



2018 Annual Review



The Maryland Stadium Authority (MSA) completed another successful year with projects, studies and promotions all across the State delivered on time, on budget. By partnering with other State, city and county agencies, MSA's activities provide enjoyment, enrichment, education and business opportunities for citizens and visitors.

Camden Yards Sports Complex (CYSC)

On Earth Day 2018, MSA and the Baltimore Orioles announced that after a multi-year effort of research and enhancements, the U.S. Green Building Council awarded Oriole Park at Camden Yards with Leadership in Energy and Environmental Design (LEED) Gold certification for an Existing Building. Oriole Park and the accompanying B&O Warehouse, which was awarded with LEED Silver®, demonstrate year-round sustainable activities and practices including waste management, recycling, paperless tickets, and reduced energy usage and electrical consumption. The LEED certification project, fully funded by MSA, supports Maryland's commitment to sustainability.

M&T Bank Stadium approached its 20th year with ongoing renovations self-funded by the Baltimore Ravens plus infrastructure improvements by the MSA. The three year, \$120 million project aims to deliver unmatched fan entertainment with larger than life high resolution video boards, end zone and corner sky suites, new sound system, swift escalator service to all levels, upgraded Wi-Fi, plus convenient digital ticketing and Flock Friendly Food Fare.



Chairman Kelso accepting LEED Gold® Award Plaque

21st Century School Buildings Program

The 21st Century School Buildings Program continues to create inspiring educational and recreational environments in Baltimore City. MSA expects to build or renovate 26 - 28 schools in this historic billion dollar building program that may serve as catalysts for urban renewal and local employment. MSA is delighted that many of these schools have already received environmental, engineering and design awards. The program is scheduled to be substantially complete in 2021.

In Summer 2017, the first two schools, Fort Worthington Elementary/Middle and Frederick Elementary opened with national media attention and local celebration. Both school have received LEED certification- Fort Worthington LEED Gold®, and Frederick LEED Silver®. Additionally, Fort Worthington received the Baltimore Business Journal, Best In Real Estate, New Construction award.

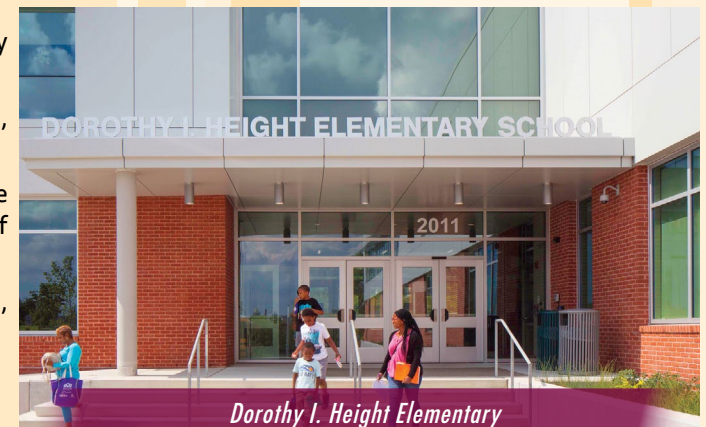
In Winter 2017, two more schools, Dorothy I. Height Elementary and Wildwood Elementary/Middle (formerly Lyndhurst) were completed with Spring Break 2018 move dates; both are LEED Gold®.

In Summer 2018, a major groundbreaking ceremony was hosted for the modernization of Calvin M. Rodwell, Bay-Brook, John Ruhrah, Arlington, and Fairmount Harford (REACH! Partnership) school buildings.

Five schools, Pimlico Elementary/Middle, Arundel Elementary, Cherry Hill Elementary/Middle, Robert Poole Building and Forest Park High were completed with community ribbon-cuttings in advance of the first day of fall classes. The school buildings are anticipated to receive LEED Gold® or Silver® certification.

To date, nine schools have been completed, five schools are under construction, five schools are in design, and nine schools are in the planning, procurement, and/or approval phases.

Looking ahead to 2019, openings are scheduled of the Fairmount Harford Building and Arlington Elementary School projects.



Dorothy I. Height Elementary

Capital Projects & Studies

MSA conducts feasibility studies, manages project design and oversees construction management throughout Maryland. MSA's studies can give local officials the additional information they may need to make informed decisions about investment and return for their communities and constituents.

Pimlico Race Course Study, Phases 1 & 2

At the request of the Department of Labor, License and Regulation (DLLR) and the Maryland Racing Commission (MRC), MSA has overseen a two-phase study by Crossroads Consulting Services LLC with Populous, to evaluate Pimlico's ability to serve as the long-term home for the Preakness Stakes.

Phase 1

In Phase 1, released in February 2017, the study's authors concluded that while the physical condition of the facilities at Pimlico presents significant challenges, there does not appear to be situational factors such as location, accessibility, the surrounding neighborhood, etc. that would preclude Pimlico from remaining the long-term home of the Preakness Stakes.

Phase 2

Phase 2, released in December 2018, identified potential development options that would not only create an optimal venue for the Preakness Stakes and analyzed potential non-racing land use opportunities which support year-round use of the site.

MSA and its study partners collaborated with the Maryland Jockey Club (MJC) and The Stronach Group (TSG) to develop a detailed program (the "Preakness Program") of seating and hospitality products considered to be ideal for hosting the Preakness Stakes. They then utilized the Preakness Program quantities and the price points established by MJC/TSG to estimate the economic and fiscal benefits associated with running the Preakness Stakes at Pimlico Race Course.

The conclusions of the study were developed through a series of planning workshops and public meetings, as well as, an extensive analysis of demographic and socioeconomic data, the residential market, commuting patterns, residential and commercial space inventories, vacancy rates, available tax incentives and other marketability factors.

The study's concept plan suggests demolition and removal of all existing structures on the site, including the tracks, infield, grandstand, clubhouse, equestrian barns and associated infrastructure. The tracks and infield would be reconstructed and realigned to encourage potential private development around the perimeter of the site. A new 15/16-mile dirt track and 7/8 turf track would be constructed. In addition, the concept plan includes a new permanent four-level Multi-Use Clubhouse and plaza referred to as the Palio. The concept plan also includes site and infrastructure improvements including on / off-site utilities and roadways.

The order of magnitude of cost estimate for minimum capital improvements is approximately \$424 million. Estimated construction duration is approximately 3 years.

The site is divided into four districts around the track with potential non-racing land use opportunities identified for each which may include mixed-use development, hotel, structured parking, residential and retail.



Concept: Minimum Racing components with Race Day overlay

Additional non-racing land uses of improvements in the infield and Multi-Use Clubhouse could include athletic events, museum with café, off-track betting, conferences/banquets/social and civic events, eSports, outdoor public concerts, festivals and markets.

A logical next step in the planning process is for key stakeholders including MJC/TSG, the State and the City to agree to execute a formal agreement to enter into future negotiations.

Baltimore City Convention Center Renovation / Expansion Study- Phase 1 & 2

At the request of the City of Baltimore, MSA managed the Baltimore City Convention Center (BCCC) Phase 1 study to evaluate venue combinations of a convention center, hotel and arena. Building upon the Phase 1 study's recommended BCCC expansion and renovation with a new hotel, Phase 2 will outline preliminary design and a cost estimate. The Phase 2 study is underway.

Baltimore State Center Alternative Land Use Study

Maryland Department of General Services' requested MSA to oversee a multi-step solicitation, which would engage the private sector in the development of the State Center site. The first, of a three step process, the expression of interest, has started and the responses are under review.

Capital Projects & Studies *Continued*

Circuit Court of Baltimore City Study of Alternate Use Programs

The Baltimore City Administrative Judge requested MSA to conduct research and analysis of potential alternative uses for the Circuit Court Complex. The final draft is under review.

Fair Hill Special Event Zone

The Maryland Department of Natural Resources requested MSA provide design and engineering services for site improvements at Fair Hill Natural Resources Management Area in anticipation of hosting a premier CCI5* three-day (equestrian) eventing competition. In addition to the State's investment, funds are being raised through the Fair Hill Foundation, Inc.

Hagerstown MiLB Ballpark – Market and Site Assessment

The City of Hagerstown requested MSA to manage a preliminary due diligence, market analysis, facility programing and site assessment study for a proposed new minor league ballpark. The study is now underway.

MDOT MTA / MARC Camden Station Replacement Project

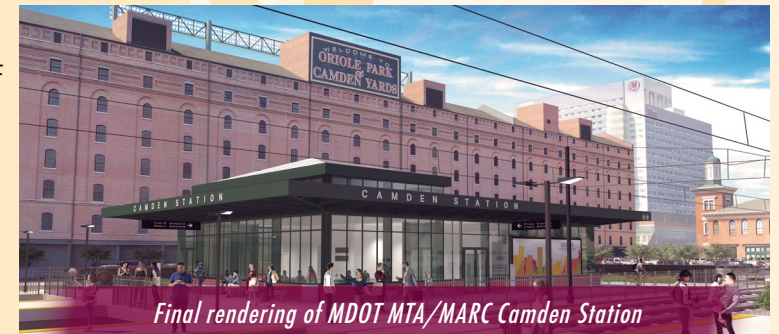
The Maryland Transit Administration (MDOT MTA) requested MSA perform project management services to redevelop the MARC Camden Station located on the east side of the Warehouse. The project, fully funded by MDOT MTA, is underway.

New Pedestrian Bridge North Bethesda Conference Center Parking Structure

Upon completion of the parking structure, Montgomery County requested MSA design and construct a pedestrian bridge to connect the garage to the conference center with remaining funds. The project is under construction.

Ocean City Convention Center Expansion

Governor Hogan authorized MSA, in conjunction with the Town of Ocean City, to move forward with funding the final phase of the addition and renovation of the [Roland E. Powell Ocean City Convention Center](#). MSA anticipates receiving approval of funding to complete the design and construction of the expansion project.



Project C.O.R.E.

Project C.O.R.E. (or Creating Opportunities for Renewal and Enterprise) is a partnership between the Maryland Department of Housing and Community Development, Housing Authority of Baltimore City (HABC) with the MSA to demolish, deconstruct or stabilize vacant and derelict buildings in Baltimore and replace them with green space, residential or commercial use projects, parks and other redevelopment that serves the needs of the community. In October 2017, Governor Hogan recognized the Project C.O.R.E. milestone of ***more than 1,000 blighted units removed collectively*** by HABC and MSA. In March 2018, Governor Hogan announced that the next phase of Project C.O.R.E. demolitions will prioritize removal of properties the State and City consider to be significant, contributing factors to crime in Baltimore.



Maryland Sports

Maryland's Sports Commission enhances Maryland's economy, image and quality of life through the attraction promotion, retention and development of sporting events, small and large. Maryland Sports works alongside county partners ([TEAM Maryland](#)), national governing bodies, venues, various sports groups and municipalities to enhance sport tourism throughout the state ([FY18 Results: 348+ events impacted, generating over \\$194.6 million in direct spending](#)).

Sport Business Recruitment

Maryland Sports partnered with US Lacrosse and Visit Baltimore to produce a winning bid for the [2021 FIL Women's World Cup](#); the event will be held at Towson University in June 2021.

The [2026 FIFA World Cup™](#) is also being pursued by Maryland Sports, as they secured a spot for Baltimore in the winning North American effort to host the event in 2026. A decision on future match and ancillary event sites to be made in late 2020.

Maryland Sports along with multiple stakeholders won the from the United States Equestrian Federation to host next [CCI4*](#) (Concours Complet International) - a prestigious eventing competition - at Fair Hill. After a small delay on the international level to reevaluate the star system of equestrian events, the group was officially awarded the next/newest CCI5* by FEI (International Federation for Equestrian) in the spring of 2018. The inaugural [CCI5*](#) will be held in October 2020.

Maryland Sports Youth & Amateur Sports Grant Program

Maryland Sports and TEAM Maryland partners fought hard during the 2018 legislative session to ensure that the [Maryland Sports Youth & Amateur Sports Grant Program](#) (\$350k) was funded in the BRFA. TEAM Maryland partners, Event Rights Holders, National Governing Bodies and other key stakeholders ended FY18 in preparation of the inaugural launch of the much anticipated program. The program collected 40+ applications requesting over \$500k; 32 applications met the criteria, were approved and have received funds. The [funds awarded represent the potential of over \\$50 million in direct spending on Maryland's economy](#).

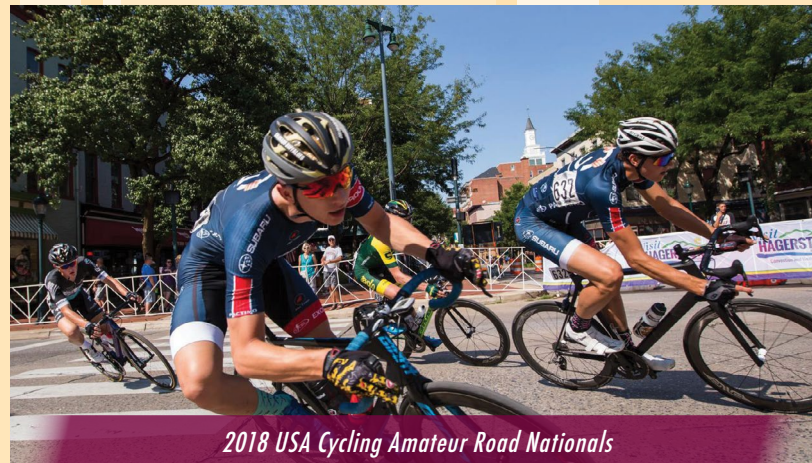
Sport Tourism Event Hosting

Maryland Sports successfully co-hosted the [2018 USA Cycling Amateur Road National Championships](#) with Visit Hagerstown-Washington County CVB this past July. The event was made possible by the [Maryland Sports Youth & Amateur Sports Grant Program](#) and will return in June 2019. The 2018 event won the Maryland Tourism Coalition's Visionary Impact Award at the Maryland Tourism & Travel Summit (MTTS).

The [Star Worlds Championship](#) traveled to Oxford in October 2018 with Maryland Sports as a sponsor of the world class sailing event with over 13 countries represented. [IRONMAN Maryland](#) in Cambridge, which signed a five year extension to continue it Maryland, ranks very competitively annually as the [#1 in overall global athlete satisfaction](#) along with top 10 rankings in best post-race celebration, best overall bike, best host city experience and more.

Maryland Sports created an event that they own and operate, the [Maryland Sports Spelling Bee](#). In partnership with the Scripps National Spelling Bee in National Harbor, the Maryland Sports Spelling Bee was created to serve as a qualifying spelling bee for 10 counties and the City of Annapolis. The winner of the event went on to compete at the national event, one of 11 students to represent Maryland. The goal of the Maryland Sports Spelling Bee to allow every student across the state to participate in the Scripps program, ultimately have at least one school from each county participate and enhance Maryland's presence at the national event.

Other events Maryland Sports significantly impacted: Governor's Challenge ([largest high school holiday basketball tournament in the country](#)), 10k Across the Bay, Preakness, Dutta Corp. CCI3/2*Fair Hill International, SAC Columbia Invitational, US Quidditch Mid-Atlantic Championships, USSSA Eastern World Series, FLW Tournament, Athlex Baseball Nationals, USA Fencing 2018 Women's Sabre World Cup, USA Field Hockey National Summit, US Lacrosse LAXCON, Baltimore and Frederick Running Festivals and more.



Looking ahead to May, [NCAA Women's Lacrosse National Championship](#) is returning to Maryland for the next 4 years. Maryland Sports and their TEAM Maryland partners strive for and continue to pursue excellence in the sport tourism industry annually impacting ALL of Maryland through sports. #MDSportTourism

Public Safety and Security

MSA is committed to providing a safe and secure environment for all who visit the CYSC. MSA's Department of Public Safety and Security conducts *tabletop exercises to test the emergency preparedness* and response of federal, state and local public safety agencies, as well as our private sector partners during a crisis at the CYSC. Recurring training is offered for MSA staff and tenants such as Maryland Department of Health's Opioid Overdose Response, University of Maryland Medical Center's Shock Trauma "*Stop the Bleed*", and Maryland State Police's Civilian Response to Active Shooter Events. While the MSA does not release specifics about security, we proactively reassess our practices and make the necessary investments and improvements.

Awards

This year our agency's trophy case grew exponentially, as employees, events, projects and stadiums were highlighted with multiple awards.

2018 USA Cycling Amateur Road Nationals: Maryland Tourism Council *Visionary Impact & Sports Destination Management* **2018 Champions of Economic Impact in Sports Tourism**

Ashley Harper Cottrell, Project Manager, Maryland Sports/Creative & Web Manager, MSA: **2018 Connect Sports Game Changers & 2018 Daily Record Leading Women**

Dorothy I. Height Elementary School: AIA Baltimore & the Baltimore Architecture Foundation **2018 Social Equity Award**

Governor's Challenge: Sports Destination Management **2018 Champions of Economic Impact in Sports Tourism**

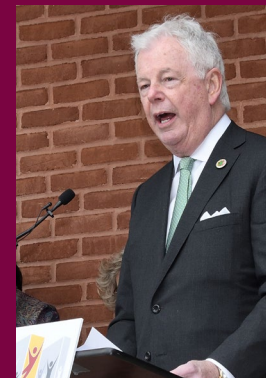
Lisa Johnson, Manager, Compliance & Procurement: Maryland Minority Contractors Association **2018 HONOREE Minority Outreach.**



In closing, whenever the MSA is asked to take on projects and studies our response is “we are here to serve”. It is our pleasure to serve the citizens of Maryland as we *plan, finance, build and manage* innovative educational and entertainment facilities to the benefit of present and future generations.

Thomas Kelso, Chairman

Michael Frenz, Executive Director



Thomas Kelso



Michael Frenz

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS



SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

Report on the Financial Statements

We have audited the statement of net position of the Maryland Stadium Authority (the Authority), a component unit of the State of Maryland, as of June 30, 2018, 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, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Authority's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls

relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2018, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 the schedule of 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The combining schedule of contributions from primary government and the combining schedule of revenue, expenses, and changes in net position are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

SB & Company, LLC
Hunt Valley, Maryland

October 1, 2018

Management's Discussion and Analysis

Overview of the Financial Statements and Financial Analysis

The Maryland Stadium Authority (the Authority), a component unit of the State of Maryland, is honored to present the fiscal year 2018 financial statements with fiscal year 2017, for comparative purposes. The Authority's responsibilities include operation of the baseball and football stadiums, the B&O Warehouse, and Camden Station located at Camden Yards, oversight of several convention centers, assistance in the construction of replacement and renovation of Baltimore City Public Schools, and construction management for various projects throughout the State of Maryland.

There are three financial statements presented for the reader: the Statement of Net Position; the Statement of Revenue, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

Statement of Net Position

The Authority's Statement of Net Position presents the assets, liabilities, and the net position of the Authority as of June 30, 2018. The Statement of Net Position provides the reader with a financial picture of the Authority's assets and deferred outflows (current and noncurrent), liabilities and deferred inflows (current and noncurrent), and net position (assets and deferred outflows minus liabilities and deferred inflows) or the financial position of the Authority at the end of the fiscal year.

From the information presented, the user of the Statement of Net Position is able to determine the assets available for the continuing operations of the Authority. The user is also able to determine what cash and cash equivalents are available and the amounts owed to and by the Authority. The purpose of the Statement of Net Position is to show the user what is available for the future needs of the Authority.

The net position is divided into four categories. The first category, "net investment in capital assets," reflects the Authority's investment in furniture, equipment and facility rights, net of debt. The second category, "restricted for debt service," represents funds held by the Authority with the restricted purpose of paying debt service on the outstanding bonds. The third category, "restricted for capital assets," is funds available for use on specific projects only. The final category, "unrestricted," is available funds held by the Comptroller's Office at the State of Maryland less the liability related to the interest rate swaps.

Below is a comparison of the Statements of Net Position as of June 30, 2018 and 2017:

	2018	2017
ASSETS AND DEFERRED OUTFLOWS		
Current assets	\$ 701,660,351	\$ 396,224,940
Capital assets, Net	68,518,108	80,012,562
Other noncurrent assets and deferred outflows	71,344,375	91,599,420
Total Assets and Deferred Outflows	841,522,834	567,836,922
LIABILITIES AND DEFERRED INFLOWS		
Current liabilities	120,380,274	130,782,183
Noncurrent liabilities and deferred inflows	940,956,064	496,669,551
Total Liabilities and Deferred Inflows	1,061,336,338	627,451,734
NET POSITION		
Net investment in capital assets	50,691,782	57,796,779
Restricted for debt service	2,303,000	2,264,880
Unrestricted	(272,808,286)	(119,676,472)
Total Net Position	\$ (219,813,504)	\$ (59,614,813)

During the fiscal year 2018, total assets and deferred outflows for the Authority increased from the prior year by approximately \$273.7 million, mainly due to: 1) cash, cash equivalents and restricted investments increased by approximately \$302.5 million as a result of a decrease of \$3.8 million related to the operations at Camden Yards and the administration of the Baltimore City public schools program, an increase in funds for the Baltimore City Convention Center of \$0.3 million, a decrease in funds for Ocean City Convention Center of \$0.1 million, an increase \$3.3 million related to the demolishing and stabilization of vacant homes in Baltimore City, a decrease of \$186.6 million in restricted investments from the Series 2016 bond which was used for construction costs, and an increase of \$489.4 million in restricted investments for the Series 2018A bond which will be used for construction costs; 2) capital leases receivable decreased by approximately \$19.2 million from the 2018 principal

Statement of Net Position (continued)

payment received; and 3) intangible assets decreased by \$9.7 million as a result of capital improvements to the Camden Yards Sports Complex of \$5.6 million, and a decrease of \$15.3 million for depreciation and disposals.

The increase in net accounts receivable and due from primary government of approximately \$1.8 million is the result of the following: a decrease in Orioles' rent and reimbursement of \$0.6 million, an increase of \$1.6 million in reimbursements from the Baltimore Ravens, an increase in admissions taxes of \$0.5 million, and an increase of \$0.3 million in requests for study advances. Notes receivable, prepaid expenses and interest receivable decreased by \$0.2 million.

Deferred outflows increased by \$0.2 million. Finally, furniture and equipment decreased by approximately \$1.7 million because of an increase in furniture and equipment of \$0.2 million less the current year's depreciation of \$1.9 million.

Total liabilities and deferred inflows as of June 30, 2018, increased by approximately \$434.0 million. Accounts payable, accrued expenses and project advances decrease by \$20.9 million as a result of a \$0.4 million decrease from the Department of Housing and Community Development's project advances, a decrease of \$8.2 million from Montgomery County for project advances, an increase of \$1.9 million due for project advances, a decrease of \$14.8 million for construction expenditures related to Baltimore City Public Schools, \$0.6 million increase in operations. There was an increase in the equipment, financing, revenue bonds and lease revenue bonds of approximately \$452.6 million as a result of new debt and bond premium, the Series 2018A bonds, totaling \$496.4 million and \$34.8 million used to make payments towards the outstanding principal on the bonds and \$9.1 million in amortization of bond premiums and discounts. Interest payable increased by \$3.4 million related to the Series 2018A bonds. Unearned revenue increased \$0.4 million from prepaid rent received from a warehouse tenant. Deferred inflows related to pension increased \$0.5 million with net pension liability increasing by \$0.8 million. Finally, for fiscal year 2018, the derivative liability decreased by \$2.7 million as a result of the change in the fair market values of derivatives and the maturity of the Series 2007 bonds.

Statement of Revenue, Expenses, and Changes in Net Position

Below is a comparison of the Statements of Revenue, Expenses, and Changes in Net Position for the years ended June 30, 2018 and 2017:

	2018	2017
Operating revenue	\$38,996,744	\$41,211,034
Operating expenses	54,090,633	55,904,726
Operating loss	(15,093,889)	(14,693,692)
Non operating expenses	(158,832,153)	(116,470,508)
Loss before contributions	(173,296,042)	(131,164,200)
Contributions from primary and local governments and other sources	13,727,351	14,586,058
Decrease in net position	(160,198,691)	(116,578,141)
Net position at beginning of year	(59,614,813)	56,963,328
Net Position at End of Year	\$(219,813,504)	\$(59,614,813)

The changes in net position are based on the activity that is presented on the Statement of Revenue, Expenses, and Changes in Net Position.

The Statement of Revenue, Expenses, and Changes in Net Position presents the revenue and expenses for the Authority during fiscal year 2018. The revenue and expenses are presented in operating and non-operating categories.

At the end of fiscal year 2018, the Statement of Revenue, Expenses, and Changes in Net Position disclosed a \$160.2 million decrease to net position. The following information explains the decrease in net position.

Operating revenue generated at the Camden Yards Sports Complex for fiscal year 2018 totaled \$39.0 million. A large percentage of the revenue received by the Authority relates to the operation of the stadiums. The Baltimore Orioles' rent is based upon a percentage of revenue stream formula, and the Baltimore Ravens pay 100% of the operating and

Management's Discussion and Analysis

Statement of Revenue, Expenses, and Changes in Net Position (continued)

maintenance expenses of the football stadium. This accounts for approximately \$20.4 million of the revenue for fiscal year 2018.

The teams are required to pay a 10% ticket charge to the State of Maryland of which the Authority receives 8% and Baltimore City receives 2%. The revenue from the admission taxes for both teams was approximately \$9.6 million. Also included in admission taxes is a two dollar (\$2) ticket charge for the Hippodrome Performing Arts Center for \$0.5 million for a total of \$10.1 million.

Located at the Camden Yards Sports Complex are the B&O Warehouse and Camden Station that were renovated for office and museum space. There currently are tenants renting more than 220,000 square feet that, combined with several cellular antenna sites, generate approximately \$3.8 million a year.

Miscellaneous revenue from the Camden Yards Sports Complex include parking receipts from non-game days, other non-professional events, catering commissions, trademark revenue, utility revenues, construction management fees for other construction projects not part of the Camden Yards Sports Complex, contributions to the Orioles Improvements Fund, contributions to the Office of Sports Marketing, and adjustments to capital assets, which totaled approximately \$4.7 million for fiscal year 2018.

Overall, operating revenue for fiscal year 2018 decreased by approximately \$2.2 million from revenue in fiscal year 2017 due to a decrease in admission taxes of approximately \$3.0 million as the result of no additional special events at M&T Bank Stadium, a decline in attendance for both baseball and football games, an increase in Baltimore Ravens' contribution of \$1.7 million for higher operating costs, a decrease in Baltimore Orioles rent of \$0.5 million, an increase of \$0.2 million in warehouse rents because of less vacant space in the warehouse and increase rental rates, and a \$0.6 million decrease in miscellaneous sales and parking revenues.

Net operating expenses decreased by \$1.8 million for fiscal year 2018. Explanations for the decrease in fiscal year 2018 were as follows:

- ▶ Salaries and wages increased \$1.1 million in fiscal year 2018. There was an increase of \$0.6 million for new hires and salary increases. Also, there is an increase in other personnel costs of \$0.5 million with an increase of \$0.6 million related to the employee's pension system and a decrease of \$0.1 million related to health benefits.

- ▶ Contractual services decreased by \$2.6 million from an increase in plumbing repairs and maintenance of \$0.1 million, an increase in janitorial services of \$0.2 million, a decline of \$0.6 million for support of special events at M&T Bank Stadium, a decline of \$1.4 million for costs related to the demolition of vacant homes in Baltimore City, an increase in painting repairs and maintenance of \$0.1 million, a decline of \$0.3 million related to special projects at the Camden Yards Sports Complex, a decline of \$1.0 million related to contributions for special events at M&T Bank Stadium, an increase of \$0.2 million in other contractual services, and an increase of \$0.1 million in contributions to the Office of Sports Marketing.
- ▶ Depreciation expense decreased by \$0.3 million in fiscal year 2018.
- ▶ Parking expenses increased by \$0.4 million from paving of a new parking areas and higher operating costs.
- ▶ Miscellaneous expenses decreased by \$0.6 million because of a write-off of a disposed asset in FY 2017 of \$0.5 million and lower insurance costs of \$0.1 million.

Non-operating expenses increased by \$42.4 million in fiscal year 2018. There was an increase in interest expense of \$7.7 million related to the Series 2018A bonds. The State's share of the operating deficit for the Baltimore Convention and Ocean City Convention Centers increased by \$1.3 million as a result of higher operating costs. The change in the liability due related to the fair value of the hedge decreased by \$1.3 million. There was an increase in overall architects, engineering, construction management and project management expenses related to Baltimore City Public Schools of \$37.7 million.

Non-operating revenue increased by \$5.5 million for fiscal year 2018. Investment income increased by \$4.2 million from bond premiums related to the Series 2018A issuance being amortized and the investing of the Series 2016 and Series 2018A bond proceeds, generated additional investment income, for fiscal year 2018. Finally, there was a \$1.3 million increase in contributions from the State of Maryland, Baltimore City and Baltimore City Board of School Commissioners on the Baltimore City Public School construction project.

The Authority also received appropriations from the State of Maryland to be used for several purposes. An appropriation was made for the outstanding capital lease receivables due from the

Management's Discussion and Analysis

State of Maryland. The money received from the State of Maryland along with \$1.0 million received yearly from Baltimore City is used to pay the debt service on the outstanding bonds issued by the Authority. The Authority also has a contractual obligation to pay one-half of the operating deficit of the Ocean City Convention Center and two-thirds of the operating deficit of the Baltimore City Convention Center. Further, the Authority is required to contribute annually to an improvement fund for the Ocean City and Baltimore City Convention Centers in the amount of \$50,000 and \$200,000, respectively. The total of these contributions for fiscal year 2018 was approximately \$13.7 million.

Statement of Cash Flows

The last statement presented is the Statement of Cash Flows. The statement presents detailed information about the activities involving cash, and the statement is broken down into five parts. The first part of the statement relates to the operating cash flows and shows the net cash used to operate the Camden Yards Sports Complex; the second relates to the cash flows resulting from noncapital financing activities; the third relates to cash flow from capital and related financing activities; the fourth relates to the cash flows from investing activities; and the fifth reconciles the net cash used to the operating loss on the Statement of Revenue, Expenses, and Changes in Net Position.

Below is a comparison of the Statements of Cash Flows for the years ended June 30, 2018 and 2017:

	2018	2017
Cash flows from:		
Operating activities	\$810,757	\$660,665
Noncapital financing activities	272,888,775	(104,393,549)
Capital and related financing activities	13,361,106	14,191,448
Investing activities	(287,374,390)	124,520,162
Net increase in cash and cash equivalents	(313,752)	34,978,726
Cash and cash equivalents, beginning of year	104,938,113	69,959,387
Cash and Cash Equivalents, End of Year	\$104,624,361	\$104,938,113

The drivers of the change in cash flow activities has been explained in other sections.

Capital Assets and Debt Administration

The Authority had \$5.8 million of additions to capital assets in 2018. The Authority had an increase in debt during 2018 of \$452.6 million due to the issuance of the Series 2018A bonds less principal payments and the pay-off of the Series 2011 Master Equipment lease.

Economic Outlook

The Authority is not aware of any facts, decisions or conditions that will have a significant impact on the financial conditions during the fiscal year beyond those unforeseen situations that will have the same global effect on virtually all types of business operations.

The Authority has the support of the Maryland General Assembly for its current activities. The Authority will continue to monitor revenue and closely watch expenditures to the best of its ability.

Net Position

The Authority has a negative net position of \$219.8 million as a result of incurring debt related to the construction for Baltimore City. As the Authority incurs the construction costs for Baltimore City, the cost is expensed as non-operating expense (see Note 2). Baltimore City and the State of Maryland are obligated to providing the Authority with funding to fund this debt.

Statement of Net Position

As of June 30, 2018

ASSETS AND DEFERRED OUTFLOWS

Current Assets

Cash and cash equivalents	\$ 104,624,361
Restricted investments	560,308,525
Accounts receivable, net	10,662,992
Due from primary government	4,262,727
Interest receivable	1,315,326
Note receivable, current portion	456,420
Capital leases receivable, current portion	20,030,000

Total Current Assets 701,660,351

Noncurrent Assets

Prepaid expenses and other assets	338,339
Note receivable, net of current portion	1,482,396
Capital leases receivable, net of current portion	63,903,078
Capital assets:	
Furniture and equipment, net	326,403
Intangible assets, net	68,191,705
Net capital assets	68,518,108

Total Noncurrent Assets 134,241,922

Deferred outflows related to pension 5,620,562

Total Assets and Deferred Outflows 841,522,834

LIABILITIES AND DEFERRED INFLOWS

Current Liabilities

Accounts payable and accrued expenses	37,891,885
Project advances	40,921,559
Interest payable	7,092,975
Unearned revenue, current portion	167,423
Bonds payable and capital leases, current portion	34,366,432

Total Current Liabilities 120,380,274

Noncurrent Liabilities

Accrued expenses, net of current portion	1,497,209
Unearned revenue, net of current portion	214,077
Bonds payable and capital leases, net	80,390,502
Bonds payable on Baltimore City Public Schools construction, net of current	838,211,307
Net Pension Liability	12,873,208
Interest rate swap liability	6,921,586

Total Noncurrent Liabilities 940,107,889

Deferred inflows related to pension 848,175

Total Liabilities and Deferred Inflows 1,061,336,338

NET POSITION

Net Position

Invested in capital assets	50,691,782
Restricted for debt service	2,303,000
Unrestricted (See Note 16)	(272,808,286)

Total Net Position \$(219,813,504)

The accompanying notes are an integral part of this financial statement

Statement of Revenue, Expenses, and Changes in Net Position

For the Year Ended June 30, 2018

OPERATING REVENUE		Non Operating (Expenses) Revenue	
Baltimore Orioles' rent	\$8,022,752	Contributions to others for operating deficit and capital improvements	(7,055,685)
Admissions taxes	10,142,500	Contributions from Baltimore City Public Schools construction	66,575,558
Baltimore Ravens' Contributions	12,403,741	Expenses related to Baltimore City Public Schools	(206,826,039)
Warehouse rents	3,800,979	Investment income and other	15,284,083
Catering commissions	454,480	Change in fair market value of swaps	2,711,264
Parking revenue	2,378,936	Interest expense	(29,521,335)
Miscellaneous sales	1,793,356		
Total Operating Revenue	38,996,744	Total Non Operating Expenses	(158,832,153)
Operating Expenses		Loss before contributions	(173,926,042)
Salaries and wages	11,546,935	Contributions from Primary Governments	13,727,351
Telephone and postage	83,893	Change in net position	(160,198,691)
Travel	112,774	Total net position, beginning of year	(59,614,813)
Utilities	4,901,261	Total Net Position, End of Year	\$(219,813,504)
Vehicle expense	42,498		
Contractual services	16,962,717		
Parking	1,860,105		
Supplies and materials	765,146		
Depreciation and amortization	17,254,694		
Fixed charges	166,158		
Miscellaneous	394,452		
Total Operating Expenses	54,090,633		
Operating Loss	(15,093,889)		

The accompanying notes are an integral part of this financial statement

Statement of Cash Flows

Statement of Cash Flows For the Year Ended June 30, 2018

Cash Flows from Operating Activities

Receipts from Camden Yards	\$ 40,393,150
Payments to employees and related disbursements	(11,475,792)
Payments to suppliers	(28,106,602)
Net Cash From Operating Activities	810,757

Cash Flows from Noncapital Financing Activities

Contributions from primary governments	13,727,351
Convention Center operating deficit and capital improvements	(6,935,735)
Contributions for Baltimore City Public Schools construction	66,575,558
Baltimore City Public Schools construction expenditures	(221,000,058)
Project advances	(5,898,702)
Principal paid on bonds payable and capital leases	(34,813,120)
Proceeds from debt issuance	496,456,796
Interest payments	(35,223,315)
Net Cash From Noncapital Financing Activities	272,888,775

Cash Flows from Capital and Related Financing Activities

Purchases of capital assets	(5,813,894)
Proceeds from capital leases receivable	19,175,000
Net Cash From Capital and Related Financing Activities	13,361,106

Cash Flows from Investing Activities

Purchases of investments	(302,824,588)
Interest and gains on investments	14,872,115
Proceeds from note receivable	578,084
Net Cash From Investing Activities	(287,374,390)
Net increase in cash and cash equivalents	(313,752)
Cash and cash equivalents, beginning of year	104,938,113
Cash and Cash Equivalents, End of Year	\$104,624,361

Adjustments to Reconcile Net Operating Loss to Cash Flows from Operating Activities

Operating loss	\$ (15,093,889)
Adjustments to reconcile operating loss to net cash flow from operating activities:	
Depreciation and amortization	17,254,694
Effects of changes in non-cash operating assets and liabilities:	
Accounts receivables, net	908,703
Due from primary government	487,702
Accounts payable	(2,746,454)

Net Cash From Operating Activities **\$ 810,756**

The accompanying notes are an integral part of this financial statement

No 1: NATURE OF OPERATIONS

The Maryland Stadium Authority (the Authority) was established by legislation and enacted by the State of Maryland (the State), effective July 1, 1986, (Annotated Code 1957, Sections 13701 through 13722 of the Financial Institutions Article), to select a site and develop financing alternatives for stadium facilities in the Baltimore Metropolitan area. Effective July 1, 1987, the law was amended (Chapter 123, 1987 Laws of Maryland) to enable the construction of new facilities, including baseball and football stadiums, in the Camden Yards area of Baltimore City (the City). The amendment also established that the Authority is an independent unit in the Executive Branch of the State government.

During the 2009 General Assembly session, the General Assembly moved the Authority from the Financial Institutions Article to the newly created Economic Development Article, Sections 10-601 to 10-658.

No 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Authority is a component unit of the State of Maryland. The Authority is governed by a Board, six members of which are appointed by the Governor of the State of Maryland and one member is appointed by the Mayor of Baltimore City with the consent of the Maryland State Senate.

Measurement Focus and Basis of Accounting

The accompanying financial statements of the Authority are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Cash Equivalents

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

Investments

Investments are stated at fair value. Shares of money market mutual funds are valued at quoted market prices, which represent the net fair value of shares held by the Authority as of year-end.

Capital Assets

Furniture and equipment are stated at cost and depreciated using the straight-line method over three to ten years. The capitalization threshold for all capital assets is \$1,000.

Intangible assets are capitalized at cost and amortized using the straight-line basis over the life of the related contracts.

Capital Leases Receivable

Under the terms of the Master Lease, principal and interest payments on the Authority's lease revenue bonds are paid by the State when due. The Authority has established a capital lease receivable equal to the future principal payments, less any unspent proceeds, on its outstanding debt.

Project Advances

The Authority is overseeing studies and projects for various state universities and local jurisdictions. Advances are received to pay for expenses incurred or to be incurred. Unexpended advances are not the property of the Authority and are recorded as liabilities. The liability of \$40.9 million relates to Baltimore City Public School construction (\$32.1 million), Montgomery County Conference Center parking garage (\$3.0 million), Department of Housing and Community Development for the State of Maryland (\$2.6 million), local jurisdictions funding of feasibility and market studies (\$3.0 million), and the expansion of the Ocean City Convention Center (\$0.2 million) as of June 30, 2018.

Non-operating Revenue and Expenses

Non-operating revenue consists of investment income on accounts held by the Maryland State Treasurer and the trustees of the outstanding bonds, amortization of bond premiums, changes in the market of the Series 2007 swap which increases or reduces the liability to the Authority and deposit of funds for the construction and revitalization of Baltimore City Public Schools.

Non-operating expenses consists of payments to the Baltimore City and the Ocean City Convention Centers for the State's share of the operating deficiencies and funding to the capital improvement account, interest expense on all outstanding bonds and expenditures from bond process for Baltimore City Public Schools construction and revitalization.

Net Pension Liability

Certain employees of the Authority are members of the Maryland State Retirement and Pension System. Employees are members of the Employees' Retirement System of the State of Maryland (ERS).

No. 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

ERS is part of the State of Maryland Retirement and Pension System which is considered a single multiple employer cost sharing plan.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of ERS and additions to/deductions from ERS' fiduciary net position have been determined on the same basis as they are reported by ERS. 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.

As of June 30, 2018, the Authority had deferred outflows related to pension of \$5.6 million and deferred inflows related to pension of \$0.8 million. Pension expense for fiscal year 2018 was \$2.7 million.

Use of Restricted Assets

When an expense is incurred, the Authority first applies resources available from the applicable restricted assets before applying resources from unrestricted assets. The Authority's assets are restricted in accordance with Sections 10-651, 10-652, 10-653, 10-654, 10-655, 10-656, and 10-657 of the Economic Development Article of the Annotated Code of Maryland.

New Pronouncements

GASB issued *GASB No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which requires recording of the OPEB liabilities and additional disclosures on footnote and required supplementary information. This GASB statement is effective on the fiscal year beginning after June 15, 2017.

The State of Maryland and its related agencies adopted *GASB No. 75* during the year ended June 30, 2018. The costs for postretirement benefits are for State and State agency retirees are primarily funded by the State. The State does not distinguish employees by employer/State agency. For the years ended June 30, 2018, 2017, and 2016, the State did not allocate postemployment health care costs to State agency 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 agencies including the Authority.

GASB issued *GASB No. 87, Lease*, which requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This statement is effective on the fiscal year beginning after December 15, 2019. This statement may have a material effect on the Authority's financial statements once implemented. The Authority will be analyzing the effects of this pronouncement and plans to adopt, if applicable, by its effective date.

No. 3: DEPOSITS AND INVESTMENTS

As of June 30, 2018, the Authority had cash on deposit in an internal pooled cash account with the Maryland State Treasurer (the Treasurer). The Treasurer maintains these and other Maryland State agency funds on a pooled basis in accordance with the Annotated Code of the State of Maryland. The State Treasurer's Office invests pooled cash balances daily. The investment consisted of direct purchases of securities or repurchase agreements. The total of the cash accounts was \$104,210,153, as of June 30, 2018.

The carrying value and bank balance of other deposits as of June 30, 2018, was \$414,208, which was fully covered by Federal depository insurance.

As of June 30, 2018, the Authority had a balance of \$560,308,525 in funds held by trustees for various bond series. The Bank of New York held \$1,418,323, M&T Bank held \$798,261, Zions Bank held \$558,033,280, and Wells Fargo NA held \$58,661. As of June 30, 2018, \$115.3 million of these funds were invested in various money market mutual fund accounts which mature in less than a year. The money market funds used by M&T Bank, Bank of New York, Zions Bank, and Wells Fargo NA are rated AAA by Moody's and AAA by S&P.

The Authority classifies its fair value measurements within the hierarchy as established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The investments of the funds into money market accounts are Level 1 inputs and its fair value are quoted prices for identical assets in the active markets.

Approximately \$245.0 million of the Zions Bank balance is invested in State/Local Government Certificates of Indebtness

that mature in less than a year and approximately \$200.0 million is invested in State\Local Government Certificates of Indebtness that mature within two years. These investments are record at market value as of June 30, 2018. These investments are classified as Level 1 investments.

As of June 30, 2018, M&T Bank had the following investments and maturities:

Investment Type	Value	Investment Maturities (in Years)				
		Less than 1	1-5	6-10	11-15	More than 15
Money Market (Level 1)	\$ 798,251	\$ 798,251	-	-	-	-

As of June 30, 2018, the Bank of New York held the following investments and maturities:

Investment Type	Value	Investment Maturities (in Years)				
		Less than 1	1-5	6-10	11-15	More than 15
Money Market (Level 1)	\$ 1,418,323	\$ 1,418,323	-	-	-	-

As of June 30, 2018, the Zions Bank held the following investments and maturities:

Investment Type	Value	Investment Maturities (in Years)				
		Less than 1	1-5	6-10	11-15	More than 15
Money Market (Level 1)	\$ 113,033,280	\$ 113,033,280	-	-	-	-
State/Local Government Certificate of Indebtness (Level 1)	245,000,000	245,000,000	-	-	-	-
State/Local Government Certificate of Indebtness (Level 1)	200,000,000	-	\$ 200,000,000	-	-	-

As of June 30, 2018, the Wells Fargo NA held the following investments and maturities:

Investment Type	Value	Investment Maturities (in Years)				
		Less than 1	1-5	6-10	11-15	More than 15
Money Market (Level 1)	58,661	\$ 58,661	-	-	-	-

The Authority is restricted by the trust indenture for each bond issuance as to the type of investments that can be utilized.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The Authority has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changes in interest rates.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the Authority, and are held by either (a) the counterparty or (b) the counterparty's trust department or agent, but not in the Authority's name.

None of the Authority's restricted investments are exposed to custodial credit risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment.

The Authority is not exposed to any material amount of foreign currency risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Authority's investment in the securities of a single issuer.

Notes to the Financials

No 4: ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2018, consisted of the following:

Baltimore Orioles	\$ 4,049,331
Baltimore Ravens	3,379,353
Other	3,248,104
Subtotal	10,676,788
Less: Allowance for bad debts	13,796
Total	\$ 10,662,992

No 5: NOTE RECEIVABLE

Under the Orioles' lease, the Orioles shall reimburse the Authority for amounts advanced to equip, furnish and renovate private suites in Oriole Park at Camden Yards. Private suite construction costs are repayable over a 30-year period plus additional furnishing and renovation costs over a five-year period, with annual interest of 5.0%. Interest income for the year ended June 30, 2018, was \$ 110,253.

Future note receivable payments to be received as of June 30, 2018, were as follows:

For the Years Ended June 30,

2019	\$ 456,420
2020	456,420
2021	456,420
2022	456,420
2023	113,136
Total	\$ 1,938,816

No 6: CAPITAL LEASES RECEIVABLE

As of June 30, 2018, the capital leases receivable consisted of the following:

Total minimum lease payments to be received	\$ 99,887,037
Less: unearned interest income ranging from 2% to 6.25%	15,097,037
Principal balance on outstanding debt	84,790,000
Less: liquid assets to be used in construction	856,922
Total	\$ 83,933,078

Future minimum lease payments to be received as of June 30, 2018, were as follows:

For the Years Ending June 30,

2019	\$ 23,954,023
2020	23,854,019
2021	10,328,763
2022	10,342,102
2023	8,766,383
2024-2026	22,641,748
Total	\$ 99,887,038

Capital leases receivable activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Principal Reduction	Ending Balance
Capital lease receivable			
Camden Yards	\$ 86,779,628	\$ 16,655,421	\$ 70,124,207
Montgomery County	9,002,532	1,105,000	7,897,532
Hippodrome	7,317,849	1,406,510	5,911,339
Capital Lease Receivable	\$ 103,100,009	\$ 19,166,931	\$ 83,933,078

No. 7: CAPITAL ASSETS

Furniture and equipment and intangible assets activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital Assets:				
Furniture and equipment	\$ 19,785,575	\$ 206,813	-	\$ 19,992,388
Less: accumulated depreciation	17,724,809	1,941,176	-	19,665,985
Capital Assets, Net	\$ 2,060,766	\$(1,734,363)	-	\$ 326,403
Intangible Assets:				
Facility rights	\$ 303,786,340	\$ 5,612,214	\$ 108,554	\$ 309,290,000
Less: accumulated depreciation	225,834,544	15,307,172	43,421	241,098,295
Intangible Assets, Net	\$ 77,951,796	\$(9,694,958)	\$ 65,133	\$ 68,191,705

The facility rights relate to the Authority's rights in various facilities that the Authority constructed or renovated. These rights are intangibles and are being amortized over the terms of agreements with the respective facilities. The loss on disposal of capital assets is recorded as miscellaneous expenses on the accompanying statement of revenue, expenses, and changes in net position.

No. 8: BONDS PAYABLE AND CAPITAL LEASES

Bonds payable and capital leases as of June 30, 2018, consisted of the following:

Lease revenue bonds payable:		
2004 Series: Issued \$8,730,000 in February 2004 at 3.0% to 5.21% per annum, due in varying installments through December 15, 2024		\$ 4,595,000
2007 Series: Issued \$73,500,000 in February 2007 at a variable rate; due in varying installments through March 1, 2026		40,325,000
2011 A Series: Issued \$31,435,000 in December 2011 at 0.8% to 3.1% per annum, due in varying installments through December 15, 2019		8,360,000
2011 B Series: Issued \$62,915,000 in December 2011 at 1.5% to 5.0% per annum, due in varying installments through December 15, 2019		17,640,000
Series 2012: Issued \$14,050,000 in August 2012 at 0.65% to 2.50% per annum, due in varying installments through June 15, 2022		5,970,000
Series 2012: Issued \$12,940,000 in November 2012 at 4.00% to 5.00% per annum, due in varying installments through June 15, 2024		7,900,000
Lease revenue bonds payable		84,790,000
Revenue bonds payable:		
2013 Series: Issued \$8,635,000 in December 2013 at 2.90% annum, due in varying installments through December 15, 2023		5,455,000
2014 Series: Issued \$9,585,000 in December 2014 at 2.78% annum, due in varying installments through December 15, 2024		6,985,000

Notes to the Financials

No. 8: BONDS PAYABLE AND CAPITAL LEASES (continued)

Capital leases:	
2010 Master energy performance contract lease-purchase agreement in January 2011 at 4.09% rate, due in varying installments through July 1, 2022	1,071,976
2010 Master energy performance contract lease-purchase agreement in January 2011 at 6.11% rate, due in varying installments through July 1, 2022	2,781,971
Subtotal	101,083,947
MEA Loan, 1.0%, due in varying installments through July 2021	400,000
Subtotal lease revenue bond, revenue bonds payable and capital leases	\$ 101,483,947
Plus unamortized premium (includes unamortized premiums related to series of 2003, 2004, 2011B, and 2012 revenue bonds payable of \$424, \$31, \$684,575, and \$920,761, respectively, as of June 30, 2018)	1,605,791
Less unamortized discount (includes unamortized discount relating to the 1995 and 1996 revenue bonds payable of \$0 and \$27,804, respectively, as of June 30, 2018)	(27,804)
Net Bonds Payable and Capital Leases	103,061,934
Current portion	22,671,432
Bonds payable and capital leases, net of current	80,390,502
Revenue bonds payable on Baltimore City Public Schools construction:	
2016 Series: Issued \$320,000,000 in May 2016 at 5% annum, due in varying installments through May 1, 2046	309,960,000
2018A Series: Issued \$426,440,000 in January 2018 at 5% annum, due in varying installments through May 1, 2047	418,840,000
Subtotal of Baltimore City Public Schools Revenue Bonds	728,800,000

Plus unamortized premium (includes unamortized premiums related to series of 2016 and 2018A revenue bonds payable of \$51,961,510 and \$69,144,798, respectively, as of June 30, 2018)	121,106,307
Net Bond Payable and Capital Leases	849,906,307
Current portion	11,695,000
Bonds payable on Baltimore City Public Schools construction, net current	838,211,307
Total Net Bonds Payable and Capital Lease	\$952,968,241

On March 2, 2004, the Authority issued taxable Camden Station Lease Revenue Bonds, Series 2004 to renovate Camden Station located at Camden Yards. Principal and interest are payable primarily from the basic rent to be paid by the State of Maryland under the Master Lease Agreement. Interest is payable semiannually at rates varying from 3.0% to 5.21% per annum. The bonds mature in varying amounts through December 15, 2024.

On February 1, 2007, the Authority issued the Tax-Exempt Sports Facilities Lease Revenue Refunding Bonds Football Stadium Issue, Series 2007 to retire the Series 1996 Bonds. The Series 1996 Bonds were used to finance the construction of the football stadium at the Camden Yards Sports Complex. The interest rate for the Series 2007 Bonds is calculated weekly by the remarketing agent using the 30 Day USD LIBOR.

In December 2007, the Authority received Board of Public Works approval to borrow \$3.5 million from the State of Maryland Master Equipment Lease Financing Program. Principal and interest are payable from excess revenue generated at the Camden Yards Sports Complex. Interest is payable semiannually at the rate of 5.6% per annum. This financing is set to mature on January 1, 2018. As part of the Settlement Agreement between the Authority and the Baltimore Orioles Limited Partnership dated September 2007, the Authority was allowed to borrow \$250,000 from the Supplemental Improvements Fund with the consent of the Baltimore Orioles Limited Partnership. The Authority must repay the loan within three years of the borrowing at 0% interest. The full amount borrowed was paid back by August 2011.

In December 2007, the Authority received Board of Public Works approval to borrow \$3.5 million from the State of Maryland Master Equipment Lease Financing Program. Principal and interest are payable from excess revenue generated at the Camden Yards Sports Complex. Interest is payable semiannually at the rate of 5.6% per annum. This financing matured on January 1, 2018. As part of the Settlement Agreement between the Authority and the Baltimore Orioles Limited Partnership dated September 2007, the Authority was allowed to borrow \$250,000 from the Supplemental Improvements Fund with the consent of the Baltimore Orioles Limited Partnership. The Authority must repay the loan within three years of the borrowing at 0% interest. The full amount borrowed was paid back by August 2011.

In November 2009, the Authority entered into a contract with Pepco Energy Services to provide energy upgrades and enhancements to Oriole Park at Camden Yards and the warehouse. The energy upgrades and enhancements cost approximately \$6.0 million. The Authority is financing the costs under the State's Energy Performance Contract Lease-Purchase Agreement over 12 years. Interest is payable semiannually at the rate of 6.11% per annum. This financing is set to mature on July 1, 2022.

In November 2009, the Authority entered into a contract with Pepco Energy Services to provide energy upgrades and enhancements to M&T Bank Stadium. The energy upgrades and enhancements cost approximately \$2.4 million. The Authority is financing costs under the State's Energy Performance Contract Lease-Purchase Agreement over 12 years. Interest is payable semiannually at the rate of 4.09% per annum. This financing is set to mature on July 1, 2022.

The Authority and the Baltimore Ravens agreed to purchase and install \$9.6 million worth of new audio and video equipment; \$5.6 million came from the Baltimore Ravens and \$4.0 million from the Authority. The Authority's share was financed under the State's Master Equipment Lease-Purchase Program in April 2012 and amortized over 10 years. Interest is payable semiannually at the rate of 5.35% per annum. During fiscal year 2017, the Baltimore Ravens decided to replace the audio and visual equipment with new state-of-the-art equipment fully funded by the Baltimore Ravens. As a result of this, the Authority was required to payoff the outstanding debt at that time, approximately \$1.5 million.

On March 16, 2011, the Authority issued the Ocean City Convention Center Expansion Lease Revenue Refunding Bond, Series 2011 in the amount of \$6.6 million. Proceeds were used to refund the

outstanding balance of the Series 1995, \$6.5 million, along with \$125,000 for closing costs. Interest was payable semiannually at the rate of 2.25% per annum. The bond matured December 15, 2016. The approximate difference in the Series 1995 and Series 2011 debt service payment was \$0.4 million. This resulted in a present value savings at an interest rate of 2.25% of \$0.4 million.

On December 21, 2011, the Authority issued the Sports Facilities Lease Revenue Refunding Bonds (Baseball Stadium Issue) Series 2011A (Federally Taxable) and the Sports Facilities Lease Revenue Refunding Bonds (Baseball Stadium Issue), Series 2011B (Alternative Minimum Tax) of \$31.4 million and \$62.9 million respectively. The proceeds plus bond premium of \$7.7 million were used to refund the outstanding balance of the Series 1998A, \$11.0 million, the outstanding balance of the Series 1999, \$70.6 million, the termination fee to terminate the Interest Rate Swap Agreement with AIG Financial Corporation, \$19.7 million and issuance costs of \$0.7 million. The approximate difference in the Series 1998A and the Series 1999 compared with the Series 2011A and Series 2011B is \$1.9 million. This resulted in a present value savings at the interest rate of 2.09% of \$1.7 million.

On July 26, 2012, the Authority issued the Hippodrome Performing Arts Center Taxable Lease Revenue Refunding Bonds, Series 2012 of \$14.0 million. The proceeds of \$13.8 were used to refund the outstanding balance of the Series 2002 and \$0.2 million for issuance costs. Interest is payable semiannually at the rate of 0.65% to 2.50% per annum. This resulted in a present value savings at the interest rate of 2.02% of \$2.9 million.

On November 8, 2012, the Authority issued the Montgomery County Conference Center Lease Revenue Refunding Bonds, Series 2012 of \$12.9 million. The proceeds plus bond premium of \$2.9 million were used to refund the outstanding balance of the Series 2003 with interest, \$15.6 million, and \$0.2 million for issuance costs. Interest is payable semiannually at the rate of 4.0% to 5.0% per annum. This resulted in a present value savings at the interest rate of 1.62% of \$2.5 million.

No 8: BONDS PAYABLE AND CAPITAL LEASES *(continued)*

On December 15, 2013, the Authority issued the Series 2013 Taxable Revenue and Refunding Bonds of \$8.6 million. The proceeds of \$8.5 million were used to refund the outstanding balance of the Series 2010 and the balance of \$0.1 million was used for issuance costs and debt service reserves. Interest is payable semiannually at the rate of 2.90% per annum. There were no savings related to this refunding. The bonds will mature December 15, 2023.

On May 5, 2016, the Authority issued the Series 2016 Maryland Stadium Authority Baltimore City Public Schools (BCPS) Construction and Revitalization Program Revenue Bonds, Series 2016 of \$320.0 million. The proceeds of the \$320.0 million will be used for issuance costs and construction costs for the BCPS. Interest is payable semiannually at the rate of 5.00% per annum. This bond will mature May 2046.

On February 7, 2018, the Authority issued the Series 2018A Maryland Stadium Authority Baltimore City Public Schools (BCPS) Construction and Revitalization Program Revenue Bonds, Series 2018A of \$426.4 million. The proceeds of the \$426.4 million will be used for issuance costs and construction costs for the BCPS. Interest is payable semiannually at the rate of 5.00% per annum. This bond will mature May 2047.

Debt service requirements as of June 30, 2018, were as follows:

For the Years Ending June 30,	Principal Maturities	Interest	Total
2019	\$34,366,432	\$40,892,518	\$75,258,950
2020	35,865,006	39,295,462	75,160,468
2021	23,716,092	37,920,030	61,636,122
2022	24,864,841	36,778,418	61,643,259
2023	23,906,576	35,566,500	59,473,076
2024-2028	105,850,000	160,639,808	266,489,808
2029-2033	105,255,000	135,416,250	240,671,250
2034-2038	134,335,000	106,336,500	240,671,500
2039-2043	171,445,000	69,222,750	240,667,750
2044-2047	170,680,000	21,855,000	192,535,000
Total	\$830,283,947	\$683,923,236	\$1,514,207,183

On December 10, 2014, the Authority issued the Series 2014 Taxable Revenue and Refunding Bonds of \$9.5 million. The proceeds of \$9.5 million along with \$0.5 million in the Series 2011 debt service reverse account were used to refund the outstanding balance of the Series 2011 of \$10.0 million and the balance of \$0.1 million was used for issuance costs. Interest is payable semiannually at the rate of 2.78% per annum. There were no savings related to this refunding. The bonds will mature December 15, 2024.

No. 9: NONCURRENT LIABILITIES

Noncurrent liability activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Compensated absences	\$ 1,020,098	\$ 22,940	\$ 8,779	\$ 1,034,259	\$ 27,500
Workers' compensation	562,000	36,245	21,245	577,000	86,550
Revenue bonds and capital lease payable, net	126,337,590	-	23,275,657	103,061,933	22,671,432
Bonds payable on BCPS construction, net	374,046,531	496,456,796	20,597,019	849,906,308	11,695,000
Deferred revenue	-	476,460	94,960	381,500	167,423
Net Pension Liability	12,098,335	774,873	-	12,873,208	-
Interest rate swap liability	9,632,850	-	2,711,265	6,921,585	-
Total	\$ 523,697,404	\$ 497,767,314	\$ 46,708,925	\$ 974,755,793	\$ 34,647,905

No. 10: UNEARNED REVENUE

The Authority received an advance payment from the Vascular Institute of Maryland for prepaid rent related to office space located in the warehouse at the Camden Yards Sports Complex of approximately \$ 476,460. This money is being used to pay the monthly rent starting in December 2017 and end with a partial payment of the September 2020 rent. Revenues to be recognized in subsequent years as of June 30, 2018:

For the Years Ending June 30,

2019	\$ 167,423
2020	175,264
2021	38,813
Total	\$ 381,500

The unearned revenue recorded as warehouse rent revenue for the year ended June 30, 2018 was \$ 94,961.

No. 11: INCOME FROM STATE AND MUNICIPAL SOURCES

Contributions from the primary government represent payments received from the State of Maryland under the Master Lease and other agreements to fund debt service, operating deficits, and certain development costs for various Authority projects.

During the year ended June 30, 2018, Baltimore City made an annual contribution of \$1.0 million per the Annotated Code establishing the Authority. The City funds are invested with the State Treasurer for the purpose of retiring the Authority's debt incurred to construct Oriole Park at Camden Yards.

No 12: VALUATION OF INTEREST RATE SWAP AGREEMENT

Objective of the Interest Rate Swap. The Authority entered into two interest rate swaps for the purpose of hedging or fixing its interest expense associated with the Authority’s Series 2007 bond issuances.

The Authority received \$3,313,500, on June 10, 1998, pursuant to the above swap agreements as premiums on the swap agreements. The swap premiums were used toward the cost of constructing the football stadium.

Terms. The notional amounts of the swaps match the principal amounts of the associated bond issues. The Authority’s swap agreements contain scheduled reductions to the outstanding notional amounts that match the scheduled principal reduction in the associated debt. The terms, including the fair values and credit ratings on the swap counter parties as of June 30, 2018, are as follows:

Associated Bond Issue	Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values As of June 30, 2018	Swap Termination Date	Counter-party Rating
Series 2007	\$ 40,325,000	12/05/08	5.69% to 5.80%	SIFMA*	\$ (6,921,586)	3/1/2026	A2 /A+/A

*When Barclays Bank PLC became the replacement swap provider, the variable rate that the Authority receives changed from the rate paid on the associated tax-exempt variable rate bond issue to a rate based on changes on the SIFMA index.

The table below sets forth a summary of changes in fair value for the year ended June 30, 2018, and the fair value as of June 30, 2018.

	Change in Fair Value		Fair Value as of June 30, 2018	
	Classification	Fair Value	Classification	Amount
Fair value hedge				
Pay fixed interest rate swap	Change in fair market value of swaps	\$ (2,725,939)	Swap valuation liability	\$ (6,921,586)

Credit Risk. As of June 30, 2018, the Authority was not exposed to credit risk because the swaps had a negative fair value. However, should interest rates change and the value of the swaps become positive, the Authority would be exposed to credit risk in the amount equal to the swaps’ fair value. Barclays Bank PLC, the counterparty to the swaps was rated A+ by Standard and Poor’s, A2 by Moody’s investors Service and A by Fitch as of June 30, 2018. If the Authority’s ratings for debt secured by the master lease with the State of Maryland fall below BBB+ or Baa1 by S&P and Moody’s or are suspended, the fair value of the swaps will be fully collateralized by the Authority with cash or securities. Collateral would be posted with an independent third party custodian. The Authority was rated AA+ by Standard and Poor’s, Aa2 by Moody’s Investors Service and AA by Fitch as of June 30, 2018.

Basis Risk. Basis risk is the risk that the interest rate paid by the Authority on underlying variable rate bonds to bondholders differs from the variable swap rate received from the applicable Counterparty. The swaps both hedge tax-exempt risk, and therefore as of June 30, 2018, with regard to tax-exempt interest risk, they are not exposed to basis risk since the Authority receives a variable rate based on the SIFMA Swap Index to offset the variable rate the Authority pays on its bonds.

No 12: VALUATION OF INTEREST RATE SWAP AGREEMENT *(continued)*

Termination Risk. The swap agreements provide for certain events that could cause the counterparties or the Authority to terminate the swaps. The swaps may be terminated by the counterparties or the Authority if the other party fails to perform under the terms of the swap agreements. If the swaps are terminated, the Authority would no longer have synthetic fixed rate obligations. Also, if at the time of termination of one of its swaps, the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swaps' fair value.

The net swap payments are as follow as of June 30, 2018:

Variable – Rate Bonds ^{1,2}

For the Years Ending June 30,	Principal	Interest	Interest Rate Swaps, Net	Total
2019	\$ 4,115,000	20,163	\$ 2,299,124	\$ 6,434,287
2020	4,350,000	18,105	2,065,834	6,433,939
2021	4,595,000	15,930	1,819,173	6,430,103
2022	4,860,000	13,633	1,558,571	6,432,204
2023	5,140,000	11,203	1,282,890	6,434,093
2024	5,435,000	8,633	988,715	6,432,348
2025	5,750,000	5,915	677,607	6,433,522
2026	6,080,000	3,040	348,418	6,431,458
Total	\$ 40,325,000	\$ 96,622	\$ 11,040,332	\$ 51,461,954

¹ Includes principal due on the bonds, interest due on the bonds and net swap payments (fixed rate interest paid less variable rate interest received based on the outstanding national amount of the swap) on the Football Swap agreements and related bonds.

² As of June 30, 2017, the Authority's tax-exempt variable rate for debt service requirements bonds for the Series 2007 Bonds was 0.05%. SIFMA was 0.06%.

No 13: 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 and illness of employees; and natural disasters. The Authority participates in the State's various self-insurance programs. The State is self-insured for general liability, property and casualty, workers' compensation, environmental and antitrust liabilities and certain employee health benefits.

The State allocates the cost of providing claims servicing and claim payments by charging a "premium" to the Authority based on a percentage of the Authority's estimated current year payroll or based on the average loss experienced by the Authority. This charge considers recent trends in actual claims experienced by the State as a whole and makes provisions for catastrophic losses.

There have been no significant reductions in insurance coverage from the prior year. Additionally, settlements have not exceeded insurance coverage for the past three fiscal years.

No 14: OPERATING LEASES

Lease Rental Income

The Authority has leased certain office space in the Camden Yards Warehouse to various tenants with terms ranging from 3 years to 20 years. The future minimum lease rentals to be received on non-cancelable operating leases as of June 30, 2018, were as follows:

For the Years Ending June 30,

2019	\$ 3,301,389
2020	2,990,317
2021	2,734,235
2022	2,546,647
2023	1,409,178
2024-2027	3,077,616
Total	\$ 16,059,382

Lease rental income for the year ended June 30, 2018 was \$3,800,979.

Maryland State Retirement and Pension System

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

Funding Policy

The Authority's required contribution is based upon a percentage of covered payroll based on the State's allocation of its annual cost. The entry age normal cost method is the actuarial cost method used. Both the Authority and covered employees are required by State statute to contribute to the System. The employees contribute from 2% to 5% of compensation, as defined, depending on the participant's plan. The Authority made its required contribution during fiscal years ended June 30, 2018 and 2017, of \$1,651,950, and \$1,450,627, respectively.

Benefits Provided

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

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

For most individuals who retired from the Employees' Pension System on or before June 30, 2006, the annual pension allowance equals 1.2% of the member's average final compensation (AFC),

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

Exceptions to these benefit formulas apply to members of the Employees' Pension System, who are employed by a participating governmental unit that does not provide the 1998 or 2006 enhanced pension benefits or the 2011 reformed pension benefits.

The pension allowance for these members equals 0.8% of the member's AFC up to the social security integration level (SSIL), plus 1.5% of the member's AFC in excess of the SSIL, multiplied by the number of years of accumulated creditable service. For the purpose of computing pension allowances, the SSIL is the average of the social security wage bases for the past 35 calendar years ending with the year the retiree separated from service.

Early Service Retirement

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

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

Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 65. The maximum reduction for these members of the Employees' Pension System is 30%.

Disability and Death Benefits

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

Contributions

The Article sets contribution requirements of the active employees and the participating governmental units are established and may be amended by the MSRPS Board. Employees are required to contribute 6% of their annual pay. The Authority's contractually required contribution rate for ERS for the year ended June 30, 2018, was \$1,651,950, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to ERS from the Authority totaled \$1,651,950 for the year ended June 30, 2018.

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

As of June 30, 2018, the Authority reported a liability of approximately \$12.9 million for its proportionate share of the ERS net pension liability. The ERS net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the ERS net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating government units, actuarially determined. As of June 30, 2018, the Authority's proportion for ERS was 0.063 percent, which was substantially the same from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the Authority recognized pension expense for ERS of approximately \$2.9 million. As of June 30, 2018, 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 in assumptions	\$ 377,238	\$ -
Net difference between projected and actual earnings on pension plan investments	660,550	-
Net difference between actual and expected experience	-	848,175
Change in proportion and difference between contributions and proportional share of contributions	2,930,824	-
Contributions made subsequent to the measurement date	1,651,950	-
Total	\$ 5,620,562	\$ 848,175

\$1,651,950 reported as deferred outflows of resources related to ERS resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the ERS net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ERS will be recognized in pension expense as follows:

For the Years Ending June 30,	Amount
2019	\$ 941,620
2020	1,085,467
2021	806,480
2022	142,506
2023	144,365
Total	\$ 3,120,438

No 15: RETIREMENT PLANS (continued)

Maryland State Retirement and Pension System (continued)

Information included in the MSRPS financial statements

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

The key assumptions used to perform the June 30, 2018, pension liability calculation were as follows:

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Inflation	2.65% general, 3.15% wage
Salary Increase	3.15% to 9.15%, including inflation
Discount Rate	7.50%
Investment Rate of Return	7.50%
Mortality	RP-2014 Combined Healthy Mortality Table projected to the year 2025

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

The Authority's proportionate share of the ERS net pension liability calculated using the discount rate of 7.50 percent is \$12,873,208. Additionally, the Authority's proportionate share of the ERS net pension liability if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) is as follows:

1% Lower	Discount Rate	1% Higher
6.50%	7.50%	8.50%
\$ 16,618,113	\$ 12,873,208	\$ 8,337,203

Other Post-Employment Benefits

Members of the State Retirement and Pension System of Maryland (the State System) and their dependents are provided post-employment health care benefits through the State Employee and Retiree Health and Welfare Benefits Program (the "Plan").

The Plan is a cost sharing defined benefit healthcare plan established by the State Personnel and Pensions Article, Section 2-501

through 2-516 of the Annotated Code of Maryland. The Plan is self-insured to provide medical, hospitalization, prescription drug and dental insurance benefits to eligible state employees, retirees and their dependents. The State does not distinguish employees by employer/State agency. Instead, the State allocates the post-employment health care costs to all participating employers.

Financial information for the Plan is included in the State of Maryland Comprehensive Annual Financial Report, which can be obtained from the link http://finances.marylandtaxes.com/Where_the_Money_comes_from/General_Revenue_reports/default.shtml.

A separate actuarial valuation is not performed by the Authority. The Authority's only obligation to the Plan is its required annual contribution. There was no required contribution for the year ended June 30, 2018.

For the year ended June 30, 2018, the State has elected to maintain the entire net other postretirement benefit liability as a liability of the general fund of the State and has not allocated any balances to State entities including the Authority.

Plan Description

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

For employees hired after 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 25 years of creditable service.

Funding Policy

The State is required by law to provide funding each year for the Plan for the State's share of the pay-as-you-go amount necessary to provide current benefits to active and retired employees and their dependents. Funds may also be separately appropriated in the State's budget for transfer to the OPEB Trust.

Based on current practice, the State subsidizes approximately 50% to 85% of covered medical, dental, prescription and hospitalization costs depending on the type of insurance plan. The State assesses a surcharge for post-employment health care benefits, which is based on health care insurance charges for current employees. Costs for post-retirement benefits are for State of Maryland retirees. For the years June 30, 2018 and June 30, 2017, the State did not allocate postemployment health care costs to participating employers and as a result no contribution was made by the Authority.

Former Authority employees who are receiving retirement benefits may participate in the State's health care insurance plans. These plans, which provide insurance coverage for medical, dental and hospital costs, are funded currently by the payment of premiums to the carriers and, under State policy, are contributory. Substantially, all employees become eligible for these benefits when they retire with pension benefits.

No 16: BALTIMORE CITY PUBLIC SCHOOLS

In April 2013, the Baltimore City Public Schools Construction and Revitalization Act of 2013 (the "BCPS Act") was passed. The General Assembly authorize the Authority to issue up to \$1.1 billion in debt as limited obligations of the Authority solely payable from and secured by the Baltimore City Public School Construction Financing Fund (the "Financing Fund") established under the BCPS Act. The bonds issued under the BCPS Act will not constitute a debt, liability, or pledge of the faith and credit of the taxing power of the State, the Authority or any other governmental unit.

Under the BCPS Act, the Authority will receive \$60 million annually to support up to \$1.1 billion in bonds. This funding is comprised of \$20 million annually from each of three (3) entities: the State of Maryland, the City of Baltimore (the "City"), and BCBSA. Sources of revenue include a portion of State Lottery revenue, a portion of state education aid currently committed

to Baltimore City Public Schools and certain identified taxes and other revenue collected by or payable to the City. These revenue will be received as long as there is debt outstanding related to the BCPS Act.

Each year, this revenue will appear on the Statement of Revenue, Expenses, and Changes in Net Position as non-operating revenue related to Baltimore City Public Schools. The expenditures paid from each bond series is recorded as non-operating expenses related to Baltimore City Public Schools in fiscal year 2018. The net difference between the non-operating revenue related to Baltimore City Public Schools and non-operating expenses related to Baltimore City Public Schools will carry to unrestricted net position. In the early years of the program, expenditures for construction will be at a much higher rate than the revenue received. Expenditures are projected to be spent over an eight (8) year period as the revenue will be collected for at least thirty (30) years. This will create a large negative balance in unrestricted net position. As the non-operating revenue related to Baltimore City Public schools are received, the negative balance for unrestricted net position will slowly reduce over time.

No 17: LITIGATION

In the normal course of operations, certain claims have been brought against the Authority, which are in various stages of resolution. Management believes that the ultimate resolution of the claims will not have a material adverse effect on the Authority's financial position.

Required Supplementary Information

Schedule of Proportionate Share of Net Pension Liability

	2018	2017	2016	2015
The Authority's proportion of the ERS net Pension liability	0.06%	0.05%	0.05%	0.30%
The Authority's proportionate of the ERS net Pension liability	\$ 12,873,208	\$ 12,098,335	\$ 10,003,890	\$ 6,057,310
Authority's cover employee payroll	\$ 8,694,564	\$ 7,450,095	\$ 6,521,455	\$ 6,212,028
Contributions as a percentage of the covered-employee payroll	148%	162%	153%	98%

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 Contributions

	2018	2017	2016	2015
Contractually required contributions (ERS)	\$ 1,651,950	\$ 1,450,627	\$ 1,080,764	\$ 1,014,618
Contributions in relation to the contractually required contribution	1,651,950	1,450,627	1,080,764	1,014,618
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0
Authority's covered employee payroll	\$ 8,694,564	\$ 7,450,095	\$ 6,521,455	\$ 6,212,028
Contributions as a percentage of covered-employee payroll	19.00%	19.47%	16.57%	16.33%

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

Combining Schedule of Contributions from Primary Government

For the Year Ended June 30, 2018

The Authority receives Lottery and General Funds from the State of Maryland to be used in accordance with Economic Development Article, Sections 10-601 to 10-655. Listed below are the funds received for fiscal year 2018 and how they were used.

	Camden Yards	Baltimore City Convention Center	Ocean City Convention Center	Montgomery County Conference Center	Hippodrome Performing Arts Center
Source					
Lottery	\$ 20,000,000	\$ -	\$ -	\$ -	\$ -
General Funds		4,252,499	1,461,127	1,558,000	1,392,483
Total	20,000,000	4,252,499	1,461,127	1,558,000	1,392,483
Use					
Capital Lease Receivable	15,990,000	-	-	1,055,000	1,392,483
Interest	4,010,000	-	-	503,000	-
Operating Deficits	-	4,052,499	1,411,127	-	-
Capital Improvements Fund	-	200,000	50,000	-	-
Total	20,000,000	4,252,499	1,461,127	1,558,000	1,392,483
Net	\$ -	\$ -	\$ -	\$ -	\$ -

The Authority receives Lottery and other contributions from City of Baltimore and Baltimore City Public Schools Board of Commissioners to be used in accordance with Economic Development Article, Sections 10-656 to 10-657. Listed below were the funds received for fiscal year 2018. During the 2017 legislative session, the General Assembly passed House Bill 152 titled the "Budget Reconciliation and Financing Act" that relieved \$ 4.6 million of Baltimore City's \$ 10.0 million retiree's shifted health insurance and use available fund balances to offset the adjustment. The chart below shows the \$ 4.6 million in Baltimore City contributions.

	State of Maryland	Baltimore City	Baltimore City Public Schools	Total
Source				
Lottery	\$ 20,000,000	\$ -	\$ -	\$ 20,000,000
Beverage Container Tax, 50% of the 5% of table games proceeds, 10% of the participation rent from the VLT	-	16,575,558	-	16,575,558
Shifted retirees health insurance	-	10,000,000	-	10,000,000
General State Education Fund	-	-	20,000,000	20,000,000
Total	\$ 20,000,000	\$ 26,575,558	\$ 20,000,000	\$ 66,575,558

Combining Schedule of Revenue, Expenses, and Changes in Net Position

For the Year Ended June 30, 2018

Below illustrates the financial activities for each project the Authority is responsible for.

	Total	Camden Yards	Baltimore City Convention Center	Ocean City Convention Center	Montgomery County Conference Center	Hippodrome Performing Arts Center	Baltimore City Public Schools	Baltimore City Demolition and Stabilization
Operating Revenue								
Baltimore Orioles' rent	\$ 8,022,752	\$ 8,022,752	-	-	-	-	-	-
Admission Taxes	10,142,500	9,668,732	-	-	-	\$ 473,768	-	-
Baltimore Ravens' contributions	12,403,741	12,403,741	-	-	-	0	-	-
Warehouse rents	3,800,979	3,800,979	-	-	-	0	-	-
Catering commissions	454,480	454,480	-	-	-	0	-	-
Parking revenue	2,378,936	2,378,936	-	-	-	0	-	-
Miscellaneous sales	1,793,356	1,779,866	-	-	-	13,490	-	-
Total Operating Revenue	38,966,744	38,509,486	-	-	-	487,258	-	-
Operating Expenses								
Salaries and wages	11,546,935	11,364,171	-	-	-	-	-	\$ 182,764
Telephone and postage	83,893	83,893	-	-	-	-	-	-
Travel	112,774	112,774	-	-	-	-	-	-
Utilities	4,901,261	4,901,261	-	-	-	-	-	-
Vehicle expense	42,498	42,498	-	-	-	-	-	-
Contractual services	16,962,717	15,068,229	-	-	-	250,000	-	1,644,488
Parking	1,860,105	1,860,105	-	-	-	-	-	-
Supplies and materials	765,146	765,146	-	-	-	-	-	-
Depreciation and amortization	17,254,694	17,254,694	-	-	-	-	-	-
Fixed charges	166,158	164,658	-	-	-	1,500	-	-
Miscellaneous	394,452	394,452	-	-	-	-	-	-
Total Operating Expenses	54,090,633	52,011,882	-	-	-	251,500	-	1,827,251
Operating Loss	(15,093,889)	(13,502,396)	-	-	-	235,758	-	(1,827,251)

	Total	Camden Yards	Baltimore City Convention Center	Ocean City Convention Center	Montgomery County Conference Center	Hippodrome Performing Arts Center	Baltimore City Public Schools	Baltimore City Demolition and Stabilization
Non Operating (Expenses) Revenue								
Contributions to others for operating deficit and capital improvements	(7,055,685)	-	(5,674,992)	(1,380,693)	-	-	-	-
Contributions from Baltimore City Public Schools construction	66,575,558	-	-	-	-	-	66,575,558	-
Expenses related to Baltimore City Public Schools	(206,826,039)	-	-	-	-	-	(206,826,039)	-
Investment income and other	15,284,083	1,134,709	-	-	-	(1,917)	14,151,292	-
Change in fair market value of swaps	2,711,264	2,711,264	-	-	-	-	-	-
Interest expense	(29,521,335)	(4,694,529)	-	-	(447,948)	(162,641)	(24,216,216)	-
Total Non Operating Expenses	(158,832,152)	(848,556)	(5,674,992)	(1,380,693)	(447,948)	(164,559)	(150,315,405)	-
Loss before contributions	(173,926,042)	(14,350,951)	(5,674,992)	(1,380,693)	(447,948)	71,199	(150,315,405)	(1,827,251)
Contributions from Primary Governments	13,727,351	4,350,000	5,874,992	1,249,617	450,250	-	-	1,802,492
Change in net assets	\$ (160,198,691)	\$ (10,000,951)	\$ 200,000	\$ (131,076)	\$ 2,302	\$ 71,199	\$ (150,315,405)	\$ (24,760)

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