

MARYLAND PORT ADMINISTRATION
SCHEDULE OF OPERATING EXPENSES
WORLD TRADE CENTER LEASE AGREEMENT
YEAR ENDED JUNE 30, 2023



CPAs | CONSULTANTS | WEALTH ADVISORS

CLAcconnect.com



INDEPENDENT ACCOUNTANTS' REPORT

Management
Maryland Department of Transportation
Maryland Port Administration

We have examined the accompanying schedule of operating expenses (the Schedule) for the World Trade Center of the Maryland Port Administration (the Administration) for the year ended June 30, 2023. The Administration's management is responsible for presenting the Schedule in accordance with the term "operating expenses" as defined by Article 4 of the World Trade Center standard lease agreement. Our responsibility is to express an opinion on the Schedule based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Schedule is presented in accordance with the criteria, in all material respects. An examination involves performing procedures to obtain evidence about the Schedule. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the Schedule, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

The Schedule is not intended to be a complete presentation of operating expenses of the administrations in conformity with accounting principles generally accepted in the United States of America or other comprehensive basis of accounting.

In our opinion, the schedule of operating expenses for the World Trade Center of the Maryland Port Administration for the year ended June 30, 2023, is presented in accordance with the term "operating expenses" as defined by Article 4, as set forth in notes of the World Trade Center standard lease agreement, in all material respects.

This report is intended solely for the use of the Maryland Department of Transportation and the Maryland Port Administration and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
May 1, 2024

**MARYLAND PORT ADMINISTRATION
SCHEDULE OF OPERATING EXPENSES
YEAR ENDED JUNE 30, 2023**

OPERATING EXPENSES	
Utilities	\$ 1,304,983
Maintenance	2,646,110
Security	692,668
Janitorial	569,947
Insurance	80,951
Administration	<u>296,979</u>
Total Operating Expenses	<u><u>\$ 5,591,638</u></u>

See accompanying Notes to Schedule of Operating Expenses.

**MARYLAND PORT ADMINISTRATION
NOTES TO SCHEDULE OF OPERATING EXPENSES
YEAR ENDED JUNE 30, 2023**

NOTE 1 GENERAL

The Maryland Port Administration (the Administration) is a statutorily created agency of the Maryland Department of Transportation (MDOT), a special revenue fund of the state of Maryland. The schedule of operating expenses for the World Trade Center is not intended to be a complete presentation of operating expenses of the Administration, MDOT, or the state of Maryland.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in understanding the Administration's schedule of operating expenses (the Schedule) as it relates to the standard World Trade Center lease agreement. The Schedule and notes are representations of the Administration's management, who is responsible for its integrity and objectivity.

Basis of Presentation

The Schedule is prepared on the basis of accounting as defined by Article 4 of the standard World Trade Center lease agreement.

Material and Supplies

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

Allocation of Insurance

Insurance expense of \$80,951 reported on the Schedule represents an allocation of administrative liability and property insurance expense for the year ended June 30, 2023, to the World Trade Center.

Allocation of Security

Security expense of \$692,668 reported on the Schedule represents an allocation of police and other related expenses for the year ended June 30, 2023, to the World Trade Center.

NOTE 3 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.

**MARYLAND PORT ADMINISTRATION
NOTES TO SCHEDULE OF OPERATING EXPENSES
YEAR ENDED JUNE 30, 2023**

NOTE 4 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 (the 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, 2023, additional rental payments were not required. Accordingly, a separate statement of real estate taxes has not been prepared.