



SB & COMPANY, LLC

**MARYLAND FOOD CENTER AUTHORITY**

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

**For the Year Ended June 30, 2017**

EXPERIENCE  
•  
QUALITY  
•  
CLIENT SERVICE

**MARYLAND FOOD CENTER AUTHORITY**

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Report of Independent Public Accountants**

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**SB & COMPANY, LLC**  
KNOWLEDGE • QUALITY • CLIENT SERVICE

**JUNE 30, 2017**

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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, 2017, and the related statements of revenue, 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, 2017, and the change 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**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and schedule of proportionate share of net pension liability 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 revenue, expenses and change 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 revenue, expenses and change 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 revenue, expenses and change in net position is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Hunt Valley, Maryland  
September 30, 2017

*SB & Company, LLC*

## **MARYLAND FOOD CENTER AUTHORITY**

### **Management's Discussion and Analysis June 30, 2017**

Our discussion and analysis of the Maryland Food Center Authority's (the Authority) financial performance provides an overview of the Authority's financial activities as of and for the years ended June 30, 2017 and 2016. 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 Revenue, 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 or worse, as a result of the year's activities?" The Statement of Net Position; Statement of Revenue, 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 revenue 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 distribution 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, 2017

#### CONDENSED FINANCIAL INFORMATION

##### Statements of Net Position

The following table provides comparative data as of June 30, 2017 and 2016.

	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>
<b>ASSETS AND DEFERRED OUTFLOW</b>			
Current assets	\$ 9,467,283	\$ 4,103,712	\$ 5,363,571
Net capital assets	23,384,735	23,762,797	(378,062)
Deferred outflow related to pension	730,799	319,302	411,497
<b>Total Assets and Deferred Outflow</b>	<u>33,582,817</u>	<u>28,185,811</u>	<u>5,397,006</u>
<b>LIABILITIES, DEFERRED INFLOW AND NET POSITION</b>			
<b>Liabilities</b>			
Current liabilities	566,023	877,017	(310,994)
Non-current liabilities	2,089,319	1,688,477	400,842
Deferred inflow related to pension	48,546	33,341	15,205
<b>Total Liabilities and Deferred Inflow</b>	<u>2,703,888</u>	<u>2,598,835</u>	<u>105,053</u>
<b>Net Position</b>			
Net investment in capital assets	23,384,735	23,762,797	(378,062)
Unrestricted	7,494,194	1,824,179	5,670,015
<b>Total Net Position</b>	<u>\$ 30,878,929</u>	<u>\$ 25,586,976</u>	<u>\$ 5,291,953</u>

The increase of \$5,363,571 in current assets, as of June 30, 2017, is mainly attributable to a total increase in cash and cash equivalents of \$5,426,788 predominantly due to the sale of land and a \$57,697 decrease in accounts receivable as a result of the true-up of tenant expenses. The decrease of \$378,062 in net investment in capital assets is due to \$1,116,369 in capital additions related to vehicles, engine repairs, roof repairs and development projects net of depreciation of \$961,590 and disposals of \$532,841. The increase in net position of \$5,291,953 is due to the excess revenue over expenses during the year.

The decrease of \$310,994 in current liabilities, as of June 30, 2017, is mainly due to a decrease of accounts payable of \$285,483 and an increase of tenant deposits of \$11,750, net of a decrease of unearned revenue of \$37,940.

The change in the deferred outflow of \$411,497 and the deferred inflow of \$15,205, as of June 30, 2017, are related to pension accounting in accordance with Government Accounting Standards Board (GASB) Statement No. 68.

## MARYLAND FOOD CENTER AUTHORITY

### Management's Discussion and Analysis June 30, 2017

#### CONDENSED FINANCIAL INFORMATION (continued)

##### Statements of Revenue, Expenses and Change in Net Position

The following table provides comparative data for the years ended June 30, 2017 and 2016.

	<u>For the Year Ended June 30,</u>		<u>Increase</u>
	<u>2017</u>	<u>2016</u>	<u>(Decrease)</u>
Total operating revenue	\$ 4,669,453	\$ 4,947,890	\$ (278,437)
Total operating expenses	4,709,806	4,834,557	(124,751)
Operating (loss) income	(40,353)	113,333	(153,686)
Nonoperating revenue	5,332,306	495,990	4,836,316
<b>Change in Net Position</b>	<b>\$ 5,291,953</b>	<b>\$ 609,323</b>	<b>\$ 4,682,630</b>
<b>Total Revenue</b>	<b>\$ 10,001,759</b>	<b>\$ 5,443,880</b>	<b>\$ 4,557,879</b>
<b>Total Expenses</b>	<b>4,709,806</b>	<b>4,834,557</b>	<b>(124,751)</b>
<b>Total Change in Net Position</b>	<b>\$ 5,291,953</b>	<b>\$ 609,323</b>	<b>\$ 4,682,630</b>

During the year ended June 30, 2017, operating revenue decreased by \$278,437. This decrease is primarily due to vacancies of the rental space at the Seafood Market. Operating expenses decreased by \$124,751. This decrease is mainly attributable to a decrease in salaries expense of \$89,254, increase in contractual services of \$39,725, decrease in fuel and utilities of \$58,915, and a decrease in travel expense of \$10,304. Non-operating revenue increased due to a gain of \$5,332,306 on the sale of land related to Sysco's exercise of the option to purchase the land.

Overall, the Authority's financial position improved during the year ended June 30, 2017, as result of excess revenue over expenses during the year.

## MARYLAND FOOD CENTER AUTHORITY

### Management's Discussion and Analysis June 30, 2017

#### BUDGETARY HIGHLIGHTS

The Authority does not budget for revenue. The Authority had a positive variance of \$309,744 from comparing actual to budgeted expenses for the year ended June 30, 2017.

For the Year Ended June 30, 2017				
	Original Budget	Final Budget	Actual	Positive (Negative) Variance
<b>Operating Expenses</b>				
Salaries, wages and related costs	\$ 1,817,257	\$ 1,817,257	\$ 1,800,684	\$ 16,573
Contractual services	1,038,941	1,038,941	1,060,721	(21,780)
Depreciation*	964,981	964,981	838,295	126,686
Taxes	230,000	230,000	234,504	(4,504)
Fuel and utilities	304,214	304,214	283,233	20,981
Vehicle operation*	242,545	242,545	239,340	3,205
Technical and special fees	98,608	98,608	84,312	14,296
Travel	108,600	108,600	45,233	63,367
Fixed charges	49,340	49,340	30,682	18,658
Communication	41,075	41,075	37,059	4,016
Supplies and materials	80,450	80,450	49,848	30,602
Maintenance and equipment charges	43,539	43,539	5,895	37,644
<b>Total Operating Expenses</b>	<b>\$ 5,019,550</b>	<b>\$ 5,019,550</b>	<b>\$ 4,709,806</b>	<b>\$ 309,744</b>

\*Produce and Seafood Market depreciation of \$123,295 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 Change in Net Position.

The variance for travel expenses is due to the inability of the Executive Director to travel for a significant portion of FY17 for medical reasons. The variance for maintenance and equipment charges and for supplies and materials is primarily attributable to the Authority's efforts in minimizing costs due to the vacancies at the Seafood Market.



## MARYLAND FOOD CENTER AUTHORITY

### Management's Discussion and Analysis June 30, 2017

#### CAPITAL ASSETS AND DEBT ADMINISTRATION

##### Capital Assets

As of June 30, 2017 and 2016, the Authority had capital assets of \$42,882,681, and \$42,299,153, net of accumulated depreciation of \$19,497,946 and \$18,536,356, for net capital assets of \$23,384,735 and \$23,762,797, respectively. This represents a decrease of \$378,062 as of June 30, 2017, from the prior year. The decrease is due to additions of \$1,116,369, of capital assets, disposals in the amount of \$532,841, and \$961,590 of depreciation expense.

Major additions (those greater than \$50,000) to capital assets during the year ended June 30, 2017 are as listed below:

Stair Tower and Doors	\$ 273,100
Development Projects	843,269
<b>Total</b>	<b><u>\$ 1,116,369</u></b>

##### Debt

As of June 30, 2017, the Authority had no long-term debt outstanding.

#### ECONOMIC FACTORS

##### Seafood Market

The Seafood Market's leases expire on June 30, 2020 and 2022 depending on the lease term selected by the tenant.

##### Truck Parking Lot

All spaces in the Truck Parking Lot were rented as of March 1, 2017.

##### Produce Market

The Produce Market's leases expire on June 30, 2020 and 2022 depending on the lease term selected by the tenant.

## **MARYLAND FOOD CENTER AUTHORITY**

### **Management's Discussion and Analysis June 30, 2017**

#### **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, 2017

### ASSETS AND DEFERRED OUTFLOW

#### Currents Assets

Cash and cash equivalents	\$ 9,289,230
Accounts receivable	171,601
Prepaid expenses	6,452
<b>Total Current Assets</b>	<b>9,467,283</b>

#### Noncurrent Assets

Non-depreciable capital assets	8,248,547
Depreciable capital assets, net of accumulated depreciation	15,136,188
<b>Total Noncurrent Assets</b>	<b>23,384,735</b>
<b>Total Assets</b>	<b>32,852,018</b>

Deferred outflow related to pension	730,799
<b>Total Assets and Deferred Outflow</b>	<b>33,582,817</b>

### LIABILITIES, DEFERRED INFLOW AND NET POSITION

#### Current Liabilities

Accounts payable	97,352
Accrued payroll and related taxes	51,459
Unearned revenue	62,855
Accrued compensated absences, current portion	133,257
Accrued workers' compensation, current portion	7,350
Tenant deposits	213,750
<b>Total Current Liabilities</b>	<b>566,023</b>

#### Noncurrent Liabilities

Accrued compensated absences	33,314
Accrued workers' compensation	31,650
Net pension liability	2,024,355
<b>Total Noncurrent Liabilities</b>	<b>2,089,319</b>
<b>Total Liabilities</b>	<b>2,655,342</b>

Deferred inflow related to pension	48,546
<b>Total Liabilities and Deferred Inflow</b>	<b>2,703,888</b>

#### NET POSITION

Net investment in capital assets	23,384,735
Unrestricted	7,494,194
<b>Total Net Position</b>	<b>\$ 30,878,929</b>

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

## MARYLAND FOOD CENTER AUTHORITY

### Statement of Revenue, Expenses and Change in Net Position For the Year Ended June 30, 2017

#### Operating Revenue

Charges for services	\$ 4,642,167
Other income	27,286
<b>Total Operating Revenue</b>	<b>4,669,453</b>

#### Operating Expenses

Salaries, wages and related costs	1,800,684
Contractual services	1,060,721
Depreciation	961,590
Taxes	234,504
Fuel and utilities	283,233
Vehicle operation	116,045
Technical and special fees	84,312
Travel	45,233
Fixed charges	30,682
Communication	37,059
Supplies and materials	49,848
Maintenance and equipment charges	5,895
<b>Total Operating Expenses</b>	<b>4,709,806</b>

**Operating Loss** (40,353)

#### Nonoperating Revenue

Gain on sale of land	5,332,306
<b>Net Nonoperating Revenue</b>	<b>5,332,306</b>

**Change in Net Position** 5,291,953

Net position, beginning of year 25,586,976

**Net Position, End of Year** \$ 30,878,929

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, 2017

#### Cash Flows From Operating Activities

Receipts from customers	\$ 4,677,460
Payments to suppliers	(2,204,739)
Payments to employees	(1,794,711)
Net cash from operating activities	<u>678,010</u>

#### Cash Flows From Capital and Related Financing Activities

Sale of capital assets	5,865,147
Purchases of capital assets	(1,116,369)
Net cash from financing activities	<u>4,748,778</u>

#### Net Change in Cash and Cash Equivalents

Cash and cash equivalents, beginning of year	3,862,442
Cash and Cash Equivalents, End of Year	<u>\$ 9,289,230</u>

#### Reconciliation of Operating Income to Net Cash

##### From Operating Activities

Operating loss	\$ (40,353)
Adjustments to reconcile non-cash operating loss to net cash for operating activities:	
Depreciation expense	961,590
Effects of changes in non-cash operating assets and liabilities:	
Accounts receivable	57,697
Prepaid expenses	5,520
Accounts payable	(285,483)
Tenant deposits	(11,750)
Deferred outflow	(411,497)
Accrued payroll and related taxes	5,973
Unearned revenue	(37,940)
Accrued compensated absences	22,756
Deferred inflow	15,205
Net pension liability	396,292
Net Cash From Operating Activities	<u>\$ 678,010</u>

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



# **MARYLAND FOOD CENTER AUTHORITY**

## **Notes to the Financial Statements June 30, 2017**

### **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 watermen and watermen 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.

# MARYLAND FOOD CENTER AUTHORITY

## Notes to the Financial Statements June 30, 2017

### 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:

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

#### Revenue and Expenses

Operating revenue consists primarily of rent and entrance fees. Non-operating revenue is comprised of gain on sale of capital assets. Revenue is recognized as earned. Rents received in advance of recognition are recorded as unearned revenue. 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, 2017, 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, 2017**

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **New Accounting Pronouncements**

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, entitled "Leases" which is effective for periods beginning after December 15, 2019.

In June 2015, GASB issued Statement No. 75, entitled Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions which is effective for periods beginning after June 15, 2017. The Authority will implement these standards as of the effective dates. The Authority has not analyzed the impact of these new standards on its financial statements; however, the impact may be material.

### **3. CASH AND CASH EQUIVALENTS**

#### **Cash on Hand**

As of June 30, 2017, petty cash on-hand totaled \$3,000, and gate receipts not yet deposited totaled \$3,028, for total cash on hand of \$6,028.

#### **Deposits**

As of June 30, 2017, the carrying amount of the Authority's deposits was \$9,283,202, and the bank balance was \$9,226,282. The deposits of the Authority were not exposed to custodial credit risk as of June 30, 2017, 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.



# MARYLAND FOOD CENTER AUTHORITY

## Notes to the Financial Statements June 30, 2017

### 4. CAPITAL ASSETS AND DEPRECIATION

A summary of changes in capital assets is as follows:

	Balance June 30, 2016	Additions	Write off/ Disposals	Transfers	Balance June 30, 2017
<b>Non-depreciable capital assets</b>					
Land	\$ 1,882,342	\$ -	\$ (527,344)	\$ -	\$ 1,354,998
Land held for development	2,227,404	-	-	-	2,227,404
Construction in progress	3,828,373	843,269	(5,497)	-	4,666,145
<b>Total non-depreciable capital assets</b>	<b>7,938,119</b>	<b>843,269</b>	<b>(532,841)</b>	<b>-</b>	<b>8,248,547</b>
<b>Depreciable capital assets</b>					
Buildings and improvements:					
Henry Hein Building and other	1,007,478	6,385	-	-	1,013,863
Wholesale Produce Market	18,688,678	4,005	-	-	18,692,683
Wholesale Seafood Market	8,870,100	79,078	-	-	8,949,178
Storm Water Management Pond	22,144	89,700	-	-	111,844
Cross Dock	2,493,104	-	-	-	2,493,104
Rock Hall Seafood Plant	1,151,541	2,060	-	-	1,153,601
<b>Total buildings and improvements</b>	<b>32,233,045</b>	<b>181,228</b>	<b>-</b>	<b>-</b>	<b>32,414,273</b>
Equipment - administrative	272,986	55,857	-	-	328,843
Equipment - produce and seafood	1,855,003	36,015	-	-	1,891,018
<b>Total depreciable capital assets</b>	<b>34,361,034</b>	<b>273,100</b>	<b>-</b>	<b>-</b>	<b>34,634,134</b>
<b>Accumulated Depreciation</b>					
Buildings and improvements	(17,030,187)	(830,078)	-	-	(17,860,265)
Equipment - administrative	(246,686)	(8,426)	-	-	(255,112)
Equipment - produce and seafood	(1,259,483)	(123,086)	-	-	(1,382,569)
<b>Total accumulated depreciation</b>	<b>(18,536,356)</b>	<b>(961,590)</b>	<b>-</b>	<b>-</b>	<b>(19,497,946)</b>
<b>Total Capital Assets, Net</b>	<b>\$ 23,762,797</b>	<b>\$ 154,779</b>	<b>\$ (532,841)</b>	<b>\$ -</b>	<b>\$ 23,384,735</b>

During the year ended June 30, 2017, the Authority sold 29.225 acres of land with a net book value of \$527,344 to Sysco for \$5,859,650, resulting in a gain of \$5,332,306.

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.

## MARYLAND FOOD CENTER AUTHORITY

### Notes to the Financial Statements June 30, 2017

#### 5. LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended June 30, 2017 are as follows:

	<b>Balance Ending June 30, 2016</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance Ending June 30, 2017</b>	<b>Amounts Due Within 1 Year</b>
Compensated absences	\$ 143,815	\$ 80,944	\$ (58,188)	\$ 166,571	\$ 133,257
Workers' compensation	39,000	-	-	39,000	7,350
Net pension liability	1,628,063	396,292	-	2,024,355	-
<b>Total</b>	<b>\$ 1,810,878</b>	<b>\$ 477,236</b>	<b>\$ (58,188)</b>	<b>\$ 2,229,926</b>	<b>\$ 140,607</b>

#### 6. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft 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.

The program creates 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 can 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 2017, 2016, and 2015 were \$18,455, \$19,857, and \$11,055, respectively.

#### 7. 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. Both the Produce Market and Seafood Market leases renewed in April 2017. The Authority also owns a parking lot that is rented for tractor trailer parking. This lease ended on February 28, 2017. This lease renewed in March of 2017. The Authority owns the Rock Hall Seafood Processing Plant, which it leases to local watermen and watermen related industries.



## MARYLAND FOOD CENTER AUTHORITY

### Notes to the Financial Statements June 30, 2017

#### 7. MINIMUM LEASE RECEIPTS (continued)

These leases and license agreements have various end dates. The Sysco ground lease ended on May 1, 2017.

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

<b><u>Fiscal Years Ending June 30,</u></b>	
2018	\$ 1,448,587
2019	1,313,534
2020	1,254,221
2021	514,553
2022	514,553
<b>Total</b>	<b><u>\$ 5,045,448</u></b>

#### 8. 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. MSRPS prepares a separate Comprehensive Annual Financial Report, which is publicly available and can be obtained at [www.sra.state.md.us/Agency/Downloads/CAFR/](http://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 ERS. The employees contribute 7% of compensation, as defined, based on the participant's plan. The Authority made its required contribution during the fiscal year ended June 30, 2017, of \$215,601.

##### ***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.

## MARYLAND FOOD CENTER AUTHORITY

### Notes to the Financial Statements June 30, 2017

#### 8. RETIREMENT PLANS (continued)

##### *Benefits Provided* (continued)

An individual, who is a member of the Employees' Retirement 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' Retirement 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' Retirement 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' Retirement 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' Retirement 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' Retirement System.

Exceptions to these benefit formulas apply to members of the Employees' Retirement 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%.



## MARYLAND FOOD CENTER AUTHORITY

### Notes to the Financial Statements June 30, 2017

#### 8. RETIREMENT PLANS (continued)

##### *Benefits Provided* (continued)

##### *Early Service Retirement* (continued)

An individual, who is a member of the Employees' Retirement 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' Retirement System is 42%. An individual who becomes a member of the Employees' Retirement 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' Retirement 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, 2017 was \$215,601, 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 \$215,601 for the year ended June 30, 2017.

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

As of June 30, 2017, the Authority reported a liability of \$2,024,355, for its proportionate share of the ERS net pension liability. The ERS net pension liability was measured as of June 30, 2016, 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.

# MARYLAND FOOD CENTER AUTHORITY

## Notes to the Financial Statements June 30, 2017

### 8. 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, 2017, the Authority's proportion for ERS was 0.009 percent, which was substantially the same from its proportion measured as of June 30, 2016.

For the year ended June 30, 2017, the Authority recognized pension expenses of \$215,601. As of June 30, 2017, 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>
Change of assumptions	\$ 73,544	\$ -
Net difference between projected and actual earnings on pension plan investments	239,530	-
Net difference between actual and expected experience	-	48,546
Change in proportion and difference between contributions and proportionate share of contributions	202,124	-
Contributions made subsequent to the measurement date	215,601	-
<b>Total</b>	<u>\$ 730,799</u>	<u>\$ 48,546</u>

As of June 30, 2017, \$215,601 was reported as deferred outflow of resources related to the Authority's contributions subsequent to the measurement date that will be recognized as a reduction of the Authority's net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ERS will be recognized in pension expense as follows:

Years Ending June 30,	<u>Deferred Outflows</u>			<u>Deferred Inflows</u>
	<u>Net Difference in Investment Earnings</u>	<u>Change in Proportionate Share</u>	<u>Change in Assumptions</u>	<u>Actual and Expected Experience</u>
2018	\$ 51,640	\$ 41,268	\$ 21,597	\$ 11,539
2019	51,640	41,268	21,597	11,539
2020	86,050	41,268	17,050	11,539
2021	50,200	41,268	13,300	10,004
2022	-	37,052	-	3,925
<b>Total</b>	<u>\$ 239,530</u>	<u>\$ 202,124</u>	<u>\$ 73,544</u>	<u>\$ 48,546</u>



## MARYLAND FOOD CENTER AUTHORITY

### Notes to the Financial Statements June 30, 2017

#### 8. RETIREMENT PLANS (continued)

##### *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/](http://www.sra.state.md.us/Agency/Downloads/CAFR/).

The key assumptions used to perform the June 30, 2017 pension liability calculation were as follows:

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Inflation	In the 2015 and 2016 actuarial valuations, 2.70% general, 3.20% wage.
Salary Increase	In the 2015 and 2016 actuarial valuations, 3.30% to 9.20% 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.

##### *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 \$2,024,355. 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 \$2,780,628 or 1-percentage-point higher (8.55 percent) is \$1,395,024.

#### 9. 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. The report can also be found at the following link: [http://finances.marylandtaxes.com/Where\\_the\\_Money\\_Comes\\_From/General\\_Revenue\\_Reports/default.shtml](http://finances.marylandtaxes.com/Where_the_Money_Comes_From/General_Revenue_Reports/default.shtml).



## MARYLAND FOOD CENTER AUTHORITY

### Notes to the Financial Statements June 30, 2017

#### 9. OTHER POSTEMPLOYMENT BENEFITS (continued)

*Plan Description* - The Authority's employees are members of the Plan. For members hired before July 1, 2011, 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.

For members hired on or after July 1, 2011, they are required to have completed at least 25 years of creditable service, retired directly from State service with at least 10 years of creditable service, or ended State service with at least 10 years of creditable service within five years before the age at which a vested retirement allowance normally would begin.

*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 \$110,952 to the retirees' postemployment benefits for the fiscal year ended June 30, 2017.

<b>Fiscal Years Ended</b>	<b>Actual Contributions</b>	<b>Required Contributions</b>	<b>Percentage of Required</b>
June 30, 2017	\$ 110,952	\$ 110,952	100%
June 30, 2016	103,911	103,911	100%
June 30, 2015	74,786	74,786	100%
June 30, 2014	63,102	63,102	100%

#### 10. 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.

## **REQUIRED SUPPLEMENTARY INFORMATION**

# MARYLAND FOOD CENTER AUTHORITY

## Schedule of Proportionate Share of Net Pension Liability June 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
The Authority's proportion of the ERS net pension liability (asset)	0.009%	0.008%	0.007%
The Authority's proportionate share of the ERS net pension liability (asset)	<u>\$ 2,024,355</u>	<u>\$ 1,628,063</u>	<u>\$ 1,257,000</u>
Authority's covered-employee payroll	\$ 1,130,893	\$ 1,089,873	\$ 1,119,467
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	179.00%	149.38%	112.29%
Plan fiduciary net position as a percentage of the total pension liability	65.79%	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.

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution (ERS)	\$ 215,601	\$ 180,839	\$ 177,388
Contributions in relation to the contractually required contribution	<u>215,601</u>	<u>180,839</u>	<u>177,388</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$1,130,893	\$1,089,873	\$1,119,467
Contributions as a percentage of covered-employee payroll	19.06%	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.

## **SUPPLEMENTARY INFORMATION**

# MARYLAND FOOD CENTER AUTHORITY

## Combining Schedule of Revenue, Expenses and Change in Net Position For the Year Ended June 30, 2017

	Administrative Operating Accounts	Wholesale Produce Market Operating Accounts	Wholesale Seafood Market Operating Accounts	Capital Improvements	Total
<b>OPERATING REVENUES</b>					
Rental income	\$ 2,227,558	\$ 942,674	\$ 806,893	\$ -	\$ 3,977,125
Entrance fees	-	437,130	85,894	-	523,024
Registration	-	56,565	7,421	-	63,986
Railroad	-	1,260	-	-	1,260
Miscellaneous	56,443	13,743	6,586	-	76,772
Other income	27,286	-	-	-	27,286
<b>Total Operating Revenues</b>	<b>2,311,287</b>	<b>1,451,372</b>	<b>906,794</b>	<b>-</b>	<b>4,669,453</b>
<b>OPERATING EXPENSES</b>					
Salaries, wages, and related costs	712,133	725,131	363,420	-	1,800,684
Contractual services	318,994	419,379	235,569	86,779	1,060,721
Depreciation	51,012	88,656	43,207	778,715	961,590
Taxes	234,504	-	-	-	234,504
Fuel and utilities	50,606	76,954	155,673	-	283,233
Vehicle operation	11,263	51,873	52,909	-	116,045
Technical and special fees	28,538	27,820	27,954	-	84,312
Travel	43,105	1,447	681	-	45,233
Fixed charges	14,310	12,619	3,753	-	30,682
Communication	13,199	15,203	8,657	-	37,059
Supplies and materials	6,248	30,743	12,857	-	49,848
Maintenance and equipment charges	2,234	1,547	2,114	-	5,895
<b>Total Operating Expenses</b>	<b>1,486,146</b>	<b>1,451,372</b>	<b>906,794</b>	<b>865,494</b>	<b>4,709,806</b>
Operating income (loss)	<b>825,141</b>	<b>-</b>	<b>-</b>	<b>(865,494)</b>	<b>(40,353)</b>
<b>NONOPERATING REVENUE</b>					
Gain on disposal of equipment	5,332,306	-	-	-	5,332,306
<b>Net Nonoperating Revenue</b>	<b>5,332,306</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,332,306</b>
<b>Changes in Net Position</b>	<b>\$ 6,157,447</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (865,494)</b>	<b>\$ 5,291,953</b>





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