

NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2021 AND 2020



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YEARS ENDED JUNE 30, 2021 AND 2020**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Northeast Maryland Waste Disposal Authority
Baltimore, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major enterprise fund of the Northeast Maryland Waste Disposal Authority (the Authority), as of and for the years ended June 30, 2021 and 2020, 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

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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major enterprise fund of the Authority as of June 30, 2021 and 2020, and the respective changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2021, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Baltimore, Maryland
November 9, 2021

**NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020**

INTRODUCTION AND FINANCIAL HIGHLIGHTS

The Northeast Maryland Waste Disposal Authority (the Authority) is a multi-county agency created by the State of Maryland that conducts business-type activities providing waste management planning and financing services to its Maryland Member Jurisdictions and the private sector. Member Jurisdictions include Baltimore City and Anne Arundel, Baltimore, Carroll, Frederick, Harford, Howard and Montgomery Counties.

- The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$122,556,339 (*net position*). Of this amount, \$5,833,645 represents unrestricted net position.
- The Authority's total net position decreased by \$3,605,759
- The Authority's total renewable energy credits (RECs) revenue for fiscal year 2021 was \$3,887,841.

OVERVIEW OF THE FINANCIAL STATEMENTS

The first section of the report contains management's discussion and analysis, the basic financial statements and the accompanying note disclosures. The following three financial statements are prescribed by the Governmental Accounting Standards Board (GASB): the statement of net position, the statement of revenues, expenses, and changes in net position, and the statement of cash flows.

The statement of net position presents information on all of the Authority's assets, deferred outflows, liabilities, and deferred inflows, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statement of activities presents information showing how the Authority's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods using the accrual basis of accounting.

The major project affecting the Authority's financial statements is the Montgomery County Resource Recovery Facility, which the Authority owns and operates. The combining statements in connection with the Montgomery County Resource Recovery Facility are presented immediately following the basic financial statements.

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements immediately follow the financial statements.

Our discussion and analysis that follows presents an overview of the financial performance and activities of the Authority as of and for the fiscal years ended June 30, 2021 and 2020. As required supplementary information, the accompanying analysis should be used in conjunction with the financial statements and related notes to assess the overall financial condition and reported operating results of the Authority.

**NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020**

FINANCIAL ANALYSIS

The following table presents condensed financial information about the Authority's net position as of June 30, 2021, 2020 and 2019:

	2021	2020	2019	2021 / 2020 Change	2020 / 2019 Change
ASSETS					
Current Assets	\$ 20,938,403	\$ 21,727,448	\$ 22,802,335	\$ (789,045)	\$ (1,074,887)
Other Restricted Assets	6,214,248	5,764,438	7,080,714	449,810	(1,316,276)
Capital Assets	-	771,592	1,296,279	(771,592)	(524,687)
Capital Assets - Montgomery County Project	116,722,694	119,866,469	128,297,192	(3,143,775)	(8,430,723)
Total Assets	<u>143,875,345</u>	<u>148,129,947</u>	<u>159,476,520</u>	<u>(4,254,602)</u>	<u>(11,346,573)</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension Related	298,433	258,693	335,281	39,740	(76,588)
Total Assets and Deferred Outflows of Resources	<u>\$ 144,173,778</u>	<u>\$ 148,388,640</u>	<u>\$ 159,811,801</u>	<u>\$ (4,214,862)</u>	<u>\$ (11,423,161)</u>
LIABILITIES					
Net Pension Liability	\$ 967,936	\$ 835,672	\$ 866,779	\$ 132,264	\$ (31,107)
Other Liabilities	20,544,765	21,253,525	24,075,138	(708,760)	(2,821,613)
Total Liabilities	<u>21,512,701</u>	<u>22,089,197</u>	<u>24,941,917</u>	<u>(576,496)</u>	<u>(2,852,720)</u>
DEFERRED INFLOWS OF RESOURCES					
Pension Related	104,738	137,345	128,307	(32,607)	9,038
NET POSITION					
Net Investment in Capital Assets	116,722,694	120,638,061	129,593,471	(3,915,367)	(8,955,410)
Unrestricted	5,833,645	5,524,037	5,148,106	309,608	375,931
Total Net Position	<u>122,556,339</u>	<u>126,162,098</u>	<u>134,741,577</u>	<u>(3,605,759)</u>	<u>(8,579,479)</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 144,173,778</u>	<u>\$ 148,388,640</u>	<u>\$ 159,811,801</u>	<u>\$ (4,214,862)</u>	<u>\$ (11,423,161)</u>

Total assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$122,556,339 at the close of 2021. This represents a decrease of \$3,605,759 or 2.9% in combined net position over last year and a 9.2% decrease over the last two years. Total assets decreased by \$4,214,862 mainly due to depreciation expense of \$11,016,966 and capital asset purchases in 2021 of \$6,805,746.

**NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020**

FINANCIAL ANALYSIS (CONTINUED)

Net investment in capital assets decreased by \$3,915,367 and \$8,955,410 for FY2021 and FY2020, respectively, primarily because of depreciation.

The following table presents condensed financial information about the Authority's revenues, expenses, and changes in net position for the years ended June 30, 2021, 2020 and 2019:

	2021	2020	2019	2021 / 2020 Change	2020 / 2019 Change
OPERATING REVENUES					
Montgomery County Waste Disposal Fees	\$ 37,359,293	\$ 35,447,915	\$ 30,044,693	\$ 1,911,378	\$ 5,403,222
Energy and Recovered Materials Revenues and Other	48,762,535	41,395,304	43,324,387	7,367,231	(1,929,083)
Total Operating Revenues	<u>86,121,828</u>	<u>76,843,219</u>	<u>73,369,080</u>	<u>9,278,609</u>	<u>3,474,139</u>
OPERATING EXPENSES					
Contractual	77,543,541	73,762,317	71,643,514	3,781,224	2,118,803
Personnel and Fringe Benefits	1,476,690	1,422,319	1,384,862	54,371	37,457
Depreciation	11,016,966	10,274,686	10,159,418	742,280	115,268
Other	895,019	884,924	956,079	10,095	(71,155)
Total Operating Expenses	<u>90,932,216</u>	<u>86,344,246</u>	<u>84,143,873</u>	<u>4,587,970</u>	<u>2,200,373</u>
NET OPERATING LOSS	(4,810,388)	(9,501,027)	(10,774,793)	4,690,639	1,273,766
NONOPERATING INCOME (EXPENSE)					
Interest Income	7,836	42,608	50,434	(34,772)	(7,826)
Jurisdictions' Contributions	878,940	878,940	861,705	-	17,235
Loss on Sale of Capital Assets	(2,147)	-	-	(2,147)	-
Total Nonoperating Income, Net	<u>884,629</u>	<u>921,548</u>	<u>912,139</u>	<u>(36,919)</u>	<u>9,409</u>
Capital Contributions	<u>320,000</u>	<u>-</u>	<u>341,846</u>	<u>320,000</u>	<u>(341,846)</u>
CHANGE IN NET POSITION	<u>\$ (3,605,759)</u>	<u>\$ (8,579,479)</u>	<u>\$ (9,520,808)</u>	<u>\$ 4,973,720</u>	<u>\$ 941,329</u>

Total operating revenues increased in 2021 by \$9,278,609 or 12%. The increase was attributed to many factors related to the Resource Recovery Facility Project. The operator of the Facility processed more Municipal Solid Waste (MSW), which generated 63,707 more megawatts (MWs) of electricity in 2021 as compared to 2020, coupled with an increase in electricity commodity rates, which yielded an increase of \$2,534,790 or 30.56% in electricity revenue. Renewable Energy Credit (REC) revenue increased by \$955,537 or 39.10% in 2021 due to REC commodity price increases. The project also received an increase of ferrous metals revenues of \$954,872 or 603.51% in 2021. Montgomery County Waste Disposal Fees increased \$1,911,378 or 5.39%, due to the increase in the operators base operating charge as well as an increase in MSW processed in 2021 as compared to 2020.

**NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020**

CAPITAL ASSETS

Capital assets, net of depreciation, as of June 30, 2021, 2020, and 2019 are presented below:

	2021	2020	2019	2021 / 2020 Change	2020 / 2019 Change
Restricted Capital Assets					
Land	\$ 143,073	\$ 143,073	\$ 143,073	\$ -	\$ -
Construction in Process	500,000	-	-	500,000	-
Property	109,763,801	112,911,084	121,591,628	(3,147,283)	(8,680,544)
Equipment	6,315,820	6,812,312	6,562,491	(496,492)	249,821
Total Restricted Capital Assets	<u>116,722,694</u>	<u>119,866,469</u>	<u>128,297,192</u>	<u>(3,143,775)</u>	<u>(8,430,723)</u>
Capital Assets					
Montgomery Co. LF Gas Equipment	-	771,592	1,296,279	(771,592)	(524,687)
Total Capital Assets	<u>-</u>	<u>771,592</u>	<u>1,296,279</u>	<u>(771,592)</u>	<u>(524,687)</u>
Net Capital Assets	<u>\$ 116,722,694</u>	<u>\$ 120,638,061</u>	<u>\$ 129,593,471</u>	<u>\$ (3,915,367)</u>	<u>\$ (8,955,410)</u>

See Note 3 for further information regarding Capital Assets.

FACTORS AFFECTING THE AUTHORITY'S FUTURE FINANCIAL POSITION AND RESULTS OF OPERATIONS

The major factors affecting the Authority's future financial position and results of operations are:

- 1) The Authority has entered into contracts that provide administrative fees that are set and stable for the next ten years -- ensuring the Authority's continuing operations. For a description of the fees, see Note 6; and
- 2) The variable nature of electricity revenues due to new contracts that are dependent on market rates rather than scheduled formula payments for the Montgomery County Resource Recovery Facility.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the funds it receives. If you have questions about this report or need additional financial information, contact the Authority at 410-333-2730.

NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY
STATEMENTS OF NET POSITION
JUNE 30, 2021 AND 2020

	2021	2020
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 16,106,148	\$ 16,719,058
Receivables:		
Project Administrative Fees	13,317	7,802
Project Reimbursements	3,662,214	4,157,030
Other	1,138,302	830,375
Prepaid Expenses	18,422	13,183
Total Current Assets	20,938,403	21,727,448
OTHER ASSETS		
Capital Assets, Net of Accumulated Depreciation of \$5,391,655 and \$4,620,063, Respectively	-	771,592
Montgomery County Project:		
Energy and Recovered Materials Receivables	6,214,248	5,764,438
Capital Assets, Net of Accumulated Depreciation of \$231,387,963 and \$221,231,130, Respectively	116,079,621	119,723,396
Capital Assets, Not Being Depreciated	643,073	143,073
Total Montgomery County Project	122,936,942	125,630,907
Total Other Assets	122,936,942	126,402,499
Total Assets	143,875,345	148,129,947
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related	298,433	258,693
Total Assets and Deferred Outflows of Resources	\$ 144,173,778	\$ 148,388,640
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 6,550,788	\$ 7,970,725
Project Cost Liability	7,593,587	6,677,894
Unearned Revenue	6,400,390	6,604,906
Total Current Liabilities	20,544,765	21,253,525
LONG-TERM LIABILITIES		
Net Pension Liability	967,936	835,672
Total Liabilities	21,512,701	22,089,197
DEFERRED INFLOWS OF RESOURCES		
Pension Related	104,738	137,345
NET POSITION		
Net Investment in Capital Assets	116,722,694	120,638,061
Unrestricted	5,833,645	5,524,037
Total Net Position	122,556,339	126,162,098
Total Liabilities, Deferred Inflows of Resources , and Net Position	\$ 144,173,778	\$ 148,388,640

See accompanying Notes to Financial Statements.

**NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2021 AND 2020**

	2021	2020
OPERATING REVENUES		
Energy and Recovered Materials Revenues	\$ 15,347,777	\$ 10,902,577
Montgomery County Waste Disposal Fees	37,359,293	35,447,915
Project Reimbursements	30,215,503	27,076,604
Other Income	1,404,714	1,772,739
Project Administrative Fees	1,794,541	1,643,384
Total Operating Revenues	86,121,828	76,843,219
OPERATING EXPENSES		
Contractual and Other Direct Project Costs	77,543,541	73,762,317
Personnel	1,067,242	1,037,962
Fringe Benefits	409,448	384,357
Office Operations	280,615	304,657
Depreciation	11,016,966	10,274,686
Authority Funding for Subdivision	614,404	580,267
Total Operating Expenses	90,932,216	86,344,246
Net Operating Loss	(4,810,388)	(9,501,027)
NONOPERATING REVENUE/ (EXPENSES)		
Interest Income	7,836	42,608
Jurisdictions' Contributions	878,940	878,940
Loss on Sale of Capital Assets	(2,147)	-
Total Nonoperating Revenues/ (Expenses)	884,629	921,548
NET LOSS BEFORE CAPITAL CONTRIBUTIONS	(3,925,759)	(8,579,479)
Capital Contributions	320,000	-
DECREASE IN NET POSITION	(3,605,759)	(8,579,479)
Net Position - Beginning of Year	126,162,098	134,741,577
NET POSITION - END OF YEAR	\$ 122,556,339	\$ 126,162,098

See accompanying Notes to Financial Statements.

NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 85,851,246	\$ 79,107,114
Proceeds from Jurisdictions	878,940	878,940
Cash Payments to Suppliers for Goods and Services	(79,092,643)	(77,413,759)
Cash Payments to Employees	(1,476,690)	(1,422,319)
Net Cash Provided by Operating Activities	6,160,853	1,149,976
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	7,836	42,608
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Capital Assets	(6,803,599)	(1,396,414)
Sale of Capital Assets	22,000	77,138
Capital Contributions	-	-
Net Cash Used by Capital and Related Financing Activities	(6,781,599)	(1,319,276)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(612,910)	(126,692)
Cash and Cash Equivalents - Beginning of Year	16,719,058	16,845,750
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 16,106,148	\$ 16,719,058
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net Operating Loss	\$ (4,810,388)	\$ (9,501,027)
Adjustments to Reconcile Net Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation	11,016,966	10,274,686
Jurisdiction Contributions	878,940	878,940
Loss on Sale of Capital Assets	(2,147)	-
Effect of Changes in Operating Assets, Deferred Outflows, Liabilities, and Deferred Inflows:		
Receivables	(268,435)	2,263,897
Prepaid Expenses	(5,240)	575
Deferred Outflows	(33,187)	70,035
Accounts Payable, Accrued Expenses, and Retainage Payable	(1,419,937)	(313,157)
Project Cost Liability	915,693	(1,926,203)
Funds Held for Local Projects	(204,516)	(582,254)
Net Pension Liability	132,264	(31,107)
Deferred Inflows	(39,160)	15,591
Net Cash Provided by Operating Activities	\$ 6,160,853	\$ 1,149,976
SCHEDULE OF NON CASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Contributions of capital assets	\$ 320,000	\$ -

See accompanying Notes to Financial Statements.

NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY
STATEMENTS OF NET POSITION – ENTERPRISE FUNDS
JUNE 30, 2021 AND 2020

	2021			2020		
	Montgomery County Project	General Operating Fund	Total Authority	Montgomery County Project	General Operating Fund	Total Authority
CURRENT ASSETS						
Cash and Cash Equivalents	\$ 1,527,889	\$ 14,578,259	\$ 16,106,148	\$ 979,379	\$ 15,739,679	\$ 16,719,058
Receivables:						
Project Administrative Fees	-	13,317	13,317	-	7,802	7,802
Project Reimbursements	-	3,662,214	3,662,214	-	4,157,030	4,157,030
Other	-	1,138,302	1,138,302	-	830,375	830,375
Prepaid Expenses	-	18,422	18,422	-	13,183	13,183
Total Current Assets	<u>1,527,889</u>	<u>19,410,514</u>	<u>20,938,403</u>	<u>979,379</u>	<u>20,748,069</u>	<u>21,727,448</u>
OTHER ASSETS						
Capital Assets, Net of Accumulated Depreciation of \$5,391,655 and \$4,620,063, Respectively	-	-	-	-	771,592	771,592
Internal Balances	(148,550)	148,550	-	(65,923)	65,923	-
Montgomery County Project:						
Energy and Recovered Materials Receivables	6,214,248	-	6,214,248	5,764,438	-	5,764,438
Capital Assets, Net of Accumulated Depreciation of \$231,387,963 and \$221,231,130 Respectively	116,079,621	-	116,079,621	119,723,396	-	119,723,396
Capital Assets, Not Being Depreciated	643,073	-	643,073	143,073	-	143,073
Total Other Assets	<u>122,788,392</u>	<u>148,550</u>	<u>122,936,942</u>	<u>125,564,984</u>	<u>837,515</u>	<u>126,402,499</u>
Total Assets	<u>124,316,281</u>	<u>19,559,064</u>	<u>143,875,345</u>	<u>126,544,363</u>	<u>21,585,584</u>	<u>148,129,947</u>
DEFERRED OUTFLOWS OF RESOURCES						
Pension Related	-	298,433	298,433	-	258,693	258,693
Total Assets and Deferred Outflows of Resources	<u>\$ 124,316,281</u>	<u>\$ 19,857,497</u>	<u>\$ 144,173,778</u>	<u>\$ 126,544,363</u>	<u>\$ 21,844,277</u>	<u>\$ 148,388,640</u>

See accompanying Notes to Financial Statements.

NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY
STATEMENTS OF NET POSITION – ENTERPRISE FUNDS (CONTINUED)
JUNE 30, 2021 AND 2020

	2021			2020		
	Montgomery County Project	General Operating Fund	Total Authority	Montgomery County Project	General Operating Fund	Total Authority
CURRENT LIABILITIES						
Accounts Payable and Accrued Expenses	\$ -	\$ 6,550,788	\$ 6,550,788	\$ -	\$ 7,970,725	\$ 7,970,725
Project Cost Liability	7,593,587	-	7,593,587	6,677,894	-	6,677,894
Unearned Revenue	-	6,400,390	6,400,390	-	6,604,906	6,604,906
Total Current Liabilities	<u>7,593,587</u>	<u>12,951,178</u>	<u>20,544,765</u>	<u>6,677,894</u>	<u>14,575,631</u>	<u>21,253,525</u>
LONG-TERM LIABILITIES						
Net Pension Liability	-	967,936	967,936	-	835,672	835,672
Total Liabilities	7,593,587	13,919,114	21,512,701	6,677,894	15,411,303	22,089,197
DEFERRED INFLOWS OF RESOURCES						
Pension Related	-	104,738	104,738	-	137,345	137,345
NET POSITION						
Net Investment in Capital Assets	116,722,694	-	116,722,694	119,866,469	771,592	120,638,061
Unrestricted	-	5,833,645	5,833,645	-	5,524,037	5,524,037
Total Net Position	<u>116,722,694</u>	<u>5,833,645</u>	<u>122,556,339</u>	<u>119,866,469</u>	<u>6,295,629</u>	<u>126,162,098</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 124,316,281</u>	<u>\$ 19,857,497</u>	<u>\$ 144,173,778</u>	<u>\$ 126,544,363</u>	<u>\$ 21,844,277</u>	<u>\$ 148,388,640</u>

See accompanying Notes to Financial Statements.

NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION –
ENTERPRISE FUNDS
YEARS ENDED JUNE 30, 2021 AND 2020

	2021			2020		
	Montgomery County Project	General Operating Fund	Total Authority	Montgomery County Project	General Operating Fund	Total Authority
OPERATING REVENUES						
Energy and Recovered Materials Revenues	\$ 15,347,777	\$ -	\$ 15,347,777	\$ 10,902,577	\$ -	\$ 10,902,577
Montgomery County Waste Disposal Fees	37,359,293	-	37,359,293	35,447,915	-	35,447,915
Project Reimbursements	-	30,215,503	30,215,503	-	27,076,604	27,076,604
Other Income	1,529	1,403,185	1,404,714	11,113	1,761,626	1,772,739
Project Administrative Fees	-	1,794,541	1,794,541	-	1,643,384	1,643,384
Total Operating Revenues	52,708,599	33,413,229	86,121,828	46,361,605	30,481,614	76,843,219
OPERATING EXPENSES						
Contractual and Other Direct Project Costs	45,924,853	31,618,688	77,543,541	45,042,329	28,719,988	73,762,317
Personnel	-	1,067,242	1,067,242	-	1,037,962	1,037,962
Fringe Benefits	-	409,448	409,448	-	384,357	384,357
Office Operations	-	280,615	280,615	-	304,657	304,657
Depreciation	10,245,374	771,592	11,016,966	9,749,999	524,687	10,274,686
Authority Funding for Subdivision Projects	-	614,404	614,404	-	580,267	580,267
Total Operating Expenses	56,170,227	34,761,989	90,932,216	54,792,328	31,551,918	86,344,246
Net Operating Loss	(3,461,628)	(1,348,760)	(4,810,388)	(8,430,723)	(1,070,304)	(9,501,027)
NONOPERATING REVENUE/ (EXPENSES)						
Interest Income	-	7,836	7,836	-	42,608	42,608
Jurisdictions' Contributions	-	878,940	878,940	-	878,940	878,940
Loss on Sale of Capital Assets	(2,147)	-	(2,147)	-	-	-
Total Nonoperating Revenues/ (Expenses)	(2,147)	886,776	884,629	-	921,548	921,548
NET LOSS BEFORE CAPITAL CONTRIBUTIONS	(3,463,775)	(461,984)	(3,925,759)	(8,430,723)	(148,756)	(8,579,479)
Capital Contributions	320,000	-	320,000	-	-	-
DECREASE IN NET POSITION	(3,143,775)	(461,984)	(3,605,759)	(8,430,723)	(148,756)	(8,579,479)
Net Position - Beginning of Year	119,866,469	6,295,629	126,162,098	128,297,192	6,444,385	134,741,577
NET POSITION - END OF YEAR	\$ 116,722,694	\$ 5,833,645	\$ 122,556,339	\$ 119,866,469	\$ 6,295,629	\$ 126,162,098

See accompanying Notes to Financial Statements.

**NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY
STATEMENTS OF CASH FLOWS – ENTERPRISE FUNDS
YEARS ENDED JUNE 30, 2021 AND 2020**

	2021			2020		
	Montgomery County Project	General Operating Fund	Total Authority	Montgomery County Project	General Operating Fund	Total Authority
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash Received from Customers	\$ 52,256,642	\$ 33,594,604	\$ 85,851,246	\$ 47,677,880	\$ 31,429,234	\$ 79,107,114
Proceeds from Jurisdictions	-	878,940	878,940	-	878,940	878,940
Cash Payments to Suppliers For Goods and Services	(45,009,160)	(34,083,483)	(79,092,643)	(46,968,530)	(30,445,229)	(77,413,759)
Change in Internal Balances	82,627	(82,627)	-	(113,881)	113,881	-
Cash Payments to Employees	-	(1,476,690)	(1,476,690)	-	(1,422,319)	(1,422,319)
Net Cash Provided/(used) by Operating Activities	7,330,109	(1,169,256)	6,160,853	595,469	554,507	1,149,976
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest Received	-	7,836	7,836	-	42,608	42,608
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of Capital Assets	(6,803,599)	-	(6,803,599)	(1,396,414)	-	(1,396,414)
Sale of Capital Assets	22,000	-	22,000	77,138	-	77,138
Capital Contributions	-	-	-	-	-	-
Net Cash Used by Financing Activities	(6,781,599)	-	(6,781,599)	(1,319,276)	-	(1,319,276)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	548,510	(1,161,420)	(612,910)	(723,807)	597,115	(126,692)
Cash and Cash Equivalents - Beginning of Year	979,379	15,739,679	16,719,058	1,703,186	15,142,564	16,845,750
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,527,889</u>	<u>\$ 14,578,259</u>	<u>\$ 16,106,148</u>	<u>\$ 979,379</u>	<u>\$ 15,739,679</u>	<u>\$ 16,719,058</u>

See accompanying Notes to Financial Statements.

**NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY
STATEMENTS OF CASH FLOWS – ENTERPRISE FUNDS (CONTINUED)
YEARS ENDED JUNE 30, 2021 AND 2020**

	2021			2020		
	Montgomery County Project	General Operating Fund	Total Authority	Montgomery County Project	General Operating Fund	Total Authority
RECONCILIATION OF NET OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Net Operating Loss	\$ (3,461,628)	\$ (1,348,760)	\$ (4,810,388)	\$ (8,430,723)	\$ (1,070,304)	\$ (9,501,027)
Adjustments to Reconcile Net Operating Loss to Net Cash Provided by Operating Activities:						
Depreciation	10,245,374	771,592	11,016,966	9,749,999	524,687	10,274,686
Jurisdiction Contributions	-	878,940	878,940	-	878,940	878,940
Loss on Sale of Capital Assets	(2,147)	-	(2,147)	-	-	-
Effect of Changes in Operating Assets, Deferred Outflows, Liabilities and Deferred Inflows:						
Receivables	(449,810)	181,375	(268,435)	1,316,277	947,620	2,263,897
Prepaid Expenses	-	(5,240)	(5,240)	-	575	575
Internal Balances	82,627	(82,627)	-	(113,881)	113,881	-
Deferred Outflows	-	(33,187)	(33,187)	-	70,035	70,035
Accounts Payable and Accrued Expenses	-	(1,419,937)	(1,419,937)	-	(313,157)	(313,157)
Project Cost Liability	915,693	-	915,693	(1,926,203)	-	(1,926,203)
Funds Held for Local Projects	-	(204,516)	(204,516)	-	(582,254)	(582,254)
Net Pension Liability	-	132,264	132,264	-	(31,107)	(31,107)
Deferred Inflows	-	(39,160)	(39,160)	-	15,591	15,591
Net Cash Provided by Operating Activities	<u>\$ 7,330,109</u>	<u>\$ (1,169,256)</u>	<u>\$ 6,160,853</u>	<u>\$ 595,469</u>	<u>\$ 554,507</u>	<u>\$ 1,149,976</u>
SCHEDULE OF NON CASH CAPITAL AND RELATED FINANCING ACTIVITIES						
Contributions of capital assets	\$ 320,000	\$ -	\$ 320,000	\$ -	\$ -	\$ -

See accompanying Notes to Financial Statements.

NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Northeast Maryland Waste Disposal Authority (the Authority) is a body politic and corporate, and a public instrumentality of the state of Maryland. The Authority was organized by resolutions of the city of Baltimore, Maryland, and the following seven Maryland counties: Anne Arundel, Baltimore, Carroll, Frederick, Harford, Howard, and Montgomery. These eight political subdivisions are the participants in the Authority.

The Authority was established to assist its Member Jurisdictions and the private sector in waste management and the development of waste disposal facilities adequate to accommodate the Region's requirements for disposal of solid waste. The Authority has perpetual existence as a corporation.

The Authority is empowered to issue revenue bonds and to lend the proceeds from the sale thereof to any person for the construction, acquisition or refinancing of facilities and properties useful in connection with waste disposal facilities, recycling facilities, pollution control facilities and facilities for generating and furnishing electric energy or gas or other forms of energy, including land, structures, equipment, patents, licenses and other rights necessary or useful in the construction or operation of such facilities.

The Authority has no component units and is not a component unit of any other government.

Basis of Presentation

The financial statements are prepared in accordance with generally accepted accounting principles using the economic resource measurement focus and accrual method of accounting as it relates to proprietary fund activities of governmental entities.

The Authority's financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. This financial statement presentation provides a comprehensive look at the total entity.

GASB Statement 34 identified three types of special-purpose governments (SPG): (1) those engaged only in governmental activities, (2) those engaged only in business-type activities, and (3) those engaged in both governmental and business-type activities (BTA). Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

The Authority adopted the financial reporting model required of SPG's engaged in BTA. Entities reporting as BTAs follow GASB standards applicable to proprietary (enterprise) funds. The BTA model requires the following financial statement components:

- * Management's Discussion and Analysis
- * Statement of Net Position
- * Statement of Revenues, Expenses, and Changes in Net Position
- * Statement of Cash Flows
- * Notes to the Financial Statements

**NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

The financial statements of the Authority have been prepared on the accrual basis of accounting whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal contractual obligation to pay. The statements are intended to report the Authority as an economic unit that includes all measurable assets and liabilities, financial and capital, of the Authority. The Authority's financial statements are prepared using the format of a special-purpose governmental entity engaged only in BTA with an economic resources measurement focus and the accrual basis of accounting.

The statement of revenues, expenses, and changes in net position for SPG engaged in BTA requires an operating/nonoperating format to be used. The Authority has elected to report its operating expenses by functional classification. The statement of cash flows is presented using the direct method which depicts cash flows from operating activities and a reconciliation of operating cash flows to operating income.

One of the primary purposes of financial reporting is to account for resources received and used, as well as accounted for and reported. In certain situations, both restricted and unrestricted net position may be available to cover an expense incurred. In those cases, where the expense meets all of the requirements of the restricted net position, restricted resources are applied first.

Net Position

Net position is reported in three categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed by an external party or law through constitutional provisions or enabling legislation. The Authority had no restricted net position as of June 30, 2021 and 2020.

Unrestricted net position consists of net position which does not meet the definition of the two preceding categories. Unrestricted net position often is designated to indicate that management does not consider them to be available for general operations. Unrestricted net position often has constraints on resources which are imposed by management, but can be removed or modified.

**NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Funds and Accounts

The General Operating and Montgomery County Resource Recovery Facility Project funds are considered to be major enterprise funds and are described below.

A. General Operating Fund

Accounts for the general administrative operations of the Authority, reflecting fee income and related expenses. The net position is classified into three categories and included within the unrestricted net position on the statements of net position, is as follows:

- Designated for Authority Reserve Funds: A designated fund for contingencies fixed at \$1,250,000 in accordance with the Authority's Reserve Funds Policy.
- Designated for next fiscal year's budget: Specific funds either on-hand or receivable at fiscal year-end which are designated to the next fiscal year's budget.
- Unreserved and Undesignated: Funds which have not been designated or reserved.

B. Montgomery County Resource Recovery Facility Project

Accounts for the operation of the Montgomery County Resource Recovery Facility.

Revenue Recognition

The administrative fees are set by the Board on a per-project basis with the project participants. Contributions by jurisdictions are set by the Authority's Board Members and are subject to the jurisdictions' approval. The administrative fees and jurisdictions' contributions are recognized ratably over the fiscal years to which they relate.

Reimbursements for feasibility studies and related expenses subject to successful issuance of revenue bonds are recognized as revenue upon issuance of the bonds. Other such reimbursements are recognized as the funds are spent, to the extent that realization is assured under the terms of the contract.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at 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.

**NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The carrying amounts reported in the statements of net position for cash approximates fair value. For the statements of cash flow purposes, the Authority has established the policy of defining cash equivalents as all highly liquid investments with a maturity of 90 days or less at the time of purchase. Cash and cash equivalents for cash flow purposes are as follows:

	2021	2020
Cash	\$ 13,879,211	\$ 14,494,517
Cash Equivalents - MLGIP	2,226,937	2,224,541
Totals	\$ 16,106,148	\$ 16,719,058

Receivables

Receivables include intergovernmental and accounts receivable. Intergovernmental receivables represent amounts due from Member Jurisdictions for services provided. Accounts receivable represent the amounts due from customers for the sale of materials, energy, or services provided. The Authority uses the allowance method to provide for doubtful accounts based on management's evaluation of the collectability of receivables and past collection history. The Authority determines receivables to be delinquent when they become greater than 90 days past due. Receivables are written off when it is determined that amounts are uncollectible. As of June 30, 2021 and 2020, management believes all receivables are collectible, and, as such, no allowance has been recorded.

Capital Assets

Property and equipment is stated at cost and is depreciated on a straight-line basis over estimated useful lives ranging from 3 to 38 years. The capitalization threshold for property and equipment is individual capital asset acquisitions of \$10,000 or more, and a useful life in excess of one year.

Construction-in-progress is used to accumulate costs for the construction of capital assets. Upon completion, the costs are typically transferred to a depreciable asset category and depreciation is commenced over the useful life of the asset. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Fair Value of Financial Instruments

The Authority estimates the fair values of investment securities based on quoted market prices. The Authority had no investment securities at either June 30, 2021 or 2020.

Compensated Absences

The Authority accrues compensated absences in accordance with GASB No. 16, Accounting for Compensated Absences. All full-time Authority employees accrue annual leave at variable rates based on the number of years employed by the Authority. At the end of each fiscal year, an employee's accrued annual leave may not exceed 562.5 hours as of June 30, 2021 and 2020. All full-time Authority employees also accrue sick pay benefits. However, the Authority does not record a liability for accrued sick pay benefits, as unused sick leave is not paid upon termination from the Authority.

**NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenditure) until the future period.

A deferred inflow of resources represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until the future period.

At June 30, 2021 and 2020, the Authority's deferred outflows and deferred inflows were all related to its participation in the Maryland State Retirement and Pension plan.

Pension Liability

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to the pension, and pension expense, information about fiduciary net position of the Maryland State Retirement and Pension System (System) and additions to/ deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Income Taxes

The Authority is exempt from income taxes under Internal Revenue Code Section 115.

NOTE 2 CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents is as follows:

June 30, 2021	Montgomery County Project	General Operating Fund	Total
Cash	\$ 1,527,889	12,351,322	\$ 13,879,211
Cash Equivalents:			
MLGIP	-	2,226,937	2,226,937
Total Cash and Cash Equivalents	<u>\$ 1,527,889</u>	<u>\$ 14,578,259</u>	<u>\$ 16,106,148</u>
June 30, 2020	Montgomery County Project	General Operating Fund	Total
Cash	\$ 979,379	\$ 13,515,138	\$ 14,494,517
Cash Equivalents:			
MLGIP	-	2,224,541	2,224,541
Total Cash and Cash Equivalents	<u>\$ 979,379</u>	<u>\$ 15,739,679</u>	<u>\$ 16,719,058</u>

NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 CASH AND CASH EQUIVALENTS (CONTINUED)

The Authority maintains its cash balances in federally insured banking institutions. The Authority has book balances of \$13,879,211 and \$14,494,517 at June 30, 2021 and 2020, respectively.

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. 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 pledging financial institution, or (c) collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Authority's name.

The bank balance of cash and cash equivalents was \$14,506,264 and \$16,804,753 (including repurchase agreements and MLGIP amounts) at June 30, 2021 and 2020, respectively, which was covered by Federal Deposit Insurance Corporation (FDIC) insurance or collateralized by U.S. government securities held by a third-party custodian.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will 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 credit risk if the securities are uninsured or are not registered in the name of the Authority, and are held either by counterparty or the counterparty's trust department, or an agent, but not in the Authority's name.

The Authority may only invest General Operating assets in securities guaranteed by the United States, collateralized by U.S. government securities, or the Maryland Local Government Investment Pool (MLGIP).

MLGIP

Cash and cash equivalents include deposits with the MLGIP. Investments in the MLGIP are available by daily transfer to cover checks issued when paid by the bank. The Authority is a participant of the MLGIP, which provides all local government units of the state a safe investment vehicle for the short-term investment of funds. The state Legislature created MLGIP with the passage of Article 95 Section 22G, of the Annotated Code of Maryland. The MLGIP, under the administrative control of the State Treasurer, is managed by PNC Bank. An MLGIP Advisory Committee of current participants was formed to review, on a quarterly basis, the activities of the Fund and to provide suggestions to enhance the pool. The pool is rated AAAM by Standard and Poor's, their highest rating for money market mutual funds. The pool is maintained at amortized cost.

NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 3 CAPITAL ASSETS

Capital assets consisted of the following:

Montgomery County Resource Recovery Facility Project

	June 30, 2021			Balance June 30, 2021
	Balance June 30, 2020	Additions	Reductions	
Capital Assets not Being Depreciated:				
Land	\$ 143,073	\$ -	\$ -	\$ 143,073
Construction in Process	-	500,000	-	500,000
Capital Assets Being Depreciated:				
Property	319,171,914	5,958,896	-	325,130,810
Equipment	21,782,612	666,850	(112,688)	22,336,774
Total	340,954,526	6,625,746	(112,688)	347,467,584
Accumulated Depreciation:				
Property	(206,260,830)	(9,106,179)	-	(215,367,009)
Equipment	(14,970,300)	(1,139,195)	88,541	(16,020,954)
Total	(221,231,130)	(10,245,374)	88,541	(231,387,963)
Total Capital Assets Being Depreciated	119,723,396	(3,619,628)	(24,147)	116,079,621
Net Capital Assets	\$ 119,866,469			\$ 116,722,694

General Operating Fund

	June 30, 2021			Balance June 30, 2021
	Balance June 30, 2020	Additions	Reductions/ Transfers	
Capital Assets Being Depreciated:				
Equipment	\$ 55,534	\$ -	\$ -	\$ 55,534
Montgomery Co. LF Gas Equipment	5,336,121	-	-	5,336,121
Total	5,391,655	-	-	5,391,655
Accumulated Depreciation:				
Equipment	(55,534)	-	-	(55,534)
Montgomery Co. LF Gas Equipment	(4,564,529)	(771,592)	-	(5,336,121)
Total	(4,620,063)	(771,592)	-	(5,391,655)
Total Capital Assets Being Depreciated	771,592	(771,592)	-	-
Net Capital Assets	\$ 771,592			\$ -

**NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 3 CAPITAL ASSETS (CONTINUED)

Montgomery County Resource Recovery Facility Project

	June 30, 2020			
	Balance			Balance
	June 30, 2019	Additions	Reductions	June 30, 2020
Capital Assets Not Being Depreciated:				
Land	\$ 143,073	\$ -	\$ -	\$ 143,073
Capital Assets Being Depreciated:				
Property	319,171,914	-	-	319,171,914
Equipment	20,669,896	1,396,414	(283,698)	21,782,612
Total	339,841,810	1,396,414	(283,698)	340,954,526
Accumulated Depreciation:				
Property	(197,580,286)	(8,680,544)	-	(206,260,830)
Equipment	(14,107,405)	(1,069,455)	206,560	(14,970,300)
Total	(211,687,691)	(9,749,999)	206,560	(221,231,130)
Total Capital Assets Being Depreciated	128,154,119	(8,353,585)	(77,138)	119,723,396
Net Capital Assets	<u>\$ 128,297,192</u>			<u>\$ 119,866,469</u>

General Operating Fund

	June 30, 2020			
	Balance			Balance
	June 30, 2019	Additions	Reductions/ Transfers	June 30, 2020
Capital Assets Being Depreciated:				
Equipment	\$ 55,534	\$ -	\$ -	\$ 55,534
Montgomery Co. LF Gas Equipment	5,336,121	-	-	5,336,121
Total	5,391,655	-	-	5,391,655
Accumulated Depreciation:				
Equipment	(55,534)	-	-	(55,534)
Montgomery Co. LF Gas Equipment	(4,039,842)	(524,687)	-	(4,564,529)
Total	(4,095,376)	(524,687)	-	(4,620,063)
Total Capital Assets Being Depreciated	1,296,279	(524,687)	-	771,592
Net Capital Assets	<u>\$ 1,296,279</u>			<u>\$ 771,592</u>

NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 4 MONTGOMERY COUNTY LANDFILL GAS-TO-ENERGY PROJECTS

On January 17, 2007, the Authority and Montgomery County, Maryland (the County) entered into an Intergovernmental Agreement under which the County can request the Authority to provide technical, engineering, operations, procurement, and marketing assistance in connection with County waste facilities and programs. The Authority and the County entered into Task Order No. 1 under the Intergovernmental Agreement for the Oaks and Gude Landfills Renewable Energy Projects on November 21, 2007. The fiscal year 2021 and 2020 project costs were \$1,304,368 and \$1,063,089, respectively. The County has previously ceased operations of the Gude Landfill Renewable Energy Project in June 2017. The County ceased operations of the Oaks Landfill Renewable Energy Project on July 1, 2021.

NOTE 5 LEASES

Rent expense under an operating lease relating to office space for the years ended June 30, 2021 and 2020 was \$101,666 and \$98,495, respectively. The lease has been extended for a period of five years and will expire on January 31, 2024.

At June 30, 2021, future minimum lease payments for all noncancelable operating leases having a remaining term in excess of one year are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 112,132
2023	115,496
2024	118,961

NOTE 6 PROJECT ADMINISTRATIVE FEES

The Authority entered into an agreement with the owner of the Southwest Resource Recovery Facility (Baltimore RESCO) (the "Facility") whereby the Authority is paid an administrative fee in connection with a continuing oversight function of the operation of the Facility. The administrative fee set by Section 5.6 of the Disposal Agreement dated June 22, 2011 and commenced on January 1, 2012 is \$750,000, escalating at 2.5% annually. The Disposal Agreement was amended and restated as of November 4, 2020 and extends the term of the contract until December 31, 2031. The administrative fees received were \$925,225 and \$902,658 for the years ended June 30, 2021 and 2020.

The Authority's oversight operating agreement with the Baltimore City Sludge Composting Facility (Composting Facility) ended March 3, 2008; however, the Authority and Veolia Water North America entered into a service agreement effective March 4, 2008, which was three times extended through June 30, 2023. The Composting Facility pays an annual flat fee of \$84,000 each July 1. The fee was \$84,000 for each of the years ended June 30, 2021 and 2020.

NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 6 PROJECT ADMINISTRATIVE FEES (CONTINUED)

The Montgomery County Resource Recovery Facility Project became operational in August of 1995. In consideration for the Authority's obligations under the service agreement and all other services being rendered, the County pays a waste disposal fee calculated in accordance with the agreement. The waste disposal fee is comprised of debt service, facility fees, alternative disposal costs, Authority administrative costs, operating costs, and Authority component revenues.

The Authority has entered into a service agreement with Covanta Montgomery, Inc. whereby the Authority is paid an administrative fee. Per section 5.2(e) of the service agreement, Covanta pays an administrative fee to the Authority which escalates by an inflation adjustor each July 1. The service agreement expires April 2026. Total administrative fees received in fiscal years 2021 and 2020 were \$728,880 and \$723,742, respectively.

Under an Intergovernmental Agreement initiated in 2008 with Prince George's County, the Authority sells electricity and RECs from the County's Brown Station Road Sanitary Landfill and the Prince George's County Correctional Facility. The administrative fees received were \$6,436 and \$1,225 for the years ended June 30, 2021 and 2020, respectively.

NOTE 7 RETIREMENT AND PENSION SYSTEM

Plan description. The employees of the Authority are covered by the Maryland State Retirement and Pension System (the System), which is a defined benefit cost sharing employer public employee retirement system. While there are five retirement and pension systems under the System, employees of the Authority are members of the Employees' Retirement and Pension Systems. The System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland to provide retirement allowances and other benefits to state employees, teachers, police, judges, legislators, and employees of participating governmental units. The Plans are administered by the State Retirement Agency. Responsibility for the System's administration and operation is vested in a 15-member Board of Trustees. The System issues a publicly available financial report that can be obtained at <http://www.sra.state.md.us>.

NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 7 RETIREMENT AND PENSION SYSTEM (CONTINUED)

Benefits provided. The System provides retirement allowances and other benefits to employees of participating governmental units, among others. For individuals who become members of the Employees' Retirement and Pension Systems on or before June 30, 2011, retirement/pension allowances are computed using both the highest three years Average Final Compensation (AFC) and the actual number of years of accumulated creditable service. For individuals who become members of the Employees' Pension System on or after July 1, 2011, pension allowances are computed using both the highest five years AFC and the actual number of years of accumulated creditable service. Various retirement options are available under each system which ultimately determines how a retiree's benefits allowance will be computed. Some of these options require actuarial reductions based on the retiree's and/or designated beneficiary's attained age and similar actuarial factors. A member of the Employees' Retirement System is generally eligible for full retirement benefits upon the earlier of attaining age 60 or accumulating 30 years of creditable service regardless of age. The annual retirement allowance equals 1/55 (1.81%) of the member's average final compensation (AFC) multiplied by the number of years of accumulated creditable service.

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

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

Contributions. The Authority and covered members are required by state statute to contribute to the System. Members of the Employees' Pension System are required to contribute 7% annually. Members of the Employees' Retirement System are required to contribute 5-7% annually, depending on the retirement option selected. The contribution requirements of the System members, as well as the state and participating governmental employers are established and may be amended by the Board of Trustees for the System.

**NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 7 RETIREMENT AND PENSION SYSTEM (CONTINUED)

The Authority's contractually required contribution rate for the Employees' Retirement and Pension Systems for the years ended June 30, 2021 and 2020, was 9.93% and 8.50%, respectively, of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Authority made its share of the required contributions during the years ended June 30, 2021 and 2020 of \$99,081 and \$91,823, respectively.

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

At June 30, 2021 and 2020, the Authority reported a liability of \$967,936, and \$835,672, respectively, for its proportionate share of the net pension liability of the System. The net pension liability was measured as of June 30, 2020 and 2019, respectively, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of those dates. The Authority's proportion of the net pension liability was based on actual employer contributions billed to participating government units for the years ending June 30, 2020 and 2019. The contributions were increased to adjust for differences between actuarial determined contributions and actual contributions by the state of Maryland. As of June 30, 2020 and 2019, the Authority's proportionate share was 0.0042826% and 0.0040516%, respectively, an increase of .0002310% or 5.7%.

For the years ended June 30, 2021 and 2020, the Authority recognized pension expense of \$158,998 and \$146,342, respectively. At June 30, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 36,862
Changes in Assumptions	4,441	17,885
Changes in Proportion	102,695	45,615
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	91,765	4,369
Net Difference Between Actual and Proportionate Share of Contributions	451	7
Authority Contributions Subsequent to the Measurement Date	99,081	-
Total	<u>\$ 298,433</u>	<u>\$ 104,738</u>

NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 7 RETIREMENT AND PENSION SYSTEM (CONTINUED)

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

	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 54,733
Changes in Assumptions	14,874	22,743
Changes in Proportion	98,795	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	48,669	-
Net Difference Between Actual and Proportionate Share of Contributions	4,532	59,869
Authority Contributions Subsequent to the Measurement Date	91,823	-
Total	\$ 258,693	\$ 137,345

At June 30, 2021 and 2020, \$99,081 and \$91,823, respectively, were reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date and will be recognized as a reduction in net pension liability in the years ended June 30, 2021 and 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	Amount
2022	\$ 18,973
2023	19,332
2024	33,703
2025	18,828
2026	3,778

Actuarial assumptions. The total pension liability in the following actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	June 30, 2020	June 30, 2019
Valuation Date	June 30, 2020	June 30, 2019
Inflation- General	2.6%	2.6%
Inflation- Wage	3.10%	3.10%
Salary Increases	3.10% to 11.60%, including inflation	3.10% to 11.60%, including inflation
Investment Rate of Return	7.40%	7.40%
Mortality Rates	Pub-2010 Generational Mortality Table with Scale MP-2018 full generational mortality improvement scale.	Pub-2010 Generational Mortality Table with Scale MP-2018 full generational mortality improvement scale.

NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 7 RETIREMENT AND PENSION SYSTEM (CONTINUED)

The long term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-range expected rate of return by weighting the expected future real rates by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Authority after considering input from the System's investment consultant(s) and actuary(s).

For each major asset class that is included in the System's target asset allocation, these best estimates are summarized in the following table:

Asset Class	2021		2020	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	37%	5.20%	37%	6.30%
Credit/Debt Related Strategies	9%	2.80%	9%	3.90%
Real Return	14%	4.30%	14%	4.50%
Absolute Return	8%	1.80%	8%	3.00%
Rate Sensitive	19%	-0.30%	19%	1.30%
Private Equity	13%	6.50%	13%	7.50%
Total	<u>100%</u>		<u>100%</u>	

The above was the System's Board of Trustees adopted asset allocation policy and best estimate of geometric real rates for each major asset class as of June 30, 2021 and 2020, respectively.

For the years ended June 30, 2021 and 2020, the annual money-weighted rate of return on pension plan investments, net of the pension plan expense was 3.50% and 6.46%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 7 RETIREMENT AND PENSION SYSTEM (CONTINUED)

Discount rate. The single discount rate used to measure the total pension liability was 7.40% as of June 30, 2020 and 2019. These discount rates were based on the expected rates of return on pension plan investments of 7.40% as of June 30, 2020 and 2019, respectively. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability. Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the Authority's net pension liability, calculated using a single discount rate of 7.40% as of June 30, 2020 and 2019, as well as what the Authority's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher for the Employees Retirement and Pension Systems:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
2020			
Discount Rate	6.40%	7.40%	8.40%
Authority's Proportionate Share of the Net Pension Liability	\$ 1,378,014	\$ 967,936	\$ 626,380
2019			
Discount Rate	6.40%	7.40%	8.40%
Authority's Proportionate Share of the Net Pension Liability	\$ 1,209,545	\$ 835,672	\$ 524,274

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued System's financial report.

**NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 8 UNRESTRICTED NET POSITION

The unrestricted net position balance of the general operating fund included the following balances:

	2021	2020
Designated for Next Year	\$ 4,583,645	\$ 4,274,037
Designated for Authority Reserve Fund	1,250,000	1,250,000
Total General Operating Fund Unrestricted Net Position	\$ 5,833,645	\$ 5,524,037

The full Montgomery County Project unrestricted net position as of June 30, 2021 and 2020 is designated for next year.

NOTE 9 RENEWABLE ENERGY CREDIT COMMITMENTS

Montgomery County Project

The Authority owns and operates the Montgomery County Resource Recovery Facility. This Facility is considered a renewable energy source under state and federal laws. The Authority receives renewable energy credits (RECs) associated with the electricity generated and then sells those RECs.

Montgomery County Landfill Gas-to-Energy Project

The Authority owns the landfill gas-to-energy generator at the Oaks Landfill. The Authority currently certifies and sells the RECs attributable to the generation at the Oaks Landfill. In the event the Authority anticipates any shortfall of RECs from these generators, the Authority would purchase RECs to meet their REC obligations.

NOTE 10 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 employees; and natural disasters. However, the Authority members and staff are covered by the State of Maryland Tort Claims Act and the Local Government Tort Claims Act, respectively.

The liability of the Authority may not exceed \$400,000 for an individual claim, or \$800,000 for total claims for both 2021 and 2020. The Authority does not maintain reinsurance risk, excess insurance risk pools, or record claim liabilities such as incurred but not reported claims. The Authority's projects/loans are nonrecourse with the respective Member Jurisdictions responsible for any related expenses. The Authority participates in the Local Government Insurance Trust for furniture, equipment, automobile and leasehold improvements insurance. To satisfy certain liabilities under workers' compensation claims, the Authority purchases insurance from the Injured Workers Insurance Fund.

**NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 10 RISK MANAGEMENT (CONTINUED)

The Authority's coverage under its commercial insurance policies for the policy period July 1, 2020 to July 1, 2021 was as follows:

Property	<u>2021</u>	<u>2020</u>
Business and Personal Property	\$ 338,726	\$ 338,726
General Liability		
Annual Aggregate	3,000,000	3,000,000
Personal Injury and Advertising Injury	1,000,000	1,000,000
Products/Completed Operations	3,000,000	3,000,000
Each Occurrence	1,000,000	1,000,000
Fire Legal Liability	1,000,000	1,000,000
Medical Expenses - Each Person	5,000	5,000
Public Official Liability		
Wrongful Act-Claim Made	1,000,000	1,000,000
Employee Benefits	1,000,000	1,000,000
Comprehensive Automobile		
Comprehensive Automobile Insurance	1,000,000	1,000,000
Collision	1,000,000	1,000,000
Excess Coverage	5,000,000	5,000,000

Settled claims have not exceeded coverage in the last three years.

REQUIRED SUPPLEMENTARY INFORMATION

NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY
SCHEDULE OF AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2021 AND 2020
(SEE INDEPENDENT AUDITORS' REPORT)

Employees' Retirement and Pension System:

	Measurement Date of June 30,						
	2020	2019	2018	2017	2016	2015	2014
Authority's Proportion of the Net Pension Liability	0.0042826%	0.0040516%	0.0041312%	0.0035151%	0.0039067%	0.0039622%	0.0033792%
Authority's Proportionate Share of the Net Pension Liability	\$ 967,936	\$ 835,672	\$ 866,779	\$ 760,095	\$ 921,748	\$ 823,413	\$ 599,693
Authority's Covered Payroll	\$ 1,058,065	\$ 978,919	\$ 924,444	\$ 920,633	\$ 844,836	\$ 892,008	\$ 858,291
Authority's Proportionate Share of the Net Pension Liability as a							
Percentage of its Covered Payroll	91.48%	85.37%	93.76%	82.56%	109.10%	92.31%	69.87%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.29%	67.98%	68.36%	66.71%	62.97%	66.26%	73.65%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY
SCHEDULE OF AUTHORITY CONTRIBUTIONS
JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

Employees' Retirement and Pension System

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually Required Contribution	\$ 99,081	\$ 91,823	\$ 83,200	\$ 82,378	\$ 71,544	\$ 76,105	\$ 83,512	\$ 78,747	\$ 68,841	\$ 95,514
Contributions in Relation to the Contractually Required Contribution	(99,081)	(91,823)	(83,200)	(82,378)	(71,544)	(83,512)	(78,747)	(68,841)	(95,514)	(97,214)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's Covered Payroll	<u>\$ 1,058,065</u>	<u>\$ 967,591</u>	<u>\$ 978,919</u>	<u>\$ 924,444</u>	<u>\$ 920,633</u>	<u>\$ 884,836</u>	<u>\$ 892,008</u>	<u>\$ 858,291</u>	<u>\$ 787,472</u>	<u>\$ 894,995</u>
Contributions as a Percentage of Covered Payroll	9.36%	9.49%	8.50%	8.91%	7.77%	8.60%	9.36%	9.17%	8.74%	10.67%

See Notes to Required Supplementary Information.

**NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021**

State of Maryland Retirement and Pension System

NOTE 1 CHANGES IN BENEFIT TERMS

There were no benefit changes during the year.

NOTE 2 CHANGES IN ASSUMPTIONS

Adjustments to the roll-forward liabilities were made to reflect the following assumptions in the 2020 valuation:

- Inflation assumptions changed from 2.65% general to 2.60% and 3.15% wage to 3.10%
- Salary increase assumption remained from 3.10% to 11.60%

NOTE 3 METHODS AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

Actuarial	Entry Age Normal
Amortization Method	Level Dollar, Closed
Remaining Amortization Period	Gain/Losses over 5 years, assumptions over 10
Asset Valuation Method	Fair Value
Inflation	2.50%
Salary Increases	3.00%, including cost of living increases
Investment Rate of Return	4.00%, net of pension plan investment expense, including inflation
Retirement Age	None
Mortality	PUB-2010 Generational Mortality Table with Scale MP-2019 utilizing “teachers” and “general” classifications per participant based on employment category