BALTIMORE CITY GARAGES, A PROJECT OF MARYLAND ECONOMIC DEVELOPMENT CORPORATION

Management's Discussion and
Analysis and Financial Statements
Together with Independent Auditors' Report

For the Years Ended June 30, 2024 and 2023

BALTIMORE CITY GARAGES, A PROJECT OF MARYLAND ECONOMIC DEVELOPMENT CORPORATION (MEDCO)

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BALTIMORE CITY GARAGES, A PROJECT OF MEDCO

Management's Discussion and Analysis For the Years Ended June 30, 2024 and 2023

As management of Baltimore City Garages (the Project), a project of Maryland Economic Development Corporation (MEDCO), we offer readers of the Project's financial statements this narrative overview and analysis of the financial activities of the Project for the fiscal years ended June 30, 2024 and 2023. Management's Discussion and Analysis (MD&A) is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Project's financial activity, and (c) identify changes in the Project's financial position. We encourage readers to consider the information presented here in conjunction with the Project's financial statements and accompanying notes.

Financial Highlights

The financial highlights of the Project for the year ended June 30, 2024 were as follows:

- The operating revenues totaled $8,970,000 for 2024, an increase of $988,000 from 2023. This increase was due mainly to an increase in garage transient parking due to more events (i.e. concerts, sporting events, theatrical plays, etc.).
- The Project's net position is a deficit of $2,267,000 as of June 30, 2024, primarily as a result of the excess of net non-operating expenses over operating income on a cumulative basis.
- Capital expenditures for 2024 totaled $329,000. Of these expenditures, $9,000 were architectural fees, $1,000 were booth repairs, $13,000 were fire protection engineers, and $306,000 were elevator repairs.

The financial highlights of the Project for the year ended June 30, 2023 were as follows:

- The operating revenues totaled $7,982,000 for 2023, an increase of $667,000 from 2022. This increase was due mainly to an increase in garage transient parking due to more events (i.e. concerts, sporting events, theatrical plays, etc.) continuing to return to their pre-coronavirus (COVID-19) levels.
- The Project's net position is a deficit of $3,184,000 as of June 30, 2023, primarily as a result of the excess of net non-operating expenses over operating income on a cumulative basis.
- Capital expenditures for 2023 totaled $2,917,000. Of these expenditures, $70,000 were architectural fees, $1,478,000 were slab repairs, $16,000 were construction equipment, $1,334,000 were elevator repairs and $19,000 were lighting repairs.

Overview of the Financial Statements

This MD&A is intended to serve as an introduction to the Project's financial statements. The Project is intended to be a self-supporting entity and follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short-term and long-term financial information about the activities and operations of the Project.

Overview of the Financial Statements – continued

These statements are presented in a manner similar to a private business such as a commercial real estate project. The Project's statements consist of two parts; the financial statements and notes to the financial statements.

The Financial Statements

The Project's financial statements are designed to provide readers with a broad overview of its finances in a manner similar to a private-sector business.

The statements of net position present information on all of the Project's assets, and liabilities and deferred inflow of resources, with the difference between the two reported as net position. In July 2018, MEDCO issued limited obligation revenue bonds to provide capital financing for the leasing of the Baltimore City Garages. The proceeds were deposited with a trustee and invested, generally in United States government or agency securities, and money market funds, until disbursed for the leasing of capital assets or retained for the establishment of certain required reserves. The revenue bonds were issued in MEDCO's name; however, neither MEDCO, the State of Maryland, nor the City of Baltimore has any obligation for the bonds beyond the resources of the Project.

The statements of revenues, expenses and changes in net position present the operating activities of the Project and sources of non-operating revenues and expenses.

The statements of cash flows present summarized sources and uses of funds for the Project. Cash flows from operating activities generally represent the results of operating the Project, exclusive of interest income and expense. Cash flows from capital and related financing and investing activities generally reflect the incurrence of debt obligations, the subsequent investment of debt proceeds in the Project, periodic principal and interest payments on the debt and earnings on investments.

The Project is leased by MEDCO; however, at the end of the lease, use of the Project will revert to the City of Baltimore.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 14 – 25 of this report.

Financial Analysis of Baltimore City Garages

The following table summarizes the Project's financial position as of June 30,:

	2024	2023	2022
Current assets	$ 3,690,736	$ 2,017,760	$ 1,386,409
Other assets	59,209,123	59,653,852	60,969,741
Total Assets	$ 62,899,859	$ 61,671,612	$ 62,356,150
Current liabilities	$ 2,594,635	$ 1,641,915	$ 1,652,405
Bonds payable	62,347,127	63,206,290	64,035,366
Total Liabilities	64,941,762	64,848,205	65,687,771
Deferred inflow of resources	225,530	7,536	49,489
Net investments in capital assets	(10,292,591)	(9,352,260)	(11,137,073)
Restricted under trust indenture	8,025,158	6,168,131	7,755,963
Total Net Position	$ (2,267,433)	$ (3,184,129)	$ (3,381,110)

Significant factors in the changes in the Project's financial position for the year ended June 30, 2024 include the following:

- Current assets increased $742,000, primarily due to an increase in Advances to LAZ of $386,000 and an increase in the revenue fund of $315,000. The increase in Advances to LAZ is due to funds held by LAZ not being remitted to MEDCO in a timely manner before the end of the fiscal year. The increase in the revenue fund is due to deposits into the fund in accordance with the trust indenture.

- Other assets decreased $445,000, primarily due to current year amortization on right to use buildings of $2,098,000, partially offset by additions of $329,000. This decrease is offset by the increase of the capital reserve fund totaling $1,276,000, due to deposits into the fund in accordance with the trust indenture.

- Bonds payable decreased $859,000 as a result of $820,000 of scheduled bond principal payments becoming current, and the amortization of the bond issue premium and discount, which totaled $39,000.

Financial Analysis of Baltimore City Garages – continued

Significant factors in the changes in the Project's financial position for the year ended June 30, 2023 include the following:

- Other assets decreased $1,316,000, primarily due to the depletion of the capital reserve fund and the operating reserve fund totaling $2,414,000, in order to pay for capital expenditures and operational expenses, as well as current year amortization on right to use buildings of $1,936,000, partially offset by additions of $2,917,000.

- Bonds payable decreased $829,000 as a result of $790,000 of scheduled bond principal payments becoming current, and the amortization of the bond issue premium and discount, which totaled $39,000.

Financial Analysis of Baltimore City Garages – continued

The following table summarizes the Project's revenues and expenses for the years ended June 30,:

	2024	2023	2022
Operating Revenues:			
Parking fees	$ 8,970,235	$ 7,981,775	$ 7,315,182
Total Operating Revenues	8,970,235	7,981,775	7,315,182
Operating Expenses:			
Property operating costs	1,528,619	1,485,998	1,372,351
Parking tax	1,376,410	1,219,481	1,109,213
Management and service fees	154,260	149,268	146,012
Administrative and general	314,309	259,271	256,078
Amortization	2,098,416	1,936,126	1,718,673
Total Operating Expenses	5,472,014	5,050,144	4,602,327
Operating Income	3,498,221	2,931,631	2,712,855
Non-operating Expenses, net	(2,581,525)	(2,734,650)	(2,978,748)
Change in Net Position	916,696	196,981	(265,893)
Net position, beginning of year	(3,184,129)	(3,381,110)	(3,115,217)
Net position, end of year	$(2,267,433)	$ (3,184,129)	$ (3,381,110)

Significant factors in the results for the year ended June 30, 2024 include:

- The operating revenues totaled $8,970,000 for 2024, an increase of $988,000 from 2023. This increase was due mainly to an increase in garage transient parking due to more events (i.e. concerts, sporting events, theatrical plays, etc.).

Financial Analysis of Baltimore City Garages – continued

- Total operating expenses increased $422,000 primarily due to a $43,000 increase in property operating costs, a $157,000 increase in parking tax, and a $162,000 increase in amortization. The increase in parking tax is due primarily to increases in revenues and the increase in amortization is due primarily to an increase in capital assets as the Project continues to make improvements. The primary increase in property operating costs is due to a $94,000 increase in salaries and a $23,000 increase in project repairs and maintenance. These increases are partially offset by a $69,000 decrease in project utilities. All of these increases are due to an increase in garage transient parking due to more events (i.e. concerts, sporting events, theatrical plays, etc.).

Significant factors in the results for the year ended June 30, 2023 include:

- The operating revenues totaled $7,982,000 for 2023, an increase of $667,000 from 2022. This increase was due mainly to an increase in garage transient parking due to more events (i.e. concerts, sporting events, theatrical plays, etc.) continuing to return to their pre-COVID-19 levels.
- Total operating expenses increased $448,000 primarily due to a $114,000 increase in property operating costs, a $110,000 increase in parking tax, and a $217,000 increase in amortization. The increase in parking tax is due primarily to increases in revenues and the increase in amortization is due primarily to an increase in capital assets as the Project continues to make improvements. The primary increase in property operating costs is due to a $92,000 increase in salaries, a $13,000 increase in insurance, and a $12,000 increase in security. All of these increases are due to the return of parking to pre-COVID-19 levels.

Capital Asset and Debt Administration

Capital Assets

In 2018, MEDCO was requested to enter into a 50 year lease with the City of Baltimore for the use of three parking garages through issuance of its tax-exempt and taxable bonds. The proceeds of the bonds were used for the initial lease payment of the Project, to fund required reserve funds and to pay for costs of issuing the bonds. An acquisition value of approximately $56,000,000 was assigned to the parking garages.

The most significant capital asset events during the year ended June 30, 2024 were the $9,000 for architectural fees, $1,000 for booth repairs, $13,000 for fire protection engineers, and $306,000 for elevator repairs. The most significant capital asset events during the year ended June 30, 2023 were the $70,000 for architectural fees, $1,478,000 for slab repairs, $16,000 for construction equipment, $1,334,000 for elevator repairs, and $19,000 for lighting repairs These capital events were classified as an increase to the right to use buildings in accordance with GASB 94.

There were no other major capital asset events during the years ended June 30, 2024 and 2023.

Capital Asset and Debt Administration – continued

Debt

As of June 30, 2024 and 2023, the Project had total bond debt outstanding, net of unamortized bond issue premium and bond issue discount, of $63,167,000 and $63,996,000, respectively. None of this debt is backed by the full faith and credit of the City of Baltimore, the State of Maryland, or MEDCO. The debt is secured solely by the revenues and assets of the Project.

Contacting Management of MEDCO

This report is designed to provide Maryland citizens and taxpayers, and our customers, clients, investors and creditors, with a general overview of the finances of Baltimore City Garages. If you have questions about this report or need additional information, contact Maryland Economic Development Corporation, 7 Saint Paul Street, Suite 940, Baltimore, MD 21202.

Independent Auditors' Report

To the Board of Directors of
Maryland Economic Development Corporation:

Opinion

We have audited the accompanying financial statements of Baltimore City Garages (the Project), a project of Maryland Economic Development Corporation (MEDCO), as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Project's basic financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Baltimore City Garages as of June 30, 2024 and 2023, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Baltimore City Garages and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements are intended to present only the financial position, changes in financial position and cash flows of the Project. They do not purport to, and do not present fairly the financial position of MEDCO as of June 30, 2024 and 2023, the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Baltimore City Garage's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Baltimore City Garage's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Baltimore City Garage's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Accounting principles generally accepted in the Unites States of America require that the management's discussion and analysis on pages 1-7 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

SC&H Attest Services, P.C.

September 26, 2024

Statements of Net Position

As of June 30,	*2024*	*2023*
Assets		
Current Assets:		
Cash and cash equivalents	$ 141,827	$ 75,286
Advances to LAZ	1,381,756	995,649
Deposits with bond trustee – restricted	768,243	598,568
Accounts receivable	439,859	326,503
Interest receivable	27,810	21,754
Total Current Assets	2,759,495	2,017,760
Non-current Assets:		
Deposits with bond trustee – restricted	6,334,587	5,009,822
Right to use buildings, net of accumulated amortization of $10,179,732 and $8,081,316 respectively	52,874,536	54,644,030
Total Non-current Assets	59,209,123	59,653,852
Total Assets	$ 61,968,618	$ 61,671,612
Liabilities and Net Position		
Current Liabilities:		
Accounts payable and other accrued expenses	$ 396,809	$ 402,894
Accrued interest	245,667	248,103
Accrued additional rent due to Baltimore City	200,918	200,918
Bonds payable	820,000	790,000
Total Current Liabilities	1,663,394	1,641,915
Non-current liabilities:		
Bonds payable	62,347,127	63,206,290
Total Liabilities	64,010,521	64,848,205
Deferred Inflow of Resources:		
Parking fees collected in advance	225,530	7,536
Commitments and Contingencies (Note 5)		
Net Position:		
Net investments in capital assets	(10,292,591)	(9,352,260)
Restricted under trust indenture	8,025,158	6,168,131
Total Net Position	$ (2,267,433)	$ (3,184,129)

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

BALTIMORE CITY GARAGES, A PROJECT OF MEDCO

Statements of Revenues, Expenses and Changes in Net Position

For the Years Ended June 30,	*2024*	*2023*
Operating Revenues:		
Parking fees	$ 8,970,235	$ 7,981,775
Total Operating Revenues	8,970,235	7,981,775
Operating Expenses:		
Property operating costs	1,528,619	1,485,998
Parking tax	1,376,410	1,219,481
Management and service fees	154,260	149,268
Administrative and general	314,309	259,271
Amortization	2,098,416	1,936,126
Total Operating Expenses	5,472,014	5,050,144
Operating Income	3,498,221	2,931,631
Non-operating Revenues (Expenses):		
Interest income	354,116	228,489
Interest expense	(2,935,641)	(2,963,139)
Total Non-operating Expenses, net	(2,581,525)	(2,734,650)
Change in Net Position	916,696	196,981
Net Position, beginning of year	(3,184,129)	(3,381,110)
Net Position, end of year	$ (2,267,433)	$ (3,184,129)

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

Statements of Cash Flows

For the Years Ended June 30,		*2024*		*2023*
Cash Flows from Operating Activities:				
Cash received from parkers	$	8,688,766	$	7,401,993
Cash paid for operating expenses		(3,379,683)		(3,147,238)
Net Cash and Cash Equivalents Provided by Operating Activities		5,309,083		4,254,755
Cash Flows from Capital and Related Financing Activities:				
Right to use buildings expenditures		(328,922)		(2,916,863)
Principal payments on bonds payable		(790,000)		(765,000)
Interest paid		(2,977,240)		(3,004,485)
Net Cash and Cash Equivalents Used in Capital and Related Financing Activities		(4,096,162)		(6,686,348)
Cash Flows from Investing Activities:				
Net sales (purchases) of deposits with bond trustee - restricted		(1,494,440)		2,012,182
Interest received		348,060		211,572
Net Cash and Cash Equivalents Provided by (Used in) Investing Activities		(1,146,380)		2,223,754
Net Increase (Decrease) in Cash and Cash Equivalents		66,541		(207,839)
Cash and Cash Equivalents, beginning of year		75,286		283,125
Cash and Cash Equivalents, end of year	$	141,827	$	75,286
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	$	3,498,221	$	2,931,631
Adjustment to reconcile operating income to net cash and cash equivalents provided by operating activities:				
Amortization		2,098,416		1,936,126
Changes in operating assets and liabilities:				
Advances to LAZ		(386,107)		(275,871)
Accounts receivable		(113,356)		(261,958)
Accounts payable and other accrued expenses		(6,085)		(33,220)
Deferred inflow of resources		217,994		(41,953)
Net Cash and Cash Equivalents Provided by Operating Activities	$	5,309,083	$	4,254,755
Non-cash capital and related financing activities:				
Amortization of bond issue premium	$	45,214	$	45,215
Amortization of bond issue discount	$	6,051	$	6,139

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RELATED MATTERS

Ownership and Management

Baltimore City Garages (the Project), located in Baltimore, Maryland, is a project of Maryland Economic Development Corporation (MEDCO). The Project consists of three parking garages located at 11 South Eutaw Street (Redwood Street Garage), 22 South Gay Street (Water Street Garage), and 101 South Paca Street (Marriot Garage). On July 31, 2018, MEDCO issued limited obligation revenue bonds (Series 2018 bonds) in the amount of $66,725,000. The proceeds of these bonds were used to pay for the acquisition of a leasehold interest in the three parking garages, fund reserve accounts in accordance with the Trust Indenture, and pay for the costs of issuing the bonds.

Effective June 28, 2018, MEDCO entered into a management agreement with LAZ Parking (LAZ). The management agreement had a term of five years that expired on August 1, 2023. On June 1, 2023, MEDCO signed a letter of extension to renew the management agreement for an additional one (1) year term, commencing August 1, 2023 and ending July 31, 2024. On June 21, 2024, MEDCO signed a letter of extension to renew the management agreement for the second additional one (1) year term, commencing August 1, 2024 and ending July 31, 2025. All other terms of the Agreement remain unchanged and in full force and effect. The management fee is a fixed monthly payment of $3,750 ($45,000 annually) paid in arrears. Management fee expense was $45,000 for the years ended June 30, 2024 and 2023, and is included in management and service fees in the accompanying statements of revenues, expenses, and changes in net position.

Pursuant to the trust indenture dated July 1, 2018, MEDCO is entitled to an issuer's fee and an administrative service fee for administrative support and other services provided. The issuer's fee is 0.1% of the principal amount of the outstanding bonds paid in advance, at the closing of the Series 2018 bonds, and annually thereafter. The administrative fee is 0.5% of revenues, paid in arrears. Issuer's fees were $62,680 and $63,245 and administrative fees were $46,580 and $41,023, for the years ended June 30, 2024 and 2023, respectively. Issuer's and administrative fees payable totaled $4,347 and $3,916 as of June 30, 2024 and 2023, respectively, and are included in accounts payable and other accrued expenses on the accompanying statements of net position.

Basis of Presentation

The accompanying financial statements present the financial position, changes in financial position, and cash flows of the Project based on amounts specifically identifiable in MEDCO's accounting records. The Project is a project of MEDCO and as such all financial data presented herein is also included in the financial statements of MEDCO as of and for the years ended June 30, 2024 and 2023. However, the accompanying financial statements present only the Project and do not purport to, and do not present the financial position of MEDCO as of June 30, 2024 and 2023, 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. MEDCO utilizes the economic resources measurement focus and the accrual basis of accounting in preparing these financial statements, wherein revenues are recognized when earned and expenses are recognized when incurred.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RELATED MATTERS – continued

Basis of Presentation – continued

Also, in preparing its financial statements, MEDCO has adopted Government Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

Recently Adopted Accounting Principles

Effective July 1, 2022, the Project adopted GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (GASB 94), which improves financial reporting by addressing issues related to public-private and public-public partnerships (PPP) and provides guidance for accounting and financial reporting for availability payment arrangements (APA). A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital assets (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. GASB 94 also provides specific guidance in financial statements prepared using the economic resources measurement focus for a government that is an operator in a PPP that either (1) meets the definition of an SCA or (2) is not within the scope of GASB Statement No. 87, *Leases* (GASB 87).

An operator should report an intangible right-to-use asset related to an underlying PPP asset that either is owned by the transferor or is the underlying asset of an SCA. Measurement of the right-to-use asset should be the amount of consideration to be provided to the transferor, plus any payments made to the transferor at or before the commencement of the PPP term, and certain direct costs. For an underlying PPP asset that is not owned by the transferor and is not the underlying asset of an SCA, an operator should recognize a liability measured based on the estimated carrying value of the underlying PPP asset as of the expected date of the transfer in ownership. In addition, an operator should recognize a liability for installment payments, if any, to be made to the transferor in relation to the PPP. Measurement of a liability for installment payments should be at the present value of the payments expected to be made during the PPP term. An operator also should recognize a deferred outflow of resources for the consideration provided or to be provided to the transferor as part of the PPP. Expense should be recognized by an operator in a systematic and rational manner over the PPP term. GASB 94 requires that PPPs that meet the definition of a lease apply the guidance in GASB 87, if existing assets of the transferor that are not required to be improved by the operator as part of the PPP arrangement are the only underlying PPP assets and the PPP does not meet the definition of an SCA.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RELATED MATTERS – continued

Recently Adopted Accounting Principles – continued

Additionally, GASB 94 requires a government that engaged in an APA that contains multiple components to recognize each component as a separate arrangement. An APA that is related to operating or maintaining a nonfinancial asset should be reported by a government as an outflow of resources in the period to which payments relate. GASB 94 requires the retrospective approach to adopt this guidance, which requires a restatement for all prior periods presented. In accordance with GASB 94, the arrangements between MEDCO and the City of Baltimore qualifies as a public-public partnership requiring the Project to recognize the capital assets associated with the arrangements as an intangible asset (Note 3). The Project previously reported the capital assets associated with the arrangement as an intangible asset in accordance with GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* (GASB 60), which has been amended by GASB 94. Accordingly, there was no impact on operating income or net position as a result of the adoption of GASB 94.

Effective July 1, 2022, the Project adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96), which modifies the guidance for subscription-based information technology arrangements (SBITA) accounting. Under this statement, a government generally should recognize a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. The subscription asset should be initially measured as the sum of (1) the initial subscription liability amount, (2) payments made to the SBITA vendor before commencement term, and (3) capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. GASB 96 requires the retrospective approach to adopt this guidance, which requires a restatement for all prior periods presented. There was no effect on operating income or net position as a result of the adoption of GASB 96.

Effective July 1, 2023, the Project adopted GASB issued Statement No. 101, *Compensated Absences* (GASB 101). The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through non-cash means. This new guidance is effective for fiscal years beginning after December 15, 2023 and should be applied retrospectively. Early adoption is permitted. The Project elected to early adopt GASB 101 during the year ended June 30, 2024. There was no effect on operating income or net position as a result of the adoption of GASB 101.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RELATED MATTERS – continued

Public-Public Partnership with the City of Baltimore

The land underlying the Project is leased from the City of Baltimore and title to the Project will revert to the City of Baltimore upon termination of the lease. MEDCO will operate, collect revenues and pay expenses of the Project for the duration of the lease term. In accordance with GASB 94 the arrangement between MEDCO and the City of Baltimore qualifies as a PPP that meets the definition of a SCA. GASB 94 requires that the Project recognize the cost of the parking garages as an intangible asset, which will be amortized using the straight-line method over the shorter of the life of the lease agreement or the useful life of the asset pursuant to the PPP arrangement. The intangible asset is reflected as right to use buildings in the accompanying statements of net position as of June 30, 2024 and 2023.

PPP's are evaluated for impairment on an annual basis under GASB Statement No. 51, *Accounting and Financial Reporting for Impairment of Intangibles* (GASB 51). GASB 51 requires an evaluation of prominent events or changes in circumstances affecting intangibles to determine whether impairment of an intangible has occurred. Such events or changes in circumstances that may be indicative of impairment include expedited deterioration of an associated tangible asset, changes in the terms or status of a contract associated with an intangible asset, and a change from an indefinite to a finite useful life. As of June 30, 2024 and 2023, management does not believe that the SCA meets the criteria for impairment as set forth in GASB 51.

Use of Estimates

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

Cash and Cash Equivalents

Short-term investments with maturities of three months or less at date of purchase are classified as cash equivalents, except that any such investments purchased with funds on deposit with the bond trustee are classified with such deposits.

The Project maintains substantially all of its cash with one commercial bank. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per depositor. The Project periodically maintains cash balances in excess of FDIC coverage. Management considers this to be a normal business risk.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RELATED MATTERS – continued

Cash and Cash Equivalents – continued

The Project is required by Section 17-101(d) of the Local Government Article of the Annotated Code of Maryland to collateralize deposits in banks in excess of federal deposit insurance. Satisfactory collateral is enumerated at Section 6-202 of the State Finance and Procurement Article of the Code. As of June 30, 2024, and 2023, bank deposits were properly collateralized.

Accounts Receivable

Accounts receivable represent past due parking fees and various fees charged to parkers. Management's analysis of the allowance for doubtful accounts is based upon a review of past due accounts and historical collection experience. The allowance for doubtful accounts totaled $0 as of June 30, 2024 and 2023. Accounts receivable are written off when it is determined that amounts are uncollectible.

Deferred Inflow of Resources

A deferred inflow of resources represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. As of June 30, 2024 and 2023, the Project recognized parking fees collected in advance as a deferred inflow of resources on the accompanying statements of net position.

Net Position

Net position is presented as either net investments in capital assets or restricted under trust indenture. Net investments in capital assets represents the difference between the right to use buildings and the related debt obligations. Restricted under trust indenture represents the difference between net investments in capital assets and total net position, as all other funds are restricted as to their use under the terms of the trust indenture.

Revenue Recognition

The Project's revenues are derived primarily from parking fees. Parking fees are collected and recognized daily for transient parkers and monthly for long-term parkers, as stipulated in their agreements.

Classification of Revenues and Expenses

Revenues and expenses related to the day-to-day activities of the Project are reported as operating revenues and expenses. Other revenues and expenses, consisting primarily of interest income, and interest expense are reported as non-operating revenues and expenses.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RELATED MATTERS – continued

Parking Taxes

Parking taxes are billed and collected from the customer upon payment and are remitted to the appropriate government authority on a monthly basis.

Income Taxes

MEDCO qualifies for tax-exempt status under Section 501(c)(4) of the Internal Revenue Code and Section 10-104 of the Tax-General Article of the Annotated Code of Maryland. Accordingly, no provision or benefit for income taxes is included in the accompanying financial statements.

Advances to LAZ

Advances to LAZ represent funds held by LAZ which are used to pay operating expenses incurred by the garages. Advances to LAZ totaled $1,382,756 and $995,649 as of June 30, 2024 and 2023, respectively.

2. DEPOSITS WITH BOND TRUSTEE

Pursuant to the provisions of the trust indenture relating to the bonds payable (see Note 4), deposits with bond trustee include the following reserve funds and restricted accounts as of June 30,:

	2024	2023
Current assets:		
Principal fund	$ 2,637	$ 65,833
Interest fund	182,236	264,443
Revenue fund	583,370	268,292
Current Portion	768,243	598,568
Non-current assets:		
Debt service reserve fund	4,106,937	3,909,355
Capital reserve fund	2,117,756	841,695
Operating reserve fund	104,741	253,867
Turbo redemption fund	5,153	4,905
Non-current Portion	6,334,587	5,009,822
Total Deposits with Bond Trustee	$ 7,102,830	$ 5,608,390

2. DEPOSITS WITH BOND TRUSTEE – continued

The trust indenture authorizes MEDCO or its trustee bank to invest the deposits as detailed under *Credit Risk* below. Interest earned on these investments was approximately $354,000 and $228,000 for the years ended June 30, 2024 and 2023, respectively. Investments of deposits with trustee are carried at fair value. Investments of deposits with bond trustee are summarized as follows as of June 30,:

	2024	2023
Money market funds	$ 7,102,830	$ 5,608,390
Total Deposits with Bond Trustee	$ 7,102,830	$ 5,608,390

The credit ratings of these investments were rated BBB and BB+ by Standard and Poor's as of June 30, 2024.

The deposits with bond trustee are subject to certain risks, including the following:

Interest Rate Risk – The trustee has limited investments to money markets and mutual funds that invest in U.S. government securities that can be liquidated at any time to meet the cash flow requirements of the Project and fixed rate government securities that are guaranteed as to the face of the investment as a means of managing interest rate risk. As a result, the Project is not subject to significant interest rate risk.

Credit Risk – The Project's trust indenture limits MEDCO's investments to government obligations; federal agencies obligations so long as such obligations are backed by the full faith and credit of the United States of America; certificates of deposit issued by and time deposits with commercial banks, trust companies, or savings and loan associations; repurchase agreements for government obligations; direct obligations issued by the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation; senior debt obligations of the Federal Home Loan Bank System; commercial paper; U.S. dollar denominated deposit accounts federal funds and bankers' acceptances; money market funds; public sector investment pools in which the Project's investment does not exceed 5% of the aggregate pool balance; bonds or other obligations of any state of the United States of America, or of any agency, instrumentality or local government unit of any such state which are not callable at the option of the obligor prior to maturity; general obligations of states; and investment agreements. As defined in the trust indenture, certain investments listed above must meet specific requirements to be a qualifying investment, such as high rating qualifications based on information from the major rating agencies, collateralization requirements, guaranteed repayment, and maturity requirements. The Project's investments were in compliance with these limitations as of June 30, 2024 and 2023.

Concentrations of Credit Risk – MEDCO's investment policy does not limit the amount that may be invested in any one issuer except for public sector pool funds as described under Credit Risk above. The Project held no investments in public sector pool funds as of June 30, 2024 and 2023.

Custodial Risk – MEDCO is not subject to custodial risk because the treasury obligations are not evidenced by securities that exist in physical form and all other deposits are held in the Project's name.

3. RIGHT TO USE BUILDINGS

Pursuant to GASB 94, the PPP between MEDCO and the City of Baltimore, the Project has recorded a right to use buildings asset on the accompanying statements of net position. Under GASB 94, any costs of improvements made to the facility during the term of the service concession arrangement increase the right to use buildings asset. The Project amortizes the right to use buildings asset using the straight-line method based on the useful lives of the underlying asset to which the Project has the right to use. The portion of the right to use buildings asset attributable to the underlying buildings and improvements for the garages is being amortized over a useful life of 10 to 39 years and 10 months.

Right to use buildings activity for the years ended June 30, 2024 and 2023 is summarized as follows:

2024	Beginning balance	Additions	Retirements	Ending balance
Buildings and improvements	$ 62,725,346	$328,922	$ -	$ 63,054,268
	62,725,346	328,922	-	63,054,268
Less accumulated amortization:				
Buildings and improvements	(8,081,316)	(2,098,416)	-	(10,179,732)
	(8,081,316)	(2,098,416)	-	(10,179,732)
Right to use buildings, net	$ 54,644,030	$ (1,769,494)	$ -	$ 52,874,536

2023	Beginning balance	Additions	Retirements	Ending balance
Buildings and improvements	$59,808,483	$2,916,863	$ -	$62,725,346
	59,808,483	2,916,863	-	62,725,346
Less accumulated amortization:				
Buildings and improvements	(6,145,190)	(1,936,126)	-	(8,081,316)
	(6,145,190)	(1,936,126)	-	(8,081,316)
Right to use buildings, net	$ 53,663,293	$ 980,737	$ -	$ 54,644,030

4. BONDS PAYABLE

Bonds payable consist of the following as of June 30,:

	2024	2023
Series 2018A Term Bonds bearing interest at the rate of 5.00% and maturing from June 1, 2051 through June 1, 2058	$ 16,700,000	$ 16,700,000
Series 2018B Serial Bonds bearing interest at rates ranging from 3.70% to 4.53% and maturing from June 1, 2021 through June 1, 2028	2,580,000	3,160,000
Series 2018B Term Bonds bearing interest at rates ranging from 4.58% to 5.32% and maturing from June 1, 2029 through June 1, 2051	29,035,000	29,035,000
Series 2018C Serial Bonds bearing interest at rates ranging from 2.30% to 3.65% and maturing from June 1, 2021 through June 1, 2033	2,180,000	2,390,000
Series 2018C Term Bonds bearing interest at the rate of 4.00% and maturing from June 1, 2034 through June 1, 2058	11,395,000	11,395,000
Unamortized Series 2018 issue premium	1,402,554	1,447,768
Unamortized Series 2018 issue discount	(125,427)	(131,478)
Total bonds payable	63,167,127	63,996,290
Less: current portion	(820,000)	(790,000)
Bonds payable, less current portion	$ 62,347,127	$ 63,206,290

On July 31, 2018, the Project issued $66,725,000 of Series 2018 A, B, and C bonds (Series 2018 bonds). The net proceeds of the Series 2018 bonds, including an original issue premium and discount of approximately $1,674,000 and $163,000, respectively, were used to pay for the acquisition of a leasehold interest in the three parking garages, fund reserve accounts in accordance with the Trust Indenture, and pay for the costs of issuing the bonds.

The Series 2018 bonds bear interest at rates ranging from 2.30% to 5.32% and mature in annual installments through June 1, 2058. Interest on the Series 2018 bonds is payable semiannually on June 1 and December 1 and totaled approximately $2,975,000 and $3,002,000 for the years ended June 30, 2024 and 2023, respectively. The original issue premium and discount is being amortized using the effective interest rate over the term of the bonds. Amortization of the issue premium and discount totaled approximately $39,000 for the years ended June 30, 2024 and 2023.

4. BONDS PAYABLE – continued

The Series 2018 bonds are secured by a leasehold deed of trust on the Project and a general assignment of related revenues and deposits. They are limited obligations of MEDCO and payable solely from the Project's revenues, as defined in the trust indenture.

In accordance with the trust indenture, the Project is required to satisfy an all-in rate covenant and senior rate covenant, as defined, of not less than 1.10 and 1.50, respectively, as of the last day of each fiscal year. The Project met the all-in rate covenant and senior rate covenant as of June 30, 2024 and 2023.

Payments on bonds payable are due as follows as of June 30, 2024:

Year ending June 30,:	Total	Principal	Interest
2025	$ 3,768,001	$ 820,000	$ 2,948,001
2026	3,766,571	850,000	2,916,571
2027	3,767,786	885,000	2,882,786
2028	3,766,639	920,000	2,846,639
2029	3,768,088	960,000	2,808,088
2030-2034	18,831,306	5,445,000	13,386,306
2035-2039	18,835,987	6,790,000	12,045,987
2040-2044	18,835,515	8,555,000	10,280,515
2045-2049	18,831,470	10,885,000	7,946,470
2050-2054	18,508,652	13,565,000	4,943,652
2055-2058	13,690,950	12,215,000	1,475,950
	126,370,965	61,890,000	64,480,965
Plus: Series 2018 unamortized bond premium	1,402,554	1,402,554	-
Less: Series 2018 unamortized bond discount	(125,427)	(125,427)	-
	$ 127,648,092	$63,167,127	$64,480,965

4. BONDS PAYABLE – continued

Activity in bonds payable for the years ended June 30, 2024 and 2023 is summarized as follows:

Balance June 30, 2022	$	64,800,366
Principal payments of Series 2018B bonds		(560,000)
Principal payments of Series 2018C bonds		(205,000)
Amortization of Series 2018 bond issue premium		(45,215)
Amortization of Series 2018 bond issue discount		6,139
Balance June 30, 2023	$	63,996,290
Principal payments of Series 2018B bonds		(580,000)
Principal payments of Series 2018C bonds		(210,000)
Amortization of Series 2018 bond issue premium		(45,214)
Amortization of Series 2018 bond issue discount		6,051
Balance June 30, 2024	$	63,167,127
Due within one year	$	820,000

5. COMMITMENTS AND CONTINGENCIES

Lease

In July 2018, MEDCO entered into an operating agreement with the City of Baltimore to lease three parking garages, terminating at the earlier of the 50th anniversary of closing or the date on which the Series 2018 bonds are fully repaid. From on and after the commencement of the lease, on each release date, as defined in the trust indenture, MEDCO shall pay to the City of Baltimore rent in the amount of a distributable portion of the Surplus Fund, as defined in the trust indenture (Additional Rent). If on any release date funds are not eligible, under the terms of the trust indenture, to distribute the Additional Rent, the amounts shall remain in the account until eligible on any future release date. Variable lease costs are recognized in the period in which they are incurred and relate to Additional Rent, taxes, utilities and operating expenses Upon the expiration of the lease, the Project shall surrender and deliver up possession of the garages and any fixtures, structures and other improvements thereon, subject to and without any liability on the part of the Project for the then existing condition and state of repair of such property excepting the Project's obligations, as defined in the lease agreement.

The Additional Rent Expense was $0 for both of the years ended June 30, 2024 and 2023. As of June 30, 2024 and 2023, accrued rent due to the City of Baltimore totaled $200,918.

5. COMMITMENTS AND CONTINGENCIES – continued

Litigation

Lawsuits and claims are filed against the Project from time to time in the ordinary course of business. The Project does not believe that any lawsuits or claims pending against the Project, individually or in the aggregate, are material, or will have a material adverse effect on the Project's financial condition or results of operations.