MARYLAND FOOD CENTER AUTHORITY
Jessup, Maryland

FINANCIAL STATEMENTS
June 30, 2009

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	8
Statement of Net Assets	9
Statement of Revenue, Expenses and Changes in Net Assets	10
Statement of Cash Flows	11
Notes to Financial Statements	12
SUPPLEMENTARY INFORMATION	21
Schedule of Expenses – Budget and Actual (Budgetary Basis)	22
Combining Schedule of Revenues and Expenses	23
REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS	24
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*	25

Clifton Gunderson LLP
Certified Public Accountants & Consultants

Independent Auditor's Report

Board of Directors
Maryland Food Center Authority
Jessup, Maryland

We have audited the accompanying financial statements of the business-type activities of the Maryland Food Center Authority (the Authority), a component unit of the State of Maryland, as of and for the year ended June 30, 2009, which collectively comprise the Maryland Food Center Authority's basic financial statements, as listed in the accompanying table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Maryland Food Center Authority as of June 30, 2009, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2009, on our consideration of the Maryland Food Center Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information listed in the foregoing table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

Baltimore, Maryland
August 20, 2009

MARYLAND FOOD CENTER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009

Our discussion and analysis of the Maryland Food Center Authority's (the "Authority") financial performance provides an overview of the Authority's financial activities for the year ended June 30, 2009. Please read it in conjunction with the Authority's basic financial statements, which begin on page 9.

USING THIS ANNUAL REPORT

This annual report consists of a series of proprietary fund financial statements. The Statements of Net Assets, Revenues, Expenses and Changes in Net Assets and Cash Flows provide information about the activities of the Authority as a whole, and begin on page 9.

The Proprietary Fund Financial Statements

One of the most important questions asked about the Authority's finances is, "Is the Authority as a whole better off or worse off as a result of the year's activities?" The Statements of Net Assets; Revenues, Expenses and Changes in Net Assets; and Cash Flows report information about the Authority as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

You can think of the Authority's net assets – the difference between assets and liabilities – as one way to measure the Authority's financial health, or financial position. Over time, increases or decreases in the Authority's net assets are one indicator of whether its financial health is improving or deteriorating. The Authority's activities are only business-type activities.

- Business-type activities – The Authority charges rents and entrance fees to customers to help it cover all or most of the cost of certain services it provides. The wholesale produce, wholesale seafood, capital improvements and administrative services are reported here.

You will need to consider other non-financial factors, such as the restrictive covenants attached to all businesses in the Maryland Food Center, location of the Maryland Food Center to other major food distributions facilities, and interest of food businesses looking to move into the Maryland Food Center.

CONDENSED FINANCIAL INFORMATION

Statement of Net Assets

The following table provides comparative data as of June 30, 2009 and 2008, and for the years then ended.

	2009	2008	Increase (Decrease)
ASSETS			
Current assets	$ 4,118,512	$ 2,884,541	$ 1,233,971
Net capital assets	20,337,588	20,823,030	(485,442)
Note receivable - land covenant, net of allowance of $0 and $150,000 in 2009 and 2008, respectively	520,816	439,270	81,546
TOTAL ASSETS	$24,976,916	$24,146,841	$ 830,075
LIABILITIES AND NET ASSETS			
Liabilities			
Current liabilities	$ 702,476	$ 576,459	$ 126,017
Non-current liabilities	49,226	51,774	(2,548)
Total liabilities	751,702	628,233	123,469
Net Assets			
Invested in capital assets	20,337,588	20,823,030	(485,442)
Restricted for capital improvements	273,615	289,795	(16,180)
Unrestricted	3,614,011	2,405,783	1,208,228
Total net assets	24,225,214	23,518,608	706,606
TOTAL LIABILITIES AND NET ASSETS	$24,976,916	$24,146,841	$ 830,075

The increase of $1,233,971 in current assets is primarily attributable to an increase in cash and cash equivalents of $1,236,618. The increase in cash and cash equivalents is primarily attributable to rental charges exceeding payments to suppliers and employees by $1,034,015.

The increase of $126,017 in current liabilities is primarily due to an increase of $116,768 in deferred income for prepaid rent amounts.

CONDENSED FINANCIAL INFORMATION (CONTINUED)

Statements of Revenues, Expenses and Changes in Net Assets

The following table provides comparative data, as of June 30, 2009 and 2008, and for the years then ended.

	2009	2008	Increase (Decrease)
Total operating revenues	$ 4,260,815	$ 4,313,608	$ (52,793)
Total operating expenses	4,108,995	4,166,054	57,059
Operating income	151,820	147,554	4,266
Recovery of potential note receivable losses	150,000	-	150,000
Interest and investment earnings	404,786	475,986	(71,200)
Change in net assets	706,606	623,540	83,066
Net assets, beginning of year	23,518,608	22,895,068	623,540
Net assets, end of year	$24,225,214	$23,518,608	$ 706,606
Total revenues	$ 4,815,601	$ 4,789,594	$ 26,007
Total expenses	4,108,995	4,166,054	57,059
Total	$ 706,606	$ 623,540	$ 83,066

The net income from operations was $151,820, recovery of potential note receivable losses was $150,000, and interest and investment earnings were $404,786.

During 2009, operating revenues decreased by $52,793. This decrease was due primarily to a decrease in entrance fees. Interest and investment earnings decreased by $71,200 due to declining interest rates. Operating expenses decreased by $57,059. The increase in net assets from $23,518,608 to $24,225,214 or $706,606 was attributable to revenue from charges for services, a change in estimate resulting in a recovery of potential note receivable losses, and interest and investment earnings.

Overall, the Authority's financial position improved during the year ended June 30, 2009.

BUDGETARY HIGHLIGHTS

The Authority does not budget for revenues. Excluding depreciation and taxes, the Authority had a positive variance of $725,591 when actual expenses are compared to budgeted expenses. In 2009, the Authority continued to exercise strong budgetary controls.

Refer to the following table for comparative data.

	Original Budget	Final Budget	Actual	Positive (Negative) Variance
Operating Expenses				
Salaries, wages and related costs	$ 1,979,587	$ 1,959,717	$ 1,564,574	$ 395,143
Contractual services	958,428	958,428	870,392	88,036
Depreciation	823,144	823,144	756,079	67,065
Taxes	234,262	234,262	224,604	9,658
Fuel and utilities	336,076	336,076	315,467	20,609
Vehicle operation	167,779	179,986	89,024	90,962
Technical and special fees	54,775	78,775	45,345	33,430
Travel	105,400	105,400	58,247	47,153
Fixed charges	47,539	47,539	40,094	7,445
Communication	49,622	49,622	51,775	(2,153)
Supplies and materials	59,150	59,150	80,330	(21,180)
Maintenance and equipment charges	79,210	79,210	13,064	66,146
Total operating expenses	$ 4,894,972	$ 4,911,309	$ 4,108,995	$ 802,314

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the Authority had $20,337,588 invested in capital assets, net of accumulated depreciation. This represents a decrease of $485,442 from the prior year, with the change due to the combination of $270,638 in capital asset additions (net of disposals of $12,164), and $756,079 in depreciation expense.

Major additions (those greater than $50,000) to capital assets include:

Access System – Produce/Seafood Markets	$ 110,670

Debt

At June 30, 2009, the Authority had no long-term debt outstanding.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Seafood Market

The Seafood Market leases end December 31, 2009. As a result of renovations at the Market, the current lease will be extended for one year.

Truck Parking Lot

All spaces in the Truck Parking Lot are expected to be rented through fiscal year 2012.

Produce Market

The Produce Market (the Market) lease will expire on December 31, 2009. As a result of renovations at the Market, the current lease will be extended for one year.

Rock Hall

The Authority currently leases the Rock Hall Seafood Processing Plant (the Plant) to the Town of Rock Hall (the Town). Any restorations made to the plant will be at the expense of the Town. The base rent due to the Authority for the lease is $1.00 per month. For the first five years, the Authority will receive 20% of the revenue received by the Town of Rock Hall for any sublease. Thereafter, the Authority will receive 50% of the revenue received by the Town of Rock Hall for any sublease. As of June 30, 2009, the Town of Rock Hall is actively negotiating leases for the building.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the users of these financial statements with a general overview of the Authority's finances. If you have questions about this report, or need additional financial information, contact the Authority's Deputy Director at 7801 Oceano Avenue, Jessup, Maryland 20794.

BASIC FINANCIAL STATEMENTS

MARYLAND FOOD CENTER AUTHORITY
STATEMENT OF NET ASSETS
June 30, 2009

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	
Unrestricted	$ 3,738,053
Restricted for capital improvements and maintenance - Seafood Market	273,615
Accounts receivable	95,347
Prepaid expenses	11,497
Total current assets	4,118,512
NONCURRENT ASSETS	
Note receivable - land covenant	520,816
Non-depreciable capital asssets	5,432,530
Depreciable capital assets, net of accumulated depreciation	14,905,058
Total noncurrent assets	20,858,404
TOTAL ASSETS	$ 24,976,916

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	$ 143,304
Accrued payroll and related taxes	61,297
Deferred income	203,368
Accrued compensated absences	68,187
Accrued workers' compensation	6,820
Tenant deposits	219,500
Total current liabilities	702,476
NONCURRENT LIABILITIES	
Accrued compensated absences	17,046
Accrued workers' compensation	32,180
Total noncurrent liabilities	49,226
Total liabilities	751,702
NET ASSETS	
Invested in capital assets	20,337,588
Restricted for capital improvements	273,615
Unrestricted	3,614,011
Total net assets	24,225,214
TOTAL LIABILITIES AND NET ASSETS	$ 24,976,916

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

MARYLAND FOOD CENTER AUTHORITY
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
Year Ended June 30, 2009

OPERATING REVENUES	
Charges for services	$ 4,260,815
OPERATING EXPENSES	
Salaries, wages and related costs	1,564,574
Contractual services	865,556
Depreciation	756,079
Taxes	224,604
Fuel and utilities	315,467
Vehicle operation	89,024
Technical and special fees	51,289
Travel	58,247
Fixed charges	40,094
Communication	51,775
Supplies and materials	79,423
Maintenance and equipment charges	12,863
Total operating expenses	4,108,995
OPERATING INCOME	151,820
NONOPERATING REVENUES	
Recovery of potential note receivable losses	150,000
Interest and investment revenue	404,786
Total nonoperating revenues	554,786
CHANGE IN NET ASSETS	706,606
NET ASSETS, BEGINNING OF YEAR	23,518,608
NET ASSETS, END OF YEAR	$ 24,225,214

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

MARYLAND FOOD CENTER AUTHORITY
STATEMENT OF CASH FLOWS
Year Ended June 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 4,219,430
Payments to suppliers	(1,579,613)
Payments to employees	(1,625,184)
Net cash provided by operating activities	1,014,633
CASH FLOWS FROM INVESTING ACTIVITIES	
Principal payments received on notes receivable	100,000
Interest received	404,786
Net cash provided by investing activities	504,786
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(282,801)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,236,618
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,775,050
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 4,011,668
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	$ 151,820
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	756,079
Discount on note receivable	(31,546)
Loss on disposal of assets	12,164
Effects of changes in operating assets and liabilities:	
Accounts receivable	(9,839)
Prepaid expenses	12,486
Accounts payable	17,064
Accrued payroll and related taxes	10,372
Deferred revenue	116,768
Tenant deposits	(8,000)
Accrued compensated absences	(12,735)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 1,014,633

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Maryland Food Center Authority (the Authority), an instrumentality and component unit of the State of Maryland, was created as a body corporate and politic of the State of Maryland by the Greater Baltimore Consolidated Wholesale Food Market Authority Act, effective June 1, 1967, under Chapter 145 of the 1967 Laws of Maryland. The Authority has statewide jurisdiction to promote the welfare of Marylanders by undertaking real estate development and management activities that facilitate wholesale food industry activity in the public interest. The Authority is involved with planning and developing regional food industry facilities, including a 400-acre specialized industrial park known as the Maryland Food Center in Jessup, Maryland. The Authority owns and manages property at the Maryland Food Center, including the Maryland Wholesale Produce Market and the Maryland Wholesale Seafood Market. The Authority's wholesale markets provide a commercial arena for competing businesses to deliver vital food services throughout the region, under the management of a publicly accountable state agency. The Authority also owns, and redeveloped, the Rock Hall Seafood Processing Plant in Rock Hall, Maryland, which it leases to the Town of Rock Hall. The Executive Board of the Authority is comprised of 12 members, including the State Comptroller, the Secretary of Agriculture, the Secretary of General Services, the Director of Agricultural Extension for the State of Maryland who is Dean of the College of Agriculture and Natural Resources at the University of Maryland, and private citizens appointed by the Governor. Significant accounting policies followed by the Authority are presented below.

Basis of Presentation

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The Authority operates one proprietary fund.

In June 1999, the Governmental Accounting Standards Board (GASB) approved GASB Statement No. 34, entitled *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments.*

GASB Statement No. 34 identified three types of special-purpose governments (SPG): (1) those engaged only in governmental activities, (2) those engaged only in business-type activities, and (3) those engaged in both governmental and business-type activities. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities, on the other hand, are financed in whole or part by fees charged to external parties for goods and services. Given the importance of rental income, the Authority adopted the financial reporting model required of SPGs engaged in business-type activities (BTA). The Authority follows GASB standards applicable to proprietary (enterprise) funds.

The BTA model requires the following financial statement components:

- Management's Discussion and Analysis
- Statement of Net Assets
- Statement of Revenue, Expenses, and Changes in Net Assets
- Statement of Cash Flows
- Notes to the Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

In accordance with GASB Statement No. 20, entitled *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, and as amended by GASB Statement No. 29, entitled *The Use of Not-for Profit Accounting and Financial Reporting Principles by Governmental Entities*, the Authority has elected not to implement FASB pronouncements issued after November 30, 1989 for any proprietary fund type activity.

Basis of Accounting

In accordance with GASB Statement No. 34, entitled *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the Authority is required only to present financial statements required for proprietary funds and not government-wide financial statements. The accrual basis of accounting is used in proprietary funds. The accrual basis of accounting recognizes revenues when earned. Expenses are recorded when incurred.

Net Assets

Components of Net Assets include the following:

- Invested in capital assets – consists of capital assets, net of accumulated depreciation.
- Restricted – consists of net assets that are subject to constraints on their use by contributors. The restricted net assets at both June 30, 2009 and 2008 are restricted by their contributions for capital improvements.
- Unrestricted – consists of net assets that are not designated or restricted for specific usage.

Revenues

Program and operating revenues consist primarily of rent and entrance fees. Non-operating revenues are comprised primarily of interest and investment earnings and revenues related to the land covenant agreement.

Restricted Resources

It is the Authority's policy to apply restricted resources first when an expense is incurred for purposes for which both the restricted and unrestricted net assets are available.

Cash and Cash Equivalents

The Authority's cash and cash equivalents are pooled with the State's funds and are under the custody of the State's Comptroller of the Treasury. Cash equivalents are considered to be investments that are both: (a) short-term, highly liquid investments which are readily convertible to known amounts of cash; and (b) so near to maturity that they present insignificant risk of changes in value because of changes in interest rates. Investments included in cash equivalents include, Treasury bills and government certificates with original maturities of less than three months when acquired. Cash in the amount of $273,615 has been restricted for repairs and maintenance of the Seafood Market as of June 30, 2009.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets and Depreciation

Capital expenditures greater than $1,000 with an estimated useful life greater than one year are capitalized. The valuation basis for general capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings - 15 to 50 years; improvements/infrastructure - 10 to 40 years; equipment - 5 to 10 years.

Interest Expense

Interest costs are capitalized when incurred on debt where proceeds were used to finance the construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized.

Compensated Absences

Authority employees are granted annual leave in varying amounts depending on tenure. Employees may carry over up to 62.5 days of annual leave at the end of the calendar year, and will be compensated for unused leave when employees leave the Authority's service. However, an employee whose employment is terminated for unlawful behavior or for gross misconduct may forfeit all unused annual leave and all compensation for unused annual leave. Employees earn 15 days of sick leave per year.

The estimated liability for vested vacation is recorded as a liability and charged to expense.

Accounts Receivable

The Authority considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. Accounts receivable are considered delinquent after 30 days, at which point the Authority will contact the party to discuss collection. Accounts receivable delinquent for greater than six months are turned over to the State of Maryland for further collection efforts. If amounts become uncollectible, they will be charged to operations when that determination is made.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash on Hand

At year-end, petty cash on-hand totaled $3,000 and gate receipts not yet deposited totaled $1,318, for total cash on hand of $4,318.

Deposits

At year-end, the carrying amount of the Authority's deposits was $4,007,350 and the bank balance was $4,007,350. The deposits of the Authority were not exposed to custodial credit risk at June 30, 2009. The Authority's deposits are pooled with the State's funds under the custody of the State Treasurer. Collateral must be at least 102% of the book value and must be delivered to the State Treasurer's custodian for safekeeping.

NOTE 2 – CASH AND CASH EQUIVALENTS (CONTINUED)

Cash Equivalents

Under the State Finance and Procurement Article of the Annotated Code of Maryland, Title 6, Subtitle 2, the State Treasurer may only invest in the following: (1) any obligation for which the United States Government has pledged its faith and credit for the payment of principal and interest, (2) any obligation that a United States agency issues in accordance with an act of Congress, (3) repurchase agreements that any of the above obligations secure, (4) bankers acceptances, (5) money market funds and (6) commercial paper. The State invests the Authority's deposits primarily in short-term repurchase agreements. The Authority had no such investments at June 30, 2009.

Cash on hand	$ 4,318
Carrying amount of deposit	4,007,350
Total cash and cash equivalents per Statement of Net Assets	$ 4,011,668

Non-operating revenues include the following for the year ended June 30, 2009:

Net interest and dividends	$ 404,786

NOTE 3 – CAPITAL ASSETS AND DEPRECIATION

A summary of changes in capital assets is as follows:

	Balance June 30, 2008	Additions	Disposals	Transfers	Balance June 30, 2009
Non-depreciable capital assets					
Land	$ 1,882,342	$ -	$ -	$ -	$ 1,882,342
Land held for development	3,220,843	-	-	-	3,220,843
Construction in progress	266,431	222,942	(12,164)	(147,864)	329,345
Total non-depreciable capital assets	5,369,616	222,942	(12,164)	(147,864)	5,432,530
Depreciable capital assets					
Buildings and improvements:					
Henry Hein Building and other	951,665	-	-	3,432	955,097
Wholesale Produce Market	15,139,014	6,013	-	4,620	15,149,647
Wholesale Seafood Market	7,033,969	28,231	-	30,245	7,092,445
Storm Water Management Pond	22,144	-	-	-	22,144
Cross Dock	2,485,751	-	-	-	2,485,751
Rock Hall Seafood Plant	688,919	-	-	-	688,919
Total buildings and improvements	26,321,462	34,244	-	38,297	26,394,003
Equipment - administrative	292,541	6,315	-	-	298,856
Equipment - produce and seafood	839,315	19,300	-	109,567	968,182
Total depreciable capital assets	27,453,318	59,859	-	147,864	27,661,041

NOTE 3 – CAPITAL ASSETS AND DEPRECIATION (CONTINUED)

Summary of changes in capital assets (Continued)

	Balance June 30, 2008	Additions	Disposals	Transfers	Balance June 30, 2009
Less accumulated depreciation					
Building and improvements	$ (11,355,392)	$ (662,236)	$ -	$ -	$ (12,017,628)
Equipment - administrative	(173,679)	(19,516)	-	-	(193,195)
Equipment - produce and seafood	(470,833)	(74,327)	-	-	(545,160)
Total accumulated depreciation	(11,999,904)	(756,079)	-	-	(12,755,983)
Total capital assets, net	$ 20,823,030	$ (473,277)	$ (12,164)	$ -	$ 20,337,588

The Authority owns approximately 38 acres which may be used for future development consistent with the Authority's mission. This land is valued at cost.

NOTE 4 – NOTE RECEIVABLE

On January 25, 2005, Atlantic Realty Companies, Inc. (Atlantic) signed a note payable to the Authority in the amount of $1,000,000, payable in 10 payments of $100,000 over 10 years. The note was provided to the Authority in exchange for an Approval Agreement, in which the Authority approved the designated use of a parcel of land currently owned by Atlantic.

This parcel of land had previously been owned by the Authority. The land is subject to protective covenants that restrict the use of the land to certain activities that promote the Authority's mission. These covenants shall remain in effect until January 3, 2020.

This note is carried at the present value of the remaining payments, calculated using the current 10-year Treasury Bill rate of 4.2%. The balance of the note at June 30, 2009 was $520,816.

The note receivable was previously reported net of an allowance of $150,000; however, during the year ended June 30, 2009, the Authority determined that the allowance was no longer necessary. This change in estimate has been reported as a non-operating revenue on the Statement of Revenues, Expenses and Changes in Net Assets.

NOTE 5 – LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended June 30, 2009 are as follows:

	Balance Ending June 30, 2008	Additions	Reductions	Balance Ending June 30, 2009	Amounts Due Within 1 Year
Compensated absences	$ 97,968	$ 76,878	$ (89,613)	$ 85,233	$ 68,187
Workers' compensation	39,000	-	-	39,000	6,820
Total	$ 136,968	$ 76,878	$ (89,613)	$ 124,223	$ 75,007

NOTE 6 – RESERVE FOR CAPITAL IMPROVEMENTS AND MAINTENANCE

Pursuant to lease agreements with the produce and seafood market tenants, the Authority is required to establish and maintain a reserve account for capital improvements and maintenance in the amount of $335,000 annually. As of June 30, 2009, the capital improvements and maintenance reserve for the Produce Market and Seafood Market had a balance of $(1,657,043) and $273,615, respectively. The following balance is a restricted portion of net assets.

	Balance June 30, 2008	Additions	Capital Improvements and Maintenance	Balance June 30, 2009*
Produce Market	$ (1,693,565)	$ 230,000	$ 193,478	$ (1,657,043)
Seafood Market	289,795	105,000	121,180	273,615

* A negative balance signifies that there are no restrictions on the cash received from a market. A negative balance does not constitute a liability for the Authority.

NOTE 7 – 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 workers; and natural disasters. The State is self-insured for general liability, property and casualty, workers compensation, environmental and anti-trust liabilities and certain employee health benefits. All funds, agencies, and authorities of the State participate in the Self-Insurance Program (the Program). The Program allocates the cost of providing claims servicing and claims payment by charging a "premium" to each fund, agency or public authority, based on a percentage of each organization's estimated current-year payroll or based on an average loss experienced by each organization. This charge considers recent trends in actual claims experience of the State as a whole and makes provisions for catastrophic losses.

This is a total risk and cost sharing pool for all participants. In the event that the risk pool falls into a deficit that cannot be satisfied by transfers from the risk pool's capital and surplus accounts, the risk pool shall determine a method to fund the deficit. The Program could assess an additional premium to each participant, including the Authority. The Authority's management believes that an additional premium to fund a deficit would not be material.

A more complete description of the State's risk management program may be found in the State's Comprehensive Annual Financial Report (CAFR). The CAFR may be obtained by writing to the State Comptroller, P. O. Box 466, Annapolis, Maryland 21404-0466. The Authority's premiums for fiscal years 2009, 2008 and 2007 were $14,189, $16,738, and $24,133, respectively.

NOTE 8 – MINIMUM LEASE RECEIPTS

The Authority owns a Produce Market and a Seafood Market that are rented out by segregated units to area businesses. The Produce Market leases have been extended through December 31, 2009. The Seafood Market leases end December 31, 2009. The Authority is currently in the process of extending the Seafood Market leases for one year.

NOTE 8 – MINIMUM LEASE RECEIPTS (CONTINUED)

The Authority also owns a parking lot that is rented out for tractor trailer parking. This lease ends June 30, 2012.

The Authority also owns the Rock Hall Seafood Processing Plant, which it leases to the Town of Rock Hall. This lease ends June 30, 2016.

The minimum future lease receipts which the Authority is scheduled to receive are as follows:

Year Ended June 30,	
2010	$ 1,229,321
2011	275,748
2012	227,025
2013	122,745
2014 and Thereafter	368,235
Total	$ 2,223,074

The following assets have been leased to customers of the Authority:

Wholesale Produce Market	$15,149,647
Wholesale Seafood Market	7,092,445
Cross Dock	2,485,751
Rock Hall Seafood Plant	688,919
Cost of leased assets	25,416,762
Less: accumulated depreciation	(11,587,144)
Carrying amount of leased assets	$13,829,618

NOTE 9 – RETIREMENT PLAN

Generally, all regular Authority employees participate in the Maryland State Employees Retirement and Pension Systems (Systems), a cost sharing multiple-employer defined benefit plan sponsored and administered by the State Retirement and Pension System of Maryland. The Systems were created by the Maryland General Assembly. As of June 30, 2009, all Authority employees are enrolled in the Employees Pension System and not the Employees Retirement System. The Authority's total current-year payroll for all employees was $1,117,905. The payroll of employees covered by the Maryland State Retirement and Pension Systems was $1,117,905.

Plan Description and Contribution Information

Cost Sharing Multiple-Employer Plan:

The Systems provide retirement, disability, and death benefits to participants and their beneficiaries. The State Retirement and Pension System of Maryland issues a publicly available financial report that includes financial statements and required supplementary information. The financial report may be obtained by writing to the State Retirement Agency of Maryland, 120 East Baltimore Street, Baltimore, Maryland 21201.

NOTE 9 – RETIREMENT PLAN (CONTINUED)

Cost Sharing Multiple-Employer Plan (Continued)

Authority employees were required to contribute 5% of their salaries annually for fiscal year ending June 30, 2009, 4% of their salaries annually for fiscal year ending June 30, 2008, and 3% of their salaries annually for fiscal year ending June 30, 2007. The Authority's contributions to the System for the fiscal years ending June 30, 2009, 2008 and 2007, exclusive of contributions made directly by the State of Maryland, were $96,505, $95,409, and $71,270, respectively. The percentage of required contributions for the Authority for fiscal years ending June 30, 2009, 2008 and 2007 was 9.05%, 8.84%, and 6.83%, respectively.

	Actual Contributions	Required Contributions	Actual as a Percentage of Required
Fiscal Year Ending, June 30, 2009	$ 96,505	$ 101,170	95.39%
Fiscal Year Ending, June 30, 2008	95,409	94,447	101.02%
Fiscal Year Ending, June 30, 2007	71,270	71,350	99.89%

Actual contributions are calculated and reported based on payroll periods that were paid during the fiscal year ending. Required contributions are calculated and reported based on the current year salary expense, which include current year payroll accruals, and exclude prior year payroll accruals. As such, the actual contributions differ from the required contributions due to timing differences arising from the amount of accrued payroll included in the salary expense used to calculate the required contributions. These differences do not constitute a net pension asset or obligation for the Authority.

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS

Plan Description - The Authority, in conjunction with the State's personnel management system, provides postemployment health care benefits to retired employees and their dependents via the State Employee and Retiree Health and Welfare Benefits Program (Plan). The Plan is a single-employer defined benefit healthcare plan established by State Personnel and Pensions Article, Sections 2-501 – 2-516, of the Annotated Code of Maryland. The Plan is self-insured to provide medical, hospitalization, prescription drug and dental insurance benefits to eligible state employees, retirees, and their dependents. State law grants authority to establish and amend benefit provisions to the Secretary of the Department of Budget and Management (Secretary). In addition, the Secretary shall specify by regulation the types or categories of State employees who are eligible to enroll, with or without State subsidies, or who are not eligible to enroll. A more complete description of the State's post-employment benefits may be found in the State's CAFR, which can be obtained from the Comptroller of Maryland, LLG Treasury Building, Annapolis, Maryland 21404.

Funding Policy – The contribution requirements of Plan members are established by the Secretary. The State subsidizes approximately 50% to 85% of covered medical, dental, prescription and hospitalization costs, depending on the type of insurance plan. The State assesses a surcharge for postemployment health care benefits which is based on health care insurance charges for current employees.

The Authority contributed $38,368 to the retirees' postemployment benefits for the fiscal year ending June 30, 2009.

NOTE 11 – DEFERRED COMPENSATION PLAN

The Authority offers its employees a deferred compensation plan (the Plan) created in accordance with Internal Revenue Code 457. The Plan is offered through the State. The Plan, available to all State employees, permits them to defer a portion of their salary until future years. Participation in the Plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The Plan is accounted for as an Agency Fund of the State. Investments are managed by the Plan's third-party administrator under one of several investment options, or a combination thereof. The choice of the investment option(s) is made by the participants. The State has no liability for losses under the Plan, but does have the duty of due care that would be required of an ordinary prudent investor. A more complete description of the State's deferred compensation plans may be found in the CAFR.

Grants

The Authority receives grants from time-to-time. Expenditures from certain grants are subject to audit by the grantor, and the Authority is contingently liable to refund amounts received in excess of allowable expenditures. In the opinion of the Authority's management, no material refund will be required as a result of disallowed expenditures, if any.

SUPPLEMENTARY INFORMATION

MARYLAND FOOD CENTER AUTHORITY
SCHEDULE OF EXPENSES
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
OPERATING EXPENSES				
Salaries, wages and related costs	$ 1,979,587	$ 1,959,717	$ 1,564,574	$ 395,143
Contractual services	958,428	958,428	865,556	92,872
Depreciation	823,144	823,144	756,079	67,065
Taxes	234,262	234,262	224,604	9,658
Fuel and utilities	336,076	336,076	315,467	20,609
Vehicle operation	167,779	179,986	89,024	90,962
Technical and special fees	54,775	78,775	51,289	27,486
Travel	105,400	105,400	58,247	47,153
Fixed charges	47,539	47,539	40,094	7,445
Communication	49,622	49,622	51,775	(2,153)
Supplies and materials	59,150	59,150	79,423	(20,273)
Maintenance and equipment charges	79,210	79,210	12,863	66,347
TOTAL OPERATING EXPENSES	$ 4,894,972	$ 4,911,309	$ 4,108,995	$ 802,314

MARYLAND FOOD CENTER AUTHORITY
COMBINING SCHEDULE OF REVENUES AND EXPENSES
Year Ended June 30, 2009

	Administrative Operating Accounts	Wholesale Produce Market Operating Accounts	Wholesale Seafood Market Operating Accounts	Capital Improvements	Total
OPERATING REVENUE					
Rental income	$ 2,188,844	$ 861,962	$ 788,422	$ -	$ 3,839,228
Entrance fees	-	265,586	106,590	-	372,176
Registration	-	20,258	13,175	-	33,433
Railroad	-	7,830	-	-	7,830
Pallet sales	-	6,431	1,717	-	8,148
Total operating revenue	2,188,844	1,162,067	909,904	-	4,260,815
OPERATING EXPENSES					
Salaries, wages and related costs	680,801	559,402	324,371	-	1,564,574
Contractual services	191,118	306,117	282,082	86,239	865,556
Depreciation	67,962	52,769	24,910	610,438	756,079
Taxes	224,604	-	-	-	224,604
Fuel and utilities	22,908	107,615	184,944	-	315,467
Vehicle operation	8,290	57,930	22,804	-	89,024
Technical and special fees	22,390	9,505	19,394	-	51,289
Travel	51,687	4,121	2,439	-	58,247
Fixed charges	29,411	8,080	2,603	-	40,094
Communication	32,349	12,630	6,796	-	51,775
Supplies and materials	7,041	35,968	36,414	-	79,423
Equipment charges	1,786	7,930	3,147	-	12,863
Total operating expenses	1,340,347	1,162,067	909,904	696,677	4,108,995
Operating income (loss)	848,497	-	-	(696,677)	151,820
NONOPERATING REVENUE					
Recovery of potential note receivable losses	150,000	-	-	-	150,000
Interest and investment	404,786	-	-	-	404,786
CHANGE IN NET ASSETS	$ 1,403,283	$ -	$ -	$ (696,677)	$ 706,606

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Maryland Food Center Authority
Jessup, Maryland

We have audited the financial statements of Maryland Food Center Authority (the Authority) as of and for the year ended June 30, 2009, and have issued our report thereon dated August 20, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Baltimore, Maryland
August 20, 2009