

**MARYLAND FOOD CENTER AUTHORITY
(A COMPONENT UNIT OF THE STATE OF MARYLAND)
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
JUNE 30, 2024**

MARYLAND FOOD CENTER AUTHORITY
JUNE 30, 2024
TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR’S REPORT	1 – 3
REQUIRED SUPPLEMENTARY INFORMATION	
• Management’s Discussion and Analysis	4 – 9
BASIC FINANCIAL STATEMENTS	
• Statement of Net Position	10 – 11
• Statement of Revenues, Expenses and Changes in Net Position	12
• Statement of Cash Flows	13
NOTES TO FINANCIAL STATEMENTS	14 – 28
REQUIRED SUPPLEMENTARY INFORMATION	
• Schedule of Proportionate Share of Net Pension Liability and Schedule of Pension Contributions	29
SUPPLEMENTARY INFORMATION	
• Schedule of Operating Revenue and Expenses	30
• Combining Schedule of Revenues and Expenses	31

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Maryland Food Center Authority
Jessup, Maryland

Opinion

We have audited the accompanying financial statements of the Maryland Food Center Authority (the Authority), which comprise the statement of net position as of June 30, 2024, 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 financial position of the Authority as of June 30, 2024, and the changes in its net position and its cash flows for the year then ended, in accordance 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 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 our 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, there were prior period accounting errors related to the net pension liability, resulting in an understatement of net position. As a result of these errors, the Authority has restated beginning net position by \$206,997 from \$35,386,563 to \$35,593,560. Our opinion is not modified with respect to this matter.

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 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.

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 ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities 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 generally accepted auditing standards 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards 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 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 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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, 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.

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 23, 2024 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

A handwritten signature in cursive script that reads "Lindsay Associates, LLC".

September 23, 2024

**MARYLAND FOOD CENTER AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

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, 2024 and 2023. 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, 2024**

CONDENSED FINANCIAL INFORMATION

Statements of Net Position

The following table provides data as of June 30, 2024 and 2023:

	2024	2023	Variance
Assets and deferred outflows			
Current assets	\$ 10,297,405	\$ 8,170,696	\$ 2,126,709
Current receivables	1,084,894	962,249	122,645
Current lease receivables	2,245,956	1,486,596	759,360
Noncurrent lease receivables	24,399,328	20,425,613	3,973,715
Other noncurrent assets	11,966	21,682	(9,716)
Net capital assets	24,011,304	24,890,714	(879,410)
Deferred outflows related to pension	842,426	681,909	160,517
Total assets and deferred outflows	<u>\$ 62,893,279</u>	<u>\$ 56,639,459</u>	<u>\$ 6,253,820</u>
Liabilities, deferred inflows and net position			
Liabilities			
Current liabilities	586,294	751,961	(165,667)
Noncurrent liabilities	3,429,534	2,714,439	715,095
Deferred inflows related to pension and lease receivables	21,654,717	17,786,496	3,868,221
Total liabilities and deferred inflows	<u>25,670,545</u>	<u>21,252,896</u>	<u>4,417,649</u>
NET POSITION			
Net investment in capital assets	24,011,304	24,890,714	(879,410)
Restricted	2,500,000	-	2,500,000
Unrestricted	10,711,430	10,495,849	215,581
TOTAL NET POSITION	<u>37,222,734</u>	<u>35,386,563</u>	<u>1,836,171</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 62,893,279</u>	<u>\$ 56,639,459</u>	<u>\$ 6,253,820</u>

The \$2,126,709 increase in current assets as of June 30, 2024, is mainly attributable to a total increase in Cash and Cash Equivalents of \$2,130,747. The Authority now receives 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 FY 24, interest rates significantly increased. The increase in Cash and Cash Equivalents is also as a result of the Authority not undertaking budgeted capital improvement projects in FY 24 thus resulting in a higher-than-expected cash balance.

The decrease in Net Capital Assets is as a result of fixed asset disposals and greater than prior year increases to accumulated depreciation.

The increase in Current Lease Receivables, Noncurrent Lease Receivables, and Deferred Inflows Related to Pension and Lease Receivables of \$759,360, \$3,973,715, and \$3,868,221 respectively, is mainly attributable to GASB 87, *Leases*, and the execution of multiple long-term leases.

**MARYLAND FOOD CENTER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

CONDENSED FINANCIAL INFORMATION (CONTINUED)

The increase of \$715,095 in Noncurrent Liabilities is mainly attributable to an increase in the Authority's proportionate share of the State of Maryland net pension liability.

The increase in Restricted Net Position is attributable to a Board of Director's restriction of cash for the Maryland Wholesale Produce Market expansion project.

Statements of Revenue, Expenses and Change in Net Position

The following table provides comparative data for the years ended June 30, 2024 and 2023:

	2024	2023	Variance
Operating Revenues			
Rental revenue/lease interest/direct finance lease	\$ 4,114,650	\$ 3,986,773	\$ 127,877
Service expense reimbursement revenue	2,303,262	2,134,633	168,629
Total Operating Revenues	<u>6,417,912</u>	<u>6,121,406</u>	<u>296,506</u>
Operating Expenses			
Operating expenses	3,384,453	3,892,459	(508,006)
Service reimbursement expenses	2,303,262	2,134,633	168,629
Total Operating Expenses	<u>5,687,715</u>	<u>6,027,092</u>	<u>(339,377)</u>
Operating income	730,197	94,314	635,883
Nonoperating revenue and expenses	898,977	604,162	294,815
Change in net position	<u>1,629,174</u>	<u>698,476</u>	<u>930,698</u>
Total Revenue	\$ 7,316,889	\$ 6,725,568	\$ 591,321
Total Expenses	<u>5,687,715</u>	<u>6,027,092</u>	<u>(339,377)</u>
Total Change in Net Position	<u>1,629,174</u>	<u>698,476</u>	<u>930,698</u>

Rental revenue/lease interest/direct finance lease increased by \$127,877 as a result of rent increases in leases which are tied to the consumer price index change.

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 \$168,629. This increase is primarily attributable to increased payroll costs due to employee merit and cost of living increases.

Operating Expenses decreased by \$508,006. This decrease is primarily attributable to a lower than prior year change in the Authority's proportionate share of the State of Maryland net pension liability.

**MARYLAND FOOD CENTER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

BUDGETARY HIGHLIGHTS

Operating Income increased by \$635,883. This increase is primary attributable to an increase in rent collected due consumer price index increases and a lower than prior year change in the Authority's proportionate share of the state of Maryland net pension liability.

Nonoperating Revenue and Expenses increased by \$294,815. This increase is primarily attributable to higher interest rates earned on monies held in the General Fund.

The overall financial position of the Authority is improved during the year ended June 30, 2024.

CONDENSED FINANCIAL INFORMATION (CONTINUED)

Statements of Revenue, Expenses and Change in Net Position (Continued)

The Authority does not budget for revenue. The Authority had a positive variance of \$543,685 from comparing actual to budgeted expenses for the year ended June 30, 2024.

	Original Budget	Final Budget	Actual;	Variance
Operating Expenses				
Salaries, wages and related costs	\$ 3,048,134	\$ 3,227,391	\$ 3,218,328	\$ 9,063
Depreciation	160,169	169,523	172,054	(2,531)
Contractual services	676,672	831,480	441,933	389,547
Taxes	310,000	330,000	306,533	23,467
Fuel and utilities	145,480	147,480	105,262	42,218
Vehicle operation	157,217	179,217	87,362	91,855
Technical and special fees	98,286	102,748	84,477	18,271
Fixed charges	35,739	35,739	29,022	6,717
Communication	53,730	54,230	29,395	24,835
Supplies and materials	74,650	74,650	55,851	18,799
Equipment and charges	73,200	73,200	8,117	65,083
Travel	69,550	82,050	14,674	67,376
Total assets and deferred outflows	<u>\$ 4,902,827</u>	<u>\$ 5,307,708</u>	<u>\$ 4,553,008</u>	<u>\$ 754,700</u>
Capital depreciation budget	1,582,626	1,290,913		
Capital improvement expense FY24	<u>(1,134,707)</u>	<u>(1,134,707)</u>		
Total liabilities and deferred inflows	<u>\$ 447,919</u>	<u>\$ 156,206</u>		

The positive variance for Contractual Services is due to a mild winter requiring limited snow removal activities at the Authority's facilities and less than anticipated usage of temporary labor. The positive variance for Vehicle Operations is a result of lower-than-expected fuel prices and the Authority's fleet of maintenance vehicles requiring less than anticipated repairs.

**MARYLAND FOOD CENTER AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

CAPITAL ASSTS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2024, and 2023, the Authority had capital assets of \$50,025,850 and \$ 49,817,171, net of accumulated depreciation of \$ 26,014,546 and \$24,926,457, for net capital assets of \$24,011,304 and \$ 24,890,714. This represents a decrease of \$879,410 as of June 30, 2024 from the prior year. The decrease is primarily due to fixed asset disposals and greater than prior year increases to accumulated depreciation.

Major additions (those greater than \$50,000) to capital assets during the year ended June 30, 2024 are as listed below:

MMC Roof Replacement	\$1,885,160
Produce Market Scrubber	62,341
MMC Market Scrubber	<u>62,341</u>
 Total	 \$2,009,842

ECONOMIC FACTORS

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

The MMC leases expire on June 30, 2027 or June 30, 2029, depending on the lease term selected by the tenant at lease inception. The MMC occupancy rate as of June 30, 2024 is 97%. The single vacant unit is schedule for renovation in FY 25.

Maryland Wholesale Produce Market (MWPM)

The MWPM leases expire on June 30, 2027 or June 30, 2029, depending on the lease term selected by the tenant at lease inception. The MWPM occupancy rate is 100% as of June 30, 2024.

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 a 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.

**MARYLAND FOOD CENTER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

The terms of the ground lease require monthly payments of \$11,044 per month, or \$132,528 per year, which began April 1, 2019 and increased to \$13,499 per month on April 1, 2024. 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 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, and increased to \$18,813 per month on November 1, 2023. 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, 2024

ASSETS

Current Assets

Cash and cash equivalents - unrestricted	\$ 10,296,927
Accounts receivable	1,084,894
Lease receivable - current portion	2,219,960
Accounts receivable - finance sale - current portion	25,996
Prepaid expenses	478
Total Current Assets	13,628,255

Noncurrent Assets

Lease receivable	20,127,253
Accrued interest - lease receivable	80,902
Accounts receivable - finance sale	4,191,173
Nondepreciable capital assets	6,479,465
Depreciable capital assets, net	17,531,839
<i>Total Capital Assets</i>	24,011,304
Subscription-based IT assets	11,966
<i>Total Noncurrent Assets</i>	48,422,598

TOTAL ASSETS	62,050,853
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DEFERRED OUTFLOWS OF RESOURCES	842,426
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TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 62,893,279
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The accompanying notes to these financial statements are an integral part of this statement.

MARYLAND FOOD CENTER AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2024

LIABILITIES

Current Liabilities

Accounts payable and accrued liabilities	\$ 127,147
Accrued payroll and related taxes	154,629
Unearned revenue	4,300
Accrued compensated absences, current portion	270,218
Accrued workers' compensation, current portion	30,000
Total Current Liabilities	586,294

Non-Current Liabilities

Accrued compensated absences	67,554
Accrued workers' compensation	170,000
Tenant deposits	214,077
Net pension liability	2,966,159
Subscription liability	11,744
Total Non-Current Liabilities	3,429,534

TOTAL LIABILITIES	4,015,828
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DEFERRED INFLOWS OF RESOURCES

Pensions	534,793
Lease receivable	21,119,924
	21,654,717

NET POSITION

Net investment in capital assets	24,011,304
Restricted	2,500,000
Unrestricted	10,711,430
TOTAL NET POSITION	37,222,734

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 62,893,279
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The accompanying notes to these financial statements are an integral part of this statement.

**MARYLAND FOOD CENTER AUTHORITY
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2024**

Operating Revenues	
Rental revenue and charges for services	\$ 4,989,144
Lease interest revenue	1,094,917
Direct finance lease interest revenue	200,923
Other income	132,928
Total Operating Revenues	<u>6,417,912</u>
Operating Expenses	
Salaries, wages, and related costs	3,218,328
Depreciation	1,269,119
Contractual services	479,575
Taxes	306,533
Fuel and utilities	105,262
Vehicle operation	87,362
Technical and special fees	84,477
Fixed charges	29,022
Communication	29,395
Supplies and materials	55,851
Equipment charges	8,117
Travel	14,674
Total Operating Expenses	<u>5,687,715</u>
Operating Income	730,197
Non-Operating Revenues (Expenses)	
Loss on sale of equipment	(231)
Loss on termination of lease	(11,279)
Interest income on funds held in general fund	910,487
Total Non-Operating Revenues (Expenses)	<u>898,977</u>
Change in Net Position	1,629,174
Net Position, beginning of the year - restated	<u>35,593,560</u>
Net Position, end of the year	<u><u>\$ 37,222,734</u></u>

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

**MARYLAND FOOD CENTER AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024**

Cash flows from operating activities	
Receipts from customers	\$ 5,801,841
Payments to suppliers	(979,521)
Payments to employees and related	(3,200,942)
Net cash provided (used) by operating activities	<u>1,621,378</u>
Cash flows from investing activities	
Loss on termination of lease	(11,279)
Interest received	910,487
Net cash provided by investing activities	<u>899,208</u>
Cash flows from capital and related financing activities	
Loss on sale of equipment	(231)
Purchase of capital assets	(389,608)
Net cash provided (used) by capital and related financing activities	<u>(389,839)</u>
Net increase (decrease) in cash and cash equivalents	2,130,747
Cash and cash equivalents at beginning of year	<u>8,166,180</u>
Cash and cash equivalents at end of year	<u>\$ 10,296,927</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 730,197
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Effects of non-cash items:	
Depreciation expense	1,269,119
Gain/loss on sale of equipment	
Effects of changes in operating assets, deferred outflows, liabilities and deferred inflows:	
Decrease/(increase) in accounts receivable	(122,645)
Decrease/(increase) in lease receivable - current portion	(754,608)
Decrease/(increase) in accounts receivable - finance sale - current portion	(4,752)
Decrease/(increase) in prepaid expenses	4,038
Decrease/(increase) in lease receivable	(3,995,964)
Decrease/(increase) in accrued interest - lease receivable	(3,746)
Decrease/(increase) in accounts receivable - finance sale - long term	25,995
Decrease/(increase) in subscription-based IT assets	9,716
Decrease/(increase) in deferred outflows related to pension	(160,517)
Increase/(decrease) in accounts payable & accrued liabilities	(85,837)
Increase/(decrease) in accrued payroll and related taxes	29,507
Increase/(decrease) in unearned revenue	(140,991)
Increase/(decrease) in accrued compensated absences	39,566
Increase/(decrease) in subscription liability	(8,951)
Increase/(decrease) in tenant deposits	(2,600)
Increase/(decrease) in net pension liability	925,630
Increase/(decrease) in deferred inflows - pensions	(510,267)
Increase/(decrease) in deferred inflows lease receivable	<u>4,378,488</u>
Cash provided (used) by operating activities	<u>\$ 1,621,378</u>

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

MARYLAND FOOD CENTER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

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 –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.

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

MARYLAND FOOD CENTER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2 –SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. 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.

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.

MARYLAND FOOD CENTER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2 –SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2024, 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.

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.

MARYLAND FOOD CENTER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2 –SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prior Period Accounting Error

There was a prior period accounting error relating to the net pension liability. As a result of this error, the Authority has restated beginning net position by \$206,997 from \$35,386,563 to \$35,593,560.

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash on Hand

As of June 30, 2024, petty cash on-hand totaled \$3,000, and gate receipts not yet deposited totaled \$455, for total cash on hand of \$3,455.

Deposits

As of June 30, 2024, the carrying amount of the Authority's deposits at the bank balance was \$10,293,472. The deposits of the Authority were not exposed to custodial credit risk as of June 30, 2024, 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, 2024

NOTE 4 – CAPITAL ASSETS AND DEPRECIATION

A summary of changes in capital assets is as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital Assets, Nondepreciable					
Land	\$ 1,228,688	\$ -	\$ -	\$ -	\$ 1,228,688
Land held for development	2,227,404	-	-	-	2,227,404
Construction in progress	4,764,848	112,732	-	(1,854,207)	3,023,373
Total Capital Assets, Nondepreciable	8,220,940	112,732	-	(1,854,207)	6,479,465
Capital Assets, Depreciable					
Building and Improvements					
Henry Hein building and other	1,008,310	37,651	(2,314)	-	1,043,647
Wholesale Produce Market	20,625,728	38,499	-	-	20,664,227
Maryland Market Center	13,016,421	33,288	-	1,854,207	14,903,916
Storm water management pond	208,847	-	-	-	208,847
Truck wash	1,140,587	7,269	-	-	1,147,856
Cross dock	2,512,479	-	-	-	2,512,479
Rock Hall Clam House	1,168,055	9,348	-	-	1,177,403
Total building and improvements	39,680,427	126,055	(2,314)	1,854,207	41,658,375
Equipment - administrative	378,289	16,106	(1,655)	-	392,740
Equipment - produce and seafood	1,537,515	135,048	(177,293)	-	1,495,270
Total Capital Assets, Depreciable	49,817,171	389,941	(181,262)	-	50,025,850
Accumulated Depreciation					
Buildings and improvements	(23,363,684)	(1,152,513)	2,082	-	(24,514,115)
Equipment - administrative	(154,934)	(44,952)	1,655	-	(198,231)
Equipment - produce and seafood	(1,407,839)	(71,654)	177,293	-	(1,302,200)
Total Accumulated Depreciation	(24,926,457)	(1,269,119)	181,030	-	(26,014,546)
Total Capital Assets, Net	\$ 24,890,714	\$ (879,178)	\$ (232)	\$ -	\$ 24,011,304

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, 2024

NOTE 5 – LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended June 30, 2024 are as follows:

	Beginning Balances	Additions	Reductions	Ending Balances	Due Within One Year
Compensated absences	\$ 298,206	\$ 39,566	\$ -	\$ 337,772	\$ 270,218
Workers' compensation	200,000	-	-	200,000	30,000
Tenant deposits	216,677	-	2,600	214,077	-
Net pension liability	2,040,529	925,630	-	2,966,159	-
Other liabilities	20,695	-	8,951	11,744	-
	<u>\$ 2,776,107</u>	<u>\$ 965,196</u>	<u>\$ 11,551</u>	<u>\$ 3,729,752</u>	<u>\$ 300,218</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, 2024. As of June 30, 2024, 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 2024 and 2023 were \$32,606 and \$27,720, respectively.

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

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

MARYLAND FOOD CENTER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

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

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, 2024, the Authority recognized \$4,463,7889 and \$1,094,917 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
2025	\$ 2,219,960	\$ 1,004,194	\$ 3,224,154
2026	2,312,969	897,385	3,210,354
2027	2,397,900	785,023	3,182,923
2028	896,268	710,416	1,606,684
2029	939,780	666,904	1,606,684
2030-2034	20,717	3,232,427	3,253,144
2035-2039	164,211	3,211,094	3,375,305
2040-2044	352,985	3,150,589	3,503,574
2045-2049	375,106	3,046,239	3,421,345
2050-2054	(56,250)	3,025,998	2,969,748
2055-2059	96,387	3,021,848	3,118,235
2060-2064	298,235	2,975,912	3,274,147
2065-2069	562,877	2,874,977	3,437,854
2070-2074	907,549	2,702,198	3,609,747
2075-2079	1,354,121	2,436,114	3,790,235
2080-2084	1,930,332	2,049,414	3,979,746
2085-2089	2,671,368	1,507,365	4,178,733
2090-2094	3,621,854	765,816	4,387,670
2095-2099	1,361,744	48,957	1,410,701
Total	<u>\$ 22,428,113</u>	<u>\$ 38,112,870</u>	<u>\$ 60,540,983</u>

MARYLAND FOOD CENTER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

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, 2024 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, 2024

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.

MARYLAND FOOD CENTER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 8 – RETIREMENT PLAN (CONTINUED)

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, 2024 was \$394,047, 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.

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

As of June 30, 2024, the Authority reported a liability of \$2,966,259 for its proportionate share of the ERS net pension liability. The ERS net pension liability was measured as of June 30, 2023, 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, 2024, the Authority’s proportion for ERS was 0.01% compared to 0.01% percentage as of June 30, 2023.

For the year ended June 30, 2024, the Authority recognized pension expense of \$254,946. As of June 30, 2024, the Authority reported deferred outflows of resources and deferred inflows of resources related to ERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 96,320
Net difference between project and actual earnings on pension plan investments	163,044	8,999
Net difference between actual and expected experience	-	425,597
Change in proportion	288,518	3,877
Contributions subsequent to the measurement date	390,864	-
Total	\$ 842,426	\$ 534,793

MARYLAND FOOD CENTER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 8 – RETIREMENT PLAN (CONTINUED)

As of June 30, 2024, \$390,864 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ERS will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	<u>Amount</u>
2025	\$ 108,068
2026	20,739
2027	387,785
2028	103,867
Thereafter	<u>(142,848)</u>
Total	<u>\$ 477,611</u>

Information Included in the MSRPS Financial Statements

The key assumptions used to perform the June 30, 2023, pension liability calculation was as follows:

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Inflation	2.25% General, 2.75% Wage.
Salary Increase	2.75% to 11.25%.
Discount Rate	6.80% in 2023 and 2022
Investment Rate of Return	6.80% in 2023 and 2022
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/.

MARYLAND FOOD CENTER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 8 – RETIREMENT PLAN (CONTINUED)

Sensitivity of the Authority’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The Authority’s proportionate share of the ERS net pension liability calculated using the discount rate of 6.80% is \$2,966,259. 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, 2024

NOTE 9 – OTHER POST-EMPLOYMENT 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 \$179,849 to the retirees' postemployment benefits for the fiscal year ended June 30, 2024, which was based on the retiree's current health insurance premiums. As of June 30, 2024, the state of Maryland did not allocate the net postemployment liability and, as such, the Authority is not required to record a liability.

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>

MARYLAND FOOD CENTER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

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, 2024, is as follows:

	Beginning Balances	Additions	Reductions	Ending Balances
Subscription IT assets	\$ 29,146	\$ -	\$ -	\$ 29,146
Less: accumulated amortization	(7,464)	(9,716)	-	(17,180)
Subscription IT assets, net	\$ 21,682	\$ (9,716)	\$ -	\$ 11,966

Subscription IT liabilities

A summary of changes in the related subscription IT liabilities during the year ended June 30, 2024, is as follows:

	Beginning Balances	Additions	Reductions	Ending Balances
Subscription IT liabilities	\$ 20,695	\$ -	\$ (8,951)	\$ 11,744

MARYLAND FOOD CENTER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 23, 2024, the date that the financial statements were available to be issued. No significant subsequent events have been identified that would require adjustment of or disclosure in the accompanying financial statements.

MARYLAND FOOD CENTER AUTHORITY
June 30, 2024
*Schedule of Proportionate Share of Net Pension Liability
and Schedule of Pension Contributions*

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the ERS net pension liability	0.010%	0.010%	0.011%	0.012%	0.012%	0.012%	0.009%	0.009%	0.008%
Proportionate share of the ERS net pension liability	\$ 2,966,159	\$ 2,247,425	\$ 1,763,582	\$ 1,763,582	\$ 2,240,654	\$ 2,290,570	\$ 1,913,294	\$ 2,024,355	\$ 1,628,063
Covered-employee payroll	\$ 1,638,194	\$ 1,396,510	\$ 1,389,938	\$ 1,347,857	\$ 1,226,943	\$ 1,130,893	\$ 1,089,873	\$ 1,119,467	\$ 1,089,000
Proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll	181.06%	160.93%	126.88%	130.84%	182.62%	202.55%	175.55%	180.83%	149.50%
Plan fiduciary net position as a percentage of the total pension liability	76.77%	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, the information prior to June 30, 2015 is not available.

SCHEDULE OF PENSION CONTRIBUTIONS

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution (ERS)	\$ 390,864	\$ 352,812	\$ 294,679	\$ 224,062	\$ 224,062	\$ 232,972	\$ 217,241	\$ 215,601	\$ 180,839
Contributions related to the contractually required contribution	<u>(390,864)</u>	<u>(352,812)</u>	<u>(294,679)</u>	<u>(224,062)</u>	<u>(224,062)</u>	<u>(232,972)</u>	<u>(217,241)</u>	<u>(215,601)</u>	<u>(180,839)</u>
Contribution deficiency (excess)	<u>-</u>								
Covered-employee payroll	\$ 1,638,194	\$ 1,638,194	\$ 1,396,510	\$ 1,389,938	\$ 1,347,857	\$ 1,226,943	\$ 1,130,893	\$ 1,089,873	\$ 1,119,467
Contributions as a percentage of covered-employee payroll	23.86%	21.54%	21.10%	16.12%	16.62%	18.99%	19.21%	19.78%	16.15%

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

SUPPLEMENTARY INFORMATION

**MARYLAND FOOD CENTER AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES
YEAR ENDED JUNE 30, 2024
(SEE INDEPENDENT AUDITOR'S REPORT)**

Operating Revenues	
Rental revenue and charges for services	\$ 4,989,144
Lease interest revenue	1,094,917
Direct finance lease interest revenue	200,923
Other income	132,928
Total Operating Revenues	<u>6,417,912</u>
Operating Expenses	
Salaries, wages, and related costs	2,963,382
Depreciation	1,269,119
Contractual services	479,575
Taxes	306,533
Fuel and utilities	105,262
Vehicle operation	87,362
Technical and special fees	84,477
Fixed charges	29,022
Communication	29,395
Supplies and materials	55,851
Equipment charges	8,117
Travel	14,674
Total Operating Expenses	<u>5,432,769</u>
Operating Income	985,143
Less: GASB87 rent adjustment	<u>(354,586)</u>
Adjusted Operating Income	<u>630,557</u>

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 GASB87 and Adjusted Operating Income only includes monthly rent actually collected and related to the actual lease.

MARYLAND FOOD CENTER AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES
YEAR ENDED JUNE 30, 2024
(SEE INDEPENDENT AUDITOR'S 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	\$ 2,641,308	\$ 1,157,704	\$ 664,777	\$ -	\$ 4,463,789
Lease interest revenue	1,094,917	-	-	-	1,094,917
Direct finance lease interest revenue	200,923	-	-	-	200,923
Entrance fees	-	373,393	104,322	-	477,715
Registration	-	170	-	-	170
Railroad	-	2,160	-	-	2,160
Miscellaneous	45,310	-	-	-	45,310
Other income	132,192	570	166	-	132,928
Total operating revenue	\$ 4,114,650	\$ 1,533,997	\$ 769,265	\$ -	\$ 6,417,912
Operating Expenses					
Salaries, wages, and related costs	1,610,070	1,047,880	560,378	-	3,218,328
Depreciation	108,022	44,822	19,210	1,097,065	1,269,119
Contractual services	128,135	221,120	92,678	37,642	479,575
Taxes	306,533	-	-	-	306,533
Fuel and utilities	15,355	69,631	20,276	-	105,262
Vehicle operation	5,677	59,193	22,492	-	87,362
Technical and special fees	32,386	26,821	25,270	-	84,477
Fixed charges	5,296	17,402	6,324	-	29,022
Communication	12,082	10,123	7,190	-	29,395
Supplies and materials	16,452	28,318	11,081	-	55,851
Equipment charges	977	5,150	1,990	-	8,117
Travel	8,761	3,537	2,376	-	14,674
Total Operating Expenses	2,249,746	1,533,997	769,265	1,134,707	5,687,715
Operating Income (Loss)	1,864,904	-	-	(1,134,707)	730,197
Nonoperating Revenue (Expense)					
Loss on sale of equipment	(231)	-	-	-	(231)
Loss on termination of lease	(11,279)	-	-	-	(11,279)
Interest income on funds held in general fund	910,487	-	-	-	910,487
Total Nonoperating Revenue (Expenses)	898,977	-	-	-	898,977
Net Income (Loss)	\$ 2,763,881	\$ -	\$ -	\$ (1,134,707)	\$ 1,629,174

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Maryland Agricultural and Resource-Based
Industry Development Corporation

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Maryland Agricultural and Resource-Based Industry Development Corporation (“MARBIDCO”), which comprise the statement of net position as of June 30, 2023, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated September 12, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MARBIDCO’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MARBIDCO’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of MARBIDCO’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MARBIDCO's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, with which noncompliance could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MARBIDCO's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MARBIDCO's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Lindsey's Associates, LLC".

October 17, 2023

Lindsey + Associates

Lindsey + Associates LLC
Certified Public Accountants

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