ANNAPOLIS MOBILITY AND RESILIENCE PROJECT, 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, 2025 and 2024

ANNAPOLIS MOBILITY AND RESILIENCE PROJECT, A PROJECT OF MARYLAND ECONOMIC DEVELOPMENT CORPORATION (MEDCO)

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ANNAPOLIS MOBILITY AND RESILIENCE PROJECT, A PROJECT OF MEDCO

Management's Discussion and Analysis For the Years Ended June 30, 2025 and 2024

As management of Annapolis Mobility and Resilience Project (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, 2025 and 2024. 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, 2025 were as follows:

- The operating revenues totaled $7,875,000 and operating expenses totaled $6,401,000.
- The Project's net position is a deficit of $8,658,000 as of June 30, 2025, primarily as a result of the semi-annual City of Annapolis revenue payments and the excess of net non-operating expenses, primarily interest expense, over operating income on a cumulative basis.

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

- The operating revenues totaled $7,153,000 and operating expenses totaled $9,600,000.
- The Project's net position is a deficit of $8,051,000 as of June 30, 2024, primarily as a result of the semi-annual City of Annapolis revenue payments and the excess of net non-operating expenses, primarily interest expense, over operating income on a cumulative basis.
- The Project incurred $2,930,000 of right to use building expenditures primarily due to final requisitions leading up to completion of the Project's infrastructure.

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. 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 presents information on all of the Project's assets, and liabilities, with the difference reported as net position. In September 2022, MEDCO issued limited obligation revenue bonds to provide capital financing for the construction, financing and use of a new parking garage facility located in the City of Annapolis, through a concession agreement entered into with the City of Annapolis. The proceeds were deposited with a trustee and invested, generally in money market funds, until disbursed for the construction of the facility 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 Annapolis has any obligation for the bonds beyond the resources of the Project.

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

The statements of cash flows presents summarized sources and uses of funds for the Project. Cash flows from operating activities generally represent the results of the concession agreement with the city of Annapolis and 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, right to use building expenditures and earnings on investments.

The Project is operated by MEDCO; however, at the end of the concession agreement, use of the Project will revert to the City of Annapolis.

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 13-23 of this report.

Financial Analysis of Annapolis Mobility and Resilience Project

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

	2025	2024	2023
Current assets	$ 3,804,573	$ 6,493,073	$ 9,930,338
Other assets	36,283,872	37,433,008	35,784,010
Total Assets	40,088,445	43,926,081	45,714,348
Current liabilities	2,118,103	5,301,435	2,705,319
Bonds payable	46,628,718	46,675,629	46,722,540
Total Liabilities	48,746,821	51,977,064	49,427,859
Net investments in capital assets	(12,752,501)	(11,608,259)	(13,374,827)
Restricted under trust indenture	4,094,125	3,557,276	9,661,316
Total Net Position	$ (8,658,376)	$ (8,050,983)	$ (3,713,511)

Significant factors in the changes in the Project's financial position for the year ended June 30, 2025, include the following:

- Current assets decreased $2,689,000 primarily due to decreases in the current portion of deposits with bond trustee – restricted of $3,384,000 due to the payment of the semi-annual interest payments and amounts due to the City of Annapolis in June. This was partially offset by an increase in accounts receivable of $638,000 driven by a higher number of parkers in June 2025.

- Other assets decreased $1,149,000 primarily due to amortization of $1,191,000.

- Current liabilities decreased $3,183,000 primarily due to a decrease in the semi-annual payments due to the City of Annapolis under the concession agreement of approximately $2,079,000. The current year amount due to the City of Annapolis decreased as a result of the fiscal year 2024 balance including funds owed to the City of Annapolis, paid in August 2024, that were made available when the escrow fund trust account was closed on the release date, pursuant to the Common Terms and Collateral Agency Agreement (CTCAA). Additionally, accrued interest decreased $1,183,000 due to timing of interest payments remitted prior to the end of the current fiscal year. This was partially offset by an increase in accounts payable and accrued expenses of $78,000 due to timing of payments at year end.

- Net position decreased $607,000 as a result of the Project's net non-operating expense of $2,082,000 offset by operating income of $1,474,000.

Financial Analysis of Annapolis Mobility and Resilience Project – continued

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

- Current assets decreased \$3,437,000 primarily due to decreases in the current portion of deposits with bond trustee – restricted of \$3,990,000 due to the completion of the construction and commencement of operations of the Project in June 2023. This decrease was offset by an increase in accounts receivable, net of allowance for doubtful accounts of \$579,000 due to the first full year of operations for the Project.

- Other assets increased \$1,649,000 primarily due to right to use building expenditures totaling \$2,930,000 offset by amortization of \$1,210,000.

- Current liabilities increased \$2,596,000 primarily due to semi-annual payments due to the City of Annapolis under the concession agreement totaling \$3,019,000. This was partially offset by a decrease in accounts payable and accrued expenses of \$423,000 due to timing of payments and collections at year-end.

- Net position decreased \$4,337,000 as a result of the Project's net non-operating expense of \$1,891,000 and an operating loss of \$2,447,000.

Financial Analysis of Annapolis Mobility and Resilience Project – continued

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

	2025	2024	2023
Operating Revenues:			
Parking fees	$ 7,875,339	$ 7,153,281	$ 173,744
Total Operating Revenues	7,875,339	7,153,281	173,744
Operating Expenses:			
City of Annapolis revenue payment	3,681,668	6,139,862	-
Property operating costs	854,704	584,108	-
Administrative and general	436,949	1,161,772	25,074
Parking tax	-	275,995	9,838
Management and service fees	236,516	228,364	79,639
Amortization	1,191,153	1,210,122	48,665
Total Operating Expenses	6,400,990	9,600,223	163,216
Operating Income (Loss)	1,474,349	(2,446,942)	10,528
Non-operating Expenses, net	(2,081,742)	(1,890,530)	(3,724,039)
Change in Net Position	(607,393)	(4,337,472)	(3,713,511)
Net position, beginning of year	(8,050,983)	(3,713,511)	-
Net position, end of year	$ (8,658,376)	$ (8,050,983)	$ (3,713,511)

Financial Analysis of Annapolis Mobility and Resilience Project – continued

Significant factors in the results for the year ended June 30, 2025 include:

- Operating revenues increased approximately $722,000 primarily due to an increase in the number of parkers. Operating expenses decreased $3,199,000 primarily due to a $2,458,000 decrease in the City of Annapolis Revenue Payment and a $725,000 decrease in administrative and general expenses. The decrease in the City of Annapolis revenue payment is primarily due to the fiscal year 2024 expense including funds owed to the City of Annapolis, paid in August 2024, that were made available when the escrow fund trust account was closed on the release date, pursuant to the CTCAA. The decrease in general and administrative expenses is primarily due to the decrease in bad debt expense. In the prior year, significant bad debt was recognized due to the Project's first full year of operations, whereas no comparable expense was incurred during the current year.

- Net non-operating expenses increased $191,000 due to a decrease in interest income due to lower interest rates and lower balances in deposits with bond trustee – restricted.

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

- Operating revenues and expenses increased $6,980,000 and $9,437,000, respectively, primarily due to the Project becoming fully operational in June 2023 and making its first full year of payments to the City of Annapolis under the concession agreement.

- Net non-operating expenses decreased $1,834,000 due to a decrease in interest income and bond issuance costs totaling $280,000 and $2,014,000 respectively.

Capital Asset and Debt Administration

Capital Assets

In 2022, MEDCO was requested to enter into a 30 year concession agreement with the City of Annapolis for the use of a parking garage through issuance of its tax-exempt revenue bonds. The proceeds of the bonds were used for the initial concession payment of the Project, to fund required reserve funds and to pay for costs of issuing the bonds. An acquisition value of approximately $33,000,000 was assigned to the parking garage.

During the year ended June 30, 2025, there were $0 of capital expenditures. During the year ended June 30, 2024, there were $2,930,000 of capital expenditures primarily related to the construction of the Project.

Capital Asset and Debt Administration – continued

Debt

As of June 30, 2025 and 2024, the Project had total bond debt outstanding, net of unamortized bond issue premium and bond issue discount, of $46,629,000 and $46,676,000, respectively. None of this debt is backed by the full faith and credit of the City of Annapolis, 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 Annapolis Mobility and Resilience Project. 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 Annapolis Mobility and Resilience Project (the Project), a project of Maryland Economic Development Corporation (MEDCO), as of and for the years ended June 30, 2025 and 2024, 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 respective financial position of the Project as of June 30, 2025 and 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 the Project 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.

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 the Project'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.

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, 2025 and 2024, 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.

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 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 the Project'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 the Project'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.

Required Supplementary Information

Accounting principles generally accepted in the Unites States of America require that the management's discussion and analysis 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.

October 2, 2025

Statements of Net Position

As of June 30,	*2025*	*2024*
Assets		
Current Assets:		
Cash and cash equivalents	$ 70,729	$ -
Deposits with bond trustee – restricted	2,338,346	5,722,459
Accounts receivable, net of allowance for doubtful accounts of $931,347 and $796,538 , respectively	1,376,698	738,262
Interest receivable	18,800	32,352
Total Current Assets	3,804,573	6,493,073
Non-current Assets:		
Deposits with bond trustee – restricted	2,407,655	2,365,638
Right to use buildings, net of accumulated amortization of $2,449,940 and $1,258,787, respectively	33,876,217	35,067,370
Total Non-current Assets	36,283,872	37,433,008
Total Assets	$ 40,088,445	$ 43,926,081
Liabilities and Net Position		
Current Liabilities:		
Accounts payable and other accrued expenses	$ 224,120	$ 145,737
Accrued interest	-	1,182,831
Due to City of Annapolis	1,893,983	3,972,867
Total Current Liabilities	2,118,103	5,301,435
Non-current liabilities:		
Bonds payable	46,628,718	46,675,629
Total Liabilities	48,746,821	51,977,064
Commitments and Contingencies (Note 5)		
Net Position:		
Net investments in capital assets	(12,752,501)	(11,608,259)
Restricted under trust indenture	4,094,125	3,557,276
Total Net Position	$ (8,658,376)	$ (8,050,983)

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

ANNAPOLIS MOBILITY AND RESILIENCE PROJECT, A PROJECT OF MEDCO

Statements of Revenues, Expenses and Changes in Net Position

For the Years Ended June 30,	*2025*	*2024*
Operating Revenues:		
Parking fees	$ 7,875,339	$ 7,153,281
Total Operating Revenues	7,875,339	7,153,281
Operating Expenses:		
City of Annapolis revenue payment (Note 5)	3,681,668	6,139,862
Property operating costs	854,704	584,108
Administrative and general	436,949	1,161,772
Parking tax (Note 1)	-	275,995
Management and service fees	236,516	228,364
Amortization	1,191,153	1,210,122
Total Operating Expenses	6,400,990	9,600,223
Operating Income (Loss)	1,474,349	(2,446,942)
Non-operating Revenues (Expenses):		
Interest income	230,402	434,768
Interest expense	(2,312,144)	(2,325,298)
Total Non-operating Expenses, net	(2,081,742)	(1,890,530)
Change in Net Position	(607,393)	(4,337,472)
Net Position, beginning of year	(8,050,983)	(3,713,511)
Net Position, end of year	$ (8,658,376)	$ (8,050,983)

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

ANNAPOLIS MOBILITY AND RESILIENCE PROJECT, A PROJECT OF MEDCO

Statements of Cash Flows

For the Years Ended June 30,	*2025*	*2024*
Cash Flows from Operating Activities:		
Cash received from parkers	$ 7,102,094	$ 5,778,239
Cash paid for operating expenses	(7,075,529)	(3,490,760)
Net Cash and Cash Equivalents Provided by Operating Activities	26,565	2,287,479
Cash Flows from Capital and Related Financing Activities:		
Right to use building expenditures	-	(5,612,714)
Interest paid	(3,541,886)	(1,195,961)
Net Cash and Cash Equivalents Used in Capital and Related Financing Activities	(3,541,886)	(6,808,675)
Cash Flows from Investing Activities:		
Net sales of deposits with bond trustee - restricted	3,342,096	4,060,234
Interest received	243,954	460,962
Net Cash and Cash Equivalents Provided by Investing Activities	3,586,050	4,521,196
Net Increase in Cash and Cash Equivalents	70,729	-
Cash and Cash Equivalents, beginning of year	-	-
Cash and Cash Equivalents, end of year	$ 70,729	$ -
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	$ 1,474,349	$ (2,446,942)
Adjustment to reconcile operating income (loss) to net cash and cash equivalents provided by operating activities:		
Amortization	1,191,153	1,210,122
Provision for doubtful accounts	134,809	796,538
Changes in operating assets and liabilities:		
Accounts receivable	(773,245)	(1,375,042)
Accounts payable and other accrued expenses	78,383	129,936
Due to City of Annapolis	(2,078,884)	3,972,867
Net Cash and Cash Equivalents Provided by Operating Activities	$ 26,565	$ 2,287,479
Non-cash capital and related financing activities:		
City of Annapolis revenue payment capitalized within right to use buildings	$ -	$ (953,779)
Right to use building expenditures included in accounts payable and other accrued expenses	$ -	$ (1,729,156)
Amortization of issue bond premium	$ 61,735	$ 61,734
Amortization of issue bond discount	$ 14,824	$ 14,823

The accompanying notes are an integral part of this financial statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RELATED MATTERS

Ownership and Management

Annapolis Mobility and Resilience Project (the Project), located in Annapolis, Maryland, is a project of Maryland Economic Development Corporation (MEDCO). The Project consists of one parking garage located at 150 Gorman Street (Hillman Garage) and additional street and surface level parking located in the City Dock Parking Area. On September 8, 2022, MEDCO issued limited obligation revenue bonds with a par value of $70,755,000 (Note 4). The proceeds of these bonds were used to pay for the concession agreement to build a new garage, fund reserve accounts in accordance with the Trust Indenture, and pay for the costs of issuing the bonds.

Effective September 1, 2022, MEDCO entered into a management agreement with Annapolis Infrastructure Resilience, LLC (AIR). The management agreement has a term of five years from the Commencement Date, as defined, and will automatically renew for an additional five years. The management fee is a fixed fee of $123,000 per year, adjusted for in accordance with the parking rate adjustment calculation, as defined in the management agreement, paid in arrears. The management fee totaled $139,840 and $135,600 for the years ended June 30, 2025 and 2024, respectively.

Pursuant to the Common Terms and Collateral Agency Agreement (CTCAA) dated September 1, 2022, MEDCO is entitled to an issuer's fee and concessionaire 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 2022 bonds, and 0.7% of the principal amount of the outstanding bonds annually thereafter. The concessionaire fee is 1.0% of revenues, paid in arrears. Issuer's fees were $31,941 for the years ended June 30, 2025 and 2024. Concessionaire fees were $64,735 and $60,823 for the years ended June 30, 2025 and 2024, respectively. Concessionaire fees payable totaled $69,515 and $67,524 as of June 30, 2025 and 2024, 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, 2025 and 2024. 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, 2025 and 2024, and the changes in its financial position and its cash flows for the year 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 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, 2023, the Project adopted GASB Statement 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 loss or net position as a result of the adoption of GASB 101.

Effective July 1, 2024, the Project adopted GASB Statement 102, *Certain Risk Disclosures* (GASB 102). GASB 102 requires disclosure of significant risks related to vulnerabilities from certain concentrations and constraints that could impact the Project's ability to provide services or meet its obligations as they come due. The required disclosures apply if the Project is aware of the concentration or constraint has occurred or is more likely than not to occur within 12 months of the financial statements date, and is expected to have a significant effect within three years. The adoption of GASB 102 did not warrant any additional disclosure for the Project as the Project is not aware of any events related to a specific concentration or constraint that has occurred as of October 2, 2025, and is more than likely than not to occur within 12 months of the financial statement date, and is expected to have significant effect within three years. Management will continue to monitor and assess any potential impacts on its financial statements due to concentrations and constraints, in accordance with the requirements of GASB 102.

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

Recently Issued Accounting Principles

In April 2024, the GASB issued Statement 103, *Financial Reporting Model Improvements* (GASB 103). The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability and addresses certain application issues. The requirements for this Statement (1) will improve MD&A and the quality of the analysis of changes from the prior year, which will enhance the relevance of that information and clarity on what information will be included, (2) will provide clarity regarding which items should be reported separately from other inflows and outflows of resources, (3) will change the definitions of operating revenues and expenses and of nonoperating revenues and expenses improving comparability from government to government, (4) will improve comparability for presentation of major component information, and (5) will require that budgetary comparison information be presented as required supplementary information will improve comparability, and the inclusion of the specified variances and the explanations of significant variances, which will provide more useful information for making decisions and assessing accountability. This new guidance is effective for fiscal years beginning after June 15, 2025 and should be applied retrospectively. Early adoption is permitted. The Project is currently evaluating the timing of its adoption and the impact of adopting GASB 103 on the accompanying financial statements.

In September 2024, the GASB issued Statement 104, *Disclosure of Certain Capital Assets* (GASB 104). The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information about certain types of capital assets in order to make informed decisions and assess accountability. Additionally, the disclosure requirements will improve consistency and comparability between governments. This new guidance is effective for fiscal years beginning after June 15, 2025 and should be applied retrospectively. Early adoption is permitted. The Project is currently evaluating the timing of its adoption and the impact of adopting GASB 104 on the accompanying financial statements.

Public-Public Partnership with the City of Annapolis

In accordance with the Annapolis Parking Concession Agreement between the City of Annapolis and MEDCO, the City has granted MEDCO the right to (i) finance and perform the design and construction work; (ii) manage the operations and facilities services; and (iii) charge and collect parking fees, citation fees and other project revenues for the duration of the agreement. In accordance with GASB Statement 94 *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (GASB 94), the arrangement between MEDCO and the City of Annapolis qualifies as a public-public partnership (PPP) that meets the definition of a service concession agreement (SCA). GASB 94 requires that the Project recognize the cost of the parking garage 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. The intangible asset is reflected as right to use buildings in the accompanying statements of net position.

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

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.

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, 2025 and 2024, all 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 $931,347 and $796,538 as of June 30, 2025 and 2024, respectively. Accounts receivable are written off when it is determined that amounts are uncollectible.

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.

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

Revenue Recognition

The Project's revenues are derived primarily from parking fees and citations. Parking fees are collected and recognized daily for transient parkers and monthly for long-term parkers, as stipulated in their agreement. Citation revenue is recorded on the date the citation is issued.

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.

Parking Taxes

Parking taxes were remitted to the State of Maryland on a monthly basis. During the year ended June 30, 2025, the Project was notified that parking garages located within the City of Annapolis are not subject to parking tax. The Project is currently working with taxing authorities and the management company to refund previously remitted parking taxes. However, as of October 2, 2025, no revenue or related receivable has been recognized as the amount to be received, if any, is not estimable.

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.

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,:

	2025	2024
Current assets:		
Escrow fund	$ -	$ 2,566,619
Revenue fund	2,125,412	1,762,796
Senior interest fund	-	1,182,819
Operations & maintenance reserve fund	143,812	140,988
Major main reserve fund	58,107	64,415
City revenue fund	11,015	4,822
Current Portion	2,338,346	5,722,459
Non-current assets:		
Debt service reserve fund	2,407,655	2,365,638
Non-current Portion	2,407,655	2,365,638
Total Deposits with Bond Trustee	$ 4,746,001	$ 8,088,097

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 $230,000 and $435,000 for the years ended June 30, 2025 and 2024, respectively. Investments of deposits with bond trustee are carried at fair value. Investments of deposits with bond trustee are summarized as follows as of June 30,:

	2025	2024
Money market funds	$ 4,746,001	$ 8,088,097
Total deposits with bond trustee	$ 4,746,001	$ 8,088,097

2. DEPOSITS WITH BOND TRUSTEE – continued

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, 2025 and 2024.

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, 2025 and 2024.

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.

The Project obtained a bond rating of Baa3 stable by Moody's Investors Service as of June 30, 2025 and 2024.

3. RIGHT TO USE BUILDINGS

Pursuant to GASB 94 and the PPP between MEDCO and the City of Annapolis, 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 concession agreement for the Project is being amortized over a useful life of 30 years and 6 months.

Right to use buildings activity for the years ended June 30, 2025 and 2024 is summarized as follows:

2025	Beginning balance	Additions	Retirements	Ending balance
Right to use buildings	$ 36,326,157	$ -	$ -	$ 36,326,157
	36,326,157	-	-	36,326,157
Less accumulated amortization:				
right to use buildings	(1,258,787)	(1,191,153)	-	(2,449,940)
	(1,258,787)	(1,191,153)	-	(2,449,940)
Right to use buildings, net	$ 35,067,370	$ (1,191,153)	$ -	$ 33,876,217

2024	Beginning balance	Additions	Retirements	Ending balance
Right to use buildings	$ 33,396,378	$ 2,929,779	$ -	$ 36,326,157
	33,396,378	2,929,779	-	36,326,157
Less accumulated amortization:				
right to use buildings	(48,665)	(1,210,122)	-	(1,258,787)
	(48,665)	(1,210,122)	-	(1,258,787)
Right to use buildings, net	$ 33,347,713	$ 1,719,657	$ -	$ 35,067,370

4. BONDS PAYABLE

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

	2025	2024
Series 2022A Term Bonds bearing interest at the rate of 5.00% and maturing from December 31, 2031 through December 31, 2042	$ 11,975,000	$11,975,000
Series 2022A Term Bonds bearing interest at the rate of 5.25% and maturing from June 1, 2043 through June 1, 2053	33,655,000	33,655,000
Unamortized Series 2022 issue premium	1,314,310	1,376,045
Unamortized Series 2022 issue discount	(315,592)	(330,416)
Total bonds payable	46,628,718	46,675,629
Less: current portion	-	-
Bonds payable, less current portion	$ 46,628,718	$ 46,675,629

On September 8, 2022, the Project issued $45,630,000 of Series 2022A bonds, $17,875,000 of Series 2022B bonds, $2,174,907 of Series 2022C bonds, and $1,376,331 of Series 2022D bonds (Series 2022 bonds). The net proceeds of the Series 2022 bonds, including an original issue premium and discount of approximately $1,488,000 and $357,000, respectively, were used to pay for the acquisition of a concession interest in the parking garage, fund reserve accounts in accordance with the Trust Indenture, and pay for the costs of issuing the bonds. The Series 2022B, 2022C, and 2022D bonds were defeased with funds provided by the City of Annapolis on December 21, 2022.

The Series 2022A bonds bear interest at rates ranging from 5.00% to 5.25% and mature in annual installments through June 1, 2053. Interest on the Series 2022A bonds is payable semiannually on June 30 and December 31 and totaled approximately $2,359,000 and $2,373,000 for the years ended June 30, 2025 and 2024, 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 $62,000 and $15,000, respectively, for the years ended June 30, 2025 and 2024.

The Series 2022 bonds are secured by a 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.

4. BONDS PAYABLE – continued

Payments on bonds payable are due as follows:

For the years ending June 30:	Total	Principal	Interest
2026	$ 2,365,668	$ -	$ 2,365,668
2027	2,365,668	-	2,365,668
2028	2,365,668	-	2,365,668
2029	2,365,668	-	2,365,668
2030	2,365,668	-	2,365,668
2031-2035	13,852,313	2,180,000	11,672,313
2036-2040	16,381,188	5,665,000	10,716,188
2041-2045	18,481,156	9,595,000	8,886,156
2046-2050	21,264,663	15,565,000	5,699,663
2051-2053	13,831,581	12,625,000	1,206,581
	95,639,241	45,630,000	50,009,241
Plus: Series 2022 unamortized bond premium	1,314,310	1,314,310	-
Less: Series 2022 unamortized bond discount	(315,592)	(315,592)	-
	$ 96,637,959	$ 46,628,718	$ 50,009,241

Activity in bonds payable are summarized as follows for the years ended June 30, 2025:

Balance June 30, 2023	$ 46,722,540
Amortization of Series 2022A bond issue premium	(61,734)
Amortization of Series 2022A bond issue discount	14,823
Balance June 30, 2024	46,675,629
Amortization of Series 2022A bond issue premium	(61,735)
Amortization of Series 2022A bond issue discount	14,824
Balance June 30, 2025	$ 46,628,718
Due within one year	$ -

5. COMMITMENTS AND CONTINGENCIES

Concession Agreement

In September 2022, MEDCO entered into a concession agreement with the City of Annapolis to operate a parking garage and additional parking assets, terminating at the earlier of 30 years and 6 months from the substantial completion date or the date on which the Series 2022 bonds are fully repaid. From on and after the commencement of the agreement, on each revenue share release date, as defined in the CTCAA, MEDCO shall pay to the City of Annapolis the amount of a distributable portion of the Revenue fund, as defined in the CTCAA (City Revenue Payment). If on any revenue share release date funds are not eligible, under terms of the CTCAA, to distribute the City Revenue Payment, the amounts shall remain in the account until eligible on any future revenue share release date. Variable costs are recognized in the period in which they are incurred and relate to taxes, utilities and operating expenses. If on any revenue release date funds are not eligible, under the terms of the CTCAA, to distribute the City Revenue Payment, the amounts allocable will be held for the account of the City of the Annapolis.

The City Revenue Payment for the years ended June 30, 2025 and 2024 totaled $3,681,668 and $6,139,862, respectively. Amounts owed under the concession agreement totaled $1,893,983 and $3,972,867 as of June 30, 2025 and 2024, respectively, and are included in due to the City of Annapolis in the accompanying statements of net position. During the years ended June 30, 2025 and 2024, $0 and ($57,074) of amounts due to the City of Annapolis were capitalized within right to use buildings and are being amortized accordingly (Note 3).

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.