



**MARYLAND FOOD CENTER AUTHORITY
(A COMPONENT UNIT OF THE STATE OF MARYLAND)**

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2023

**Select
Accounting
Reporting &
Consultation**

MARYLAND FOOD CENTER AUTHORITY

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Report of Independent Auditor

The Board of Directors
Maryland Food Center Authority
Jessup, Maryland

Vivian P. Jenkins, CPA

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Maryland Food Center Authority (the Authority), which comprise the statement of net position as of June 30, 2023, and the related Statements of Revenue, Expenses, and Changes in net position and cash flows for the year then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the Authority as of June 30, 2023, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2 to the financial statements, effective July 1, 2022, the Authority adopted new accounting guidance for Subscription-Based Information Technology Arrangements, which provides guidance regarding the information needs of financial statement users by improving accounting and financial reporting for Subscription-Based Information Technology Arrangements (SBITAs) by governments.

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Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any current known information that may arise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used, and the reasonableness of, significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Schedule of Proportionate Share of Net Pension Liability and Schedule of Pension Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary 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 Schedule of Operating Revenue and Expenses and the Combining Schedule of Revenues, Expenses and Changes in Net Position are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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. The 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 GAAS. In our opinion, the combining schedule of revenues, expenses and changes in net position is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2023, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Silver Spring, MD
September 30, 2023

**MARYLAND FOOD CENTER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Our discussion and analysis of the Maryland Food Center Authority's (the Authority or MFCA) financial performance provides an overview of the Authority's financial activities as of and for the years ended June 30, 2023 and 2022. Please read this management's discussion and analysis in conjunction with the Authority's basic financial statements, which begin on page 10.

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 10.

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 collects rent and entrance fees from tenants and customers to cover all or most of the cost of certain services it provides. The activities at the Maryland Food Center Authority tenanted facilities, including the Maryland Wholesale Produce Market and the Maryland Market Center, and other MFCA developed facilities are reported here along with capital improvement projects and administrative services.

You should consider other non-financial factors, such as the location of 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, 2023**

CONDENSED FINANCIAL INFORMATION

Statements of Net Position

The following table provides comparative data as of June 30, 2023 and 2022:

	2023	2022	Increase (Decrease)
ASSETS AND DEFERRED OUTFLOWS			
Current Assets	8,170,696	7,788,361	382,335
Current Receivables	962,249	981,810	(19,561)
Current Lease receivables	1,486,596	2,371,492	(884,896)
Noncurrent Lease Receivables	20,425,613	21,756,334	(1,330,721)
Other Noncurrent Assets	21,682	-	21,682
Net Capital Assets	24,890,714	23,822,559	1,068,155
Deferred outflow related to pension	681,909	777,993	(96,084)
Total Assets and Deferred outflows	56,639,459	57,498,549	(859,090)
LIABILITIES, DEFERRED INFLOWS AND NET POSITION			
LIABILITIES			
Current Liabilities	751,961	676,251	75,710
Non Current Liabilities	2,714,439	2,137,626	576,813
Deferred Inflow related to pension and lease receivables	17,786,496	19,996,585	(2,210,089)
Total Liabilities and Deferred inflows	21,252,896	22,810,462	(1,557,566)
NET POSITION			
Net Investment in Capital Assets	24,890,714	23,822,559	1,068,155
Unrestricted	10,495,849	10,865,528	(369,679)
Total Net Position	35,386,563	34,688,087	698,476

The increase in current assets, as of June 30, 2023, is mainly attributable to a total increase in cash and cash equivalents of \$382,335 due to the Authority receiving interest on its monies held in the Maryland General Fund. The interest on the Authority's monies held in the General Fund was previously swept and retained by the State of Maryland. Beginning in September 2021, the Authority regained control of this interest. In Fiscal Year 2023, interest rates significantly increased.

The decrease in Current Lease Receivables, Noncurrent Lease Receivables, and Deferred Inflows Related to Pension and Lease Receivables of (\$884,896), (\$1,330,721), and (\$2,210,089) respectively, is mainly attributable to GASB 87, Leases, and multiple long-term leases maturing on June 30, 2023. All of the tenants whose leases expired on June 30, 2023 executed new leases beginning July 1, 2023.

The increase of \$1,068,155 in Net Capital Assets is mainly attributable to the Maryland Market Center roof project which is currently classified as Construction in Progress and completed in July 2023.

The increase of \$576,813 in Noncurrent Liabilities is mainly attributable to the implementation of GASB 96, Subscription-Based Information Technology Arrangements, an increase in the

**MARYLAND FOOD CENTER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Authority's proportionate share of the State of Maryland workers compensation liability, and an increase in the Authority's proportionate share of the State of Maryland net pension liability.

Statements of Revenue, Expenses and Change in Net Position

The following table provides comparative data for the years ended June 30, 2023 and 2022:

	2023	2022	Increase (Decrease)
Rental Revenue/Lease Interest/Direct Finance Lease	\$ 3,986,773	\$ 3,887,070	\$ 99,703
Service Expense Reimbursement Revenue	2,134,633	1,823,967	310,666
Total Operating Revenue	6,121,406	5,711,037	410,369
Operating Expenses	3,892,459	2,701,491	1,190,968
Service Reimbursement Expenses	2,134,633	1,823,967	310,666
Total Operating Expenses	6,027,092	4,525,458	1,501,634
Operating Income	94,314	1,185,579	(1,091,265)
Nonoperating Revenue and Expenses	604,162	2,789,106	(2,184,944)
Change in Net Position	\$ 698,476	\$ 3,974,685	\$ (3,276,209)
Total Revenue	\$ 6,725,568	\$ 8,500,143	\$ (1,774,575)
Total Expenses	6,027,092	4,525,458	1,501,634
Total Change in Net Position	\$ 698,476	\$ 3,974,685	\$ (3,276,209)

Service Expense Reimbursements represent the operating costs of the facility. The Authority does not collect Service Expense Reimbursement revenue in excess of Service Expense Reimbursement expenses therefore, Service Expense Reimbursement income and expense, when combined, equal zero.

Service Expense Reimbursement Expense increased by \$310,666. This increase is primarily attributable to increased payroll costs due to the increase in the State of Maryland's minimum wage and cost of living increases and the use of temporary workers to fill vacant positions.

Operating Expenses increased by \$1,190,968. This increase is primarily attributable to an increase in the Authority's proportionate share of the State of Maryland net pension liability.

Operating Income decreased by (\$1,091,265). This decrease is primary attributable to an increase in the Authority's proportionate share of the State of Maryland net pension liability. Nonoperating Revenue and Expenses decreased by (\$2,184,944). This decrease is primarily attributable to recognizing a finance sale of assets in the prior year.

The overall financial position of the Authority is improved during the year ended June 30, 2023.

**MARYLAND FOOD CENTER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

BUDGETARY HIGHLIGHTS

The Authority does not budget for revenue. The Authority had a negative variance of \$16,603 from comparing actual to budgeted expenses for the year ended June 30, 2023.

Year Ended June 30, 2023				
Operating Expenses:	Original Budget	Final Budget	Actual	Positive (Negative) Variance
Salaries, Wages, and Related Costs	\$ 2,567,580	\$ 2,794,194	\$ 3,570,603	\$ (776,409)
Depreciation	1,631,049	1,591,070	1,145,801	445,269
Contractual Services	517,550	633,322	632,394	928
Taxes	310,000	310,000	323,687	(13,687)
Fuel and Utilities	136,000	138,100	90,452	47,648
Vehicle Operation	150,334	150,334	68,003	82,331
Technical and Special Fees	91,097	94,698	63,759	30,939
Fixed Charges	32,636	30,636	31,878	(1,242)
Communication	53,135	53,135	40,552	12,583
Supplies and Materials	74,850	74,850	44,148	30,702
Equipment Charges	44,600	70,600	10,039	60,561
Travel	69,550	69,550	5,776	63,774
Total Operating Expenses	\$ 5,678,381	\$ 6,010,489	\$ 6,027,092	\$ (16,603)
Capital Depreciation Budget	(1,263,531)	(1,424,419)		
Capital Improvement Expense FY 23	(96,637)	(96,637)		
	<u>\$ 4,318,213</u>	<u>\$ 5,913,852</u>		

The negative variance for Salaries, Wages, and Related Costs is primarily due to an increase in the Authority's proportionate share of the State of Maryland net pension liability.

The positive variance for Depreciation is due to deferred capital improvement projects from the current year to a subsequent year.

The positive variance for Vehicle Operations is a result of lower-than-expected fuel prices and the Authority's fleet of maintenance vehicles required less than expected repairs.

**MARYLAND FOOD CENTER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2023, and 2022, the Authority had capital assets of \$49,817,171 and \$48,361,367, net of accumulated depreciation of \$24,926,457 and \$24,538,808, for net capital assets of \$24,890,714 and \$23,822,559. This represents an increase of \$1,068,155 as of June 30, 2023 from the prior year. The increase is primarily due to the Maryland Market Center roof project, currently classified as Construction in Progress.

Major additions (those greater than \$50,000) to capital assets during the year ended June 30, 2023 are as listed below:

Water Main Installation	\$92,315
2022 Ford F-150 Hybrid	<u>88,261</u>
Total	<u>\$180,576</u>

ECONOMIC FACTORS

Maryland Market Center (MMC), formerly known as the Maryland Wholesale Seafood Market

The MMC leases expire on June 30, 2023 or June 30, 2027, depending on the lease term selected by the tenant at lease inception. The MMC occupancy rate as of June 30, 2023 is 100%.

Maryland Wholesale Produce Market (MWPM)

The MWPM leases expire on June 30, 2023 or June 30, 2027, depending on the lease term selected by the tenant at lease inception. The MWPM occupancy rate is 100% as of June 30, 2023.

Truck Parking Lot

All spaces in the truck parking lot are rented through March 31, 2025. The lease contains one renewal period of two years with an potential end date of March 31, 2027.

Anaerobic Digester

In the first quarter of calendar year 2018, the MFCA Board of Directors and the Maryland Board of Public Works approved a 10-year ground lease, with two additional 10-year option periods, between the Authority and BTS Biogas, LLC. (assigned to MORF I, Inc., on April 29, 2020) to construct an anaerobic digester on 5.5 acres of the Authority's land located on Oceano Avenue. The anaerobic digester uses microbes to convert compostable waste into energy.

The terms of the ground lease require monthly payments of \$11,044 per month, or \$132,528 per year, which began April 1, 2019. The ground lease ends on March 27, 2028, and the two ten-year renewal options through February 26, 2048 were exercised in August 2023.

**MARYLAND FOOD CENTER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Maryland Market Center Ground Leases

On November 1, 2019, the Maryland Food Center Authority entered a Ground Lease for a portion of the land located in the Maryland Market Center. This Ground Lease was approved by the MFCA Board of Directors and the Maryland Board of Public Works.

The terms of the 75-year ground lease require monthly payments of \$17,917 per month, or \$215,000 per year which started November 1, 2018. The ground lease contains a buy-out option after twenty years which the Authority reasonably expects to be exercised so this lease is now presented as a finance sale lease.

On January 19, 2021, the Maryland Food Center Authority entered into a Ground Lease for a portion of the land located in the Maryland Market Center. This Ground Lease was approved by the MFCA Board of Directors and the Maryland Board of Public Works.

The terms of the ground lease require monthly payments of \$0 for the first six months, \$18,750 for August 2021 to January 2022, and \$37,500 per month thereafter, or \$450,000 per year, and ends January 31, 2096. The ground lease contains a buy-out option after twenty years; however, the Authority does not reasonably expect the buy-out to be exercised at this time.

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 Senior Director of Real Estate & Finance at 7801 Oceano Avenue, Jessup, Maryland 20794.

MARYLAND FOOD CENTER AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2023
ASSETS AND DEFERRED OUTFLOWS

Current Assets

Cash and Cash Equivalents	\$ 8,166,180
Accounts Receivable	962,249
Lease Receivable - Current Portion	1,465,352
Accounts Receivable - Finance Sale - Current Portion	21,244
Prepaid Expenses	4,516
<i>Total Current Assets</i>	<u>10,619,541</u>

Non-Current Assets

Lease Receivable	16,131,289
Accrued Interest - Lease Receivable	77,156
Accounts Receivable - Finance Sale	4,217,168
Nondepreciable Capital Assets	8,220,940
Depreciable Capital Assets, Net	16,669,774
<i>Total Capital Assets</i>	<u>24,890,714</u>
Subscription-Based IT Assets	21,682
<i>Total Non-Current Assets</i>	<u>45,338,009</u>

<i>Deferred Outflows Related to Pension</i>	681,909
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u><u>56,639,459</u></u>

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

Current Liabilities

Accounts Payable and Accrued Liabilities	212,983
Accrued Payroll and Related Taxes	125,122
Unearned Revenue	145,291
Accrued Compensated Absences, Current Portion	238,565
Accrued Workers' Compensation, Current Portion	30,000
<i>Total Current Liabilities</i>	<u>751,961</u>

Non-Current Liabilities

Accrued Compensated Absences	59,641
Accrued Workers' Compensation	170,000
Tenant Deposits	216,677
Net Pension Liability	2,247,426
Subscription Liability	20,695
<i>Total Non-Current Liabilities</i>	<u>2,714,439</u>

Deferred Inflows

Pensions	1,045,060
Lease Receivable	16,741,436
<i>Total Deferred Inflows</i>	<u>17,786,496</u>

<i>Total Liabilities and Deferred Inflows</i>	<u>21,252,896</u>
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Net Position

Net Investment Capital Assets	24,890,714
Unrestricted	10,495,849
<i>Total Net Position</i>	<u><u>35,386,563</u></u>

See accompanying Notes to Financial Statements.

MARYLAND FOOD CENTER AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2023

OPERATING REVENUE

Rental Revenue and Charges for Services	\$ 4,788,210
Lease Interest Revenue	964,084
Direct Finance Lease Interest Revenue	201,670
Other Income	167,442
Total Operating Revenue	<u>6,121,406</u>

OPERATING EXPENSES

Salaries, Wages, and Related Costs	3,570,603
Depreciation	1,145,801
Contractual Services	632,394
Taxes	323,687
Fuel and Utilities	90,452
Vehicle Operation	68,003
Technical and Special Fees	63,759
Fixed Charges	31,878
Communication	40,552
Supplies and Materials	44,148
Equipment Charges	10,039
Travel	5,776
Total Operating Expenses	<u>6,027,092</u>

OPERATING INCOME

94,314

NONOPERATING INCOME

Gain on Sale of Equipment	27,350
Loss on Termination of Lease	(3,184)
Interest Income on Funds Held In General Fund	579,996
Total Nonoperating Income	<u>604,162</u>

Net Position - Beginning of Year

34,688,087

NET POSITION - END OF YEAR

\$ 35,386,563

MARYLAND FOOD CENTER AUTHORITY
STATEMENT OF CASH FLOW
YEAR ENDED JUNE 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$ 6,908,553
Payments to Suppliers	(2,409,934)
Payments to Employees and Related	(2,545,746)
Net Cash Provided by Operating Activities	<u>1,952,873</u>

CASH FLOW FROM INVESTING ACTIVITIES

Subscription-Based IT Assets	(8,482)
Interest Received	579,996
Net Cash Provided by Investing Activities	<u>571,514</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchases of Capital Assets	(2,278,051)
Sale of Assets	135,807
Net Cash Used from Capital and Related Financing Activities	<u>(2,142,243)</u>

NET CHANGE IN CASH AND CASH EQUIVALENTS

382,143

Cash and Cash Equivalents - Beginning of Year

7,784,037

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 8,166,180

**RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES**

Operating Income	\$ 94,314
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	

Effects of Non-Cash items

Depreciation Expense	1,145,801
Gain/Loss on Sale of Equipment	(27,350)

**Effects of Changes in Operating Assets, Deferred Outflows,
Liabilities and Deferred Inflows:**

Accounts Receivable	19,561
Lease Receivable - Current Portion	892,810
Accounts Receivable - Finance Sale - Current portion	(7,914)
Prepaid Expenses	(192)
Lease Receivable	1,208,091
Accrued Interest - Lease Receivable	101,386
Accounts Receivable - Finance Sale - Long Term	21,244
Subscription - Based IT Assets	(30,212)
Deferred Outflows Related to Pension	96,084
Accounts Payable & Accrued Liabilities	13,909
Accrued Payroll and Related Taxes	30,455
Unearned Revenue	4,748
Accrued Compensated Absences	8,872
Accrued Workers Comp	92,000
Subscription Liability	20,695
Tenant Deposits	(2,000)
Net Pension Liability	483,844
Deferred Inflows - Pensions	351,647
Deferred Inflows Lease Receivable	(2,561,736)

Net Cash Provided by Operating Activities	<u>\$ 1,952,873</u>
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MARYLAND FOOD CENTER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 ORGANIZATION

Maryland Food Center Authority (the "Authority" or "MFCA"), 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 Market Center, formerly known as 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 Clam House in Rock Hall, Maryland, which it leases to local watermen 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Authority's financial statements are reported on the accrual basis of accounting and the economic resources measurement focus as specified by the Governmental Accounting Standards Board requirements for an enterprise fund.

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 at the time of purchase.

Capital Assets and Depreciation

Capital expenditures greater than \$1,000, with an estimated useful life greater than one year, are capitalized. Capital assets (excluding subscription IT 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 FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 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

Subscription-Based Information Technology Arrangements

MFCA has noncancelable subscription IT arrangements (similar to a lease) for the right to use information technology hardware and software (subscription IT arrangements).

For subscription IT arrangements with a maximum possible term of 12 months or less at commencement, MFCA recognizes expense based on the provisions of the subscription IT arrangement. For all other subscription IT arrangements (i.e. those that are not short-term) MFCA recognizes a subscription IT liability, and an intangible subscription IT asset.

Measurement of Subscription IT Amounts

At subscription commencement, MFCA initially measures the subscription IT liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription IT liability is reduced by the principal portion of subscription payments made. The subscription IT asset is initially measured as the initial amount of the subscription IT liability less any vendor incentives received at or before the subscription commencement date, plus the capitalizable implementation costs. Subsequently, the subscription IT asset is amortized into depreciation expense on a straight-line basis over the subscription term.

Key Estimates and Judgments

Key estimates and judgments include how the MFCA determines (1) the discount rate it uses to calculate the present value of the expected subscription payments, (2) subscription term, and (3) subscription payments.

- MFCA generally uses its estimated incremental borrowing rate as the discount rate for subscription IT arrangements unless the rate that the vendor charges is known. OHSU obtains its current incremental borrowing rate from its primary banking institution on a periodic basis. MFCA's incremental borrowing rate for subscription IT arrangements is based on the rate of interest it would need to pay if it issued general obligation bonds to borrow an amount equal to the subscription payments under similar terms at the commencement or remeasurement date.
- The subscription term includes the noncancelable period of the subscription IT arrangement, plus any additional periods covered by either an MFCA or vendor unilateral option to (1) extend for which it is reasonably certain to be exercised, or (2) terminate for which it is reasonably certain not to be exercised. Periods in which both MFCA and the vendor have an option to terminate (or if both parties have to agree to extend) are excluded from the subscription term.

MARYLAND FOOD CENTER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Remeasurement of Subscription Amounts

MFCA monitors changes in circumstances that may require remeasurement of a subscription IT arrangement. When certain changes occur that are expected to significantly affect the amount of the subscription IT liability, the liability is remeasured and a corresponding adjustment is made to the subscription IT asset.

Revenue and Expenses

Operating revenue consists primarily of rent and entrance fees. Revenue is recognized as earned. Rent received in advance of recognition is recorded as unearned revenue.

Operating expenses consist primarily of costs that are incurred to maintain normal operations.

Non-Operating revenue and expenses are not derived from operations and include interest income and gain and loss on sale of assets.

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, 2023, the Authority considered all accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is recorded.

Pension Liability

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension and pension expense, the Authority reports a liability of its proportionate share of the net pension liability of the Maryland State Employees' Retirement System on the basis reported by the system. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

MARYLAND FOOD CENTER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows and Deferred Outflows of Resources

The Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then.

The Authority recognized deferred inflows related to its net pension liability and lease receivables; a deferred outflow is reported related to its net pension liability.

Adoption of New Accounting Standard

In May 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 96, Subscription-Based Information Technology Arrangements, which provides guidance regarding the information needs of financial statement users by improving accounting and financial reporting for Subscription-Based Information Technology Arrangements (SBITAs) by governments. It establishes uniform accounting and financial reporting requirements for SBITAs, improves the comparability of financial statements among governments that have entered into SBITAs, and enhances the understandability, reliability, relevance, and consistency of information about SBITAs.

The Authority adopted the requirements of the guidance effective July 1, 2022, and has applied the provisions of this standard to the beginning of the period of adoption. See Note 11 for more information.

NOTE 3 CASH AND CASH EQUIVALENTS

Cash on Hand

As of June 30, 2023, petty cash on-hand totaled \$3,000, and gate receipts not yet deposited totaled \$1,120, for total cash on hand of \$4,120.

Deposits

As of June 30, 2023, the carrying amount of the Authority's deposits at the bank balance was \$8,162,060. The deposits of the Authority were not exposed to custodial credit risk as of June 30, 2023, 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 FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4 CAPITAL ASSETS AND DEPRECIATION

A summary of changes in capital assets is as follows:

	Beginning Balances June 30, 2022	Additions	Deletions	Transfers	Ending Balances June 30, 2023
Capital assets, Nondepreciable					
Land	\$ 1,228,688	\$ -	\$ -	\$ -	\$ 1,228,688
Land Held for Development	2,227,404				2,227,404
Construction in Progress	2,821,211	1,993,610	(25,950)	(24,023)	4,764,848
Total Capital Assets, Non-Depreciable	6,277,303	1,993,610	(25,950)	(24,023)	8,220,940
Capital Assets, Depreciable					
Building and Improvements					
Henry Hein Building and Other	1,031,011	1,548	(24,249)	-	1,008,310
Wholesale Produce Market	20,579,227	98,226	(51,725)	-	20,625,728
Maryland Market Center	13,095,120	21,298	(99,997)	-	13,016,421
Storm Water Management Pond	208,847	-	-	-	208,847
Truck Wash	1,140,587	-	-	-	1,140,587
Cross Dock	2,512,479	-	-	-	2,512,479
Rock Hall Clam House	1,168,055	-	-	-	1,168,055
Total building and Improvements	39,735,326	121,072	(175,971)	-	39,680,427
Equipment - Administrative	408,259	140,873	(194,866)	24,023	378,289
Equipment - Produce and Seafood	1,940,479		(402,964)		1,537,515
Total Capital Assets, Depreciable	42,084,064	261,945	(773,801)	24,023	41,596,231
Accumulated Depreciation					
Buildings and Improvements	(22,476,440)	(1,047,566)	160,322	-	(23,363,684)
Equipment - Administrative	(321,428)	(28,372)	194,866	-	(154,934)
Equipment - Produce and Seafood	(1,740,940)	(69,863)	402,964	-	(1,407,839)
Total Accumulated Depreciation	(24,538,808)	(1,145,801)	758,152	-	(24,926,457)
Total capital assets, Net	<u>\$ 23,822,559</u>	<u>\$ 1,109,754</u>	<u>\$ (41,599)</u>	<u>\$ -</u>	<u>\$ 24,890,714</u>

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 FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 5 LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended June 30, 2023 are as follows:

	<i>Beginning Balances</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending Balances</i>	<i>Due Withing One Year</i>
Compensated absences	\$ 289,334	\$ 111,805	\$ (102,932.95)	\$ 298,206	\$ 238,565
Workers' compensation	108,000	146,174	(54,174)	200,000	\$ 30,000
Tenant deposits	218,677	-	(2,000)	216,677	-
Net pension liability	1,763,582	483,843	-	2,247,425	-
Other liabilities	-	20,695	-	20,695	-
Total long-term liabilities	<u>\$ 2,379,593</u>	<u>\$ 762,517</u>	<u>\$ (159,107)</u>	<u>\$ 2,983,003</u>	<u>\$ 268,565</u>

NOTE 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 MFCA 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. For all insurance coverage except workers' compensation, the Authority has no liability for additional claims as of June 30, 2023. As of June 30, 2023, the State allocated a liability for workers' compensation claims to the Authority.

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. The Authority's premiums for fiscal years 2023 and 2022 were \$27,720 and \$28,263, respectively.

The following is the detail of Authority's activity for workers' compensation liability for the fiscal years ended June 30, 2023 and 2022:

	2023	2022
Beginning of year liability	\$ 108,000	\$ 65,000
Claims	146,174	71,854
Claim payments	<u>(54,174)</u>	<u>(28,854)</u>
End of year liability	<u>200,000</u>	<u>108,000</u>

MARYLAND FOOD CENTER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 6 RISK MANAGEMENT (CONTINUED)

A more complete description of the MFCA's risk management program can be found in the State's Annual Comprehensive Financial Report (ACFR). The ACFR may be obtained by writing to the State Comptroller, P.O. Box 466, Annapolis, Maryland 21404-0466.

NOTE 7 LEASES- LESSOR

The Authority owns the Maryland Wholesale Produce Market, the Maryland Market Center, a parking lot (for tractor trailer parking) and Rock Hall Clam House. The Authority, acting as lessor, leases segregated units to area food or food-related businesses under long-term, non-cancellable lease agreements.

The leases expire at various dates through 2096 and provide renewal options ranging from 2 to 10 years. During the year ended June 30, 2023, The Authority recognized \$4,318,150 and \$964,084 in lease revenue and interest revenue, respectively, pursuant to these contracts.

The future minimum lease payments to be received under the lease agreements are as follows:

June 30,	Principal	Interest	Total
2024	\$ 1,719,880	\$ 798,115	\$ 2,517,995
2025	1,653,952	729,554	2,383,506
2026	1,653,952	658,244	2,312,196
2027	1,619,623	583,044	2,202,666
2028	231,166	547,543	778,709
2029-2033	729,682	2,783,538	3,513,220
2034-2038	729,682	2,865,273	3,594,954
2039-2043	729,682	2,935,729	3,665,410
2044-2048	729,682	2,990,233	3,719,915
2049-2053	729,682	3,022,779	3,752,460
2054-2058	729,682	3,025,666	3,755,347
2059-2063	729,682	2,989,043	3,718,724
2064-2068	729,682	2,900,327	3,630,009
2069-2073	729,682	2,743,470	3,473,152
2074-2078	729,682	2,498,025	3,227,707
2079-2083	729,682	2,137,965	2,867,647
2084-2088	729,682	1,630,185	2,359,866
2089-2093	729,682	932,600	1,662,282
2094-2098	377,002	131,075	508,077
Total Minimum Lease Payments	<u>\$ 16,741,436</u>	<u>\$ 36,902,407</u>	<u>\$ 53,643,843</u>

MARYLAND FOOD CENTER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 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 multiemployer 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 Annual Comprehensive Financial Report (ACFR), which is publicly available and can be obtained at www.sra.state.md.us/Agency/Downloads/CAFR/.

Benefits Provided

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, 2023 of \$352,812.

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' 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.

MARYLAND FOOD CENTER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 RETIREMENT PLAN (CONTINUED)

Benefits Provided (Continued)

Funding Policy (Continued)

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%.

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 five 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 five 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, 2023 was \$352,812, 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.

MARYLAND FOOD CENTER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 RETIREMENT PLAN (CONTINUED)

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

As of June 30, 2023, the Authority reported a liability of \$2,247,426 for its proportionate share of the ERS net pension liability. The ERS net pension liability was measured as of June 30, 2022, 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 the Authority's share of contributions to the pension plan relative to the contributions of all participating government units, actuarially determined.

As of June 30, 2023, the Authority's proportion for ERS was 0.010% compared to 0.011% percentage as of June 30, 2022.

For the year ended June 30, 2023, the Authority recognized pension expense of \$549,914. As of June 30, 2023, 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
Change of Assumptions	\$ -	\$ 147,905
Net Difference Between Projected and Actual Earnings on pension plan investments	232,921	21,987
Net Difference Between Actual and Expected Experience		774,403
Change in Proportion and Difference Between Contributions and Proportionate Share of Contributions	96,177	100,766
Contributions made Subsequent to the Measurement Date	352,812	
Total	<u>\$ 681,909</u>	<u>\$ 1,045,060</u>

As of June 30, 2023, \$352,812 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ERS will be recognized in pension expense as follows:

Year ended June 30,	Amount
2024	\$ 53,470
2025	(3,855)
2026	(45,317)
2027	135,350
Thereafter	(7,383)
Total	<u>\$ 132,265</u>

**MARYLAND FOOD CENTER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 RETIREMENT PLAN (CONTINUED)

Information Included in the MSRPS Financial Statements

The key assumptions used to perform the June 30, 2022, pension liability calculation was as follows:

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Inflation	In the 2021 Actuarial Valuation, 2.25% General, 2.75% Wage.
Salary Increase	In the 2021 Actuarial Valuation, 2.75% to 11.25%.
Discount Rate	6.80% in 2021
Investment Rate of Return	In the 2021 and 2020 Actuarial Valuation, 6.97% and 7.40% respectively.
Mortality	RP-2014 Mortality Tables with Generational Mortality Projections Using Scale MP-2014, Calibrated to MSRPS Experience.

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/ACFR/.

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 6.80% is \$2,247,426. 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 (5.80%) is \$3,132,624 or 1-percentage-point higher (7.80%) is \$1,136,494.

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), which is administered by the Secretary of the Department of Budget and Management. The Plan is a single-employer, 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.

MARYLAND FOOD CENTER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS

The Authority's employees are members of the State Employee and Retiree Health and Welfare Benefits Program (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 or to retire directly from State service with at least five 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. Costs for the postretirement benefits are for State retirees and primarily funded by the State. The State does not distinguish employees by employer/State agency. The State did not allocate postemployment health care costs to participating employers and as a result did not require a contribution from the Authority. As such, the State has elected to maintain the entire net OPEB liability as a liability of the general fund of the State and has not allocated any balances to State entities including the Authority.

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 \$131,604 to the retirees' postemployment benefits for the fiscal year ended June 30, 2023, which was based on the retiree's current health insurance premiums. As of June 30, 2023, the state of Maryland did not allocate the net postemployment liability and, as such, the Authority is not required to record a liability.

<u>Fiscal Years Ended</u>	<u>Actual Contributions</u>	<u>Required Contributions</u>	<u>Percentage of Required</u>
2023	131,604	131,604	100%
2022	113,957	113,957	100%
2021	105,592	105,592	100%
2020	99,537	99,537	100%
2019	97,534	97,534	100%
2018	77,464	77,464	100%
2017	110,952	110,952	100%
2016	103,911	103,911	100%
2015	74,786	74,786	100%

MARYLAND FOOD CENTER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS(CONTINUED)

Financial information for the State of Plan is included in the State of Maryland ACFR, which can be obtained from the Comptroller of Maryland, Louis L. Goldstein Treasury Building, Annapolis, Maryland 21404. The report can also be found at the following link:

<https://marylandtaxes.gov/forms/CAFR/ACFR2021.pdf> **Plan Description**

NOTE 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 by the State of Maryland. 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 ACFR.

NOTE 11 SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

MFCA has noncancelable subscription arrangements for the right to use various information technology hardware and software (subscription IT arrangements).

Subscription IT assets

A summary of subscription IT asset activity during the year ended June 30, 2023, is as follows:

	<i>Beginning Balances</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending Balances</i>
Subscription IT assets	\$ -	\$ 29,146	\$ -	\$ 29,146
Less accumulated amortization	-	(7,464)	-	(7,464)
Subscription IT assets, net	<u>\$ -</u>	<u>\$ 21,682</u>	<u>\$ -</u>	<u>\$ 21,682</u>

Subscription IT liabilities

A summary of changes in the related subscription IT liabilities during the year ended June 30, 2023, is as follows:

	<i>Beginning Balances</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending Balances</i>
Subscription IT liabilities	\$ -	\$ 29,146	\$ (8,451)	\$ 20,695

MARYLAND FOOD CENTER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

The subscriptions expire in 2026. The future minimum IT subscription payments are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 8,951	\$ 941	\$ 9,892
2025	9,386	506	9,892
2026	<u>2,358</u>	<u>52</u>	<u>2,410</u>
Totals	<u>\$ 20,695</u>	<u>\$ 1,499</u>	<u>\$ 22,194</u>

Variable subscription payments

Variable subscription payments, other than those payments that depend on an index or rate or are fixed in substance, are excluded from the measurement of the subscription IT liability. Such amounts are recognized as subscription expense in the period in which the obligation for those payments is incurred.

REQUIRED SUPPLEMENTARY INFORMATION

Maryland Food Center Authority
June 30, 2023
Schedule of Proportionate Share of Net Pension Liability
and Schedule of Pension Contributions

	2022	2021	2020	2019	2018	2017	2016	2015
The Authority's Proportion of the ERS Net Pension Liability	0.010%	0.011%	0.012%	0.012%	0.012%	0.009%	0.009%	0.008%
The Authority's Proportionate Share of the ERS Net Pension Liability	\$ 2,247,425	\$ 1,763,582	\$ 1,763,582	\$ 2,240,654	\$ 2,290,570	\$ 1,913,294	\$ 2,024,355	\$ 1,628,063
Authority's Covered-Employee Payroll	\$ 1,396,510	\$ 1,389,938	\$ 1,347,857	\$ 1,226,943	\$ 1,130,893	\$ 1,089,873	\$ 1,119,467	\$ 1,089,000
Authority's Proportionate Share of the Net Pension Liability (Assets) as a Percentage of its Covered-Employee Payroll	160.93%	126.88%	130.84%	182.62%	186.69%	166.55%	179.00%	149.38%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.77%	66.29%	66.29%	67.98%	69.38%	65.79%	65.79%	68.78%
This schedule is presented to illustrate the requirement to show information for 10 years; however, information prior to June 30, 2015 is not available.								

SCHEDULE OF PENSION CONTRIBUTIONS

	2023	2022	2021	2020	2019	2018	2017	2016
Contractually Required Contribution (ERS)	\$ 352,812	\$ 294,679	\$ 224,062	\$ 224,062	\$ 232,972	\$ 217,241	\$ 215,601	\$ 180,839
Contributions Related to the Contractually Required Contribution	(352,812)	(294,679)	(224,062)	(224,062)	(232,972)	(217,241)	(215,601)	(180,839)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's Covered-Employee Payroll	\$ 1,638,194	\$ 1,396,510	\$ 1,389,938	\$ 1,347,857	\$ 1,226,943	\$ 1,148,799	\$ 1,130,893	\$ 1,089,873
Contributions as a Percentage of Covered-Employee Payroll	21.54%	21.10%	16.12%	16.62%	18.99%	18.91%	19.06%	16.59%

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
SCHEDULE OF REVENUE AND EXPENSES
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

OPERATING REVENUE

Rental Revenue and Charges for Services	\$ 4,788,210
Lease Interest Revenue	964,084
Direct Finance Lease Interest Revenue	201,670
Other Income	167,442
Total Operating Revenue	<u>6,121,406</u>

OPERATING EXPENSES

Salaries, Wages, and Related Costs	2,639,028
Depreciation	1,145,801
Contractual Services	632,394
Taxes	323,687
Fuel and Utilities	90,452
Vehicle Operation	68,003
Technical and Special Fees	63,759
Fixed Charges	31,878
Communication	40,552
Supplies and Materials	44,148
Equipment Charges	10,039
Travel	5,776
Total Operating Expenses	<u>5,095,517</u>

OPERATING INCOME 1,025,889

NONOPERATING INCOME

Less: GASB 87 Rent Adjustment	<u>(367,363)</u>
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ADJUSTED OPERATING INCOME \$ 658,526

Note: The schedule only includes pension expense related to actual contributions to the plan. Pension expense related to the changes in deferred outflows and inflows of resources are not reflected in the schedule. This schedule also excludes the rent changes as a result of GASB 87 and Adjusted Operating Income only includes monthly rent actually collected and related to the actual lease.

MARYLAND FOOD CENTER AUTHORITY
SCHEDULE OF REVENUE AND EXPENSES
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

	Administrative Operating Accounts	Wholesale Produce Market Operating Accounts	Maryland Market Center Operating Accounts	Capital Improvements	Total
OPERATING REVENUE					
Rental Revenue and Charges for Services	2,653,592	1,112,769	551,789	-	4,318,150
Lease Interest Revenue	964,084	-	-	-	964,084
Direct Finance Lease Interest Revenue	201,670	-	-	-	201,670
Entrance Fees	-	348,228	113,852	-	462,080
Registration	-	4,990	2,000	-	6,990
Railroad	-	990	-	-	990
Miscellaneous	48,074	-	-	-	48,074
Other Income	119,353	-	15	-	119,368
Total Operating Revenue	3,986,773	1,466,977	667,656	-	6,121,406
OPERATING EXPENSES					
Salaries, Wages, and Related Costs	2,079,283	1,028,714	462,606	-	3,570,603
Depreciation	87,642	47,018	17,217	993,924	1,145,801
Contractual Services	225,387	205,060	105,310	96,637	632,394
Taxes	323,687	-	-	-	323,687
Fuel and Utilities	11,794	62,933	15,725	-	90,452
Vehicle Operation	1,624	49,296	17,083	-	68,003
Technical and Special Fees	25,082	20,105	18,572	-	63,759
Fixed Charges	5,340	19,509	7,029	-	31,878
Communication	16,910	12,862	10,780	-	40,552
Supplies and Materials	17,717	16,370	10,061	-	44,148
Equipment Charges	2,299	4,646	3,094	-	10,039
Travel	5,133	464	179	-	5,776
Total Operating Expenses	2,801,898	1,466,977	667,656	1,090,561	6,027,092
Operating Income (Loss)	1,184,875	-	-	(1,090,561)	94,314
NONOPERATING EXPENSE					
Gain on Sale of Equipment	27,350	-	-	-	27,350
Loss on Termination of Lease	(3,184)	-	-	-	(3,184)
Interest	579,996	-	-	-	579,996
Total Nonoperating Expenses	604,162	-	-	-	604,162
NET INCOME (LOSS)	<u>\$ 1,789,037</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,090,561)</u>	<u>\$ 698,476</u>