

**RESILIENCE AUTHORITY OF CHARLES COUNTY
(A COMPONENT UNIT OF CHARLES COUNTY, MARYLAND)**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2024



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**RESILIENCE AUTHORITY OF CHARLES COUNTY
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2024**

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
FINANCIAL STATEMENTS	
STATEMENTS OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEETS	8
STATEMENTS OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE	9
NOTES TO FINANCIAL STATEMENTS	10



INDEPENDENT AUDITORS' REPORT

Board of Directors
Resilience Authority of Charles County
Baltimore, Maryland

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the general fund of the Resilience Authority of Charles County, a component unit of Charles County, Maryland, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Resilience Authority of Charles County'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 governmental activities and the general fund of the Resilience Authority of Charles County, as of June 30, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Resilience Authority of Charles County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Resilience Authority of Charles County'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.

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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 opinions. 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 GAAS and *Government 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 GAAS and *Government 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 Resilience Authority of Charles County'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 Resilience Authority of Charles County'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 United 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2025, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Resilience Authority of Charles County's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
March 12, 2025

**RESILIENCE AUTHORITY OF CHARLES COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

Overview of the Financial Statements and Financial Analysis

In accordance with generally accepted accounting principles, the Resilience Authority of Charles County (the Authority) presents this management's discussion and analysis of the financial statements of the Resilience Authority of Charles County for the year ended June 30, 2024.

This financial report consists of two primary financial statements: The statement of net position simultaneously presented with the governmental fund balance sheet, and the statement of activities concurrently presented with the governmental fund revenues, expenditures and changes in fund balance. The statement of net position discloses the Authority's net assets and related changes. The statement of activities discloses the Authority's revenues and expenses. These statements contain adjustments made to the fund statements to convert them to the accrual basis of accounting – similar to the accounting used by most public-sector companies. Under the accrual basis of accounting, all of the current year's revenues and expenses are taken into account, regardless of when the cash is received or paid. The governmental fund statements provide a detailed view of Authority's basic services. The Authority has one governmental fund, the general fund. The general fund is reported on a modified accrual basis of accounting, which measures cash and all other financial assets that can easily be converted to cash.

The relationship between governmental activities (reported in the statement of net position and the statement of activities) and governmental fund is addressed in the reconciliations included within the financial statements.

The financial statements also include notes that explain some of the information in the financial statements and provides supporting details.

Statements of Net Position

The statements of net position present the assets, liabilities, and net position of Authority as of the end of each fiscal year, computed in conformity with generally accepted accounting principles. These statements are meant to present a fiscal snapshot of the Authority. The statements are composed of three major categories, namely assets, liabilities, and net position, using the accrual basis of accounting. Assets are classified as current or noncurrent according to the timing by which their receipt will be realized. Liabilities are classified as either current or noncurrent based upon the timing of when they will be paid. The net position is the difference between assets and liabilities. The net position is generally separated into three broad components, namely investments in capital assets - net of related debt, restricted net position, and unrestricted net position.

**RESILIENCE AUTHORITY OF CHARLES COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

Statements of Net Position (Continued)

The following are the Authority summarized statements of net position as of June 30:

	2024	2023	Variance
ASSETS			
Current Assets	\$ 634,656	\$ 303,439	\$ 331,217
LIABILITIES			
Current Liabilities	136,765	3,897	132,868
NET POSITION			
Unrestricted Net Position	497,891	299,542	198,349
Total Liabilities and Net Position	<u>\$ 634,656</u>	<u>\$ 303,439</u>	<u>\$ 331,217</u>

Current assets increased by \$331,216 or 109% over the preceding year primarily due to a transfer from the State and County for funding of operations. Unearned balances increased due to the receipt of Federal funds received in advance.

Statements of Activities

The statements of activities present the fiscal year's revenues and expenses, and their effects on net position. Revenue primarily consisted of grant funds. Expenses consisted of contractor and administrative cost.

	2024	2023	Variance
Revenues	\$ 523,264	\$ 301,370	\$ 221,894
Expenses	335,387	101,601	233,786
Net Program Revenue/Expense	187,877	199,769	(11,892)
Net Position - Beginning of Year	299,542	99,773	199,769
Net Position - End of Year	<u>\$ 487,419</u>	<u>\$ 299,542</u>	<u>\$ 187,877</u>

Revenues increased in fiscal year 2024 by \$232,365 compared to fiscal year 2023. The increase was primarily due to grants received from the Federal, State and County government and for operations. Total expenses increased in fiscal year 2024 by \$233,786 compared to 2023 primarily due expenditures related to the grants.

See accompanying Notes to Financial Statements.

**RESILIENCE AUTHORITY OF CHARLES COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

Economic Outlook

History. The 2020 Maryland General Assembly passed enabling legislation that authorized a local government to create a Resilience Authority that would mitigate the impacts of climate change through infrastructure investment, and the legislation was codified in Title 22 of the Local Government Article of the Maryland Annotated Code. In December 2020, the Board of Charles County Commissioners passed a local law establishing the Resilience Authority of Charles County, Inc. that was subsequently codified in Chapter 299 of the Charles County Code.

The Resilience Authority of Charles County, Inc. ("Resilience Authority") is a 501(c)(3) nonprofit organization that, as a government instrumentality, is operated for the public purpose of responding to the impacts of climate change in communities across Charles County, Maryland.

Local Economy. The Resilience Authority relies on assistance from Charles County Government to fund operating costs. In 2023, the Resilience Authority hired its first Executive Director, greatly expanded its project portfolio, and began pursuing funding for its projects. The Executive Director position was grant funded through December 31, 2024. The Resilience Authority Board of Directors and the University of Maryland Center for Environmental Science (UMCES) entered into an agreement in 2024 to cover the Executive Director's salary from January 1, 2025, through June 30, 2026.

In 2024, the Resilience Authority was matched with a Chesapeake Bay Trust funded Chesapeake Climate Corps member, and who began working full-time with the Resilience Authority in October. With a work program that includes developing an urban food forest, creating a grant subject matter library, supporting tree planting projects, and creating training materials, she is a valued member of the Resilience Authority team. She will be working with the Resilience Authority through August 2025.

The Resilience Authority also successfully secured funding in 2024 for its 2023 Implementation Project Portfolio in underserved and overburdened communities most vulnerable to the effects of climate change. Over the last two Calendar Years (2023-2024), the Resilience Authority secured \$1,018,241 in grant funds to execute projects.

One key project is related to Urban Heat islands. Increasing temperatures from climate change affect everyone, and communities in urban heat islands (areas characterized by more heat-absorbing buildings and pavements and fewer cool spaces with trees and greenery) are more likely to experience heat-related illnesses and mortality, with related negative effects including poor air quality and a higher air conditioning cost burden. As an active partner in Maryland's Five Million Trees (5MT) effort, the Resilience Authority secured funding for, and as of December 2024, planted over 600 biodiverse trees native to the coastal plain of Maryland at nine Charles County Public Schools sites and a County Senior and Recreation Center in urban heat islands that serve overburdened communities. The Resilience Authority, through multiple grant efforts and funding sources, was awarded over \$500,000 in 2024 to not only plant native trees, but to provide the necessary biweekly watering and maintenance of these trees over the next three years. This need provides the opportunity to fund youth employment and career ladder opportunities.

**RESILIENCE AUTHORITY OF CHARLES COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

Relevant Financial Policies. The Resilience Authority Board of Directors have formalized several financial policies to address their long-term and short-term concerns. Several of these are as follows:

1. An annual budget is formally adopted by the Board.
2. Treasurer reports are provided at each quarterly meeting and include a review of year-to-date activity and budget comparison.
3. Adopted the Budget Policies & Delegate Authorities on March 3, 2023 which was last updated on March 7, 2024.
4. Adopted the Resilience Authority Procurement Policy on September 3, 2023.

Major Initiatives. The risks of climate change are not shared equally, so the Resilience Authority prioritizes the most vulnerable communities, and all efforts are grounded in principles of diversity, equity, inclusivity, and justice. The Resilience Authority's vision is to set a national example of climate resilience grounded in environmental justice for everyone. The Resilience Authority works with the Charles County government to fund and accelerate the pace and scale of nature-based climate resilience projects with multiple benefits. Through government, education, nonprofit, and private partnerships, the Resilience Authority seizes the opportunity to turn climate change challenges into opportunities to create more equitable and environmentally sustainable communities throughout Charles County.

RESILIENCE AUTHORITY OF CHARLES COUNTY
STATEMENTS OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEETS
JUNE 30, 2024

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 520,067	\$ -	\$ 520,067
Due from Charles County	113,944	-	113,944
Accounts & other tax receivables	645	-	645
	<u>634,656</u>	<u>-</u>	<u>634,656</u>
Total Assets	634,656	-	634,656
LIABILITIES			
Current Liabilities:			
Accounts Payable	25,728	-	25,728
Unearned Revenue	111,037	-	111,037
	<u>136,765</u>	<u>-</u>	<u>136,765</u>
Total Liabilities	136,765	-	136,765
FUND BALANCE			
Assigned	497,891	(497,891)	-
	<u>\$ 497,891</u>	<u>(497,891)</u>	<u>-</u>
Total Fund Balance	<u>\$ 497,891</u>	<u>(497,891)</u>	<u>-</u>
NET POSITION			
Unrestricted Net Position		497,891	497,891
		<u>497,891</u>	<u>497,891</u>
Total Net Position		<u>\$ -</u>	<u>\$ 497,891</u>

See accompanying Notes to Financial Statements.

RESILIENCE AUTHORITY OF CHARLES COUNTY
STATEMENTS OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2024

REVENUES

Federal Grants	\$ 272,235
State Grants	40,383
County Grants	210,001
Other Income	645
Total Revenues	<u>523,264</u>

EXPENSES/EXPENDITURES

Contract services	335,250
Administrative Allocation	137
Total Expenses/Expenditures	<u>335,387</u>

NET PROGRAM REVENUE/ (EXPENSES) 187,877

GENERAL REVENUES AND TRANSFERS

Interest Income	<u>10,472</u>
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CHANGE IN FUND BALANCE / NET POSITION 198,349

Fund Balance / Net Position - Beginning of Year 299,542

FUND BALANCE / NET POSITION - END OF YEAR \$ 497,891

See accompanying Notes to Financial Statements.

RESILIENCE AUTHORITY OF CHARLES COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 ORGANIZATION

Authorizing Legislation

The Resilience Authority of Charles County (the Authority) was established December 2020 under Sections 299.01 through 299.15 as a quasi-governmental, non-profit financing organization authorized in the State of Maryland that will pool, disseminate, and invest capital; link private, state, federal and philanthropic funding to public infrastructure projects by viewing them as investment opportunities, and advance economic development initiatives and other public benefits by targeting resilience investment projects.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Governmental Accounting Standards Board establishes criteria for determining the composition of a governmental financial reporting entity. The identification of a financial reporting entity is built around the concept of financial accountability. If a primary government is financially accountable for another entity (or if that entity's relationship with the primary government is such that its exclusion would create misleading or incomplete financial statements), that entity's financial statements must be included in the financial statements of the reporting entity. Pursuant to Government Accounting Standards Board (GASB) statements, the Authority meets the definition of a component unit of the Charles County, Maryland (the County), in that the County is "financially accountable" for the Authority and appoints all board members.

The Authority's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

The Authority's accompanying financial statements are not indicative of Authority as if it were a stand-alone entity as the Authority's operations are managed by employees of Charles County, Maryland.

Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus. The statement of net position and the statement of activities display information about the Authority as a whole. These statements include the financial activities of the primary government. All financial activities of the Authority are classified as governmental.

The statement of net position presents the financial condition of the Authority as of year-end. All expenses relate to the operations of the Authority. Revenues consist of county and State grants and interest income. Expenses include administrative expenses.

RESILIENCE AUTHORITY OF CHARLES COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus (continued)

Fund Financial Statements – Governmental Fund

The governmental accounts of the Authority are organized on the basis of funds and consist only of the general fund, which is considered a separate accounting entity. The operations of the general fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures, as appropriate. The governmental fund financial statements are reported using the current financial resources measurement focus.

Basis of Accounting

Government-wide financial statements are prepared using the economic resources measurement focus and accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

The governmental fund is accounted for using the current resources measurement focus and modified accrual basis of accounting. Its revenues are recognized when they become measurable and available as net current assets. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to pay liabilities of the current fiscal year. For the Authority, available means expected to be received within 60 days of year-end. Intergovernmental revenues are susceptible to accrual. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Expenditures are recognized when the liability is incurred.

Use of Estimates

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

Cash and Cash Equivalents

The Authority has defined cash and cash equivalents to include cash on hand, petty cash, demand deposits, money market accounts, and short-term securities with an original maturity of three months or less at time of purchase.

Allowance for Uncollectible Receivable

Accounts receivable consists primarily of amounts due from the County.

Revenue and Expenses

Revenue primarily consists of grants from the Federal and County government. Expenses consist of salaries, administrative costs. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

RESILIENCE AUTHORITY OF CHARLES COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance

GASB 54 requires that fund balance amounts be properly reported within one of the fund balance categories listed below.

Nonspendable – Includes fund balance amounts that cannot be spent because they are either (1) not in spendable form, or (2) legally or contractually required to be maintained intact such as a permanent fund. Not in spendable form includes items that are not expected to be converted to cash, such as inventories, prepaid expenses and the long-term portion of notes receivable.

Restricted – Includes amounts that are restricted to specific purposes when constraints are placed on the use of resources by constitution, external resource providers, or through enabling legislation.

Committed – Includes fund balance amounts that can be used only for the specific purposes determined by formal action. In Maryland, the uses of these funds are established in statute after appropriate action by the General Assembly and the Governor.

Assigned – Includes fund balance amounts that are intended to be used by the Fund for specific purposes as determined by the management of the Fund.

Unassigned – Represents the residual classification for the Fund's general fund and includes all spendable amounts not contained in the four classifications described above.

Net Position

Net position is the residual difference of assets less liabilities. Net position as reported in the government-wide statement of net position is reported in three categories: net investment in capital assets, restricted and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation (and related debt, if any). Restricted net position results when external restrictions are imposed on net position through law or regulation. Unrestricted net position consists of items that do not meet the definition of the preceding two categories.

As of June 30, 2024, 100% of the Authority's net position is unrestricted and can be utilized for any operational purpose of the Authority.

Budgetary Data

Budgets are adopted by the Authority; however, budgets are not legally required for the Authority. Therefore, presentation of budgetary comparison information is not required supplementary information and not presented.

RESILIENCE AUTHORITY OF CHARLES COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 3 CASH

The State Legislature created the Maryland Local Government Investment Pool (MLGIP) with the passage of Article 95 22G, of the Annotated Code of Maryland. The State Treasurer of Maryland exercises administrative oversight responsibility over the MLGIP. Investments in the MLGIP are not evidenced by securities. The investment pool, not the participating governments, faces the custodial credit risk. A single financial institution, PNC Institutional Investments, is contracted to operate the Pool. In addition, the State Treasurer has established an advisory board composed of Pool participants to review the activities of the contractor semiannually and provide suggestions to enhance the return on investments. The MLGIP maintains an AAAM credit quality rating from S&P Global Ratings and maintains a \$1.00 per share value. The MLGIP uses the amortized cost method to compute unit value rather than market value to report net assets. Accordingly, the fair value of the position in the MLGIP is the same as the value of MLGIP shares. The MLGIP does not have any significant limitations or restrictions related to redemption notice periods, maximum transaction amounts, liquidity fees or redemption gates. As of June 30, 2024 the Authority held \$520,067 in the MLGIP.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the Fund's name. The Authority does not have a formal deposit policy for custodial credit risk

NOTE 4 PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Eligible employees who perform services for the Authority are employees of the County and are covered under the retirement plans of the Charles County Employees Retirement Plan (the "County Plan") and the Other Post Employment Benefit plan ("OPEB"), which is considered part of the County's financial reporting entity. The Authority is not required to contribute any costs related to the funding of these plans.

NOTE 5 RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters and is included with the County's self insurance plan. The County is self-insured for general liability, property and casualty, workers' compensation, environmental and anti-trust liabilities and certain employee health benefits. Commercial insurance coverage is purchased for specialized exposures such as aviation hull and liability, steam boiler coverage and certain transportation risks. There were no significant reductions or changes in the commercial insurance coverage from the prior year, and the amount of settlements have not exceeded insurance coverage for any of the past three fiscal years.

RESILIENCE AUTHORITY OF CHARLES COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 6 COMMITMENTS AND CONTINGENCIES

The Authority participates in federal and state assisted programs and is a recipient of several grants. These programs and grants are subject to financial and compliance audits by the grantors or their representatives. Any liability for reimbursement that may arise because of these audits is not believed to be material. The Authority does not expect any disallowances of grant expenditures in the future.

NOTE 7 RELATED PARTY TRANSACTIONS

Employees of Charles County Government provide services for the Authority for administration and other management services. These expenses totaled \$231,261 for the fiscal year ended June 30, 2024.

