

**MARYLAND STADIUM AUTHORITY
(A COMPONENT UNIT OF THE STATE OF MARYLAND)**

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

For the Year Ended June 30, 2013



SB & COMPANY, LLC
EXPERIENCE • QUALITY • CLIENT SERVICE

JUNE 30, 2013

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of the
Maryland Stadium Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Maryland Stadium Authority (the Authority), a component unit of the State of Maryland, as of and for the year ended June 30, 2013, 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 control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



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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, 2013, 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 on pages 3 to 9 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.

Hunt Valley, Maryland
September 27, 2013

SB & Company, LLC

MARYLAND STADIUM AUTHORITY

Management's Discussion and Analysis June 30, 2013

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 2013 financial statements. 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, 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 Change 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 as of June 30, 2013. The Statement of Net Position provides the reader with a financial picture of the Authority's assets (current and noncurrent), liabilities (current and noncurrent), and net position (assets minus liabilities, and plus/minus deferred inflows/outflows) 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 amounts owed to and by the Authority. The purpose of the Statement of Net Position is to show the user what is available for future needs of the Authority.

The net position are divided into four categories. The first category, "invested in capital assets," reflects the Authority's investment furniture and equipment and facility rights. 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 swap.

MARYLAND STADIUM AUTHORITY

Management's Discussion and Analysis June 30, 2013

Statement of Net Position (continued)

Below is a comparison of the Statements of Nets Position as of June 30, 2013 and 2012:

	As of June 30,	
	2013	2012
ASSETS		
Current Assets	\$ 46,492,278	\$ 47,686,961
Capital Assets, Net	119,218,169	132,249,467
Other Noncurrent Assets	168,295,562	193,644,193
Total Assets	334,006,009	373,580,621
LIABILITES		
Current Liabilities	44,329,530	34,851,387
Noncurrent Liabilities	212,759,032	252,948,707
Total Liabilities	257,088,562	287,800,094
NET POSITION		
Net Investment in Capital Assets	77,533,470	89,655,981
Restricted for Debt Service	3,189,940	3,030,919
Restricted for Capital Assets	1,374,200	4,372,323
Unrestricted	(5,180,163)	(11,278,696)
Total Net Position	\$ 76,917,447	\$ 85,780,527

During fiscal year 2013, total assets for the Authority decreased from the prior year by approximately \$39.6 million dollars, due to: 1) Cash, cash equivalents and restricted investments decreased approximately \$1.9 million as a result spending of investments for projects; 2) capital leases receivable decreased by approximately \$24.0 million which includes a \$0.9 million increase in restricted cash and cash equivalents that are available to be used for capital projects and debt service a decrease of \$24.9 million for 2013 principal payment received; and 3) intangible assets decreased by \$10.9 million as a result of an increase in capital improvements to the Camden Yards Complex of \$2.5 million, a decrease of \$0.4 million for capital leases and a decrease of \$13.0 million for depreciation and disposals.

MARYLAND STADIUM AUTHORITY

Management's Discussion and Analysis June 30, 2013

Statement of Net Position (continued)

The decrease in net accounts receivable and due from primary government of approximately \$0.3 million is the result of the following: an increase in Orioles' rent and reimbursement of \$0.2 million, a decrease of \$0.6 million of reimbursements from the Baltimore Ravens, a increase in Admissions Taxes in the fourth quarter of 2013 of \$0.3 million, a decline of \$0.5 million for the sale of land at the old Memorial Stadium site and an increase of \$0.3 million for other receivable and adjustments to the allowance for bad debt. Deferred financing costs decreased approximately \$0.2 million as a result of \$0.4 million being capitalized from the issuance of the Series 2012 Hippodrome Performing Arts Center Refunding and the Series 2012 Montgomery County Conference Center Refunding, a decline of \$0.3 million for the disposal of the balances related to the Series 2002 and Series 2003 bonds and a decrease of \$0.3 million for the 2013 amortization. Notes receivable, Prepaid Expenses and Interest Receivable decline \$0.1 million. Finally, furniture and equipment decreased by approximately \$2.1 million because of the current year's depreciation of \$2.1 million.

Total liabilities for the fiscal year 2013 decreased by approximately \$30.7 million. Deferred revenue decreased by approximately \$0.2 million as a result of deferred revenue being recognized as income in fiscal year 2013. There was a decrease in the equipment, financing, and lease revenue bonds of approximately \$25.2 million as a result new debt and bond premium totaling for \$55.0 million and \$29.9 million used to defease the Series 2002 and Series 2003 bonds and paid towards the outstanding principal on the lease revenue bonds. Finally for fiscal year 2013, the derivative liability decreased by \$5.3 million as a result of the change in the fair market values of derivatives.

MARYLAND STADIUM AUTHORITY

Management's Discussion and Analysis June 30, 2013

Statement of Revenue, Expenses and Change in Net Position

Below is a comparison of the Statements of Revenue, Expenses, and Change in Net Position for the years ending June 30, 2013 and 2012:

	<u>For the Years Ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
Operating revenue	\$ 36,020,082	\$ 34,225,994
Operating expenses	<u>46,211,794</u>	<u>43,655,216</u>
Operating loss	(10,191,712)	(9,429,223)
Non operating expenses	<u>(12,305,428)</u>	<u>(21,026,971)</u>
Loss before contributions	(22,497,140)	(30,456,193)
Contributions from primary and local governments and other sources	<u>13,634,060</u>	<u>18,156,274</u>
Decrease in net positions	(8,863,080)	(12,299,919)
Net position at beginning of year	<u>85,780,527</u>	<u>98,080,446</u>
Net Position at End of Year	<u>\$ 76,917,447</u>	<u>\$ 85,780,527</u>

The change in net position as seen on the Statement of Net Position is based on the activity that is presented on the statement of revenue, expenses, and change in net position.

The presentation of the statement of revenue, expenses, and change in net position discloses the revenue and expenses for the Authority during fiscal year 2013. The revenue and expenses are presented in operating and non operating categories.

At the end of fiscal year 2013, the statement of revenue, expenses and change in net position disclosed a \$8.9 million decrease to net position. The following information explains the decrease to net position.

Operating revenue generated at the Camden Yards Sports Complex for fiscal year 2013 totaled \$36 million. The material percentage of the revenue received by the Authority relate to the operation of the stadiums. The Baltimore Orioles' rent is based upon a percentage of revenue streams formula and the Baltimore Ravens pay 100% of the operating and maintenance expenses of the football stadium. This accounts for approximately \$16.7 million of the revenue for fiscal year 2013.

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 \$11.0 million.

MARYLAND STADIUM AUTHORITY

Management's Discussion and Analysis June 30, 2013

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

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 \$4.0 million a year. Other revenue from the Camden Yards Sports Complex include parking receipts from non-game days, other non-professional events, catering commissions, trademark revenue, construction management fees for other construction projects not part of the Camden Yards Sports Complex and adjustments to capital assets, which total approximately \$4.2 million for fiscal year 2013.

Non-operating revenue for fiscal year 2013 was \$7.3 million which is generated by several sources. In 2007, the Baltimore Ravens paid \$1.7 million on the payment option of the chiller and generator plants. A portion of these savings is recognized as revenue each year. For fiscal year 2013, this figure was approximately \$.2 million. The second source of non-operating revenue is investment income received on money held by trustees on various bond issuances, from an outstanding note from the Baltimore Orioles and the amortization of bond premiums. It approximates \$1.8 million for fiscal year 2013.

Overall, revenue for fiscal year 2013 increased by approximately \$1.8 million from revenue in fiscal year 2012 due to an increase in Orioles Rent of \$1.7 million, increase in admission taxes of approximately \$0.7 million as the result of higher tickets sales and prices, increase in Baltimore Ravens' contribution of \$0.5 million for higher operating and utility costs, \$0.1 million increase from warehouse and stadium rental revenue, and a \$1.2 million decrease in miscellaneous sales and parking revenues.

Net operating expenses increased \$2.5 million for fiscal year 2013. Explanations for the increase in fiscal year 2013 are as follows:

- Salaries and wages increase \$0.5 million in fiscal year 2013. Other personnel costs and increased \$0.4 million and the use of part time employees increased \$0.1 million.
- During fiscal year 2013, utility costs for the Camden Yards Complex increased by \$0.9 million. The primary increase related to chilled water billed to the Baltimore Ravens of \$0.6 million and higher cost and use of steam and electricity of \$0.3 million.
- Contractual Services increased by \$2.5 million from increase cost for janitorial services of \$0.5 million due to the increase in living wage and higher attendance at the Baltimore Orioles' games plus two playoff games at Oriole Park at Camden Yards. Increase in project costs of \$1.8 million related to the replacement of pedestrian walkways and \$0.2 million in engineering services.
- Depreciation expense increased by \$0.3 million because of the additional costs capitalized in fiscal year 2013.

MARYLAND STADIUM AUTHORITY

Management's Discussion and Analysis June 30, 2013

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

- Miscellaneous expenses decreased by \$2.0 million a result of the write off of the Baltimore Racing Development receivable in the prior fiscal year.
- Fixed charges decreased \$0.2 million a result of lower costs related to the liquidity services for the variable rate debt.
- Parking expenses increased by \$0.5 million from the resurfacing of several lots in fiscal year 2013.

Non-operating expenses decreased by \$8.7 million in fiscal year 2013. There was a decrease in interest expense of \$2.3 million related to lower interest rates on the two new series of debt issued plus the prior year's refunding of two of the variable rate series to fixed rate. Investment income increased by \$0.8 million is the result of the amortization of bond premiums increasing by \$0.8 million. The State's share of the operating deficit for the Baltimore Convention and Ocean City Convention Centers increased by \$1.1 million a result of increased operating costs. Contributions to primary government declined \$1.2 million because there was only \$0.5 million State Rent payment. Finally, the change in the liability due related to the fair value of the hedge decreased by \$5.3 million.

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 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 deficits at 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 of \$50,000 and \$200,000, respectively. The total of these contributions for fiscal year 2013 was approximately \$13.6 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 flow and shows the net cash used to operate the Camden Yards Sports Complex; the second relates to the cash flow resulting from noncapital financing activities; the third relates to cash flow from capital and related financing activities; the fourth relates to the cash flow from investing activities; and the fifth reconciles the net cash used to the operating loss on the statement of revenue, expenses, and change in net position.

MARYLAND STADIUM AUTHORITY

Management's Discussion and Analysis June 30, 2013

Statement of Cash Flows (continued)

Below is a comparison of the Statements of Cash Flows as of June 30, 2013 and 2012:

	For the Years Ended June 30,	
	2013	2012
Cash flows from:		
Operating activities	\$ 3,424,353	\$ 9,714,657
Noncapital financing activities	(59,355,780)	(105,913,515)
Capital and related financing activities	50,840,923	112,853,433
Investing activities	6,039,086	(12,725,114)
Net increase in cash and cash equivalents	948,582	3,929,461
Cash and cash equivalents, beginning of year	6,239,757	2,310,296
Cash and Cash Equivalents, End of Year	\$ 7,188,339	\$ 6,239,757

Capital Assets and Debt Administration

The Authority had \$2.6 million of additions to capital assets in 2013. The Authority had an increase in debt during 2012 of \$27.0 million due to the series 2012 Hippodrome Performing Arts Center and Montgomery County Conference Center refunding Bonds Series 2012 Refunding bond issuances. Debt was also decreased by principal payments and defeasement of the Series 2002 and Series 2003 bonds of \$53.4 million.

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.

MARYLAND STADIUM AUTHORITY

Statement of Net Position As of Year Ended June 30, 2013

ASSETS	
Current Assets	
Cash and cash equivalents	\$ 7,188,339
Restricted investments	4,564,140
Accounts receivable, net	6,968,908
Due from primary government	3,716,351
Interest receivable	115,904
Note receivable, current portion	533,636
Capital leases receivable, current portion	23,405,000
Total Current Assets	46,492,278
Noncurrent Assets	
Other assets	1,000
Note receivable, net of current portion	3,860,366
Capital leases receivable, net of current portion	163,300,741
Deferred financing costs, net	1,133,455
Capital assets:	
Furniture and equipment, net	5,200,805
Intangible assets, net	114,017,364
Net capital assets	119,218,169
Total Noncurrent Assets	287,513,731
Total Assets	334,006,009
LIABILITIES	
Current Liabilities	
Accounts payable and accrued expenses	8,216,835
Interest payable	1,677,171
Deferred revenue	176,357
Bonds payable and capital leases, current portion	34,259,167
Total Current Liabilities	44,329,530
Noncurrent Liabilities	
Accrued expenses, net of current portion	1,100,538
Bonds payable and capital leases, net	194,485,751
Deferred revenue	529,070
Interest rate swap liability	16,643,673
Total Noncurrent Liabilities	212,759,032
Total Liabilities	257,088,562
NET POSITION	
Net Position	
Net investment in capital assets	77,533,470
Restricted for debt service	3,189,940
Restricted for capital assets	1,374,200
Unrestricted	(5,180,163)
Total Net Position	\$ 76,917,447

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

MARYLAND STADIUM AUTHORITY

Statement of Revenue, Expenses, and Change in Net Position For the Year Ended June 30, 2013

Operating Revenue

Baltimore Orioles' rent	\$ 7,225,510
Baltimore Ravens' contributions	11,039,611
Admission taxes	9,532,252
Warehouse rents	3,991,992
Catering commissions	550,326
Parking revenue	2,071,476
Miscellaneous sales	1,608,915
Total Operating Revenue	36,020,082

Operating Expenses

Salaries and wages	8,244,503
Telephone and postage	50,047
Travel	38,316
Utilities	5,081,420
Vehicle expense	26,603
Contractual services	14,159,430
Parking	1,921,219
Supplies and materials	783,605
Depreciation and amortization	15,205,947
Fixed charges	403,951
Miscellaneous	296,753
Total Operating Expenses	46,211,794

Operating Loss (10,191,712)

Non Operating (Expenses) Revenue

Contributions to others for operating deficit and capital improvements	(6,189,952)
Contribution to primary government	(535,702)
Investment income	1,994,185
Change in fair market value of swaps	5,347,995
Interest expense	(12,921,954)
Total Non Operating Expenses	(12,305,428)

Loss before contributions (22,497,140)

Contributions from Primary Government 13,634,060

Change in net position (8,863,080)

Total net position, beginning of year 85,780,527

Total Net Position, End of Year \$ 76,917,447

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

MARYLAND STADIUM AUTHORITY

Statement of Cash Flows For the Year Ended June 30, 2013

Cash Flows from Operating Activities

Receipts from Camden Yards	\$ 36,320,530
Payments to employees and related disbursements	(8,312,191)
Payments to suppliers	(24,583,986)
Net Cash From Operating Activities	<u>3,424,353</u>

Cash Flows from Noncapital Financing Activities

Contributions to/from primary governments	13,098,358
Convention Center operating deficit and capital improvements	(6,152,121)
Principal paid on bonds payable and capital leases	(53,470,070)
Interest payments	(12,831,947)
Net Cash From Noncapital Financing Activities	<u>(59,355,780)</u>

Cash Flows from Capital and Related Financing Activities

Purchases of capital assets	(132,795)
Proceeds from capital leases receivable	23,960,426
Proceeds from debt issuance	27,013,292
Net Cash From Capital and Related Financing Activities	<u>50,840,923</u>

Cash Flows from Investing Activities

Sale of investments	3,954,924
Interest and gains on investments	2,049,574
Proceeds from note receivable	34,588
Net Cash From Investing Activities	<u>6,039,086</u>

Net increase in cash and cash equivalents	948,582
Cash and cash equivalents, beginning of year	6,239,757
Cash and Cash Equivalents, End of Year	<u>\$ 7,188,339</u>

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

Operating loss	\$ (10,191,713)
Adjustments to reconcile operating loss:	
Depreciation and amortization	15,205,947
Effects of changes in non-cash operating assets and liabilities:	
Accounts receivables	632,072
Due from primary government	(331,624)
Accounts payable	(1,903,475)
Prepaid expenses	13,145
Net Cash From Operating Activities	<u>\$ 3,424,353</u>

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

MARYLAND STADIUM AUTHORITY

Notes to the Financial Statements

June 30, 2013

1. NATURE OF OPERATIONS

The Maryland Stadium Authority (the Authority) was established by legislation enacted by the State of Maryland (the State), effective July 1, 1986, (Annotated Code 1957, Sections 13-701 through 13-722 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 2009 General Assembly session, the General Assembly move the Authority from the Financial Institutions Article to the newly created Economic Development Article, Sections 10-601 to 10-658.

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 being 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.

MARYLAND STADIUM AUTHORITY

Notes to the Financial Statements

June 30, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

In December 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 62 (GASB 62) *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* which intended to enhance the usefulness of the Codification of Governmental Accounting and Financial Reporting Standards by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. The requirements of the GASB62 are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged. The Authority has implemented the GASB62 and did not have a material impact on the financial statements. The Authority distinguishes operating revenue and expenses from non operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. Revenue and expenses not meeting this definition are reported as non operating revenue and expenses.

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 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 life of the related contracts.

MARYLAND STADIUM AUTHORITY

Notes to the Financial Statements June 30, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Deferred Financing Costs

Financing costs associated with the issuance of bonds and notes are deferred and amortized over the life of the debt using the effective interest method. Amortization expense was \$276,779 for the year ended June 30, 2013, and is recorded in interest expense in the accompanying financial statements. Accumulated amortization was \$994,513 as of June 30, 2013.

Project Advances

The Authority is overseeing 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. There were no advances outstanding as of June 30, 2013.

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 13-715, 13-716, 13-717, 13-717.1, and 13-717.2 of the Financial Institutions Article of the Annotated Code of Maryland.

New Pronouncements

The GASB issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. The Authority has implemented this Statement, which did not have a material impact on the financial statements. The GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities, effective for financial statements for periods beginning after December 15, 2012, Statement No. 67, Financial Reporting for Pension Plans - An amendment of GASB Statement No. 25, effective for financial statements for periods beginning after June 15, 2014, Statement No. 68 Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27, Statement No. 69, Government Combinations and Disposals of Government Operations, effective for financial statements for periods beginning after December 15, 2013, and Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees, effective for Statements for reporting periods after June 15, 2013. The Authority is still in the process of determining the effect of implementing these GASB statements and will adopt these GASB statements before the effective date.

MARYLAND STADIUM AUTHORITY

Notes to the Financial Statements June 30, 2013

3. DEPOSITS AND INVESTMENTS

As of June 30, 2013, 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 \$6,662,770 as of June 30, 2013.

The carrying value of other deposits as of June 30, 2013, and the associated bank balances were \$525,569, which were covered by Federal depository insurance.

As of June 30, 2013, the Authority had no unspent master equipment and energy performance lease financings held with the State Treasurer restricted for the purchase of equipment.

As of June 30, 2013, the Authority had a balance of \$4,564,140 in funds held by trustees for various bond series. The Bank of New York held \$3,384,306, M&T Bank held \$1,106,433 and Wells Fargo held \$73,401. As of June 30, 2013, these balances 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 and the Bank of New York are rated AAA by Moody's and AAA by S&P.

As of June 30, 2013, M & T Bank had the following investments and maturities:

<u>Investment Type</u>	<u>Value</u>	<u>Investment Maturities (in Years)</u>				
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>11-15</u>	<u>More than 15</u>
Money Market	\$1,106,433	\$1,106,433	-	-	-	-

As of June 30, 2013, the Bank of New York held the following investments and maturities:

<u>Investment Type</u>	<u>Value</u>	<u>Investment Maturities (in Years)</u>				
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>11-15</u>	<u>More than 15</u>
Money Market	\$3,384,306	\$3,384,306	-	-	-	-

MARYLAND STADIUM AUTHORITY

Notes to the Financial Statements June 30, 2013

3. DEPOSITS AND INVESTMENTS (continued)

As of June 30, 2013, the Wells Fargo NA held the following investments and maturities:

<u>Investment Type</u>	<u>Value</u>	<u>Investment Maturities (in Years)</u>				
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>11-15</u>	<u>More than 15</u>
Money Market	\$73,401	\$73,401	-	-	-	-

The Authority is restricted by the trust indenture for each bond issuance as to the type of investments that can be utilized. All transactions must be completed by the State of Maryland Treasurer's Office.

Interest rate risk

Interest rate risk is the risk that changes in interest rates that 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 that will not fulfill its obligations.

Foreign currency risk

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

MARYLAND STADIUM AUTHORITY

Notes to the Financial Statements June 30, 2013

3. DEPOSITS AND INVESTMENTS (continued)

Foreign currency risk (continued)

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.

4. ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2013, consisted of the following:

Baltimore Orioles	\$ 4,500,904
Baltimore Ravens	1,145,164
Other	1,322,840
Total	<u>\$ 6,968,908</u>

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 and furnishing and renovation costs over a five-year period with interest at 6.5%, which was adjusted on April 1, 2013 to 5.0%, to the prime rate of interest plus 1.75%. Interest income for the year ended June 30, 2013, was \$240,187.

Future note receivable payments to be received as of June 30, 2013, were as follows:

<u>For the Years Ending June 30,</u>	
2014	\$ 533,636
2015	533,636
2016	475,074
2017	456,420
2018	456,420
2019-2023	1,938,816
Total	<u>\$ 4,394,002</u>

MARYLAND STADIUM AUTHORITY

**Notes to the Financial Statements
June 30, 2013**

6. CAPITAL LEASES RECEIVABLE

As of June 30, 2013, the capital leases receivable consisted of the following:

Total minimum lease payments to be received	\$ 235,523,839
Less: unearned interest income ranging from 2% to 6.25%	<u>47,623,839</u>
Principal balance on outstanding debt	187,900,000
Less: liquid assets to be used in construction	<u>1,194,259</u>
Total	<u><u>\$ 186,705,741</u></u>

Future minimum lease payments to be received as of June 30, 2013, were as follows:

<u>For the Years Ending June 30,</u>	
2014	\$ 31,769,487
2015	30,456,036
2016	25,402,821
2017	24,043,241
2018	23,965,218
2019-2023	77,245,289
2024-2026	<u>22,641,748</u>
Total	<u><u>\$ 235,523,839</u></u>

Capital leases receivable activity for the year ended June 30, 2013, was as follows:

	<u>Beginning Balance</u>	<u>Principal Reduction</u>	<u>Ending Balance</u>
Capital lease receivable:			
Camden Yards	\$ 162,307,049	\$ 14,361,970	\$ 147,945,079
Baltimore City Conv Ctr	13,339,889	4,064,316	9,275,573
Ocean City Con Ctr	5,364,957	1,300,000	4,064,957
Montgomery County	15,995,000	3,366,467	12,628,533
Hippodrome	<u>13,659,262</u>	<u>867,663</u>	<u>12,791,599</u>
Capital Lease Receivable	<u><u>\$ 210,666,157</u></u>	<u><u>\$ 23,960,416</u></u>	<u><u>\$ 186,705,741</u></u>

MARYLAND STADIUM AUTHORITY

Notes to the Financial Statements June 30, 2013

7. CAPITAL ASSETS

Furniture and equipment and intangible assets activity for the year ended June 30, 2013, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Capital Assets:				
Furniture and equipment	\$ 20,886,117	\$ 25,232	\$ 58,264	\$ 20,853,085
Less: accumulated depreciation	13,586,629	2,123,915	58,264	15,652,280
Capital Assets, Net	<u>\$ 7,299,488</u>	<u>\$ (2,098,683)</u>	<u>\$ -</u>	<u>\$ 5,200,805</u>
Intangible Assets:				
Facility rights	\$ 279,378,860	\$ 2,555,306	\$ 408,030	\$ 281,526,136
Less: accumulated depreciation	154,428,881	13,079,891	-	167,508,772
Intangible Assets, Net	<u>\$ 124,949,979</u>	<u>\$ (10,524,585)</u>	<u>\$ 408,030</u>	<u>\$ 114,017,364</u>

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.

MARYLAND STADIUM AUTHORITY

Notes to the Financial Statements June 30, 2013

8. BONDS PAYABLE AND CAPITAL LEASES

Bonds payable and capital leases as of June 30, 2013, consisted of the following:

Lease revenue bonds payable:

2002 Series: Issued \$10,250,000 in July 2002 at 3.0% to 5.7% per annum, due in varying installments through September 15, 2013	\$ 1,245,000
2004 Series: Issued \$8,730,000 in February 2004 at 3.0% to 5.21% per annum, due in varying installations through December 15, 2024	6,865,000
2006 Series: Issued \$31,600,000 in December 2006 at a variable rate; due in varying installments through December 15, 2014	9,290,000
2007 Series: Issued \$73,500,000 in February 2007 at a variable rate; due in varying installments through March 1, 2026	57,810,000
2011 Series: Issued \$6,630,000 in March 2011 at 2.25% per annum, due in varying installments through December 15, 2015	4,095,000
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	27,725,000
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	55,065,000
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	12,865,000
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	12,940,000
Lease revenue bonds payable	<u>187,900,000</u>

Revenue bonds payable:

2010 Series: Issued \$10,000,000 in April 2010 at 2.90% annum, due in varying installments through December 15, 2013	8,475,000
2011 Series: Issued \$11,100,000 in August 2011 at 1.32% annum, due in varying installments through December 15, 2015	10,960,000

Capital leases:

2007 Master equipment lease financing in December 2007 at 5.6% rate, due in varying installments through January 1, 2018	1,971,683
2010 Master equipment lease financing in April 2011 at 5.35% rate, due in varying installments through January 1, 2020	3,133,446
2010 Master energy performance contract lease-purchase agreement in January 2011 at 4.09% rate, due in varying installments through July 1, 2022	2,054,996
2010 Master energy performance contract lease-purchase agreement in January 2011 at 6.11% rate, due in varying installments through July 1, 2022	5,106,124
Subtotal	<u>219,601,249</u>
MEA Loan, 1.0%, due in varying installments through July 2021	900,000
Subtotal lease revenue bond, revenue bonds payable and capital leases	<u>\$ 220,501,249</u>

MARYLAND STADIUM AUTHORITY

Notes to the Financial Statements

June 30, 2013

8. BONDS PAYABLE AND CAPITAL LEASES (continued)

Subtotal lease revenue bond, revenue bonds payable and capital leases	\$ 220,501,249
Plus unamortized premium (includes unamortized premiums related to both series of 2002, 2003, 2004, 2011B and 2012 revenue bonds payable of \$2,513, \$46,897, \$1,061, \$68, \$5,634,560 and \$2,626,493, respectively, as of June 30, 2013)	8,311,591
Less unamortized discount (includes unamortized discount relating to the 1995 and 1996 revenue bonds payable of \$9,762 and \$58,160, respectively, as of June 30, 2013)	<u>(67,922)</u>
Net Bonds Payable and Capital Leases	<u>\$ 228,744,918</u>

On July 10, 2002, the Authority issued taxable Sports Facilities Lease Revenue Bonds, Series 2002, to retire, the 2001 Bond Anticipation Notes. Principal and interest are payable primarily from the basic rent to be paid by the State under the Master Lease. Interest is payable semiannually at rates varying from 3.0% to 5.7% per annum. The bonds mature serially in varying amounts through September 15, 2013.

On July 10, 2002, the Authority issued taxable Hippodrome Performing Arts Center Taxable Revenue Bonds, Series 2002, to finance, together with certain other funds, renovation of the Hippodrome Performing Arts Center. Principal and interest are payable primarily from the basic rent to be paid by the State under the Master Lease. Interest is payable semiannually at rates varying from 5.0% to 6.25% per annum. The bonds require a sinking fund redemption beginning June 15, 2014.

On January 14, 2003, the Authority issued tax-exempt Montgomery County Conference Center Lease Revenue Bonds, Series 2003, to finance, together with certain other funds, construction of the Montgomery County Conference Center. Principal and interest are payable primarily from the basic rent to be paid by the State under the Master Lease. Interest is payable semiannually at rates varying from 2.0% to 5.0% per annum. The bonds mature serially in varying amounts through June 15, 2024.

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 December 9, 2006, the Authority issued the Tax Exempt Baltimore Convention Center Lease Revenue Refunding Bonds, Series 2006, to retire the Series 1994 Bonds. The Series 1994 Bonds, (along with other sources) were used to finance the construction of the expansion of the Baltimore Convention Center. The interest rate for the Series 2006 Bonds is calculated weekly by its remarketing agent using the 30 Day USD LIBOR.

MARYLAND STADIUM AUTHORITY

Notes to the Financial Statements

June 30, 2013

8. BONDS PAYABLE AND CAPITAL LEASES (continued)

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 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 Work's 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 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 in 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 will 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 will 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 of new audio and video equipment funded by \$5.6 million 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. This financing is set to mature on January 1, 2020.

On April 15, 2010, the Authority issued Sports Facilities Taxable Revenue Bonds, Series 2010, to renovate Oriole Park located at Camden Yards. Principal and interest are payable primarily from lottery proceeds received by the Authority. Interest is payable semiannually at a rate of 2.9% per annum. The bonds mature December 15, 2013.

MARYLAND STADIUM AUTHORITY

Notes to the Financial Statements

June 30, 2013

8. BONDS PAYABLE AND CAPITAL LEASES (continued)

On March 16, 2012, the Authority issued the Ocean City Convention Center Expansion Lease Revenue Refunding Bond, Series 2012 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 is payable semiannually at the rate of 2.25% per annum. The bond matures December 15, 2015. The approximate difference in the Series 1995 and Series 2012 debt service payment is \$0.4 million. This resulted in a present value savings at an interest rate of 2.25% of \$0.4 million.

On August 17, 2012, the Authority issued Sports Facilities Taxable Revenue Bonds, Series 2012, to renovate Oriole Park and the Warehouse located at Camden Yards. Principal and interest are payable primarily from lottery proceeds received by the Authority. Interest is payable semiannually at a rate of 1.32% per annum. The bonds mature December 15, 2014.

On December 21, 2012, the Authority issues the Sports Facilities Lease Revenue Refunding Bonds (Baseball Stadium Issue) Series 2012A (Federally Taxable) and the Sports Facilities Lease Revenue Refunding Bonds (Baseball Stadium Issue), Series 2012B (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 approximately difference in the Series 1998A and the Series 1999 compared with the Series 2012 A and Series 2012 B 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 semi-annually 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 semi-annually 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.

MARYLAND STADIUM AUTHORITY

Notes to the Financial Statements June 30, 2013

8. BONDS PAYABLE AND CAPITAL LEASES (continued)

Debt service requirements subsequent to June 30, 2013, were as follows:

For the Years Ending June 30,	Principal Maturities	Interest	Total
2014	\$ 34,259,167	\$ 9,281,476	\$ 43,540,643
2015	34,575,217	8,038,866	42,614,082
2016	20,600,127	6,883,572	27,483,699
2017	20,094,115	6,030,005	26,124,120
2018	20,912,403	5,133,694	26,046,097
2019-2023	69,785,220	13,393,692	83,178,912
2024-2026	20,275,000	2,366,748	22,641,748
Total	\$ 220,501,249	\$ 51,128,052	\$ 271,629,301

9. NONCURRENT LIABILITIES

Noncurrent liability activity for the year ended June 30, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Compensated absences	\$ 724,558	\$ 56,707	\$ 24,497	\$ 756,768	\$ 50,000
Workers' compensation	339,000	280,538	153,538	466,000	72,230
Revenue bonds and capital lease payable, net	253,907,377	29,875,463	55,037,922	228,744,918	34,259,167
Deferred revenue	881,784	-	176,357	705,427	176,357
Interest rate swap liability	21,991,668	-	5,347,995	16,643,673	-
Total	\$ 277,844,387	\$ 30,212,707	\$ 60,740,309	\$ 247,316,786	\$ 34,557,754

MARYLAND STADIUM AUTHORITY

Notes to the Financial Statements June 30, 2013

10. DEFERRED REVENUE

The Authority received an advance payment for its portion of a chiller and generator plant from the Baltimore Ravens that would be included in its future operations. Revenue to be recognized in subsequent years as of June 30, 2013, will be as follows:

<u>For the Years Ending June 30,</u>	
2014	\$ 176,357
2015	176,357
2016	176,357
2017	176,357
Total	<u><u>\$ 705,427</u></u>

The advanced payment is recorded as deferred revenue as of June 30, 2013, and will be recognized as revenue during the following years.

11. INCOME FROM STATE AND MUNICIPAL SOURCES

Contributions from the primary government represents 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, 2013, Baltimore City made an annual contribution of \$1 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.

12. VALUATION OF INTEREST RATE SWAP AGREEMENT

Objective of the Interest Rate Swaps. The Authority entered into two interest rate swaps for the purpose of hedging or fixing its interest expense associated with the Authority's Series 2006 and 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 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, 2013, are as follows:

MARYLAND STADIUM AUTHORITY

Notes to the Financial Statements June 30, 2013

12. VALUATION OF INTEREST RATE SWAP AGREEMENT (continued)

Associated Bond Issue	Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values	Swap Termination Date	Counter-party Rating
Series 2006	\$ 9,250,000	12/05/08	5.88% *	SIFMA**	\$ (530,470)	12/15/2014	A2 /A+/A
			5.69% to				
Series 2007	57,600,000	12/05/08	5.80%*	SIFMA**	(16,113,203)	3/1/2026	A2 /A+/A
Total	<u>\$ 66,850,000</u>				<u>(\$16,643,673)</u>		

* Calculated rate based upon the fixed payments established in the swap agreements divided by the notional amount outstanding at each fixed rate payment date. Series 2006 swap has one rate (5.88%) for the final two maturities of the 2006 bonds.

** 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, 2013, and the fair value as of June 30, 2013.

	Change in Fair Value		Fair Value as of June 30, 2013	
	Classification	Fair Value	Classification	Amount
Fair value hedge				
Pay fixed interest rate swap	Change in fair market value of swaps	(\$ 5,347,995)	Swap valuation liability	\$ 16,643,673

Fair Value. Because interest rates have declined from rates that were in effect on dates the swaps were entered into, all swaps have a negative fair value as of June 30, 2013. The fair values of the swaps were developed by an independent valuation consultant to the Authority that does not have a vested interest in the swaps, using a market accepted method similar to the zero coupon method example permitted by accounting principals generally accepted in the United States of calculating fair value. The methodology used consists of calculating the future net settlement payments required by the swap agreement, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero coupon bonds due on the date of each future net settlement date of the swap.

Credit Risk. As of June 30, 2013, 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, 2013.

MARYLAND STADIUM AUTHORITY

Notes to the Financial Statements

June 30, 2013

12. VALUATION OF INTEREST RATE SWAP AGREEMENT (continued)

Credit Risk. (continued)

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 swap 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, 2013.

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, 2013 with regard 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.

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 swap's fair value.

Swap Payments and Associated Debt. As rates vary, variable-rate bonds interest payments and net swap payments will vary. These amounts assume that the current interest rates on variable rate bonds and the current reference rates of hedging derivative instruments will remain the same for their term. As these rates vary, interest payments on variable rate bonds and net receipts/payments on the hedging derivative instruments will vary. The Swap - Net Interest column reflects only net receipts/payments on derivative instruments, the net swap payments are as follows:

MARYLAND STADIUM AUTHORITY

Notes to the Financial Statements June 30, 2013

12. VALUATION OF INTEREST RATE SWAP AGREEMENT (continued)

Variable – Rate Bonds (1)(2)

For the Fiscal Years Ending June 30,	Principal	Interest	Interest Rate Swaps, Net	Total
2014	\$ 7,650,000	\$ 38,140	\$ 3,688,248	\$ 11,376,388
2015	8,065,000	34,002	3,247,203	11,346,205
2016	3,485,000	30,831	2,925,309	6,441,140
2017	3,685,000	28,740	2,728,150	6,441,890
2018	3,890,000	26,529	2,519,612	6,436,141
2019	4,115,000	24,195	2,299,124	6,438,319
2020	4,350,000	21,726	2,065,834	6,437,560
2021	4,595,000	19,116	1,819,173	6,433,289
2022	4,860,000	16,359	1,558,571	6,434,930
2023	5,140,000	13,443	1,282,890	6,436,333
2024	5,435,000	10,359	988,715	6,434,074
2025	5,750,000	7,098	677,607	6,434,705
2026	6,080,000	3,648	348,418	6,432,066
Total	<u>\$ 67,100,000</u>	<u>\$ 274,186</u>	<u>\$ 26,148,854</u>	<u>\$ 93,523,040</u>

- (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 notional amount of the swap) on the Convention Center Swap and Football Swap agreements and related bonds.
- (2) As of June 30, 2013, the Authority's tax-exempt variable rate for debt service requirements bonds for the Series 2006 Bonds was 0.05% and for the Series 2007 Bonds was 0.06%. SIFMA was 0.06%.

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.

MARYLAND STADIUM AUTHORITY

Notes to the Financial Statements June 30, 2013

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, 2013, were as follows:

<u>For the Years Ending June 30,</u>	
2014	\$ 4,002,082
2015	4,188,144
2016	4,114,861
2017	812,456
2018	686,271
2019-2023	2,874,408
2024-2026	1,404,514
Total	<u>\$ 18,082,736</u>

Lease rental income for the year ended June 30, 2013, was \$3,991,992.

15. RETIREMENT PLANS

Maryland State Retirement and Pension System

The Authority contributes to the Retirement and Pension System of Maryland (the System), established by the State to provide pension benefits for State employees of various participating entities within the State. Although the System is an agent, multiple-employer public employee retirement system, the System does not perform a separate valuation for the Authority, and the Authority's only obligation to the System is its required annual contribution. The System prepares a separate Comprehensive Annual Financial Report, which can be obtained from the Retirement and Pension System of Maryland at the State Office Building, 120 East Baltimore Street, Baltimore, Maryland 21202.

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, 2013 and 2012, of \$716,719 and \$608,196 respectively.

MARYLAND STADIUM AUTHORITY

Notes to the Financial Statements

June 30, 2013

15. RETIREMENT PLANS (continued)

Other Post-Employment Benefits

Members of the State Retirement and Pension System of Maryland (the State System) and their dependents are provided postemployment health care benefits through the State Employee and Retiree Health and Welfare Benefits Program. The Plan is a cost sharing defined benefit healthcare plan established by the State Personnel and Pensions Article, Section 2-501 through 2-516 of the Annotated Code of Maryland. The Plan is self-insured to provide medical, hospitalization, prescription drug and dental insurance benefits to eligible state employees, retirees, and their dependents. The State does not distinguish employees by employer/State agency. Instead, the State allocates the postemployment health care costs to all participating employers.

Financial information for the Plan is included in the State of Maryland Comprehensive Annual Financial Report, which can be obtained from the Comptroller of Maryland, Louis L. Goldstein Treasury Building, Annapolis, MD 21404.

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, 2013.

Plan Description

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

Funding Policy

Beginning in fiscal year 2008, State law requires the State's Department of Budget and Management to transfer any subsidy received as a result of the federal Medicare Prescription Drug Improvement and Modernization Act of 2003 or similar subsidy to the OPEB Trust to prefund OPEB benefits. To further prefund benefits, during fiscal year 2008, the State transferred from the State Reserve Fund Dedicated Purpose Account. Additionally, 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.

MARYLAND STADIUM AUTHORITY

Notes to the Financial Statements June 30, 2013

15. RETIREMENT PLANS (continued)

Funding Policy

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 postemployment 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.

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.

16. 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.