

**MARYLAND DEPARTMENT OF TRANSPORTATION
MARYLAND PORT ADMINISTRATION**

**Schedule of Operating Expenses
Together with Report of Independent Public Accountants**

For the Year Ended June 30, 2018



S B & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

JUNE 30, 2018

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Management of the
Maryland Department of Transportation
Maryland Port Administration

We have audited the basic financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Maryland Department of Transportation (the Department), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements. In our report dated December 13, 2018, we expressed an unmodified opinion on those basic financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Department's basic financial statements. The Schedule of Operating Expenses (the Schedule) is presented for purpose of additional analysis and is required by the World Trade Center standard lease agreement, and is not a required part of the basic financial statements. As described in Note 1, the Schedule referred to above has been prepared in accordance with the basis of accounting as defined by Article 4 of the World Trade Center standard lease agreement, which requires reporting expenses at amounts that vary from those, which would be reported if presented in conformity with accounting principles generally accepted in the United States of America. The Schedule is not intended to be a complete presentation of operating expenses in conformity with accounting principles generally accepted in the United States of America or other comprehensive basis of accounting. The Schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Operating Expenses is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Hunt Valley, Maryland
December 26, 2018

SB & Company, LLC

**MARYLAND DEPARTMENT OF TRANSPORTATION
MARYLAND PORT ADMINISTRATION**

**Schedule of Operating Expenses
For the Year Ended June 30, 2018**

Utilities	\$ 1,221,165
Maintenance	1,643,463
Security	531,730
Janitorial	420,946
Insurance	65,259
Administration	232,344
Total Operating Expenses	<u>\$ 4,114,907</u>

The accompanying notes are an integral part of this schedule.

**MARYLAND DEPARTMENT OF TRANSPORTATION
MARYLAND PORT ADMINISTRATION**

**Notes to the Schedule of Operating Expenses
June 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Schedule of Operating Expenses (the Schedule) is prepared on the basis of accounting as defined by Article 4 of the standard World Trade Center lease agreement (see Note 2).

Material and Supplies

The policy of the Maryland Port Administration (the Administration) is to charge all purchases of materials and supplies to expense in the year received.

Allocation of Insurance

Insurance expense of \$65,259, reported on the Schedule represents an allocation of administrative liability and property insurance expense for the year ended June 30, 2018, to the World Trade Center.

Allocation of Security

Security expense of \$531,730, reported on the Schedule represents an allocation of police and other related expenses for the year ended June 30, 2018, to the World Trade Center.

2. OPERATING EXPENSES

Article 4 of the standard World Trade Center lease agreement specifies that the lessor (the Maryland Port Administration) shall furnish to the lessee a schedule of operating expenses for the purpose of determining additional rent that may be due under the terms of the lease. This Schedule should constitute a final determination between the lessor and the lessee of the operating expenses. As defined by the lease, operating expenses do not include depreciation expense, administrative overhead expenses, leasing commissions, management or rental agent fees, capital expenditures, or any other expenses related to ownership and management, as distinguished from operation, of the World Trade Center.

3. REAL ESTATE TAXES

Article 4(b)1 of the standard World Trade Center lease agreement provides that if real estate taxes payable during any fiscal year following the initial tax year exceed the amount of such real estate taxes payable during the initial year, the lessee shall pay to the lessor, as additional rent, its proportionate share of the increase. Furthermore, the lessor shall provide to the lessee each year a statement of such real estate taxes. However, in accordance with an agreement with Baltimore City dated September 5, 1973, a \$1,000 annual payment in lieu of real estate taxes is made to the City each year. This \$1,000 payment in lieu of real estate taxes will continue until such time as the revenue from the building exceeds the related operating expenses and the principal and interest on outstanding debt. Since real estate taxes were not paid and payments in lieu of taxes remain unchanged for the fiscal year ended June 30, 2018, additional rental payments were not required. Accordingly, a separate statement of real estate taxes has not been prepared.