

NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2023 AND 2022



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YEARS ENDED JUNE 30, 2023 AND 2022**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Northeast Maryland Waste Disposal Authority
Baltimore, Maryland

Report on the Audits of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and each major fund of the Northeast Maryland Waste Disposal Authority (the Authority), as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the 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 business-type activities and each major fund of the Authority as of June 30, 2023 and 2022, 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.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Substantial Doubt About the Authority's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Authority will continue as a going concern. As disclosed in Note 1 to the financial statements, the Maryland General Assembly passed House Bill 161 which called for the termination of bond authority, effective as of June 1, 2023, and an evaluation by the Department of Legislative Services (DLS) regarding the efficiency and effectiveness of the Authority, as well as the possible assumption of functions, employees and contracts of the Authority by the Maryland Environmental Service. These conditions raise substantial doubt about the Authority's ability to continue as a going concern. Management's evaluation of the events and conditions, and management's plans regarding those matters also are described in Note 1. The financial statements do not include an adjustment that might result from the outcome of this uncertainty. 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 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 the 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 the Authority's ability to continue as a going concern for a reasonable period of time.

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, the schedule of Authority's proportionate share of the net pension liability and the schedule of Authority contributions 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 audits 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 15, 2023, 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 15, 2023

**NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023 AND 2022**

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. Maryland Environmental Services (MES), an instrumentality of the State of Maryland, is an ex-officio member.

- 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 \$107,762,610 (*net position*). Of this amount, \$7,013,667 represents unrestricted net position.
- The Authority's total net position decreased by \$8,422,757.
- The Authority's total renewable energy credits (RECs) revenue for fiscal year 2023 was \$10,871,341.

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 (RRF), which the Authority owns and operates. The combining statements in connection with the Montgomery County RRF 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, 2023 and 2022. 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, 2023 AND 2022**

FINANCIAL ANALYSIS

The following table presents condensed financial information about the Authority's net position as of June 30, 2023, 2022, and 2021:

	2023	2022	2021	2023 / 2022 Change	2022 / 2021 Change
ASSETS					
Current Assets	\$ 31,004,643	\$ 23,862,260	\$ 20,938,403	\$ 7,142,383	\$ 2,923,857
Other Restricted Assets	5,695,816	1,854,407	5,637,213	3,841,409	(3,782,806)
Capital Assets	559,099	163,332	266,489	395,767	(103,157)
Capital Assets - Montgomery County Project	100,748,943	109,755,586	116,722,694	(9,006,643)	(6,967,108)
Total Assets	<u>138,008,501</u>	<u>135,635,585</u>	<u>143,564,799</u>	<u>2,372,916</u>	<u>(7,929,214)</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension Related	341,976	352,611	298,433	(10,635)	54,178
Total Assets and Deferred Outflows of Resources	<u>\$ 138,350,477</u>	<u>\$ 135,988,196</u>	<u>\$ 143,863,232</u>	<u>\$ 2,362,281</u>	<u>\$ (7,875,036)</u>
LIABILITIES					
Net Pension Liability	\$ 980,455	\$ 674,576	\$ 967,936	\$ 305,879	\$ (293,360)
Other Liabilities	29,524,519	18,730,703	20,244,913	10,793,816	(1,514,210)
Total Liabilities	<u>30,504,974</u>	<u>19,405,279</u>	<u>21,212,849</u>	<u>11,099,695</u>	<u>(1,807,570)</u>
DEFERRED INFLOWS OF RESOURCES					
Pension Related	82,893	397,550	104,738	(314,657)	292,812
NET POSITION					
Net Investment in Capital Assets	100,748,943	109,755,586	116,722,694	(9,006,643)	(6,967,108)
Unrestricted	7,013,667	6,429,781	5,822,951	583,886	606,830
Total Net Position	<u>107,762,610</u>	<u>116,185,367</u>	<u>122,545,645</u>	<u>(8,422,757)</u>	<u>(6,360,278)</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 138,350,477</u>	<u>\$ 135,988,196</u>	<u>\$ 143,863,232</u>	<u>\$ 2,362,281</u>	<u>\$ (7,875,036)</u>

Total assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$107,762,610 at the close of 2023. This represents a decrease of \$8,422,757 or 7.3% in combined net position over last year and a 6.9% decrease over the last two years. Total assets and deferred outflows of resources increased by \$2,362,281 mainly due to an increase of accounts receivable balance of \$10,283,929 due to payment timing for the Montgomery County RRF project as well as the Authority's project reimbursements at June 30, 2023 as compared to June 30, 2022 offset by depreciation/amortization expense of \$10,632,443 and capital asset purchases in 2023 of \$1,585,049.

**NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023 AND 2022**

FINANCIAL ANALYSIS (CONTINUED)

Net investment in capital assets decreased by \$9,006,643 and \$6,967,108 for FY2023 and FY2022, 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, 2023, 2022, and 2021:

	2023	2022	2021	2023 / 2022 Change	2022 / 2021 Change
OPERATING REVENUES					
Montgomery County Waste Disposal Fees	\$ 26,862,310	\$ 23,827,202	\$ 37,359,293	\$ 3,035,108	\$ (13,532,091)
Energy and Recovered Materials Revenues and Other	83,834,971	64,679,149	48,762,535	19,155,822	15,916,614
Total Operating Revenues	110,697,281	88,506,351	86,121,828	22,190,930	2,384,523
OPERATING EXPENSES					
Contractual	107,679,286	83,170,446	77,543,541	24,508,840	5,626,905
Personnel and Fringe Benefits	1,416,228	1,267,496	1,476,690	148,732	(209,194)
Depreciation/Amortization	10,632,443	10,605,951	11,120,123	26,492	(514,172)
Other	861,947	769,447	802,556	92,500	(33,109)
Total Operating Expenses	120,589,904	95,813,340	90,942,910	24,776,564	4,870,430
NET OPERATING LOSS	(9,892,623)	(7,306,989)	(4,821,082)	(2,585,634)	(2,485,907)
NONOPERATING INCOME (EXPENSE)					
Interest Income	81,954	6,624	7,836	75,330	(1,212)
Jurisdictions' Contributions	957,452	896,518	878,940	60,934	17,578
Gain (Loss) on Sale of Capital Assets	47,175	6,669	(2,147)	40,506	8,816
Total Nonoperating Income, Net	1,086,581	909,811	884,629	176,770	25,182
Capital Contributions	383,285	36,900	-	346,385	36,900
CHANGE IN NET POSITION	<u>\$ (8,422,757)</u>	<u>\$ (6,360,278)</u>	<u>\$ (3,936,453)</u>	<u>\$ (2,062,479)</u>	<u>\$ (2,423,825)</u>

Total operating revenues increased in 2023 by \$22,190,930 or 25%. The increase was mainly due to the Montgomery County Landfill Remediation project under Task Order No. 45 in the amount of \$17,687,722 and \$3,035,645 for Montgomery County Waste Disposal Fees due to the FY23 CPI increase for the Operator's base fee charge. There was also a decrease in Ferrous Revenue and Electricity Revenue due to market conditions.

Total operating expenses increased \$24,776,564 or 25.9% mainly due to the increase of Authority projects such as the Montgomery County Landfill Remediation in the amount of \$18,189,118, and an increase of \$2,952,058 for the Export project due to new contract rates for Anne Arundel and Howard Counties Municipal Solid Waste Disposal Services.

**NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023 AND 2022**

CAPITAL ASSETS

Capital assets, net of depreciation, as of June 30, 2023, 2022, and 2021 are presented below:

	2023	2022	2021	2023 / 2022 Change	2022 / 2021 Change
Restricted Capital Assets					
Land	\$ 143,073	\$ 143,073	\$ 143,073	\$ -	\$ -
Construction in Process	566,830	59,270	500,000	507,560	(440,730)
Property	95,365,068	104,553,312	109,763,801	(9,188,244)	(5,210,489)
Equipment	4,673,972	4,999,931	6,315,820	(325,959)	(1,315,889)
Total Restricted Capital Assets	<u>100,748,943</u>	<u>109,755,586</u>	<u>116,722,694</u>	<u>(9,006,643)</u>	<u>(6,967,108)</u>
Capital Assets					
Equipment and Right-to-use Assets	559,099	163,332	266,489	395,767	(103,157)
Total Capital Assets	<u>559,099</u>	<u>163,332</u>	<u>266,489</u>	<u>395,767</u>	<u>(103,157)</u>
Net Capital Assets	<u>\$ 101,308,042</u>	<u>\$ 109,918,918</u>	<u>\$ 116,989,183</u>	<u>\$ (8,610,876)</u>	<u>\$ (7,070,265)</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 eight (8) years – to support 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.
- 3) During the 2023 legislative session, the Maryland General Assembly passed House Bill 161 which called for the termination of bond authority, effective as of June 1, 2023, and an evaluation by the Department of Legislative Services (DLS) regarding the efficiency and effectiveness of the Authority, as well as the possible assumption of functions, employees and contracts of the Authority by the Maryland Environmental Service (MES) (the Northeast Maryland Waste Disposal Authority Sunset Act (the "Act")). The Act calls for the Maryland Department of Legislative Services and MES to conduct a review and analysis of the Authority by December 1, 2024 and submit a report indicating their recommendation with respect merging the Authority into MES. The Act calls for the Maryland Department of Legislative Services and MES to conduct a review and analysis of the Authority by December 1, 2024 and submit a report indicating their recommendation with respect merging the Authority into MES.

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, 2023 AND 2022

	2023	2022
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 18,313,281	\$ 17,615,798
Receivables:		
Project Administrative Fees	14,507	13,584
Project Reimbursements	11,656,335	4,457,466
Other	1,006,464	1,762,813
Prepaid Expenses	14,056	12,599
Total Current Assets	31,004,643	23,862,260
OTHER ASSETS		
General Operating Fund:		
Capital Assets, Net of Accumulated Depreciation/Amortization of \$361,868 and \$5,597,969, Respectively	559,099	163,332
Montgomery County Project:		
Energy and Recovered Materials Receivables	5,695,816	1,854,407
Capital Assets, Net of Accumulated Depreciation of \$251,957,302 and \$241,838,982, Respectively	100,039,040	109,553,243
Capital Assets, Not Being Depreciated	709,903	202,343
Total Montgomery County Project	106,444,759	111,609,993
Total Other Assets	107,003,858	111,773,325
 Total Assets	 138,008,501	 135,635,585
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related	341,976	352,611
 Total Assets and Deferred Outflows of Resources	 \$ 138,350,477	 \$ 135,988,196
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 14,292,812	\$ 8,217,383
Project Cost Liability	9,961,178	4,889,382
Unearned Revenue	4,704,866	5,447,290
Total Current Liabilities	28,958,856	18,554,055
LONG-TERM LIABILITIES		
Lease Liability	565,663	176,648
Net Pension Liability	980,455	674,576
 Total Liabilities	 30,504,974	 19,405,279
DEFERRED INFLOWS OF RESOURCES		
Pension Related	82,893	397,550
NET POSITION		
Net Investment in Capital Assets	100,748,943	109,755,586
Unrestricted	7,013,667	6,429,781
Total Net Position	107,762,610	116,185,367
 Total Liabilities, Deferred Inflows of Resources, and Net Position	 \$ 138,350,477	 \$ 135,988,196

See accompanying Notes to Financial Statements.

**NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2023 AND 2022**

	2023	2022
OPERATING REVENUES		
Energy and Recovered Materials Revenues	\$ 29,157,661	\$ 30,470,189
Montgomery County Waste Disposal Fees	26,862,310	23,827,202
Project Reimbursements	50,729,913	30,246,057
Other Income	2,024,723	2,119,117
Project Administrative Fees	1,922,674	1,843,786
Total Operating Revenues	110,697,281	88,506,351
OPERATING EXPENSES		
Contractual and Other Direct Project Costs	107,679,286	83,170,446
Personnel	1,043,976	967,710
Fringe Benefits	372,252	299,786
Office Operations	199,720	170,040
Depreciation/ Amortization	10,632,443	10,605,951
Authority Funding for Subdivision	662,227	599,407
Total Operating Expenses	120,589,904	95,813,340
Net Operating Loss	(9,892,623)	(7,306,989)
NONOPERATING REVENUE (EXPENSES)		
Interest Income	81,954	6,624
Jurisdictions' Contributions	957,452	896,518
Gain on Sale of Capital Assets	47,175	6,669
Total Nonoperating Revenues	1,086,581	909,811
NET LOSS BEFORE CAPITAL CONTRIBUTIONS	(8,806,042)	(6,397,178)
Capital Contributions	383,285	36,900
DECREASE IN NET POSITION	(8,422,757)	(6,360,278)
Net Position - Beginning of Year	116,185,367	122,545,645
NET POSITION - END OF YEAR	\$ 107,762,610	\$ 116,185,367

See accompanying Notes to Financial Statements.

NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 100,412,965	\$ 89,047,513
Proceeds from Jurisdictions	957,452	896,518
Cash Payments to Suppliers for Goods and Services	(98,136,568)	(83,574,189)
Cash Payments to Employees	(1,416,228)	(1,267,496)
Net Cash Provided by Operating Activities	1,817,621	5,102,346
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	81,954	6,624
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Capital Assets	(1,142,495)	(3,506,793)
Sale of Capital Assets	47,175	8,008
Principal Payments on Leases	(106,772)	(100,535)
Net Cash Used by Capital and Related Financing Activities	(1,202,092)	(3,599,320)
NET INCREASE IN CASH AND CASH EQUIVALENTS	697,483	1,509,650
Cash and Cash Equivalents - Beginning of Year	17,615,798	16,106,148
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 18,313,281	\$ 17,615,798
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net Operating Loss	\$ (9,892,623)	\$ (7,306,989)
Adjustments to Reconcile Net Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation	10,632,443	10,605,951
Jurisdiction Contributions	957,452	896,518
Gain on Sale of Capital Assets	-	6,669
Effect of Changes in Operating Assets, Deferred Outflows, Liabilities, and Deferred Inflows:		
Receivables	(10,284,852)	534,494
Prepaid Expenses	(1,457)	5,823
Deferred Outflows	72,691	(116,234)
Accounts Payable, Accrued Expenses, and Retainage Payable	11,147,225	1,367,706
Project Cost Liability	(376,713)	-
Funds Held for Local Projects	-	354,868
Net Pension Liability	305,879	(293,360)
Deferred Inflows	(742,424)	(953,100)
Net Cash Provided by Operating Activities	\$ 1,817,621	\$ 5,102,346
SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Contributions of Capital Assets	\$ 383,285	\$ 36,900
Lease Amendment	\$ 495,787	\$ -

See accompanying Notes to Financial Statements.

**NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY
STATEMENTS OF NET POSITION – ENTERPRISE FUNDS
JUNE 30, 2023 AND 2022**

	2023			2022		
	Montgomery County Project	General Operating Fund	Total Authority	Montgomery County Project	General Operating Fund	Total Authority
CURRENT ASSETS						
Cash and Cash Equivalents	\$ 3,865,882	\$ 14,447,399	\$ 18,313,281	\$ 1,034,124	\$ 16,581,674	17,615,798
Receivables:						
Project Administrative Fees	-	14,507	14,507	-	13,584	13,584
Project Reimbursements	-	11,656,335	11,656,335	-	4,457,466	4,457,466
Other	-	1,006,464	1,006,464	-	1,762,813	1,762,813
Prepaid Expenses	-	14,056	14,056	-	12,599	12,599
Total Current Assets	<u>3,865,882</u>	<u>27,138,761</u>	<u>31,004,643</u>	<u>1,034,124</u>	<u>22,828,136</u>	<u>23,862,260</u>
OTHER ASSETS						
Capital Assets, Net of Accumulated Depreciation/Amortization of \$361,868 and \$5,597,969, Respectively	-	559,099	559,099	-	163,332	163,332
Internal Balances	399,480	(399,480)	-	2,000,851	(2,000,851)	-
Montgomery County Project:						
Energy and Recovered Materials Receivables	5,695,816	-	5,695,816	1,854,407	-	1,854,407
Capital Assets, Net of Accumulated Depreciation of \$251,957,302 and \$241,838,982, Respectively	100,039,040	-	100,039,040	109,553,243	-	109,553,243
Capital Assets, Not Being Depreciated	709,903	-	709,903	202,343	-	202,343
Total Other Assets	<u>106,844,239</u>	<u>159,619</u>	<u>107,003,858</u>	<u>113,610,844</u>	<u>(1,837,519)</u>	<u>111,773,325</u>
Total Assets	110,710,121	27,298,380	138,008,501	114,644,968	20,990,617	135,635,585
DEFERRED OUTFLOWS OF RESOURCES						
Pension Related	-	341,976	341,976	-	352,611	352,611
Total Assets and Deferred Outflows of Resources	<u>\$ 110,710,121</u>	<u>\$ 27,640,356</u>	<u>\$ 138,350,477</u>	<u>\$ 114,644,968</u>	<u>\$ 21,343,228</u>	<u>\$ 135,988,196</u>

See accompanying Notes to Financial Statements.

NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY
STATEMENTS OF NET POSITION – ENTERPRISE FUNDS (CONTINUED)
JUNE 30, 2023 AND 2022

	2023			2022		
	Montgomery County Project	General Operating Fund	Total Authority	Montgomery County Project	General Operating Fund	Total Authority
CURRENT LIABILITIES						
Accounts Payable and Accrued Expenses	\$ -	\$ 14,292,812	\$ 14,292,812	\$ -	\$ 8,217,383	\$ 8,217,383
Project Cost Liability	9,961,178	-	9,961,178	4,889,382	-	4,889,382
Unearned Revenue	-	4,704,866	4,704,866	-	5,447,290	5,447,290
Total Current Liabilities	9,961,178	18,997,678	28,958,856	4,889,382	13,664,673	18,554,055
LONG-TERM LIABILITIES						
Lease Liability	-	565,663	565,663	-	176,648	176,648
Net Pension Liability	-	980,455	980,455	-	674,576	674,576
Total Liabilities	9,961,178	20,543,796	30,504,974	4,889,382	14,515,897	19,405,279
DEFERRED INFLOWS OF RESOURCES						
Pension Related	-	82,893	82,893	-	397,550	397,550
NET POSITION						
Net Investment in Capital Assets	100,748,943	-	100,748,943	109,755,586	-	109,755,586
Unrestricted	-	7,013,667	7,013,667	-	6,429,781	6,429,781
Total Net Position	100,748,943	7,013,667	107,762,610	109,755,586	6,429,781	116,185,367
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 110,710,121	\$ 27,640,356	\$ 138,350,477	\$ 114,644,968	\$ 21,343,228	\$ 135,988,196

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, 2023 AND 2022**

	2023			2022		
	Montgomery County Project	General Operating Fund	Total Authority	Montgomery County Project	General Operating Fund	Total Authority
OPERATING REVENUES						
Energy and Recovered Materials Revenues	\$ 29,157,661	\$ -	\$ 29,157,661	\$ 30,470,189	\$ -	\$ 30,470,189
Montgomery County Waste Disposal Fees	26,862,310	-	26,862,310	23,827,202	-	23,827,202
Project Reimbursements	-	50,729,913	50,729,913	-	30,246,057	30,246,057
Other Income	-	2,024,723	2,024,723	-	2,119,117	2,119,117
Project Administrative Fees	-	1,922,674	1,922,674	-	1,843,786	1,843,786
Total Operating Revenues	<u>56,019,971</u>	<u>54,677,310</u>	<u>110,697,281</u>	<u>54,297,391</u>	<u>34,208,960</u>	<u>88,506,351</u>
OPERATING EXPENSES						
Contractual and Other Direct Project Costs	54,924,651	52,754,635	107,679,286	50,805,274	32,365,172	83,170,446
Personnel	-	1,043,976	1,043,976	-	967,710	967,710
Fringe Benefits	-	372,252	372,252	-	299,786	299,786
Office Operations	-	199,720	199,720	-	170,040	170,040
Depreciation/Amortization	10,532,423	100,020	10,632,443	10,502,794	103,157	10,605,951
Authority Funding for Subdivision Projects	-	662,227	662,227	-	599,407	599,407
Total Operating Expenses	<u>65,457,074</u>	<u>55,132,830</u>	<u>120,589,904</u>	<u>61,308,068</u>	<u>34,505,272</u>	<u>95,813,340</u>
Net Operating Loss	(9,437,103)	(455,520)	(9,892,623)	(7,010,677)	(296,312)	(7,306,989)
NONOPERATING REVENUE (EXPENSES)						
Interest Income	-	81,954	81,954	-	6,624	6,624
Jurisdictions' Contributions	-	957,452	957,452	-	896,518	896,518
Gain on Sale of Capital Assets	47,175	-	47,175	6,669	-	6,669
Total Nonoperating Revenues	<u>47,175</u>	<u>1,039,406</u>	<u>1,086,581</u>	<u>6,669</u>	<u>903,142</u>	<u>909,811</u>
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(9,389,928)	583,886	(8,806,042)	(7,004,008)	606,830	(6,397,178)
Capital Contributions	383,285	-	383,285	36,900	-	36,900
INCREASE (DECREASE) IN NET POSITION	(9,006,643)	583,886	(8,422,757)	(6,967,108)	606,830	(6,360,278)
Net Position - Beginning of Year	109,755,586	6,429,781	116,185,367	116,722,694	5,822,951	122,545,645
NET POSITION - END OF YEAR	<u>\$ 100,748,943</u>	<u>\$ 7,013,667</u>	<u>\$ 107,762,610</u>	<u>\$ 109,755,586</u>	<u>\$ 6,429,781</u>	<u>\$ 116,185,367</u>

See accompanying Notes to Financial Statements.

**NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY
STATEMENTS OF CASH FLOWS – ENTERPRISE FUNDS
YEARS ENDED JUNE 30, 2023 AND 2022**

	2023			2022		
	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	\$ 52,179,098	\$ 48,233,867	\$ 100,412,965	\$ 56,258,583	\$ 32,788,930	\$ 89,047,513
Proceeds from Jurisdictions	-	957,452	957,452	-	896,518	896,518
Cash Payments to Suppliers for Goods and Services	(49,853,391)	(48,283,177)	(98,136,568)	(53,509,479)	(30,064,710)	(83,574,189)
Change in Internal Balances	1,601,371	(1,601,371)	-	255,916	(255,916)	-
Cash Payments to Employees	-	(1,416,228)	(1,416,228)	-	(1,267,496)	(1,267,496)
Net Cash Provided (Used) by Operating Activities	<u>3,927,078</u>	<u>(2,109,457)</u>	<u>1,817,621</u>	<u>3,005,020</u>	<u>2,097,326</u>	<u>5,102,346</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest Income	-	81,954	81,954	-	6,624	6,624
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of Capital Assets	(1,142,495)	-	(1,142,495)	(3,506,793)	-	(3,506,793)
Sale of Capital Assets	47,175	-	47,175	8,008	-	8,008
Principal Payments on leases	-	(106,772)	(106,772)	-	(100,535)	(100,535)
Capital Contributions	-	-	-	-	-	-
Net Cash Used by Financing Activities	<u>(1,095,320)</u>	<u>(106,772)</u>	<u>(1,202,092)</u>	<u>(3,498,785)</u>	<u>(100,535)</u>	<u>(3,599,320)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,831,758	(2,134,275)	697,483	(493,765)	2,003,415	1,509,650
Cash and Cash Equivalents - Beginning of Year	<u>1,034,124</u>	<u>16,581,674</u>	<u>17,615,798</u>	<u>1,527,889</u>	<u>14,578,259</u>	<u>16,106,148</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 3,865,882</u>	<u>\$ 14,447,399</u>	<u>\$ 18,313,281</u>	<u>\$ 1,034,124</u>	<u>\$ 16,581,674</u>	<u>\$ 17,615,798</u>

See accompanying Notes to Financial Statements.

**NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY
STATEMENTS OF CASH FLOWS – ENTERPRISE FUNDS (CONTINUED)
YEARS ENDED JUNE 30, 2023 AND 2022**

	2023			2022		
	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	\$ (9,437,103)	\$ (455,520)	\$ (9,892,623)	\$ (7,010,677)	\$ (296,312)	\$ (7,306,989)
Adjustments to Reconcile Net Operating Loss to Net Cash Provided (Used) by Operating Activities:						
Depreciation and Amortization	10,532,423	100,020	10,632,443	10,502,794	103,157	10,605,951
Jurisdiction Contributions	-	957,452	957,452	-	896,518	896,518
Gain on Sale of Capital Assets	-	-	-	6,669	-	6,669
Effect of Changes in Operating Assets, Deferred Outflows, Liabilities and Deferred Inflows:						
Receivables	(3,841,409)	(6,443,443)	(10,284,852)	1,954,524	(1,420,030)	534,494
Prepaid Expenses	-	(1,457)	(1,457)	-	5,823	5,823
Internal Balances	1,601,371	(1,601,371)	-	255,916	(255,916)	-
Deferred Outflows	-	72,691	72,691	-	(116,234)	(116,234)
Accounts Payable and Accrued Expenses	5,071,796	6,075,429	11,147,225	(2,704,206)	4,071,912	1,367,706
Project Cost Liability	-	(376,713)	(376,713)	-	-	-
Funds Held for Local Projects	-	-	-	-	354,868	354,868
Net Pension Liability	-	305,879	305,879	-	(293,360)	(293,360)
Deferred Inflows	-	(742,424)	(742,424)	-	(953,100)	(953,100)
Net Cash Provided (Used) by Operating Activities	<u>\$ 3,927,078</u>	<u>\$ (2,109,457)</u>	<u>\$ 1,817,621</u>	<u>\$ 3,005,020</u>	<u>\$ 2,097,326</u>	<u>\$ 5,102,346</u>
SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES						
Contributions of Capital Assets	<u>\$ 383,285</u>	<u>\$ -</u>	<u>\$ 383,285</u>	<u>\$ 36,900</u>	<u>\$ -</u>	<u>\$ 36,900</u>
Lease Amendment	<u>\$ -</u>	<u>\$ 495,787</u>	<u>\$ 495,787</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Notes to Financial Statements.

NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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 and support the Authority's operations.

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. However, since its creation in 1980, the Authority's Enabling Legislation provides that the Authority may merge into MES with the consent of MES and the approval of the Governor (the Northeast Maryland Waste Disposal Authority, Natural Resources Article, Section 3-924, Annotated Code of Maryland).

The Authority was 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. However, during the 2023 legislative session, the Maryland General Assembly passed House Bill 161 which called for the termination of bond authority, effective as of June 1, 2023, and an evaluation by the Department of Legislative Services (DLS) regarding the efficiency and effectiveness of the Authority, as well as the possible assumption of functions, employees and contracts of the Authority by the Maryland Environmental Service (MES) (the Northeast Maryland Waste Disposal Authority Sunset Act (the "Act")). The Act calls for the Maryland Department of Legislative Services and MES to conduct a review and analysis of the Authority by December 1, 2024 and submit a report indicating their recommendation with respect merging the Authority into MES.

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 accounting principles generally accepted in the United States of America 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.

**NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

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

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, amortization and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction or improvement of those assets.

**NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2023 and 2022.

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.

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. As described more fully in Note 8, the net position is classified into three categories and included within the unrestricted net position on the statements of net position, 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.

Revenue related to the generation and sale of renewable energy credits are recorded when the credits is transferred to a counter-party.

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.

**NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

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:

	2023	2022
Cash	\$ 16,010,021	\$ 15,386,294
Cash Equivalents	2,303,260	2,229,504
Total	<u>\$ 18,313,281</u>	<u>\$ 17,615,798</u>

Receivables

Receivables include project administrative fees, project reimbursements and other accounts receivable. Project administrative fees represent amounts due from Member Jurisdictions for services provided. Project reimbursements 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, 2023 and 2022, 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.

**NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments

The Authority estimates the fair values of investment securities based on quoted market prices. Securities of the Maryland Local Government Investment Pool (MLGIP) are valued daily on an amortized cost basis, which approximates market value, and are held to maturity under normal circumstances. The Authority had no investment securities at either June 30, 2023 or 2022.

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, 2023 and 2022. 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.

Deferred Outflows/Inflows of Resources

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

At June 30, 2023 and 2022, the Authority's deferred outflows and deferred inflows were all related to its participation in the Maryland State Retirement and Pension plan.

Lease Liability

The Authority is a lessee for a noncancellable lease of real estate. The Authority recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the financial statements. The Authority recognizes lease liabilities with an initial, individual value of \$10,000 or more.

At the commencement of a lease, the Authority initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Authority determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

When the interest rate charged by the lessor is not provided, the Authority generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Authority is reasonably certain to exercise.

**NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Lease Liability (continued)

The Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

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.

Adoption of New Accounting Standards

In May 2020, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*. This standard defines a SBITA and requires the recognition of certain right-to-use subscription assets and a corresponding liability.

The Authority adopted the requirements of the guidance effective July 1, 2020, however there was no significant impact on net position or change in net position as a result of the implementation.

NOTE 2 CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents is as follows:

June 30, 2023	Montgomery County Project	General Operating Fund	Total
Cash	\$ 3,865,882	12,144,139	\$ 16,010,021
Cash Equivalents:			
MLGIP	-	2,303,260	2,303,260
Total Cash and Cash Equivalents	<u>\$ 3,865,882</u>	<u>\$ 14,447,399</u>	<u>\$ 18,313,281</u>
June 30, 2022	Montgomery County Project	General Operating Fund	Total
Cash	\$ 1,034,124	\$ 14,352,170	\$ 15,386,294
Cash Equivalents:			
MLGIP	-	2,229,504	2,229,504
Total Cash and Cash Equivalents	<u>\$ 1,034,124</u>	<u>\$ 16,581,674</u>	<u>\$ 17,615,798</u>

NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 CASH AND CASH EQUIVALENTS (CONTINUED)

The Authority maintains its cash balances in federally insured banking institutions. The Authority has book balances of \$16,010,021 and \$15,386,294 at June 30, 2023 and 2022, 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 Authority does not have a formal policy governing custodial credit risk.

The bank balance of cash and cash equivalents was \$18,323,208 and \$17,732,565 (including Maryland Local Government Investment Pool (MLGIP) amounts) at June 30, 2023 and 2022, 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 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. 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.

The MLGIP was created under Maryland State Law, is regulated by the Maryland State Treasurer's Office and is managed by PNC Bank. The MLGIP may invest in any instrument in which the State Treasurer may invest. Permissible instruments are established by Sections 6-222 and 6-223 of the State Finance and Procurement Article. No direct investment may have a maturity date of more than 13 months after its acquisition. Securities of the MLGIP are valued daily on an amortized cost basis, which approximates market value, and are held to maturity under normal circumstances. The fair value of the position in the MLGIP is the same as the value of the MLGIP net assets (shares). The MLGIP is a 2a-7 like external investment pool, which issues a publicly available financial report that includes financial statements and required supplementary information for the MLGIP.

NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 3 CAPITAL ASSETS

Capital assets consisted of the following:

Montgomery County Resource Recovery Facility Project

	June 30, 2023			
	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023
Capital Assets not Being Depreciated:				
Land	\$ 143,073	\$ -	\$ -	\$ 143,073
Construction in Process	59,270	507,560	-	566,830
Capital Assets Being Depreciated:				
Property	329,108,565	-	-	329,108,565
Equipment	22,283,660	1,018,220	(414,103)	22,887,777
Total	351,392,225	1,525,780	(414,103)	351,996,342
Accumulated Depreciation:				
Property	(224,555,253)	(9,188,244)	-	(233,743,497)
Equipment	(17,283,729)	(1,344,179)	414,103	(18,213,805)
Total	(241,838,982)	(10,532,423)	414,103	(251,957,302)
Total Capital Assets Being Depreciated	109,553,243	\$ (9,006,643)	\$ -	100,039,040
Net Capital Assets	<u>\$ 109,755,586</u>			<u>\$ 100,748,943</u>

General Operating Fund

	June 30, 2023			
	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023
Capital Assets Being Depreciated:				
Right-to-Use Real Estate	\$ 369,646	\$ 495,787	\$ -	\$ 865,433
Equipment	55,534	-	-	55,534
Montgomery Co. LF Gas Equipment	5,336,121	-	(5,336,121)	-
Total	5,761,301	495,787	(5,336,121)	920,967
Accumulated Depreciation:				
Right-to-Use Real Estate	(206,314)	(100,020)	-	(306,334)
Equipment	(55,534)	-	-	(55,534)
Montgomery Co. LF Gas Equipment	(5,336,121)	-	5,336,121	-
Total	(5,597,969)	(100,020)	5,336,121	(361,868)
Total Capital Assets Being Depreciated	163,332	\$ 395,767	\$ -	559,099
Net Capital Assets	<u>\$ 163,332</u>			<u>\$ 559,099</u>

NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 3 CAPITAL ASSETS (CONTINUED)

Montgomery County Resource Recovery Facility Project

	June 30, 2022			Balance June 30, 2022
	Balance June 30, 2021	Additions	Reductions	
Capital Assets Not Being Depreciated:				
Land	\$ 143,073	\$ -	\$ -	\$ 143,073
Construction in Process	500,000	-	(440,730)	59,270
Capital Assets Being Depreciated:				
Property	325,130,810	3,977,755	-	329,108,565
Equipment	22,336,774	-	(53,114)	22,283,660
Total	<u>347,467,584</u>	<u>3,977,755</u>	<u>(53,114)</u>	<u>351,392,225</u>
Accumulated Depreciation:				
Property	(215,367,009)	(9,188,244)	-	(224,555,253)
Equipment	(16,020,954)	(1,314,550)	51,775	(17,283,729)
Total	<u>(231,387,963)</u>	<u>(10,502,794)</u>	<u>51,775</u>	<u>(241,838,982)</u>
Total Capital Assets Being Depreciated	<u>116,079,621</u>	<u>\$ (6,525,039)</u>	<u>\$ (1,339)</u>	<u>109,553,243</u>
Net Capital Assets	<u>\$ 116,222,694</u>			<u>\$ 109,755,586</u>

General Operating Fund

	June 30, 2022			Balance June 30, 2022
	Balance June 30, 2021	Additions	Reductions/ Transfers	
Capital Assets Being Depreciated/Amortized:				
Right-to-Use Real Estate	\$ 369,646	\$ -	\$ -	\$ 369,646
Equipment	55,534	-	-	55,534
Montgomery Co. LF Gas Equipment	5,336,121	-	-	5,336,121
Total	<u>5,761,301</u>	<u>-</u>	<u>-</u>	<u>5,761,301</u>
Accumulated Depreciation/Amortization:				
Right-to-Use Real Estate	(103,157)	(103,157)	-	(206,314)
Equipment	(55,534)	-	-	(55,534)
Montgomery Co. LF Gas Equipment	(5,336,121)	-	-	(5,336,121)
Total	<u>(5,494,812)</u>	<u>(103,157)</u>	<u>-</u>	<u>(5,597,969)</u>
Total Capital Assets Being Depreciated	<u>266,489</u>	<u>\$ (103,157)</u>	<u>\$ -</u>	<u>163,332</u>
Net Capital Assets	<u>\$ 266,489</u>			<u>\$ 163,332</u>

**NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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 2023 and 2022 project costs were \$492,842 and \$515,324 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. Equipment at both Oaks and Gude Landfill sites have been disposed of and Task Order No. 1 expired on June 30, 2023.

NOTE 5 LEASE LIABILITY

The Authority has a lease agreement for its facilities in Baltimore, Maryland. The lease began on June 17, 2003 and ends on July 31, 2029. The terms of the lease require monthly lease payments ranging from \$4,617 to \$10,577.

At June 30, 2023, future minimum lease payments under the lease were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 65,715	\$ 26,033	\$ 91,748
2025	56,018	23,748	79,766
2026	95,607	19,564	115,171
2027	103,752	14,586	118,338
2028	112,404	9,189	121,593
Thereafter	132,167	3,347	135,514
Total	<u>\$ 565,663</u>	<u>\$ 96,467</u>	<u>\$ 662,130</u>

Right-to-use assets acquired through outstanding leases are shown below by asset class.

	<u>2023</u>	<u>2022</u>
Real Estate	\$ 762,276	\$ 369,646
Less: Accumulated Amortization	<u>(203,177)</u>	<u>(206,314)</u>
Total	<u>\$ 559,099</u>	<u>\$ 163,332</u>

NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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 \$972,064 and \$948,355 for the years ended June 30, 2023 and 2022, respectively.

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 four times extended through June 30, 2024. 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, 2023 and 2022.

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 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 2023 and 2022 were \$841,437 and \$760,222, 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 \$172 and \$1,208 for the years ended June 30, 2023 and 2022, respectively.

NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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>.

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.

NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 7 RETIREMENT AND PENSION SYSTEM (CONTINUED)

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.

The Authority's contractually required contribution rate for the Employees' Retirement and Pension Systems for the years ended June 30, 2023 and 2022, was 9.76% and 10.57%, 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, 2023 and 2022 of \$106,151 and \$111,838, respectively.

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

At June 30, 2023 and 2022, the Authority reported a liability of \$980,455, and \$674,576, respectively, for its proportionate share of the net pension liability of the System. The net pension liability was measured as of June 30, 2022 and 2021, 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, 2022 and 2021. The contributions were increased to adjust for differences between actuarial determined contributions and actual contributions by the state of Maryland. As of June 30, 2022 and 2021, the Authority's proportionate share was 0.0049002% and 0.0044965%, respectively, an increase of .0004037% or 9.0%.

**NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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)**

For the years ended June 30, 2023 and 2022, the Authority recognized pension expense of \$108,008 and \$57,117, respectively. At June 30, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 66,608
Changes in Assumptions	100,236	8,170
Changes in Proportion	119,589	8,111
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	16,000	-
Net Difference Between Actual and Proportionate Share of Contributions	-	4
Authority Contributions Subsequent to the Measurement Date	106,151	-
Total	\$ 341,976	\$ 82,893
	2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 48,699
Changes in Assumptions	130,228	13,028
Changes in Proportion	110,536	24,333
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	311,484
Net Difference Between Actual and Proportionate Share of Contributions	9	6
Authority Contributions Subsequent to the Measurement Date	111,838	-
Total	\$ 352,611	\$ 397,550

**NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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)**

At June 30, 2023 and 2022, \$106,151 and \$111,838, 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, 2023 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:

<u>Year Ended June 30,</u>	<u>Amount</u>
2024	\$ 38,012
2025	23,137
2026	8,087
2027	82,336
2028	1,360

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:

Valuation Date	June 30, 2022	June 30, 2021
Inflation- General	2.25%	2.25%
Inflation- Wage	2.75%	2.75%
Salary Increases	2.75% to 11.25%, Including Inflation	2.75% to 11.25%, Including Inflation
Investment Rate of Return	6.80%	6.80%
 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.

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).

**NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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)**

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	2023		2022	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	34 %	6.00 %	37 %	4.70 %
Credit/Debt Related Strategies	8	4.90	9	2.60
Real Return	15	5.20	14	4.20
Absolute Return	6	3.50	8	2.00
Rate Sensitive	21	1.20	19	(0.04)
Private Equity	16	8.40	13	6.50
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, 2022 and 2021, respectively.

For the years ended June 30, 2023 and 2022, the annual money-weighted rate of return on pension plan investments, net of the pension plan expense was -2.97% and 26.69%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate. The single discount rate used to measure the total pension liability was 6.8% as of June 30, 2022 and 2021. These discount rates were based on the expected rates of return on pension plan investments of 6.80% and 6.80% as of June 30, 2022 and 2021, 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.

**NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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)**

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 6.80% and 6.80% as of June 30, 2022 and 2021, respectively, 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:

2023	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Discount Rate	5.80%	6.80%	7.80%
Authority's Proportionate Share of the Net Pension Liability	\$ 1,504,335	\$ 980,455	\$ 545,762
2022			
Discount Rate	5.80%	6.80%	7.80%
Authority's Proportionate Share of the Net Pension Liability	\$ 1,148,902	\$ 674,576	\$ 281,131

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.

NOTE 8 UNRESTRICTED NET POSITION

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

	<u>2023</u>	<u>2022</u>
Designated for Next Year	\$ 5,763,667	\$ 5,179,781
Designated for Authority Reserve Fund	1,250,000	1,250,000
Total General Operating Fund Unrestricted Net Position	<u>\$ 7,013,667</u>	<u>\$ 6,429,781</u>

**NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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. As of June 30, 2023, the authority held approximately 192,899 renewable energy credits, with an estimated value of approximately \$31 per credit.

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 2023 and 2022. 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.

The Authority's coverage under its commercial insurance policies for the policy period July 1, 2022 to July 1, 2023 was as follows:

Property	<u>2023</u>	<u>2022</u>
Business and Personal Property	\$ 372,599	\$ 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, 2023 AND 2022
(SEE INDEPENDENT AUDITORS' REPORT)

Employees' Retirement and Pension System:

	Measurement Date of June 30,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	
Authority's Proportion of the Net Pension Liability	0.0049002%	0.0044965%	0.0042826%	0.0040516%	0.0041312%	0.0035151%	0.0039067%	0.0039622%	0.0039632%	
Authority's Proportionate Share of the Net Pension Liability	\$ 980,455	\$ 674,576	967,936	\$ 835,672	\$ 866,779	\$ 760,095	\$ 921,748	\$ 823,413	\$ 599,693	
Authority's Covered Payroll	\$ 971,195	\$ 1,058,065	\$ 967,591	\$ 978,919	\$ 924,444	\$ 920,633	\$ 884,836	\$ 892,008	\$ 858,291	
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	100.95%	63.76%	100.04%	85.37%	93.76%	82.56%	104.17%	92.31%	69.87%	
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.75%	76.76%	66.29%	67.98%	68.36%	66.71%	62.97%	66.26%	69.53%	

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, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

Employees' Retirement and Pension System

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 106,151	\$ 111,838	\$ 99,081	\$ 91,823	\$ 83,200	\$ 82,378	\$ 71,544	\$ 76,105	\$ 83,512	\$ 78,747
Contributions in Relation to the Contractually Required Contribution	(106,151)	(111,838)	(99,081)	(91,823)	(83,200)	(82,378)	(71,544)	(76,105)	(83,512)	(78,747)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's Covered Payroll	<u>\$ 1,087,355</u>	<u>\$ 971,195</u>	<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>
Contributions as a Percentage of Covered Payroll	9.76%	11.52%	9.36%	9.49%	8.50%	8.91%	7.77%	8.60%	9.36%	9.17%

See Notes to Required Supplementary Information.

**NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2023**

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 2022 valuation:

- Inflation assumptions remained 2.25% general and 2.75% wage.
- Investment return assumptions remained 6.80%.

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	2.25%
Salary Increases	2.75%, including cost of living increases
Investment Rate of Return	6.8%
Retirement Age	None
Mortality	Pub-2010 Mortality Tables with projected generational mortality improvements base on the MP-2018 fully generational mortality improvement scale