



SB & COMPANY, LLC

MARYLAND FOOD CENTER AUTHORITY

**Financial Statements Together with
Report of Independent Public Accountants**

For the Year Ended June 30, 2015

EXPERIENCE

•
QUALITY

•
CLIENT SERVICE

MARYLAND FOOD CENTER AUTHORITY

**Financial Statements Together with
Report of Independent Public Accountants**

For the Year Ended June 30, 2015



SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

JUNE 30, 2015

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of
Maryland Food Center Authority

Report on the Financial Statements

We have audited the accompanying statement of net position of the Maryland Food Center Authority (the Authority), a component unit of the State of Maryland, as of June 30, 2015, and the related statements of revenues, expenses and change in net position and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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. These 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2015, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



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Other Matters

Adoption of GASB Statement No. 68

As discussed in Note 2 to the financial statements, the Authority has changed its method of accounting for measuring and recognizing liabilities, deferred outflows of resources, and expenditures related to the proportionate share of Authority's net pension liability, due to the adoption of GASB Statement No. 68. This change resulted in the June 30, 2014, net position being restated by \$1,211,289. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and required supplementary information for pension be presented to supplement the basic financial statements. Such information, 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The combining schedule of revenues and expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining schedule of revenues and expenses is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedule of revenues and expenses is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Hunt Valley, Maryland
September 29, 2015

SB & Company, LLC

MARYLAND FOOD CENTER AUTHORITY

Management's Discussion and Analysis June 30, 2015

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 years ended June 30, 2015 and 2014. Please read this management's discussion and analysis in conjunction with the Authority's basic financial statements, which begin on page 9.

Using this Annual Report

This report consists of a series of proprietary fund financial statements. The Statement of Net Position; Statement of Revenues, Expenses and Change in Net Position; and Statement of 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 Statement of Net Position; Statement of Revenues, Expenses and Change in Net Position; and Statement of 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 position – the difference between its 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 position is one indicator of whether its financial health is improving or deteriorating. The Authority's activities are all 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 should 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 in your assessment of the Authority's health.

MARYLAND FOOD CENTER AUTHORITY

Management's Discussion and Analysis June 30, 2015

CONDENSED FINANCIAL INFORMATION

Statements of Net Position

The following table provides comparative data as of June 30, 2015 and 2014.

	<u>2015</u>	<u>2014*</u>	<u>Increase (Decrease)</u>
ASSETS AND DEFERRED OUTFLOW			
Current assets	\$ 4,577,421	\$ 4,327,413	\$ 250,008
Net capital assets	22,383,889	22,517,855	(133,966)
Deferred outflow related to pension	195,578	-	195,578
Total Assets and deferred outflow	<u>27,156,888</u>	<u>26,845,268</u>	<u>311,620</u>
LIABILITIES, DEFERRED INFLOW AND NET POSITION			
Liabilities			
Current liabilities	723,321	943,614	(220,293)
Non-current liabilities	1,318,275	1,269,474	48,801
Deferred inflow related to pension	137,639	-	137,639
Total Liabilities and deferred inflow	<u>2,179,235</u>	<u>2,213,088</u>	<u>(33,853)</u>
Net Position			
Net investment in capital assets	22,383,889	22,517,855	(133,966)
Unrestricted	2,593,764	2,114,325	479,439
Total Net Position	<u>\$ 24,977,653</u>	<u>\$ 24,632,180</u>	<u>\$ 345,473</u>

* Restated for implementation of GASB 68

The increase of \$250,008 in current assets as of June 30, 2015 is mainly attributable to a \$152,407 increase in cash and cash equivalents and \$91,014 increase of account receivable. The increase in accounts receivable is resulted from the true up for tenant expenses. The decrease of \$133,966 in net investment in capital assets is due to \$828,954 in capital additions related to scrubber, security camera, and development projects net of depreciation of \$926,679. The increase in net position of \$345,473 is due from the excess revenues over expenses during the year.

The decrease of \$220,293 in current liabilities as of June 30, 2015 is mainly due to a decrease of unearned revenue of \$121,653, a decrease of accounts payable of \$113,913, net of the increase of accrued payroll and related taxes of \$18,139. Unearned revenue decreases as the excess billings in relation with expenses for the Seafood and Produce markets decreases.

The deferred outflow of \$195,578 and deferred inflow of \$137,639 as of June 30, 2015 are the result of the implementation of GASB Statement No. 68.

MARYLAND FOOD CENTER AUTHORITY

Management's Discussion and Analysis June 30, 2015

CONDENSED FINANCIAL INFORMATION (continued)

Statements of Revenues, Expenses and Change in Net Position

The following table provides comparative data for the years ended June 30, 2015 and 2014.

	For the Year Ended June 30,		Increase (Decrease)
	2015	2014	
Total operating revenues	\$ 4,886,297	\$ 4,643,378	\$ 242,919
Total operating expenses	4,575,066	4,288,011	287,055
Operating income	311,231	355,367	(44,136)
Nonoperating revenues	34,483	34,675	(192)
Nonoperating expenses	241	177,323	(177,082)
Change in Net Position	\$ 345,473	\$ 212,719	\$ 132,754
Total Revenues	\$ 4,920,780	\$ 4,678,053	\$ 242,727
Total Expenses	4,575,307	4,465,334	109,973
Total	\$ 345,473	\$ 212,719	\$ 132,754

During the year ended June 30, 2015, operating revenues increased by \$242,919. This increase was due primarily to an increase in additional rental income from an increase of reimbursable expenses. Operating expenses increased by \$287,055. This increase is attributable to increase in salaries expenses due to increase on pay rate, increase in disposal of waste, increase in water usage, and depreciation on the produce canopy project. During the year ended June 30, 2014, the Authority also disposed of the project related to a loading dock enclosure, which resulted in writing off the cost incurred of \$174,788, which is included as a non-operating expense.

Overall, the Authority's financial position improved during the year ended June 30, 2015, as result of a surplus from operations.

MARYLAND FOOD CENTER AUTHORITY

**Management's Discussion and Analysis
June 30, 2015**

BUDGETARY HIGHLIGHTS

The Authority does not budget for revenues. The Authority had a positive variance of \$148,694 from comparing actual to budgeted expenses for the year ended June 30, 2015. The positive variance is due to a budgeted increase on salaries and vehicle operation offset by increased in depreciation due to the completion of the produce canopy project.

	For the Year Ended June 30, 2015			
	Original Budget	Final Budget	Actual	Positive (Negative) Variance
Operating Expenses				
Salaries, wages and related costs	\$ 1,890,236	\$ 1,890,236	\$ 1,695,743	\$ 194,493
Contractual services	926,404	926,404	998,645	(72,241)
Depreciation	859,977	859,977	962,679	(102,702)
Taxes	227,085	227,085	227,085	-
Fuel and utilities	284,750	284,750	329,854	(45,104)
Vehicle operation	99,035	99,035	94,975	4,060
Technical and special fees	96,641	96,641	86,399	10,242
Travel	109,600	109,600	49,192	60,408
Fixed charges	36,472	36,472	36,469	3
Communication	43,550	43,550	34,269	9,281
Supplies and materials	99,320	99,320	52,492	46,828
Maintenance and equipment charges	50,690	50,690	7,264	43,426
Total Operating Expenses	\$ 4,723,760	\$ 4,723,760	\$4,575,066	\$ 148,694

The variance for salaries, wages and related costs is attributable to vacant positions and actual employee and retiree health benefit costs that were lower than the State's budget preparation instructions. The variance for contractual services relates to increased waste tonnage at the Produce. The variance for depreciation is due to completion of the produce canopy project.

MARYLAND FOOD CENTER AUTHORITY

Management's Discussion and Analysis June 30, 2015

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2015 and 2014, the Authority had capital assets of \$39,952,168 and \$39,307,222, respectively, net of accumulated depreciation of \$17,568,279 and \$16,789,367, respectively, for net capital assets of \$22,383,889 and \$22,517,855, respectively. This represents a decrease of \$133,966, as of June 30, 2015, from the prior year, with the change due to the combination of \$828,954 in capital asset additions and \$962,679, in depreciation expense.

Major additions (those greater than \$50,000) to capital assets during the years ended June 30, 2015 were as listed below:

	<u>2015</u>
Scrubber	\$ 101,516
Equipment - Produce	50,102
Security Camera - Produce	71,781
Total	<u><u>\$ 223,399</u></u>

Debt

As of June 30, 2015, the Authority had no long-term debt outstanding.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Seafood Market

The Seafood Market leases ended on December 31, 2015.

Truck Parking Lot

All spaces in the Truck Parking Lot were rented through February 28, 2016.

Produce Market

The Produce Market leases will expire on June 30, 2016.

MARYLAND FOOD CENTER AUTHORITY

Management's Discussion and Analysis June 30, 2015

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, please contact the Authority's Director of Finance at 7801 Oceano Avenue, Jessup, Maryland 20794.

MARYLAND FOOD CENTER AUTHORITY

Statement of Net Position As of June 30, 2015

ASSETS AND DEFERRED OUTFLOW

Currents Assets

Cash and cash equivalents	\$ 4,340,796
Accounts receivable	128,046
Note receivable	100,000
Prepaid expenses	8,579
Total Current Assets	4,577,421

Noncurrent Assets

Non-depreciable capital assets	5,756,951
Depreciable capital assets, net of accumulated depreciation	16,626,938
Total Noncurrent Assets	22,383,889
Total Assets	26,961,310

Deferred outflow related to pension	195,578
Total Assets and Deferred Outflow	27,156,888

LIABILITIES, DEFERRED INFLOW AND NET POSITION

Current Liabilities

Accounts payable	175,954
Accrued payroll and related taxes	103,903
Unearned revenue	105,638
Accrued compensated absences, current portion	113,281
Accrued workers' compensation, current portion	6,045
Tenant deposits	218,500
Total current liabilities	723,321

Noncurrent Liabilities

Accrued compensated absences	28,320
Accrued workers' compensation	32,955
Net pension liability	1,257,000
Total noncurrent liabilities	1,318,275
Total Liabilities	2,041,596

Deferred inflow related to pension	137,639
Total Liabilities and Deferred Inflow	2,179,235

NET POSITION

Net investment in capital assets	22,383,889
Unrestricted	2,593,764
Total Net Position	\$ 24,977,653

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

MARYLAND FOOD CENTER AUTHORITY

**Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2015**

Operating Revenues

Charges for services \$ 4,886,297

Operating Expenses

Salaries, wages and related costs 1,695,743
Contractual services 998,645
Depreciation 962,679
Taxes 227,085
Fuel and utilities 329,854
Vehicle operation 94,975
Technical and special fees 86,399
Travel 49,192
Fixed charges 36,469
Communication 34,269
Supplies and materials 52,492
Maintenance and equipment charges 7,264
Total Operating Expenses 4,575,066

Operating Income 311,231

Nonoperating Revenues (Expenses)

Interest and investment revenue 34,483
Loss on disposal of equipment (241)
Net Nonoperating Revenue 34,242

Change in Net Position 345,473

Net position, beginning of year, as restated 24,632,180

Net Position, End of Year \$ 24,977,653

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

MARYLAND FOOD CENTER AUTHORITY

**Statement of Cash Flows
For the Year Ended June 30, 2015**

Cash Flows From Operating Activities

Receipts from customers	\$ 4,658,155
Payments to suppliers	(2,021,445)
Payments to employees	(1,689,832)
	<hr/>
Net cash from operating activities	946,878
	<hr/>

Cash Flows From Investing Activities

Interest received	34,483
	<hr/>
Net cash from investing activities	34,483
	<hr/>

Cash Flows From Capital and Related Financing Activities

Purchases of capital assets	(828,954)
	<hr/>

Net Decrease in Cash and Cash Equivalents

	152,407
Cash and cash equivalents, beginning of year	4,188,389
	<hr/>
Cash and Cash Equivalents, End of Year	\$ 4,340,796
	<hr/> <hr/>

Reconciliation of Operating Income to Net Cash

Provided by Operating Activities

Operating income	\$ 311,231
Adjustments to reconcile non-cash operating income to net cash provided by operating activities:	
Depreciation expense	962,679
Discount on note receivable	(3,475)
Effects of changes in non-cash operating assets and liabilities:	
Accounts receivable	(91,014)
Prepaid expenses	(3,112)
Accounts payable	(113,913)
Tenant deposit	(12,000)
Deferred outflow	(195,578)
Accrued payroll and related taxes	18,139
Unearned revenue	(121,653)
Accrued workers compensation	1,000
Accrued compensated absences	11,224
Deferred inflow	137,639
Net pension liabilities	45,711
	<hr/>
Net Cash From Operating Activities	\$ 946,878
	<hr/> <hr/>

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

MARYLAND FOOD CENTER AUTHORITY

Notes to the Financial Statements

June 30, 2015

1. ORGANIZATION

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 local waterman and waterman related industries. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Cash and Cash Equivalents

The Authority considers all cash on deposit with the Treasury to be cash equivalents as well as all highly liquid investments with original maturities of three months or less.

Capital Assets and Depreciation

Capital expenditures greater than \$1,000, with an estimated useful life greater than one year are capitalized. Capital assets are recorded at historical cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

MARYLAND FOOD CENTER AUTHORITY

Notes to the Financial Statements

June 30, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets and Depreciation (continued)

Depreciation of capital assets is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Building	15 to 50 years
Capital Improvements	10 to 40 years
Equipment	5 to 10 years

Revenues and Expense

Operating revenues consists primarily of rent and entrance fees. Non-operating revenues are comprised primarily of investment earnings and revenues related to the land covenant agreement. Revenue is recognized as earned. Rents received in advance of recognition are recorded as unearned revenues. Non-operating expenses consist of losses on disposal or other non-routine write off of capital assets.

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 75 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

Accounts receivable are uncollateralized obligations which generally require payment within 30 days from the invoice date. As of June 30, 2015, the Authority considered all accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts was recorded.

MARYLAND FOOD CENTER AUTHORITY

Notes to the Financial Statements June 30, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Pronouncements

GASB issued Statement No. 68, entitled Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27 and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68, which changes the accounting for employee retirement plans. The Authority has implemented GASB Statement No. 68. As a result, the beginning fund balance is restated by \$1,211,289 to include net pension liability. As of June 30, 2015, the net pension liability is \$1,257,000, the deferred outflow relating to pension is \$195,578, and the deferred inflow relating to the pension is \$137,639.

GASB issued Statement No. 69, entitled Government Combinations and Disposals of Government Operations, which went into effect this fiscal year. The Authority has implemented the above GASB statements, and they have no material effect on the financial position of the Authority.

In February 2015, GASB issued Statement No. 72, entitled Fair Value Measurement and Application for periods beginning after June 15, 2015. In June 2015 GASB issued Statement No. 73, entitled Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 for periods beginning after June 15, 2015, Statement No. 74, entitled Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans effective for periods beginning after June 15, 2016, Statement No. 75, entitled Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions effective for periods beginning after June 15, 2017, and Statement No. 76 entitled The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments for periods beginning after June 15, 2015. In August 2015, GASB issued Statement No. 77 entitled Tax Abatement Disclosures effective for periods beginning after December 15, 2015. Earlier application is encouraged for all the above standards. The Authority will implement these standards as of their effective dates. While the Authority is still in the process of determining the effects of implementing these GASB statements, they are not expected to have a material effect on the financial position of the Authority.

MARYLAND FOOD CENTER AUTHORITY

Notes to the Financial Statements

June 30, 2015

3. CASH AND CASH EQUIVALENTS

Cash on Hand

As of June 30, 2015, petty cash on-hand totaled \$3,000, and gate receipts not yet deposited totaled \$1,214, for total cash on hand of \$4,214.

Deposits

As of June 30, 2015, the carrying amount of the Authority's deposits was \$4,336,582, and the bank balance was \$4,336,582. The deposits of the Authority were not exposed to custodial credit risk as of June 30, 2015, because 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.

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 3.6%. The balance of the note as of June 30, 2015 was \$100,000.

MARYLAND FOOD CENTER AUTHORITY

**Notes to the Financial Statements
June 30, 2015**

5. CAPITAL ASSETS AND DEPRECIATION

A summary of changes in capital assets is as follows:

	Balance June 30, 2014	Additions	Write off/ Disposals	Transfers	Balance June 30, 2015
Non-depreciable capital assets					
Land	\$ 1,882,342	\$ -	\$ -	\$ -	\$ 1,882,342
Land held for development	3,220,843	-	-	-	3,220,843
Constructions in progress	126,973	526,793	-	-	653,766
Total non-depreciable capital assets	5,230,158	526,793	-	-	5,756,951
Depreciable capital assets					
Buildings and improvements:					
Henry Hein Building and other	1,060,021	-	(79,273)	-	980,748
Wholesale Produce Market	18,517,686	101,937	(29,119)	-	18,590,504
Wholesale Seafood Market	8,893,119	8,365	(31,384)	-	8,870,100
Storm Water Management Pond	22,144	-	-	-	22,144
Cross Dock	2,490,701	2,403	-	-	2,493,104
Rock Hall Seafood Plant	1,109,070	12,155	(10,597)	-	1,110,628
Total buildings and improvements	32,092,741	124,860	(150,373)	-	32,067,228
Equipment - administrative	305,545	1,076	(33,635)	-	272,986
Equipment - produce and seafood	1,678,778	176,225	-	-	1,855,003
Total depreciable capital assets	34,077,064	302,161	(184,008)	-	34,195,217
Accumulated Depreciation					
Building and improvements	(15,539,145)	(818,825)	150,372	-	(16,207,598)
Equipment - administrative	(242,570)	(22,341)	33,395	-	(231,516)
Equipment - produce and seafood	(1,007,652)	(121,513)	-	-	(1,129,165)
Total accumulated depreciation	(16,789,367)	(962,679)	183,767	-	(17,568,279)
Total Capital Assets, Net	\$ 22,517,855	\$ (133,725)	\$ (241)	\$ -	\$ 22,383,889

The Authority owns approximately 38 acres which may be used for future development that is consistent with the Authority's mission. This land is recorded at cost, and is included in land held for development.

MARYLAND FOOD CENTER AUTHORITY

**Notes to the Financial Statements
June 30, 2015**

6. LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended June 30, 2015 were as follows:

	Balance Ending June 30, 2014	Additions	Reductions	Balance Ending June 30, 2015	Amounts Due Within 1 Year
Compensated absences	\$ 130,377	\$ 71,367	\$ (60,143)	\$ 141,601	\$ 113,281
Workers' compensation	38,000	3,259	(2,259)	39,000	6,045
Net pension liability	1,211,289	45,711	-	1,257,000	-
Total	\$ 168,377	\$ 74,626	\$ (62,402)	\$ 180,601	\$ 119,326

7. RESERVE FOR CAPITAL IMPROVEMENTS AND MAINTENANCE

Pursuant to lease agreements with the produce and seafood market tenants, the Authority is required to establish a reserve account for capital improvements and maintenance and deposit a total of \$230,000 for the produce market and \$105,000 for the seafood market annually. Any funds deposited into the reserve account and not expended in the given fiscal year shall be carried over into the next fiscal year. As of June 30, 2015, the Authority had spent more for capital improvement and maintenance than what was required and thus there were no funds that were required to be in the reserve funds as of June 30, 2015, respectively.

	Balance Ending June 30, 2014	Additions	Capital Improvement and Reductions	Balance Ending June 30, 2015
Produce Market	\$ (3,976,385)	\$ 230,000	\$ 182,199	\$ (3,928,584)
Seafood Market	(1,227,074)	105,000	112,547	\$ (1,234,621)

8. 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.

MARYLAND FOOD CENTER AUTHORITY

Notes to the Financial Statements June 30, 2015

8. RISK MANAGEMENT (continued)

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 2015, 2014, and 2013 were \$11,055, \$8,641, and \$18,359, respectively.

9. 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 end on June 30, 2016. The Seafood Market leases end on December 31, 2015. The Authority also owns a parking lot that is rented out for tractor trailer parking. This lease end on February 28, 2016. The Authority owns the Rock Hall Seafood Processing Plant, which it leases to local waterman and waterman related industries. These leases and license agreements have various end dates. The Sysco ground lease ends on May 1, 2017.

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

<u>Fiscal Year Ending June 30,</u>	
2016	\$ 1,198,938
2017	122,745
Total	<u>\$ 1,321,683</u>

MARYLAND FOOD CENTER AUTHORITY

Notes to the Financial Statements

June 30, 2015

10. RETIREMENT PLAN

Certain employees of the Authority are provided with pensions through the Employees Retirement System of the State of Maryland (ERS)—a cost-sharing multiple-employer defined benefit pension plan administered by the Maryland State Retirement and Pension System (MSRPS). The State Personnel and Pensions Article of the Annotated Code of Maryland (the Article) grants the authority to establish and amend the benefit terms of ERS to the MSRPS Board of Trustees. The System prepares a separate Comprehensive Annual Financial Report, which is publicly available that can be obtained at www.sra.state.md.us/Agency/Downloads/CAFR/

Funding Policy

The Authority's required contribution is based upon a percentage of covered payroll based on the State's allocation of its annual cost. The entry age normal cost method is the actuarial cost method used. Both the Authority and covered employees are required by State statute to contribute to the System. The employees contribute 7% of compensation, as defined, based on the participant's plan. The Authority made its required contribution during fiscal years ended June 30, 2015 and 2014, of \$165,122 and \$155,228, respectively.

Benefits Provided

A member of the Employees' Retirement System is generally eligible for full retirement benefits upon the earlier of attaining age 60 or accumulating 30 years of creditable service regardless of age. The annual retirement allowance equals $1/55$ (1.81%) of the member's AFC multiplied by the number of years of accumulated creditable service.

An individual who is a member of the Employees' Pension System on or before June 30, 2011, is eligible for full retirement benefits upon the earlier of attaining age 62, with specified years of eligibility service, or accumulating 30 years of eligibility service regardless of age. An individual who becomes a member of the Employees' Pension System on or after July 1, 2011, is eligible for full retirement benefits if the member's combined age and eligibility service equals at least 90 years or if the member is at least age 65 and has accrued at least 10 years of eligibility service.

MARYLAND FOOD CENTER AUTHORITY

Notes to the Financial Statements June 30, 2015

10. RETIREMENT PLANS (continued)

Benefits Provided (continued)

For most individuals who retired from the Employees' Pension System on or before June 30, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of creditable service accumulated prior to July 1, 1998, plus 1.4% of the member's AFC, multiplied by the number of years of creditable service accumulated subsequent to June 30, 1998. With certain exceptions, for individuals who are members of the Employees' Pension System on or after July 1, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of creditable service accumulated prior to July 1, 1998, plus 1.8% of the member's AFC, multiplied by the number of years of creditable service accumulated subsequent to June 30, 1998. Beginning July 1, 2011, any new member of the Employees' Pension System shall earn an annual pension allowance equal to 1.5% of the member's AFC multiplied by the number of years of creditable service accumulated as a member of the Employees' Pension System.

Exceptions to these benefit formulas apply to members of the Employees' Pension System, who are employed by a participating governmental unit that does not provide the 1998 or 2006 enhanced pension benefits or the 2011 reformed pension benefits. The pension allowance for these members equals 0.8% of the member's AFC up to the social security integration level (SSIL), plus 1.5% of the member's AFC in excess of the SSIL, multiplied by the number of years of accumulated creditable service. For the purpose of computing pension allowances, the SSIL is the average of the social security wage bases for the past 35 calendar years ending with the year the retiree separated from service.

Early Service Retirement

A member of the Employees' Retirement System may retire with reduced benefits after completing 25 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree either attains age 60 or would have accumulated 30 years of creditable service, whichever is less. The maximum reduction for the Employees' Retirement System member is 30%.

An individual who is a member of either the Employees' Pension System on or before June 30, 2011, may retire with reduced benefits upon attaining age 55 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 62. The maximum reduction for these members of the Employees' Pension System is 42%. An individual who becomes a member of the Employees' Pension System on or after July 1, 2011, may retire with reduced benefits upon attaining age 60 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 65. The maximum reduction for these members of the Employees' Pension System is 30%.

MARYLAND FOOD CENTER AUTHORITY

Notes to the Financial Statements June 30, 2015

10. RETIREMENT PLANS (continued)

Benefits Provided (continued)

Disability and Death Benefits

Generally, a member covered under retirement plan provisions who is permanently disabled after 5 years of service receives a service allowance based on a minimum percentage (usually 25%) of the member's AFC. A member covered under pension plan provisions who is permanently disabled after accumulating 5 years of eligibility service receives a service allowance computed as if service had continued with no change in salary until the retiree attained age 62. Death benefits are equal to a member's annual salary as of the date of death plus all member contributions and interest.

Contributions

The Article sets contribution requirements of the active employees and the participating governmental units are established and may be amended by the MSRPS Board. Employees are required to contribute 6% of their annual pay. The Authority's contractually required contribution rate for ERS for the year ended June 30, 2015, was \$165,122, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to ERS from the Authority was approximately \$165,122 for the year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2015, the Authority reported a liability of approximately \$6.1 million for its proportionate share of the ERS net pension liability. The ERS net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the ERS net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating government units, actuarially determined. As of June 30, 2015, the Authority's proportion for ERS was 0.007 percent, which was substantially the same from its proportion measured as of June 30, 2014.

MARYLAND FOOD CENTER AUTHORITY

Notes to the Financial Statements
June 30, 2015

10. RETIREMENT PLANS (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

For the year ended June 30, 2015, the Authority recognized pension expense for ERS of approximately \$165,122. As of June 30, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to ERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 18,190	\$ -
Net difference between projected and actual earnings on pension plan investments	-	137,639
Total	<u>\$ 18,190</u>	<u>\$ 137,639</u>

\$18,190 reported as deferred outflows of resources related to ERS resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the ERS net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ERS will be recognized in pension expense as follows: Changes in assumptions: Fiscal years 2016-2019, \$4,548 per year; Difference between projected and actual earnings on pension plan investments: Fiscal years 2016-2019, \$34,410 per year.

Information included in the MSRPS financial statements

Actuarial assumptions, long-term expected rate of return on pension plan investments, discount rate, and pension plan fiduciary net position are available at www.sra.state.md.us/Agency/Downloads/CAFR/.

The key assumptions used to perform the June 30, 2014 pension liability calculation are as follows:

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Inflation	2.9% general, 3.4% wage
Salary Increase	3.4% to 11.9%, including inflation
Discount Rate	7.65%
Investment Rate of Return	7.65%
Mortality	RP-2000 Combined Healthy Mortality Table projected to the year 2025

MARYLAND FOOD CENTER AUTHORITY

Notes to the Financial Statements

June 30, 2015

10. RETIREMENT PLANS (continued)

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate

The Authority's proportionate share of the ERS net pension liability calculated using the discount rate of 7.65 percent is \$1,257,000. Additionally, the Authority's proportionate share of the ERS net pension liability if it were calculated using a discount rate that is 1-percentage-point lower (6.65 percent) is \$1,812,183 or 1-percentage-point higher (8.65 percent) is \$792,841.

11. OTHER POSTEMPLOYMENT BENEFITS

Members of the State Retirement and Pension System of Maryland (the State System) and their dependents are provided postemployment health care benefits through the State Employee and Retiree Health and Welfare Benefits Program (the Plan). The Plan is a cost sharing defined benefit healthcare plan established by the State Personnel and Pensions Article, Section 2-501 through 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. The State does not distinguish employees by employer/State agency. Instead, the State allocates the postemployment health care costs to all participating employers.

Financial information for the Plan is included in the State of Maryland Comprehensive Annual Financial Report, which can be obtained from the Comptroller of Maryland, Louis L. Goldstein Treasury Building, Annapolis, MD 21404.

Plan Description - The Authority's employees are members of the Plan. Members may enroll and participate in the health benefits options if the retiree ended State service with at least 10 years of creditable service within five years before the age at which a vested retirement allowance would begin or if the retiree ended State service with at least 16 years of creditable service.

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.

A separate actuarial valuation is not performed by the Authority. The Authority's only obligation to the Plan is its required annual contribution. The Authority contributed \$74,786 and \$63,102 to the retirees' postemployment benefits for the fiscal year ending June 30, 2015 and 2014, respectively.

MARYLAND FOOD CENTER AUTHORITY

**Notes to the Financial Statements
June 30, 2015**

11. OTHER POSTEMPLOYMENT BENEFITS (continued)

<u>Fiscal Year Ending</u>	<u>Actual Contributions</u>	<u>Required Contributions</u>	<u>Percentage of Required</u>
June 30, 2015	\$ 74,786	\$ 74,786	100%
June 30, 2014	63,102	63,102	100%
June 30, 2013	84,211	84,211	100%
June 30, 2012	66,997	66,997	100%

12. 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 State's CAFR.

MARYLAND FOOD CENTER AUTHORITY

**Required Supplementary Information for Pension
June 30, 2015**

	<u>2015</u>
The Authority's proportion of the ERS net pension liability (asset)	0.007%
The Authority's proportionate share of the ERS net pension liability (asset)	\$ 1,257,000
Total	<u>\$ 1,257,000</u>
Authority's covered-employee payroll	\$ 1,119,467
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	112.29%
Plan fiduciary net position as a percentage of the total pension liability	71.81%

This schedule is presented to illustrate the requirement to show information for 10 years. However, information prior to June 30, 2015 is not available.

	<u>2015</u>
Contractually required contribution (ERS)	\$ 165,122
Contributions in relation to the contractually required contribution	<u>(165,122)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Authority's covered-employee payroll	\$ 1,119,467
Contributions as a percentage of covered-employee payroll	14.75%

This schedule is presented to illustrate the requirement to show information for 10 years. However, information prior to June 30, 2015 is not available.

SUPPLEMENTAL INFORMATION

MARYLAND FOOD CENTER AUTHORITY

Combining Schedule of Revenues and Expenses
For the Year Ended June 30, 2015

	Administrative Operating Accounts	Wholesale Produce Market Operating Accounts	Wholesale Seafood Market Operating Accounts	Capital Improvements	Total
OPERATING REVENUES					
Rental income	\$ 2,391,509	\$1,052,746	\$ 921,865	\$ -	\$4,366,120
Entrance fees	-	290,101	105,385	-	395,486
Registration	-	56,165	8,860	-	65,025
Railroad	-	3,150	-	-	3,150
Miscellaneous	51,372	2,150	2,994	-	56,516
Total Operating Revenues	<u>2,442,881</u>	<u>1,404,312</u>	<u>1,039,104</u>	<u>-</u>	<u>4,886,297</u>
OPERATING EXPENSES					
Salaries, wages, and related costs	658,143	674,500	363,100	-	1,695,743
Contractual services	148,577	420,206	312,131	117,731	998,645
Depreciation	63,524	80,827	47,048	771,280	962,679
Taxes	227,085	-	-	-	227,085
Fuel and utilities	17,007	85,211	227,636	-	329,854
Vehicle operation	5,239	57,320	32,416	-	94,975
Technical and special fees	29,367	29,747	27,285	-	86,399
Travel	44,567	3,493	1,132	-	49,192
Fixed charges	22,275	9,734	4,460	-	36,469
Communication	16,851	10,843	6,575	-	34,269
Supplies and materials	7,263	29,763	15,466	-	52,492
Maintenance and equipment charges	2,741	2,668	1,855	-	7,264
Total Operating Expenses	<u>1,242,639</u>	<u>1,404,312</u>	<u>1,039,104</u>	<u>889,011</u>	<u>4,575,066</u>
Operating income/(loss)	<u>1,200,242</u>	<u>-</u>	<u>-</u>	<u>(889,011)</u>	<u>311,231</u>
NONOPERATING REVENUE/ (EXPENSES)					
Interest and investment	34,483	-	-	-	34,483
Loss on disposal of equipment	(241)	-	-	-	(241)
Abandonment of construction in progress	-	-	-	-	-
Net operating expenses	<u>34,242</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,242</u>
Change in Net Position	<u>\$ 1,234,484</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (889,011)</u>	<u>\$ 345,473</u>



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