

**MARYLAND INDUSTRIAL DEVELOPMENT
FINANCING AUTHORITY
(A COMPONENT UNIT OF THE STATE OF MARYLAND)**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022



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**MARYLAND INDUSTRIAL DEVELOPMENT FINANCING AUTHORITY
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INDEPENDENT AUDITORS' REPORT

Board of Directors and Secretary of
the Maryland Department of Commerce
Baltimore, Maryland

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the general fund of the Maryland Industrial Development Financing Authority, a component unit of the state of Maryland, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Maryland Industrial Development Financing Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Maryland Industrial Development Financing Authority, as of June 30, 2023 and 2022, and the respective changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Maryland Industrial Development Financing Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 2, the financial statements of the Maryland Industrial Development Financing Authority are intended to present the financial position and the changes in financial position of only the Maryland Industrial Development Financing Authority. They do not purport to, and do not present fairly the financial position of the Department of Commerce or the state of Maryland as of June 30, 2023 and 2022, or the changes in their financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:


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

Board of Directors and Secretary of
the Maryland Department of Commerce

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

Required Supplementary Information

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



CliftonLarsonAllen LLP

Baltimore, Maryland
January 11, 2024

**MARYLAND INDUSTRIAL DEVELOPMENT FINANCING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2023 AND 2022**

Overview of the Financial Statements and Financial Analysis

In accordance with generally accepted accounting principles, the Maryland Department of Commerce (the Department) presents this management's discussion and analysis of the financial statements of the Maryland Industrial Development Financing Authority (MIDFA) for the years ended June 30, 2023 and 2022, as compared to the year ended June 30, 2021.

This financial report consists of two primary financial statements: The statement of net position simultaneously presented with the governmental fund balance sheet, and the statement of activities concurrently presented with the governmental fund revenues, expenditures, and changes in fund balance. The statement of net position discloses MIDFA's net assets and related changes. The statement of activities discloses the MIDFA's revenues and expenses. These statements contain adjustments made to the fund statements to convert to the accrual basis of accounting – similar to the accounting used by most public-sector companies. Under the accrual basis of accounting, all of the current year's revenues and expenses are taken into account, regardless of when the cash is received or paid. The governmental funds statements provide a detailed view of MIDFA's basic services. MIDFA has one governmental fund, the general fund. The general fund is reported on a modified accrual basis of accounting, which measures cash and all other financial assets that can easily be converted to cash.

The relationship between governmental activities (reported in the statement of net position and the statement of activities) and governmental fund is addressed in the reconciliations included within the financial statements.

The financial statements also include notes that explain some of the information in the financial statements and provides supporting details. The basic financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Statements of Net Position

The statements of net position present a fiscal snapshot of MIDFA's assets, liabilities, and net position.

The following are MIDFA's summarized statements of net position as of June 30, 2023, 2022, and 2021:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Total Assets	\$ 12,157,022	\$ 14,827,301	\$ 16,968,723
Total Liabilities	<u>225,211</u>	<u>200,098</u>	<u>470,432</u>
Fund Balance/Net Position	<u>\$ 11,931,811</u>	<u>\$ 14,627,203</u>	<u>\$ 16,498,291</u>

Total assets, which is comprised solely of cash, decreased by \$2,670,279 or 18% in fiscal year 2023 compared to fiscal year 2022. The decrease was primarily due to the allocation of operational expenses. Total liabilities increased in fiscal year 2023 by \$25,113 or 13% compared to fiscal year 2022. The increase in liabilities was due to an increase in unearned insurance premiums and issuance fees in fiscal year 2023. Net position decreased by \$2,695,392 in fiscal year 2023, primarily due to the current fiscal year allocation of operational expenses.

**MARYLAND INDUSTRIAL DEVELOPMENT FINANCING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2023 AND 2022**

Total assets in fiscal year 2022, which was comprised solely of cash, decreased by \$2,141,422 or 13% compared to fiscal year 2021. The decrease was primarily due to a decrease in cash due to the allocation of operational expenses. Total liabilities decreased in fiscal year 2022 by \$270,334 or 57% compared to fiscal year 2021. The decrease in liabilities was due to a decrease in the reserve for insurance losses as a result of recoveries in fiscal year 2022. Net position decreased by \$1,871,088 in fiscal year 2022, primarily due to the current fiscal year allocation of operational expenses.

Statements of Activities

The statements of activities present the annual operating revenue, operating expenses, nonoperating revenue and expenses, and changes in net position.

- Operating revenue includes direct service fees consisting of bond issuance fees, credit insurance premiums, and other miscellaneous fees or reimbursements.
- Operating expenses consist of salaries, administrative costs, and the provision for insurance loan losses.
- Nonoperating revenue consists of interest income from investments.

A summary schedule of revenues, expenses, and changes in net position appears below:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Total Operating Revenues	\$ 242,693	\$ 466,133	\$ 351,194
Total Operating Expenses	<u>3,371,353</u>	<u>2,408,958</u>	<u>2,856,685</u>
Net Operating Income (Loss)	(3,128,660)	(1,942,825)	(2,505,491)
Net Nonoperating Revenues (Expense)	<u>433,268</u>	<u>71,737</u>	<u>56,579</u>
Change in Net Position	(2,695,392)	(1,871,088)	(2,448,912)
Net Position - Beginning of Year	<u>14,627,203</u>	<u>16,498,291</u>	<u>18,947,203</u>
Net Position - End of Year	<u><u>\$ 11,931,811</u></u>	<u><u>\$ 14,627,203</u></u>	<u><u>\$ 16,498,291</u></u>

Operating revenues decreased by \$223,440 or 48% in fiscal year 2023 compared to 2022. The decrease was due to a decrease in claim recoveries and miscellaneous income of \$182,385. Total operating expenses increased by \$962,395 or 40% in fiscal year 2023 compared to 2022, primarily due to an increase in direct and administrative expense allocations of \$660,146.

Operating revenues increased by \$114,939 or 33% in fiscal year 2022 compared to 2021. The increase was due to an increase in claim recoveries of \$58,511 and a net increase in insurance premium and issuance fees of \$56,428. Total operating expenses decreased by \$447,727 or 16% in fiscal year 2022 compared to 2021, primarily due to a decrease in direct and administrative expense allocations of \$47,173 and \$71,417, respectively, plus gain on provision for insurance losses of \$291,919, a decrease of \$335,130 from the prior year loss of \$43,211.

**MARYLAND INDUSTRIAL DEVELOPMENT FINANCING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2023 AND 2022**

Economic Outlook

To date, the Program has participated in nine hundred (900) loans and bonds, totaling \$2,730,535,024. Currently, fourteen (14) transactions remain active, with principal balances totaling \$186,118,670 insured for \$943,874. If credit standards in the capital markets tighten, any leverage increase beyond 1.5:1 could diminish the value of this credit enhancement in stimulating private sector participation. Accordingly, the Program is well funded to support the economic upturn.

	2023	2022
Outstanding Balances	\$186,118,670	\$188,874,581
Insured Transactions	\$943,874	\$101,323
Maximum Exposure	\$1,000,417	\$1,090,733

The COVID-19 pandemic created a significant economic crisis across the United States. Normal activity in all economic development programs have been impacted as federal and state stimulus was utilized to support businesses. Commerce expects that as the recovery continues and the passage of federal infrastructure legislation including the Modernizing Agricultural and Manufacturing Bonds Act (MAMBA) that it will drive more activity for bond finance and loan guarantee support.

The following is a summary of the current balances and exposure:

	<u>2023</u>	<u>2022</u>
Outstanding Balances	\$ 3,785,420	\$ 2,562,715
Insured Transactions	943,874	101,323
Maximum Exposure	1,000,417	1,090,733

MIDFA provides loan guarantees and conduit bond issuance availability to lending institutions to increase access to capital for small and mid-sized businesses. When the program began in 1965, it was the State's only financial incentive. Over the years a number of other incentive programs and tax credits have been developed that have now become the primary programs for the delivery of access to capital for small and medium sized businesses. Nevertheless, the program continues to be a valuable economic development tool for business needs where other programs (Local, State, Federal) do not fit and financial institutions will not lend without a credit enhancement.

MARYLAND INDUSTRIAL DEVELOPMENT FINANCING AUTHORITY
STATEMENTS OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEETS
JUNE 30, 2023 AND 2022

	2023			2022		
	General Fund	Adjustments	Statement of Net Position	General Fund	Adjustments	Statement of Net Position
ASSETS						
Current Assets:						
Equity in Pooled Invested						
Cash	\$ 12,157,022	\$ -	\$ 12,157,022	\$ 14,827,301	\$ -	\$ 14,827,301
LIABILITIES						
Current Liabilities:						
Unearned Insurance						
Premium and Issuance						
Fees	75,149	-	75,149	36,489	-	36,489
Reserve for Loan Insurance						
Losses	150,062	-	150,062	163,609	-	163,609
Total Liabilities	225,211	-	225,211	200,098	-	200,098
FUND BALANCE						
Assigned	11,931,811	(11,931,811)	-	14,627,203	(14,627,203)	-
Total Fund Balance	<u>\$ 11,931,811</u>	<u>(11,931,811)</u>	<u>-</u>	<u>\$ 14,627,203</u>	<u>(14,627,203)</u>	<u>-</u>
NET POSITION						
Unrestricted Net Position		11,931,811	11,931,811		14,627,203	14,627,203
Total Net Position		<u>\$ -</u>	<u>\$ 11,931,811</u>		<u>\$ -</u>	<u>\$ 14,627,203</u>

See accompanying Notes to Financial Statements.

**MARYLAND INDUSTRIAL DEVELOPMENT FINANCING AUTHORITY
STATEMENTS OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
YEARS ENDED JUNE 30, 2023 AND 2022**

	2023	2022
REVENUES		
Insurance Premium and Issuance Fees	\$ 242,693	\$ 283,748
Other Income	-	182,385
Total Revenues	242,693	466,133
EXPENSES/EXPENDITURES		
Allocation of Salaries and Benefits	149,575	137,725
Direct Expenses	15,500	3,473
Administrative Allocations	3,219,825	2,559,679
Provision for Insurance Loan (Gain) Losses	(13,547)	(291,919)
Total Expenses/Expenditures	3,371,353	2,408,958
NET PROGRAM EXPENSES/EXPENDITURES	(3,128,660)	(1,942,825)
GENERAL REVENUES		
Interest Income	433,268	71,737
CHANGE IN FUND BALANCE/ NET POSITION	(2,695,392)	(1,871,088)
Fund Balance/Net Position - Beginning of Year	14,627,203	16,498,291
FUND BALANCE/ NET POSITION - END OF YEAR	\$ 11,931,811	\$ 14,627,203

See accompanying Notes to Financial Statements.

MARYLAND INDUSTRIAL DEVELOPMENT FINANCING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 ORGANIZATION

Authorizing Legislation

The Maryland Industrial Development Financing Authority (MIDFA or the Fund) is codified in the Economic Development Article Sections 5-401 through 5-463 of the Annotated Code of Maryland. The Fund was created by the Maryland General Assembly in 1965 to promote economic development, increase employment, and broaden the tax base in the State of Maryland (the State). MIDFA provides financial assistance to promote the establishment of new for-profit and nonprofit entities within the State and to encourage the expansion of existing Maryland for-profit and nonprofit entities.

As established under Sections 5-407 of the Annotated Code of Maryland, MIDFA is governed by a seven-member board and two ex officio members (the Secretary and Treasurer or Comptroller), which are appointed for five-year terms by the Governor of Maryland. MIDFA is considered a component unit of the State of Maryland for financial reporting purposes and is included in the financial statements of the State of Maryland.

Description of the Maryland Industrial Development Fund

As part of the Maryland Department of Commerce's (the Department) Financing Programs Legislation Consolidation Act of 2000, MIDFA's purposes were expanded to incorporate other capabilities that had existed in certain programs. The *Industrial Development Fund* replaced and consolidated the funds previously known as MIDFA's Authorized Purpose and Bond Insurance Funds, as well as the Department's Day Care Loan Facilities Loan Guarantee Fund, the Maryland Enterprise Incentive Deposit Fund and the Maryland Energy Financing Administration.

The Fund was established to promote significant economic development by providing financing support to manufacturing, industrial and technology businesses located in, or moving to, Maryland. The Fund includes the Trade Finance Program which was established to assist industrial or commercial businesses that are engaged in the export and import of goods through Maryland ports and/or airport facilities and to service providers to overseas markets.

The Fund does not provide direct loans, but insures bonds and loans from financial institutions. The Fund promotes private sector financing by providing insurance to transactions resulting in reduced collateral risk. As an insurance product, the Fund is allowed a 5:1 leverage of its capital base. In addition to collateral risk assessment, the statute dictates that consideration be given to the impact that the expansion, retention, and attraction of strategic commercial enterprises has on a balanced economy, employment, and quality of life. The operating expenses are funded through funds appropriated by the Legislature, the interest earned on the Fund balance, bond issuance fees, and through annual premiums of $\frac{1}{2}$ of 1% on the insured portion of all transactions, unless waived in certain distressed jurisdictions.

MARYLAND INDUSTRIAL DEVELOPMENT FINANCING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 ORGANIZATION (CONTINUED)

Description of the Maryland Industrial Development Fund (Continued)

Conventional Loan Program

The Conventional Loan Program insures transactions for working capital, fixed assets, and letters of credit up to 80% of the obligation to a maximum of \$2.5 million.

Bond Program

Taxable and tax-exempt bonds may be issued and/or insured for fixed assets and working capital. The Fund can insure up to 100% of the obligation to a maximum coverage of \$7.5 million. Federal law places certain limits on the issuance of bonds to finance nonprofit entities, manufacturers, and solid waste facilities.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Fund's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

The Fund is one of a number of programs administered by the Department. The Fund has no direct employees and is entirely supported by Department staff who perform all necessary functions of the Fund. The Department allocates a certain percentage of its operating, general, and administrative costs to the Fund on an annual basis. The annual allocation from the Department is not necessarily representative of the cost to administer the Fund if it were a stand-alone entity. The Department allocated administrative expenses to the fund of \$3,219,825 and \$2,559,679 for the years ended June 30, 2023 and 2022, respectively.

The Fund's accompanying financial statements are not indicative of the Fund as if it were a stand-alone entity.

The Governmental Accounting Standards Board establishes criteria for determining the composition of a governmental financial reporting entity. The identification of a financial reporting entity is built around the concept of financial accountability. If a primary government is financially accountable for another entity (or if that entity's relationship with the primary government is such that its exclusion would create misleading or incomplete financial statements), that entity's financial statements must be included in the financial statements of the reporting entity. Pursuant to GASB statements, MIDFA meets the definition of a component unit of the State of Maryland (the State), in that the State is "financially accountable" for MIDFA and the Governor appoints seven of the nine board members.

MARYLAND INDUSTRIAL DEVELOPMENT FINANCING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus. The statement of net position and the statement of activities display information about the Fund as a whole. These statements include the financial activities of the primary government. All financial activities of the Fund are classified as governmental.

The statement of net position presents the financial condition of the Fund as of year-end. All expenses relate to the operations of the Fund. Revenues consist of insurance premium and issuance fees. Expenses include expenses relating to the payments of claims, provisions for insured loan losses, and administrative expenses. All other revenues relate to appropriations from the state of Maryland and interest income.

Fund Financial Statements – Governmental Fund

The governmental accounts of the Fund are organized on the basis of funds and consist only of the general fund, which is considered a separate accounting entity. The operations of the general fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures, as appropriate. The governmental fund financial statements are reported using the current financial resources measurement focus.

Basis of Accounting

Government-wide financial statements are prepared using the economic resources measurement focus and accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

The governmental fund is accounted for using the current resources measurement focus and modified accrual basis of accounting. Its revenues are recognized when they become measurable and available as net current assets. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to pay liabilities of the current fiscal year. For the Fund, available means expected to be received within 60 days of year-end. Intergovernmental revenues are susceptible to accrual. Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Expenditures are recognized when the liability is incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of MIDFA to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies as of the date of the financial statements and the reported amounts of revenue and expenses, during the reporting period. Actual results could differ from those estimates.

MARYLAND INDUSTRIAL DEVELOPMENT FINANCING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity in Pooled Invested Cash

The Fund's cash is solely comprised of cash held with the State Treasurer.

Reserve for Insurance Loan Losses

The reserve for insurance loan losses is an estimate that provides for possible losses on existing insured loans. The amount of such reserve is estimated based on a continuing review of outstanding loans, loss experience, estimated liquidation value of underlying collateral, and economic conditions which may affect each borrower's ability to repay. Such estimates are susceptible to changing economic conditions, the value of the underlying collateral, the repayment capacity of the borrower and, where applicable, the value of any guarantor support. Therefore, actual results could differ significantly from those estimates.

Fund Balance

GASB 54 requires that fund balance amounts be properly reported within one of the fund balance categories listed below.

Nonspendable – Includes fund balance amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact such as a permanent fund. Not in spendable form includes items that are not expected to be converted to cash, such as inventories and prepaid expenses.

Restricted – Includes amounts that are restricted to specific purposes when constraints are placed on the use of resources by constitution, external resource providers, or through enabling legislation.

Committed – Includes fund balance amounts that can be used only for the specific purposes determined by formal action. In Maryland, the uses of these funds are established in statute after appropriate action by the General Assembly and the Governor.

Assigned – Includes fund balance amounts that are intended to be used by the Fund for specific purposes as determined by the management of the Fund.

Unassigned – Represents the residual classification for the Fund's general fund and includes all spendable amounts not contained in the four classifications described above.

Net Position

Net position is the residual difference of less liabilities. Net position as reported in the government-wide statement of net position is reported in three categories: net investment in capital assets, restricted and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation (and related debt, if any). Restricted net position results when external restrictions are imposed on net position through law or regulation. Unrestricted net position consists of items that do not meet the definition of the preceding two categories.

**MARYLAND INDUSTRIAL DEVELOPMENT FINANCING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position (Continued)

As of June 30, 2023 and 2022, 100% of the Fund's net position is unrestricted and can be utilized for any operational purpose of the Fund.

Budgetary Data

Budgets are adopted by the State of Maryland; however, budgets are not legally required for the Fund. Therefore, presentation of budgetary comparison information is not required supplementary information and is not presented.

NOTE 3 EQUITY IN POOLED INVESTED CASH

Cash receipts and disbursements of the Fund are made through a cash pool maintained by the State Treasurer. The State Treasurer has statutory responsibility for the State's cash management activities. The State Treasurer maintains these and other State agency funds on a pooled basis in accordance with State statutes. For additional information on the risk of cash, see the State of Maryland Annual Comprehensive Financial Report (ACFR).

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that, in the event of a bank failure, MIDFA's deposits may not be returned to it. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the MIDFA's name. MIDFA does not have a formal deposit policy for custodial credit risk but follows the State Treasurer's policy which states the Treasurer may deposit in a financial institution in the State, any unexpended or surplus money in which the State Treasurer has custody.

As of June 30, 2023 and 2022, all of MIDFA's cash was deposited with the State Treasury and not subject to custodial credit risk.

NOTE 4 INSURED OBLIGATIONS

A summary of the total Fund outstanding balances, insured transactions, and the maximum insurance exposure as of June 30 was as follows:

	<u>2023</u>	<u>2022</u>
Outstanding Balances	\$ 3,785,420	\$ 2,562,715
Insured Transactions	943,874	101,323
Maximum Exposure	1,000,417	1,090,733

MARYLAND INDUSTRIAL DEVELOPMENT FINANCING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 4 INSURED OBLIGATIONS (CONTINUED)

Changes in the reserve for insurance loan losses for the years ended June 30 were as follows:

	<u>2023</u>	<u>2022</u>
Balance - Beginning of Year	\$ 163,609	\$ 455,528
Provision (Recovery) for Insurance Loan Loss	(13,547)	(291,919)
Claims Paid	-	-
Balance - End of Year	<u>\$ 150,062</u>	<u>\$ 163,609</u>

The MIDFA Act authorizes the insurance of obligations up to 500% of the balance in the Industrial Development Fund's total net position. As of June 30, 2023 and 2022, outstanding insurance obligations were \$943,874 and \$101,323, respectively.

NOTE 5 PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Eligible employees who perform services for the Fund and are employees of the State are covered under the retirement plans of the State Retirement and Pension System of Maryland (the System) and are also entitled to certain health care benefits upon retirement. The Fund's only liability for retirement and post-employment benefits is included in the Department's annual allocation of a percentage of its operating, general, and administrative costs that are charged to the Fund and paid to the State prior to year-end.

The System prepares a separate ACFR which can be obtained from the State Retirement and Pension System of Maryland at 120 East Baltimore Street, Baltimore, Maryland 21202.

NOTE 6 COMMITMENTS AND CONTINGENCIES

In the normal course of operations, certain claims may be brought against the Fund. Management believes that the ultimate resolution of such claims would not have a material adverse effect on the Fund's financial position. As of June 30, 2023 and 2022, there were no approvals for pending settlements.

NOTE 7 CONDUIT DEBT

MIDFA has the authority to issue Economic Development Revenue and Refunding Bonds pursuant to the MIDFA Act by the State of Maryland. However, these bonds are not an obligation of MIDFA or the State and neither the general revenue nor faith and credit of MIDFA or the State are pledged for the repayment. Therefore, they are not included in the financial statements.

MARYLAND INDUSTRIAL DEVELOPMENT FINANCING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 7 CONDUIT DEBT (CONTINUED)

As of June 30, 2023, there were 12 series of industrial development bonds outstanding. The original issue amount totaled \$237,079,000 and the aggregate principal amount outstanding as of June 30, 2023, was \$182,333,250.

As of June 30, 2022, there were 12 series of industrial development bonds outstanding. The original issue amount totaled \$259,284,417 and the aggregate principal amount outstanding as of June 30, 2022, was \$185,811,866.

NOTE 8 RISK MANAGEMENT

The Fund is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The State is self-insured for general liability, property and casualty, workers' compensation, environmental and anti-trust liabilities, and certain employee health benefits. Commercial insurance coverage is purchased for specialized exposures such as aviation hull and liability, steam boiler coverage and certain transportation risks. There were no significant reductions or changes in the commercial insurance coverage from the prior year, and the amount of settlements has not exceeded insurance coverage for any of the past three fiscal years.