SB & COMPANY, LLC

MARYLAND FOOD CENTER AUTHORITY

Financial Statements Together with
Report of Independent Public Accountants

For the Year Ended June 30, 2016

EXPERIENCE
•
QUALITY
•
CLIENT SERVICE

MARYLAND FOOD CENTER AUTHORITY

Financial Statements Together with Report of Independent Public Accountants

For the Year Ended June 30, 2016

SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

JUNE 30, 2016

CONTENTS

SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

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, 2016, and the related statements of revenues, expenses and changes 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, 2016, 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.

200 International Circle • Suite 5500 • Hunt Valley • Maryland 21030 • P 410.584.0060 • F 410.584.0061

SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

Other Matters

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 and changes in net position 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 and changes in net position 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 and changes in net position is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

SB & Company, LLC

Hunt Valley, Maryland
October 4, 2016

Management's Discussion and Analysis
June 30, 2016

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, 2016 and 2015. 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 Changes 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 or worse, as a result of the year's activities?" The Statement of Net Position; Statement of Revenues, Expenses and Changes 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, deferred outflows, liabilities, and deferred inflows – 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, 2016

CONDENSED FINANCIAL INFORMATION

Statements of Net Position

The following table provides comparative data as of June 30, 2016 and 2015.

	2016	2015	Increase (Decrease)
ASSETS AND DEFERRED OUTFLOW			
Current assets	**$ 4,103,712**	$ 4,577,421	$ (473,709)
Net capital assets	**23,762,797**	22,383,889	1,378,908
Deferred outflow related to pension	**319,302**	195,578	123,724
Total Assets and deferred outflow	**28,185,811**	27,156,888	1,028,923
LIABILITIES, DEFERRED INFLOW AND NET POSITION			
Liabilities			
Current liabilities	**877,017**	723,321	153,696
Non-current liabilities	**1,688,477**	1,318,275	370,202
Deferred inflow related to pension	**33,341**	137,639	(104,298)
Total Liabilities and deferred inflow	**2,598,835**	2,179,235	419,600
Net Position			
Net investment in capital assets	**23,762,797**	22,383,889	1,378,908
Unrestricted	**1,824,179**	2,593,764	(769,585)
Total Net Position	**$ 25,586,976**	$ 24,977,653	$ 609,323

The decrease of $473,709 in current assets as of June 30, 2016 is mainly attributable to a $478,354 decrease in cash and cash equivalents from spending on development projects, $101,252 increase in accounts receivable, and a $100,000 payoff of a note receivable. The increase in accounts receivable results from the true up of tenant expenses. The increase of $1,378,908 in net investment in capital assets is due to $3,340,424 in capital additions related to stairs, door, and development projects net of depreciation of $968,077. The increase in net position of $609,323 is due to the excess revenues over expenses during the year.

The increase of $153,696 in current liabilities as of June 30, 2016 is mainly due to an increase of accounts payable of $206,881, and an increase of tenant deposits of $7,000, net of a decrease of accrued payroll and related taxes of 58,417. The increase in account payable is mainly due to payables for the construction in progress.

The deferred outflow of $418,897 and deferred inflow of $132,936, as of June 30, 2016, are related to pension accounting in accordance with Government Accounting Standards Board (GASB) Statement No. 68.

CONDENSED FINANCIAL INFORMATION (continued)

Statements of Revenues, Expenses and Changes in Net Position

The following table provides comparative data for the years ended June 30, 2016 and 2015.

	For the Year Ended June 30,		
	2016	**2015**	**Increase (Decrease)**
Total operating revenues	$ 4,947,890	$ 4,886,297	$ 61,593
Total operating expenses	4,834,557	4,575,066	259,491
Operating income	113,333	311,231	(197,898)
Nonoperating revenues	495,990	34,483	461,507
Nonoperating expenses	-	241	(241)
Change in Net Position	$ 609,323	$ 345,473	$ 263,850
Total Revenues	$ 5,443,880	$ 4,920,780	$ 523,100
Total Expenses	4,834,557	4,575,307	259,250
Total	$ 609,323	$ 345,473	$ 263,850

During the year ended June 30, 2016, operating revenues increased by $61,593. This increase primarily is due to an increase in pension expense, net of a decrease from vacancies of the rental space at the Seafood Market. Operating expenses increased by $259,491. This increase is attributable to an increase in salaries expense of $194,195, increase in contractual services of $22,351, increase in fuel and utilities of $12,294, increase in vehicle operation of $11,376, and increase in communication of $11,545. Non-operating revenue increased mainly due to a gain of $464,721 on a one-time exchange of land held for development for site development costs related to a construction in progress development project.

Overall, the Authority's financial position improved during the year ended June 30, 2016, as result of a surplus from operations.

BUDGETARY HIGHLIGHTS

The Authority does not budget for revenues. The Authority had a positive variance of $38,959 from comparing actual to budgeted expenses for the year ended June 30, 2016.

	For the Year Ended June 30, 2016			
	Original Budget	Final Budget	Actual	Positive (Negative) Variance
Operating Expenses				
Salaries, wages and related costs	$ 1,893,207	$ 1,893,207	$ 1,889,938	$ 3,269
Contractual services	941,654	941,654	1,020,996	(79,342)
Depreciation*	843,331	843,331	836,214	7,117
Taxes	230,000	230,000	230,915	(915)
Fuel and utilities	284,750	284,750	342,148	(57,398)
Vehicle operation*	251,558	251,558	238,214	13,344
Technical and special fees	96,648	96,648	76,279	20,369
Travel	109,500	109,500	55,537	53,963
Fixed charges	49,154	49,154	38,904	10,250
Communication	42,075	42,075	45,814	(3,739)
Supplies and materials	78,400	78,400	56,905	21,495
Maintenance and equipment charges	53,239	53,239	2,693	50,546
Total Operating Expenses	$ 4,873,516	$ 4,873,516	$ 4,834,557	$ 38,959

*Produce and Seafood Market depreciation of $131,863 is presented in the Original and Final Budget as Vehicle Operation expense. This amount is recorded as depreciation expense in the Statement of Revenue, Expenses, and Changes in Net Position.

The variance for contractual services is due to increased tonnage at the Produce and Seafood Markets. The variance for fuel and utilities relates to increased water consumption at the Seafood Market. The variance for travel expenses results from fewer conferences attended by the leadership team. The variance for maintenance and equipment charges is due to fewer maintenance projects.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2016 and 2015, the Authority had capital assets of $42,299,153 and $39,952,168, respectively, net of accumulated depreciation of $18,536,356 and $17,568,279, respectively, for net capital assets of $23,762,797 and $22,383,889, respectively. This represents an increase of $1,378,908 as of June 30, 2016, from the prior year. The increase is due to the addition of $3,340,424 of capital assets, disposals in the amount of $993,493, and $968,077 of depreciation expense.

Major additions (those greater than $50,000) to capital assets during the year ended June 30, 2016 are as listed below:

Stair Tower and Doors	$	**98,178**
Development Projects		**3,174,607**
Total	**$**	**3,272,785**

Debt

As of June 30, 2016, the Authority had no long-term debt outstanding.

ECONOMIC FACTORS

Seafood Market

The Seafood Market's leases ended on December 31, 2015, and renew on a month-to-month basis.

Truck Parking Lot

All spaces in the Truck Parking Lot are rented through February 28, 2017.

Produce Market

The Produce Market's leases expired on June 30, 2016. As of September 30, 2016, new leases are submitted to Maryland's Board of Public Works.

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, 2016

ASSETS AND DEFERRED OUTFLOW

Currents Assets		
Cash and cash equivalents	$	3,862,442
Accounts receivable		229,298
Prepaid expenses		11,972
Total Current Assets		4,103,712
Noncurrent Assets		
Non-depreciable capital assets		7,938,119
Depreciable capital assets, net of accumulated depreciation		15,824,678
Total Noncurrent Assets		23,762,797
Total Assets		27,866,509
Deferred outflow related to pension		319,302
Total Assets and Deferred Outflow		28,185,811

LIABILITIES, DEFERRED INFLOW AND NET POSITION

Current Liabilities		
Accounts payable		382,835
Accrued payroll and related taxes		45,486
Unearned revenue		100,795
Accrued compensated absences, current portion		115,051
Accrued workers' compensation, current portion		7,350
Tenant deposits		225,500
Total current liabilities		877,017
Noncurrent Liabilities		
Accrued compensated absences		28,764
Accrued workers' compensation		31,650
Net pension liability		1,628,063
Total noncurrent liabilities		1,688,477
Total Liabilities		2,565,494
Deferred inflow related to pension		33,341
Total Liabilities and Deferred Inflow		2,598,835
NET POSITION		
Net investment in capital assets		23,762,797
Unrestricted		1,824,179
Total Net Position	$	25,586,976

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, 2016

Operating Revenues		
Charges for services	$	4,947,890
Operating Expenses		
Salaries, wages and related costs		1,889,938
Contractual services		1,020,996
Depreciation		968,077
Taxes		230,915
Fuel and utilities		342,148
Vehicle operation		106,351
Technical and special fees		76,279
Travel		55,537
Fixed charges		38,904
Communication		45,814
Supplies and materials		56,905
Maintenance and equipment charges		2,693
Total Operating Expenses		4,834,557
Operating Income		113,333
Nonoperating Revenues		
Interest and investment revenue		31,269
Gain on disposal of equipment		464,721
Net Nonoperating Revenue		495,990
Changes in Net Position		609,323
Net position, beginning of year		24,977,653
Net Position, End of Year	$	25,586,976

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, 2016

Cash Flows From Operating Activities		
Receipts from customers	$	4,848,795
Payments to suppliers		(1,988,511)
Payments to employees		(1,805,314)
Net cash from operating activities		1,054,970
Cash Flows From Investing Activities		
Principal payments received on notes receivable		100,000
Interest received		31,269
Net cash from investing activities		131,269
Cash Flows From Capital and Related Financing Activities		
Purchases of capital assets		(1,664,593)
Net Changes in Cash and Cash Equivalents		(478,354)
Cash and cash equivalents, beginning of year		4,340,796
Cash and Cash Equivalents, End of Year	$	3,862,442
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	$	113,333
Adjustments to reconcile non-cash operating income to net cash provided by operating activities:		
Depreciation expense		968,077
Effects of changes in non-cash operating assets and liabilities:		
Accounts receivable		(101,252)
Prepaid expenses		(3,393)
Accounts payable		(10,790)
Tenant deposits		7,000
Deferred outflow		(123,724)
Accrued payroll and related taxes		(58,417)
Unearned revenue		(4,843)
Accrued compensated absences		2,214
Deferred inflow		(104,298)
Net pension liabilities		371,063
Net Cash From Operating Activities	$	1,054,970

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

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 State of Maryland's 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.

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 Expenses

Operating revenues consists primarily of rent and entrance fees. Non-operating revenues are comprised primarily of investment earnings. 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, 2016, the Authority considered all accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts was recorded.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Pronouncements

In June 2015, GASB issued Statement No. 75, entitled Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions effective for periods beginning after June 15, 2017. The Authority will implement these standards as of the effective dates.

3. CASH AND CASH EQUIVALENTS

Cash on Hand

As of June 30, 2016, petty cash on-hand totaled \$3,000, and gate receipts not yet deposited totaled \$5,795, for total cash on hand of \$8,795.

Deposits

As of June 30, 2016, the carrying amount of the Authority's deposits was \$3,853,647, and the bank balance was \$3,791,971. The deposits of the Authority were not exposed to custodial credit risk as of June 30, 2016, 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. CAPITAL ASSETS AND DEPRECIATION

A summary of changes in capital assets is as follows:

	Balance June 30, 2015	Additions	Write off/ Disposals	Transfers	Balance June 30, 2016
Non-depreciable capital assets					
Land	$ 1,882,342	$ -	$ -	$ -	$ **1,882,342**
Land held for development	3,220,843	-	(993,439)	-	**2,227,404**
Constructions in progress	653,766	3,174,607	-	-	**3,828,373**
Total non-depreciable capital assets	5,756,951	3,174,607	(993,439)	-	**7,938,119**
Depreciable capital assets					
Buildings and improvements:					
Henry Hein Building and other	980,748	26,730	-	-	**1,007,478**
Wholesale Produce Market	18,590,504	98,174	-	-	**18,688,678**
Wholesale Seafood Market	8,870,100	-	-	-	**8,870,100**
Storm Water Management Pond	22,144	-	-	-	**22,144**
Cross Dock	2,493,104	-	-	-	**2,493,104**
Rock Hall Seafood Plant	1,110,628	40,913	-	-	**1,151,541**
Total buildings and improvements	32,067,228	165,817	-	-	**32,233,045**
Equipment - administrative	272,986	-	-	-	**272,986**
Equipment - produce and seafood	1,855,003	-	-	-	**1,855,003**
Total depreciable capital assets	34,195,217	165,817	-	-	**34,361,034**
Accumulated Depreciation					
Building and improvements	(16,207,598)	(822,589)	-	-	**(17,030,187)**
Equipment - administrative	(231,516)	(15,170)	-	-	**(246,686)**
Equipment - produce and seafood	(1,129,165)	(130,318)	-	-	**(1,259,483)**
Total accumulated depreciation	(17,568,279)	(968,077)	-	-	**(18,536,356)**
Total Capital Assets, Net	$ 22,383,889	$ 2,372,347	$ (993,439)	$ -	$ **23,762,797**

During the year ended June 30, 2016, the Authority has exchanged 6.43 acres of land held for development with a book value of $993,439 for site development costs related to a construction in progress development project. The value of the site development costs is $1,458,160.

The Authority owns approximately 14 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.

5. LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended June 30, 2016 were as follows:

	Balance Ending June 30, 2015	Additions	Reductions	Balance Ending June 30, 2016	Amounts Due Within 1 Year
Compensated absences	$ 141,601	$ 2,214	$ -	**$ 143,815**	$ 115,051
Workers' compensation	39,000	-	-	**39,000**	7,350
Net pension liability	1,257,000	371,063	-	**1,628,063**	-
Total	$ 180,601	$ 2,214	$ -	**$ 182,815**	$ 122,401

6. 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, 2016, 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, 2016, respectively.

	Balance Ending June 30, 2015	Additions	Capital Improvement and Reductions	Balance Ending June 30, 2016
Produce Market	$ (3,928,584)	$ 230,000	$ (99,978)	$ (3,598,606)
Seafood Market	(1,234,621)	105,000	(271)	$ (1,129,350)

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 of Maryland (the State) as a whole and makes provisions for catastrophic losses.

7. 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 2016, 2015, and 2014 were $19,857, $11,055, and $8,641, respectively.

8. MINIMUM LEASE RECEIPTS

The Authority owns a Produce Market and a Seafood Market that are rented by segregated units to area businesses. The Produce Market leases ended on June 30, 2016. The Seafood Market leases ended on December 31, 2015, and renew on a month-to-month basis. The Authority also owns a parking lot that is rented for tractor trailer parking. This lease ends on February 28, 2017. The Authority owns the Rock Hall Seafood Processing Plant, which it leases to local watermen and watermen 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 is $122,745 for the year ending June 30, 2017.

9. 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, 2016, of $180,839.

9. RETIREMENT PLANS (continued)

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.

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.

9. RETIREMENT PLANS (continued)

Benefits Provided (continued)

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%.

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 7% of their annual pay. The Authority's contractually required contribution rate for ERS for the year ended June 30, 2016, was $180,839, 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 were $180,839 for the year ended June 30, 2016.

9. RETIREMENT PLANS (continued)

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

As of June 30, 2016, the Authority reported a liability of $1,628,063, for its proportionate share of the ERS net pension liability. The ERS net pension liability was measured as of June 30, 2015, 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, 2016, the Authority's proportion for ERS was 0.008 percent, which was substantially the same from its proportion measured as of June 30, 2015.

For the year ended June 30, 2016, the Authority recognized pension expense for ERS of approximately $323,880. As of June 30, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to ERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 98,294	$ -
Net difference between projected and actual earnings on pension plan investments	40,169	-
Net difference between actual and expected experience	-	33,341
Contributions made subsequent to the measurement date	180,839	-
Total	$ 319,302	$ 33,341

9. RETIREMENT PLANS (continued)

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

As of June 30, 2016, $180,839 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:

	Deferred Outflows		Deferred Inflows
Years Ending June 30,	Net Difference in Investment Earnings	Change in Assumptions	Actual and Expected Experience
2017	$ 1,436	$ 21,598	$ 6,846
2018	1,436	21,598	6,846
2019	1,436	21,598	6,846
2020	35,861	17,050	6,846
2021	-	16,450	5,956
Total	**$ 40,169**	**$ 98,294**	**$ 33,341**

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, 2016, pension liability calculation are as follows:

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Inflation	In the 2012 actuarial valuation, 3.00% general, 3.50% wage. In the 2013 actuarial valuation, 2.95% general, 3.45% wage.
Salary Increase	In the 2012 actuarial valuation, 3.50% to 10.75% including inflation. In the 2013 actuarial valuation, 3.45% to 10.70% including inflation.
Discount Rate	7.55%
Investment Rate of Return	7.55%
Mortality	RP-2014 Mortality Tables with generational mortality projections using scale MP-2014, calibrated to MSRPS experience.

9. 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 7.55 percent is \$1,628,063. 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 (6.55 percent) is \$2,301,018 or 1-percentage-point higher (8.55 percent) is \$1,070,050.

10. 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 \$103,911 to the retirees' postemployment benefits for the fiscal year ending June 30, 2016.

10. OTHER POSTEMPLOYMENT BENEFITS (continued)

Fiscal Year Ending	Actual Contributions	Required Contributions	Percentage of Required
June 30, 2016	$ 103,911	$ 103,911	100%
June 30, 2015	74,786	74,786	100%
June 30, 2014	63,102	63,102	100%

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 State's CAFR.

MARYLAND FOOD CENTER AUTHORITY

Required Supplementary Information for Pension
June 30, 2016

	2016	2015
The Authority's proportion of the ERS net pension liability (asset)	0.008%	0.007%
The Authority's proportionate share of the ERS net pension liability (asset)	$ 1,628,063	$ 1,257,000
Authority's covered-employee payroll	$ 1,089,873	$ 1,119,467
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	149.38%	112.29%
Plan fiduciary net position as a percentage of the total pension liability	68.78%	71.87%

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

	2016	2015
Contractually required contribution (ERS)	$ 180,839	$ 177,388
Contributions in relation to the contractually required contribution	180,839	177,388
Contribution deficiency (excess)	$ -	$ -
Authority's covered-employee payroll	$ 1,089,873	$ 1,119,467
Contributions as a percentage of covered-employee payroll	16.59%	15.85%

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 and Changes in Net Position
For the Year Ended June 30, 2016

	Administrative Operating Accounts	Wholesale Produce Market Operating Accounts	Wholesale Seafood Market Operating Accounts	Capital Improvements	Total
OPERATING REVENUES					
Rental income	$ 2,265,687	$ 1,022,098	$ 1,056,504	$ -	$ 4,344,289
Entrance fees	-	376,922	102,352	-	479,274
Registration	-	53,405	15,060	-	68,465
Railroad	-	2,430	-	-	2,430
Miscellaneous	53,432	-	-	-	53,432
Total Operating Revenues	2,319,119	1,454,855	1,173,916	-	4,947,890
OPERATING EXPENSES					
Salaries, wages, and related costs	751,273	715,329	423,336	-	1,889,938
Contractual services	200,660	425,227	362,007	33,102	1,020,996
Depreciation	62,883	88,656	43,207	773,331	968,077
Taxes	230,915	-	-	-	230,915
Fuel and utilities	28,448	88,516	225,184	-	342,148
Vehicle operation	3,758	43,611	58,982	-	106,351
Technical and special fees	24,433	25,860	25,986	-	76,279
Travel	51,598	2,724	1,215	-	55,537
Fixed charges	23,078	11,897	3,929	-	38,904
Communication	16,148	16,890	12,776	-	45,814
Supplies and materials	5,107	34,996	16,802	-	56,905
Maintenance and equipment charges	1,052	1,149	492	-	2,693
Total Operating Expenses	1,399,353	1,454,855	1,173,916	806,433	4,834,557
Operating income/(loss)	919,766	-	-	(806,433)	113,333
NONOPERATING REVENUE					
Interest and investment	31,269	-	-	-	31,269
Gain on disposal of equipment	464,721	-	-	-	464,721
Net operating expenses	495,990	-	-	-	495,990
Changes in Net Position	$ 1,415,756	$ -	$ -	$ (806,433)	$ 609,323

Headquarters:

200 International Circle • Suite 5500 • Hunt Valley • Maryland 21030

(P) 410-584-0060 • (F) 410-584-0061

Branch Office:

1299 Pennsylvania Avenue • Suite 1120 • Washington • D.C. 20004

(P) 202-803-2335 • (F) 202-821-1320