**

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.

As of June 30, 2010 and 2009, the reserve for future maintenance, repair and replacement costs was \$4,499,042 and \$4,090,028, respectively. Reserve for special projects was \$2,589,592 and \$2,373,956 in fiscal years 2010 and 2009.

**NOTE 13: RECLASSIFICATIONS**

Certain 2009 amounts were reclassified to conform to the 2010 presentation.

**NOTE 13: GROUND LEASE**

The Authority entered into a long term ground lease agreement, approximately 70 years, as landlord, with Capital Centre LLC, as tenant, on April 17, 2000 and amended on August 24, 2001. The agreements were consented to and approved by Prince George's County. The property consists of 482,377 gross leasable square feet, upon which a shopping center known as Boulevard at the Capital Center was constructed.

Under the agreement, the tenant pays base rent in accordance with a Base Rent Schedule. In addition, the tenant pays increased square footage base rent when improvements exceeded two hundred seventy-five thousand (275,000) usable square feet.