

ST. MARY'S COUNTY METROPOLITAN COMMISSION

**Financial Statements and Supplemental Schedules
Together with Reports of Independent Public Accountants**

For the Years Ended June 30, 2020 and 2019

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JUNE 30, 2020 AND 2019

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of
St. Mary's County Metropolitan Commission

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the St. Mary's County Metropolitan Commission (MetCom) a component unit of St. Mary's County, Maryland, as of and for the year ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise MetCom's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

MetCom's 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these basic financial statements based on our audit. We conducted our audit 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the basic 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 controls. 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 basic financial statements.



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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 basic financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of MetCom as of June 30, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year 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, required supplementary information, as individually 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 management's discussion and analysis, required supplementary information, and budget and actual schedules as listed in the table of contents, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the MetCom's basic financial statements. The schedules of departmental allocable operating and nonoperating revenues and expenses, schedules of service charges and direct operating expenses, and schedules of administrative expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements.



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The schedules of departmental allocable operating and nonoperating revenues and expenses, schedules of service charges and direct operating expenses, and schedules of administrative expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying schedules of departmental allocable operating and nonoperating revenues and expenses, schedules of service charges and direct operating expenses, and schedules of administrative expenses are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have issued our report dated December 2, 2020, on our consideration of the MetCom’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is 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 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 MetCom’s internal control over financial reporting and compliance.

Owings Mills, Maryland
December 2, 2020

A handwritten signature in black ink that reads "SB & Company, LLC". The signature is written in a cursive, flowing style.

ST. MARY'S COUNTY METROPOLITAN COMMISSION

Management's Discussion and Analysis June 30, 2020 and 2019

This section of the St. Mary's County Metropolitan Commission (MetCom) annual financial report presents a narrative overview and analysis of the financial activities of MetCom for the fiscal years ended June 30, 2020 and 2019. We encourage readers to use the information presented here in conjunction with the accompanying financial statements and the accompanying notes to those financial statements.

Financial Highlights

- MetCom's total net position increased by \$6.4 and \$8.1 million or 5.4% and 7.2%, respectively as a result of operations in FY 2020 and 2019.
- During the current year, MetCom's revenue from operations was \$15.4 million, representing an increase of 4.8% over the prior year. During FY 2019, revenue increased by 5.0% over FY 2018. For both years the increase was largely a result of increased rates, increase in usage, and new customers.
- MetCom's operating expenses excluding depreciation were \$14.1 and \$13.3 million for the years ending June 30, 2020 and 2019, respectively.
- Depreciation expense totaled \$6.6 and \$6.5 million for the years ending June 30, 2020 and 2019, respectively.
- MetCom's net nonoperating revenue was \$10.3 and \$10.6 million for the years ending June 30, 2020 and 2019, respectively. The decrease of 3% was a result of a decrease in debt service charges of \$0.3 million and an increase in interest expense of \$0.8 million. FY 2019 increase by 25% as a result of increases in debt service charges and interest.

Overview of the Financial Statements

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

The *statement of revenues, expenses, and changes in net position* presents information showing how MetCom's net position changed during the applicable fiscal 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.

The *statement of cash flows* presents the sources and uses of MetCom's cash during the applicable fiscal year.

ST. MARY'S COUNTY METROPOLITAN COMMISSION

Management's Discussion and Analysis June 30, 2020 and 2019

Overview of the Financial Statements (continued)

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

MetCom as a whole

Statements of Net Position

MetCom's total net position increased by approximately \$6.4 and \$8.1 million during the years ended June 30, 2020 and 2019, respectively. The increase for both FY 2020 and FY 2019 was a result of investments in capital assets. The following condensed statements of net position show the changes in assets, deferred outflows, liabilities, deferred inflows, and net position as of June 30, 2020, 2019, and 2018.

| | NET POSITION (in millions) | | |
|---|-------------------------------|------------------|------------------|
| | June 30, | | |
| | 2020 | 2019 | 2018 |
| ASSETS AND DEFERRED OUTFLOWS | | | |
| Current and other assets | \$ 65.10 | \$ 58.40 | \$ 56.70 |
| Capital assets | 169.90 | 164.70 | 158.20 |
| Deferred outflows | 1.40 | 1.40 | 1.40 |
| Total Assets and Deferred Outflows | 236.40 | 224.50 | 216.30 |
| LIABILITIES AND DEFERRED INFLOWS | | | |
| Long-term debt outstanding | 90.50 | 86.20 | 85.80 |
| Pension liability | 4.90 | 4.50 | 4.60 |
| OPEB liability | 2.80 | 3.10 | 3.50 |
| Other liabilities | 10.00 | 9.20 | 9.30 |
| Deferred inflows | 1.00 | 0.80 | 0.50 |
| Total Liabilities and Deferred Inflows | 109.20 | 103.80 | 103.70 |
| NET POSITION | | | |
| Net investment in capital assets | 98.30 | 96.60 | 90.40 |
| Restricted | 17.20 | 15.30 | 13.10 |
| Unrestricted | 11.70 | 8.80 | 9.10 |
| Total Net Position | \$ 127.20 | \$ 120.70 | \$ 112.60 |

ST. MARY'S COUNTY METROPOLITAN COMMISSION

Management's Discussion and Analysis June 30, 2020 and 2019

Overview of the Financial Statements (continued)

Changes in MetCom's net position can be determined by reviewing the following condensed Statements of Revenue, Expenses, and Changes in Net Position:

Statements of Revenue, Expenses, and Changes in Net Position

CHANGES IN NET POSITION (in millions)

| | Years Ended June 30, | | |
|-----------------------------------|----------------------|------------------|------------------|
| | 2020 | 2019 | 2018 |
| Operating revenues | \$ 15.40 | \$ 14.70 | \$ 14.00 |
| Operating expenses | (14.10) | (13.30) | (13.10) |
| Depreciation expense | (6.60) | (6.50) | (6.70) |
| Operating Loss | (5.30) | (5.20) | (5.80) |
| Nonoperating revenues, net | 10.30 | 10.60 | 8.50 |
| Capital contributions | 1.40 | 2.70 | 2.00 |
| Change in Net Position | 6.40 | 8.10 | 4.70 |
| Net Position – beginning of year | 120.70 | 112.60 | 107.90 |
| Net Position – End of year | \$ 127.20 | \$ 120.70 | \$ 112.60 |

MetCom's operating revenues total \$15.4 million during the current year. Total operating revenues increased by \$0.7 million or 4.8% over the prior year, compared to operating revenue in the prior year of \$14.7 million which was an increase of 5.0% over FY 2018. For both FY 2020 and FY 2019 the increase was largely a result of increased rates.

Expense from MetCom's operations excluding depreciation were \$14.1 and \$13.3 million for the years ending June 30, 2020 and 2019, respectively. Depreciation expense total \$6.6 and \$6.5 million for the years ending June 30, 2020 and 2019, respectively.

MetCom's net nonoperating revenue was \$10.3 and \$10.6 million for the years ending June 30, 2020 and 2019, respectively. The decrease of 3% was a result of a decrease in debt service charges of \$0.3 million and an increase in interest expense of \$0.8 million. FY 2019 increase by 25% as a result of increases in debt service charges and interest.

ST. MARY'S COUNTY METROPOLITAN COMMISSION

Management's Discussion and Analysis June 30, 2020 and 2019

Overview of the Financial Statements (continued)

Capital Asset and Debt Administration

Capital Assets

MetCom's investment in capital assets for its activities as of June 30, 2020 and 2019, amounts to \$169.9 and \$164.7 million (net of accumulated depreciation), respectively. This investment in capital assets includes land, construction in progress, buildings, plants, systems, and equipment. The net increase in MetCom's investment in capital assets for the fiscal year ended June 30, 2020 and 2019 was \$5.2 million and \$6.6 million, respectively. The majority of the increase was for the additional portions of the Marley-Taylor Wastewater Treatment Plant ENR project, Leyland Park Phase 1 Pump Station, and Tower Maintenance.

CAPITAL ASSETS (in millions)

| | June 30, | | |
|----------------------------------|------------------|------------------|------------------|
| | 2020 | 2019 | 2018 |
| Utility plants | \$ 153.80 | \$ 151.10 | \$147.20 |
| Water plants | 69.00 | 66.30 | 52.30 |
| Equipment | 9.90 | 9.10 | 8.90 |
| Capitalized interest | 0.80 | 0.80 | 0.80 |
| Buildings | 3.90 | 3.90 | 3.90 |
| Land | 1.90 | 1.90 | 1.30 |
| Construction in progress | 12.90 | 7.40 | 13.30 |
| Total before depreciation | 252.20 | 240.50 | 227.70 |
| Accumulated depreciation | (82.30) | (75.80) | (69.60) |
| Net capital assets | \$ 169.90 | \$ 164.70 | \$ 158.10 |

ST. MARY'S COUNTY METROPOLITAN COMMISSION

Management's Discussion and Analysis June 30, 2020 and 2019

Overview of the Financial Statements (continued)

Capital Asset and Debt Administration

Long-Term Debt

As of June 30, 2020, and 2019, MetCom had a total of \$96.7 and \$92.3 million, respectively in debt outstanding.

| | June 30, | | |
|---------------------------------|-----------------|-----------------|-----------------|
| | 2020 | 2019 | 2018 |
| Bonds payable | \$ 54.10 | \$ 50.20 | \$ 54.10 |
| Notes, leases and loans payable | 42.60 | 42.10 | 37.90 |
| | <u>\$ 96.70</u> | <u>\$ 92.30</u> | <u>\$ 92.00</u> |

Economic Factors and Next Year's Budgets and Rates

MetCom anticipates about a 1.8% decrease in the total operating revenues for next year compared with FY 2020 actuals. Water rates are increasing 2.4% and sewer rates are increasing 3.05%.

Requests for Information

This financial report is designed to provide a general overview of MetCom's finances for all those with an interest in MetCom. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the MetCom Administrative office at 23121 Camden Way, California, Maryland 20619.

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ST. MARY'S COUNTY METROPOLITAN COMMISSION

**Statements of Net Position
As of June 30, 2020, and 2019**

| | <u>2020</u> | <u>2019</u> |
|--|-----------------------|-----------------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 36,498,591 | \$ 31,734,201 |
| Accounts receivable | 2,280,973 | 1,828,908 |
| Loans/grants receivable | 25,141,318 | 24,125,414 |
| Inventory | 151,558 | 138,851 |
| Prepaid expenses | <u>1,027,152</u> | <u>511,643</u> |
| Total Current Assets | <u>65,099,592</u> | <u>58,339,017</u> |
| NONCURRENT ASSETS | | |
| Net capital assets | 169,861,576 | 164,745,732 |
| Unamortized bond discount | <u>21,710</u> | <u>23,380</u> |
| Total Noncurrent Assets | <u>169,883,286</u> | <u>164,769,112</u> |
| TOTAL ASSETS | <u>234,982,878</u> | <u>223,108,129</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Pension | 699,564 | 929,635 |
| OPEB | 395,898 | 142,459 |
| Bond refunding | <u>326,796</u> | <u>325,725</u> |
| Total assets and deferred outflows of resources | <u>\$ 236,405,136</u> | <u>\$ 224,505,948</u> |

The accompanying notes are an integral part of these financial statements.

ST. MARY'S COUNTY METROPOLITAN COMMISSION

**Statements of Net Position (continued)
As of June 30, 2020 and 2019**

| | <u>2020</u> | <u>2019</u> |
|---|---------------------------|---------------------------|
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 418,978 | \$ 763,130 |
| Accrued interest payable | 755,912 | 739,410 |
| Accrued expenses | 1,494,766 | 1,240,254 |
| Unearned revenue | 22,213 | 22,213 |
| Bond premiums | 1,090,711 | 263,290 |
| Bonds payable | 3,607,339 | 3,410,908 |
| Notes, leases and loans payable | <u>2,636,959</u> | <u>2,673,203</u> |
| Total Current Liabilities | <u>10,026,878</u> | <u>9,112,408</u> |
| NONCURRENT LIABILITIES | | |
| Bonds payable | 50,485,805 | 46,745,145 |
| Notes, leases and loans payable | 39,979,772 | 39,468,361 |
| Net pension liability | 4,896,302 | 4,533,596 |
| Net OPEB liability | <u>2,782,575</u> | <u>3,057,649</u> |
| Total Noncurrent Liabilities | <u>98,144,454</u> | <u>93,804,751</u> |
| TOTAL LIABILITIES | <u>108,171,332</u> | <u>102,917,159</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Pension | 445,642 | 555,854 |
| OPEB | <u>605,472</u> | <u>294,107</u> |
| Total liabilities and deferred inflows of resources | <u>109,222,446</u> | <u>103,767,120</u> |
| NET POSITION | | |
| Net investment in capital assets | 98,293,019 | 96,573,529 |
| Restricted | 17,233,877 | 15,372,482 |
| Unrestricted | <u>11,655,794</u> | <u>8,792,817</u> |
| Total Net Position | <u>\$ 127,182,690</u> | <u>\$ 120,738,828</u> |

The accompanying notes are an integral part of these financial statements.

ST. MARY'S COUNTY METROPOLITAN COMMISSION

**Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2020 and 2019**

| | <u>2020</u> | <u>2019</u> |
|--------------------------------------|-----------------------|-----------------------|
| Operating Revenue: | | |
| Service charges | \$ 15,138,629 | \$ 14,436,077 |
| Miscellaneous | 308,674 | 260,446 |
| Total operating revenue | <u>15,447,303</u> | <u>14,696,523</u> |
| Operating Expenses: | | |
| Direct operating expenses | 8,805,522 | 8,343,753 |
| Administrative expenses | 5,306,314 | 4,994,516 |
| Total operating expenses | <u>14,111,836</u> | <u>13,338,269</u> |
| Operating income before depreciation | 1,335,467 | 1,358,254 |
| Depreciation | <u>(6,609,843)</u> | <u>(6,538,487)</u> |
| Operating loss | <u>(5,274,376)</u> | <u>(5,180,233)</u> |
| Nonoperating revenue (expenses): | | |
| Interest income | 741,883 | 561,749 |
| Debt service charges | 11,997,669 | 11,691,390 |
| House connection charges, net | 86,614 | 71,230 |
| Interest expense | (2,692,602) | (1,825,790) |
| Other fees | 149,423 | 115,602 |
| Total nonoperating revenue, net | <u>10,282,987</u> | <u>10,614,181</u> |
| Income before contributions | 5,008,611 | 5,433,948 |
| Capital contributions | <u>1,435,251</u> | <u>2,712,559</u> |
| Change in net position | <u>6,443,862</u> | <u>8,146,507</u> |
| Net position - beginning of year | <u>120,738,828</u> | 112,592,321 |
| Net position - end of year | <u>\$ 127,182,690</u> | <u>\$ 120,738,828</u> |

The accompanying notes are an integral part of these financial statements.

ST. MARY'S COUNTY METROPOLITAN COMMISSION

Statements of Cash Flows For the Years Ended June 30, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|--|----------------------|----------------------|
| Cash Flows from Operating Activities | | |
| Receipts from customers | \$ 14,686,564 | \$ 14,041,048 |
| Other receipts | 308,674 | 260,446 |
| Payments to suppliers | (9,766,222) | (12,198,644) |
| Payments to employees | (4,699,124) | (1,658,015) |
| Net Cash from Operating Activities | <u>529,892</u> | <u>444,835</u> |
| Cash Flows from Capital and Related Financing Activities | | |
| Proceeds from capital debt | 10,963,596 | 10,264,066 |
| Purchases of capital assets | (11,725,687) | (13,119,385) |
| Principal paid on capital debt | (6,551,335) | (6,408,323) |
| Interest paid on capital debt | (2,862,915) | (1,831,301) |
| Capital contribution | 1,435,251 | 2,712,559 |
| Other receipts and payments | 12,233,708 | 11,878,225 |
| Net Cash from Capital and Related Financing Activities | <u>3,492,618</u> | <u>3,495,841</u> |
| Cash Flows from Investing Activities | | |
| Interest received | 741,883 | 561,749 |
| Net change in cash and cash equivalents | 4,764,393 | 4,502,425 |
| Cash and cash equivalents, Beginning of Year | 31,734,201 | 27,231,776 |
| Cash and cash equivalents, End of Year | <u>\$ 36,498,594</u> | <u>\$ 31,734,201</u> |
| Reconciliation of Operating Loss to Net Cash and cash equivalents from Operating Activities | | |
| Operating loss | \$ (5,274,376) | \$ (5,180,233) |
| Adjustments to reconcile operating income to net cash from operating activities: | | |
| Depreciation | 6,609,843 | 6,538,487 |
| Changes in assets and liabilities: | | |
| Accounts receivable | (452,065) | (395,029) |
| Inventory | (12,707) | 118,146 |
| Prepaid expense | (515,509) | (460,714) |
| Deferred outflows | (24,439) | 12,920 |
| Accounts payable | (344,152) | (90,471) |
| Accrued expenses | 254,512 | 42,101 |
| Net pension liability | 362,706 | (24,760) |
| Net OPEB liability | (275,074) | (468,989) |
| Deferred inflows | 201,153 | 353,377 |
| Net Cash from Operating Activities | <u>\$ 529,892</u> | <u>\$ 444,835</u> |

The accompanying notes are an integral part of these financial statements.

ST. MARY'S COUNTY METROPOLITAN COMMISSION

**Statements of Fiduciary Net Position
As of June 30, 2020 and 2019**

| | <u>2020</u> | <u>2019</u> |
|---|---------------------|---------------------|
| ASSETS | | |
| Restricted investments | \$ 6,755,873 | \$ 6,284,733 |
| Receivables | 6,227 | - |
| | <u>6,762,100</u> | <u>6,284,733</u> |
| LIABILITIES AND NET POSITION | | |
| Accrued liabilities | - | 6,249 |
| Held in trust for pension and OPEB | <u>\$ 6,762,100</u> | <u>\$ 6,278,484</u> |

The accompanying notes are an integral part of these financial statements.

ST. MARY'S COUNTY METROPOLITAN COMMISSION

Statements of Changes in Fiduciary Net Position For the Years Ended June 30, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|---|----------------------------|----------------------------|
| ADDITIONS | | |
| Contributions | \$ 635,992 | \$ 728,453 |
| Interest income | 37,234 | 13,988 |
| Unrealized gains | <u>88,640</u> | <u>305,417</u> |
| Total additions | <u>761,866</u> | <u>1,047,858</u> |
| DEDUCTIONS | | |
| Benefits | (254,716) | (222,652) |
| Administrative expenses | <u>(23,534)</u> | <u>(22,684)</u> |
| TOTAL DEDUCTIONS | <u>(278,250)</u> | <u>(245,336)</u> |
| CHANGES IN NET POSITION | 483,616 | 802,522 |
| NET POSITION - BEGINNING OF YEAR | <u>6,278,484</u> | <u>5,475,962</u> |
| NET POSITION - END OF YEAR | <u>\$ 6,762,100</u> | <u>\$ 6,278,484</u> |

The accompanying notes are an integral part of these financial statements.

ST. MARY'S COUNTY METROPOLITAN COMMISSION

Notes to the Financial Statements June 30, 2020 and 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The St. Mary's County Metropolitan Commission (MetCom) is responsible for providing water and wastewater facilities and services within the jurisdiction of St. Mary's County, Maryland. MetCom's commissioners are appointed by the County Commissioners of St. Mary's County. MetCom, a body politic and corporate, organized under section 113 of the code of St. Mary's County (the County), is a component unit of the St. Mary's County Government.

Fund Financial Statements

MetCom maintains its accounting system as an enterprise fund to report its nonfiduciary funds. An enterprise fund is used to account for operations that are primarily financed by user charges. Separate financial statements are provided for its fiduciary fund.

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. An enterprise fund is used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB 34 sets forth minimum criteria (percentage of the assets, deferred outflow of resources, liabilities, deferred inflows of resources, revenues, or expenditures/expenses of either fund category or the governmental and enterprise funds combined) for the determination of major funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. No major funds by category are summarized into a single column.

Basis of Presentation

The financial statements of MetCom have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units as prescribed by the Governmental Accounting Standards Board (GASB).

ST. MARY’S COUNTY METROPOLITAN COMMISSION

**Notes to the Financial Statements
June 30, 2020 and 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied. The measurement focus identifies which transactions should be recorded.

Business-type activities are presented using the accrual basis of accounting in the proprietary and fiduciary fund financial statements. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows.

Measurement Focus

The proprietary and fiduciary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits and any highly liquid investments with an initial maturity date of three months or less.

Accounts Receivable

Receivables consist of all revenues earned at year-end and not yet received. Major receivables include inspection fees and water and sewer billings receivable.

Capital Assets

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. Depreciation expense is calculated on a straight-line basis over the estimated useful lives of the related assets, as follows:

| <u>Asset Class</u> | <u>Estimated Life</u> |
|----------------------|-----------------------|
| Utility plants | 18-50 years |
| Water plant systems | 18-50 years |
| Equipment | 3-10 years |
| Capitalized interest | 50 years |
| Buildings | 20-30 years |

ST. MARY'S COUNTY METROPOLITAN COMMISSION

Notes to the Financial Statements June 30, 2020 and 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets (continued)

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Compensated Absences

Compensated absences are accrued as incurred and recognized as a current liability in the financial statements. These absences represent vacation leave earned, but not taken, and sick leave earned prior to October 2004 that will be paid out at the rate of 50% upon the employees' retirement. The total leave earned but not taken was approximately \$780,713 and \$606,400 as of June 30, 2020 and 2019, respectively.

Pension Accounting

Employee contributions are recognized in the Pension Trust Funds in the period the contributions are due. Employer contributions are recognized when due and MetCom has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Administrative costs are funded from investment income. Any net pension obligation or asset is calculated on an actuarial basis consistent with the requirements of GASB Statement No 27 – *Accounting for Pensions by State and Local Government Employers*. Expenditures are recognized when are paid or are expected to be paid with current available resources.

Capital Contributions

Capital grants and contributions from Federal and state governments are reported as capital contributions in the statements of revenues, expenditures, and changes in net position.

Donated assets consist primarily of capital assets constructed by developers and subsequently donated to MetCom and reported as capital contributions. They are recorded at estimated fair value using developers' estimated cost to construct the assets. The capital assets and related capital contributions are recognized upon completion of construction.

Bond Issue Costs

Bond issue costs include legal fees, advertising, rating fees and other costs incurred when bonds were issued. The costs are expensed in the period that the bonds are issued.

ST. MARY'S COUNTY METROPOLITAN COMMISSION

Notes to the Financial Statements June 30, 2020 and 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

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

2. DEPOSITS AND INVESTMENTS

Policy

Maryland law prescribes that local government units such as MetCom must deposit their cash in banks transacting business in the State of Maryland, and that such banks must secure any deposits in excess of Federal Deposit Insurance Corporation insurance levels with collateral whose market value is at least equal to the deposits.

State statutes authorize MetCom to invest in obligations of the United States government, Federal government agency obligations, and repurchase agreements secured by direct government or agency obligations. All of the funds were invested in the Maryland Local Government Investment Pool (MLGIP), which qualifies under the statutes.

Deposits

MetCom has certificates of deposit that have been issued through the Certificate of Deposit Account Registry Service (CDARS). The CDARS program allows a banking customer to maintain federal depository insurance on balances in excess of the FDIC limit.

The carrying amount of MetCom's deposits was \$36,281,070 and \$31,734,201 as of June 30, 2020 and 2019, respectively. As of June 30, 2020, the carrying amount of \$36,281,070 is made up of \$10,500,000 of CDARS investments, \$12,218,035 of Insured Cash Sweep (ICS) deposits, \$9,813,060 of investments in MLGIP, and a book value of cash of \$3,965,996 with an associated bank balance of \$4,589,389. As of June 30, 2019, the carrying amount of \$31,734,201 is made up of \$10,000,000 of CDARS investments, \$6,058,028 of Insured Cash Sweep (ICS) deposits, \$9,651,758 of investments in MLGIP, and a book value of cash of \$6,022,917 with an associated bank balance of \$7,050,545. Of the associated cash bank balances, \$500,000 was covered by federal depository insurance as of June 30, 2020 and 2019, respectively, with the remaining \$3,465,996 and \$6,550,545, respectively, adequately covered by collateral. As of June 30, 2020 and 2019, there were no deposits exposed to custodial credit risk, interest rate risk or foreign currency risk.

Regulatory guidelines require that deposits placed through the CDARS program be considered brokered deposits. The cost and fair value of the CDARS broker deposits at June 30, 2020 and 2019 was \$10,500,000 and \$10,000,000, respectively.

ST. MARY'S COUNTY METROPOLITAN COMMISSION

**Notes to the Financial Statements
June 30, 2020 and 2019**

2. DEPOSITS AND INVESTMENTS (continued)

Deposits (continued)

A summary of the terms for the deposits and the annual yields are as follows as of June 30, 2020:

| <u>Description</u> | <u>Effective Date</u> | <u>Maturity Date</u> | <u>Interest Rate</u> | <u>Principal</u> |
|--------------------|-----------------------|----------------------|----------------------|----------------------|
| CDARS | 6/4/2020 | 6/3/2021 | 0.55% | \$ 750,000 |
| CDARS | 5/7/2020 | 5/6/2021 | 0.59% | 1,000,000 |
| CDARS | 4/9/2020 | 4/8/2021 | 0.95% | 750,000 |
| CDARS | 3/12/2020 | 3/11/2021 | 1.44% | 1,000,000 |
| CDARS | 1/30/2020 | 1/28/2021 | 1.59% | 1,000,000 |
| CDARS | 1/9/2020 | 1/7/2021 | 1.58% | 1,000,000 |
| CDARS | 12/5/2019 | 12/3/2020 | 1.50% | 1,000,000 |
| CDARS | 11/7/2019 | 11/5/2020 | 1.88% | 750,000 |
| CDARS | 10/10/2019 | 10/8/2020 | 1.98% | 750,000 |
| CDARS | 9/12/2019 | 9/10/2020 | 2.37% | 750,000 |
| CDARS | 8/8/2019 | 8/6/2020 | 2.47% | 750,000 |
| CDARS | 7/11/2019 | 7/9/2020 | 2.66% | 1,000,000 |
| ICS | 1/11/2019 | | 0.35% | 12,218,035 |
| Total | | | | <u>\$ 22,718,035</u> |

A summary of the terms for the deposits and the annual yields are as follows as of June 30, 2019:

| <u>Description</u> | <u>Effective Date</u> | <u>Maturity Date</u> | <u>Interest Rate</u> | <u>Principal</u> |
|--------------------|-----------------------|----------------------|----------------------|----------------------|
| CDARS | 7/12/2018 | 7/11/2019 | 2.23% | \$ 1,000,000 |
| CDARS | 8/9/2018 | 8/8/2019 | 2.27% | 750,000 |
| CDARS | 9/13/2018 | 9/12/2019 | 2.35% | 750,000 |
| CDARS | 10/11/2018 | 10/10/2019 | 2.48% | 750,000 |
| CDARS | 11/8/2018 | 11/7/2019 | 2.54% | 750,000 |
| CDARS | 12/6/2018 | 12/5/2019 | 2.59% | 1,000,000 |
| CDARS | 1/10/2019 | 1/9/2020 | 2.68% | 1,000,000 |
| CDARS | 1/31/2019 | 1/30/2020 | 2.71% | 750,000 |
| CDARS | 5/9/2019 | 5/7/2020 | 2.78% | 1,000,000 |
| CDARS | 6/6/2019 | 6/4/2020 | 2.37% | 750,000 |
| CDARS | 3/14/2019 | 3/12/2020 | 2.75% | 750,000 |
| CDARS | 4/11/2019 | 4/9/2020 | 2.75% | 750,000 |
| ICS | 1/11/2019 | | 2.44% | 6,058,026 |
| Total | | | | <u>\$ 16,058,026</u> |

ST. MARY'S COUNTY METROPOLITAN COMMISSION

Notes to the Financial Statements June 30, 2020 and 2019

2. DEPOSITS AND INVESTMENTS (continued)

Investments

Investments in the MLGIP are not evidenced by securities. The State Treasurer of Maryland exercises oversight responsibility over the MLGIP. A single financial institution is contracted to operate the Pool. Separately issued financial statements may be obtained from the contractor: David Rommel, PNC Bank, One East Pratt Street, 5th Floor West, Baltimore, Maryland 21202. In addition, the State Treasurer has established an advisory board composed of Pool participants to review the activities of the contractor quarterly and provide suggestions to enhance the return on investments.

The MLGIP uses the amortized cost method to compute unit value rather than market value to report net assets. Accordingly, the fair value of the position in the MLGIP is the same as the value of the MLGIP shares. The MLGIP is rated AAA by Standard and Poor's. As of June 30, 2020, and 2019, MetCom's investments, for both custodial and credit risk purposes, consisted solely of shares in the MLGIP. This investment is not deemed to have either risk. The Pool is managed as a Rule 2a-7 pool. Therefore, MetCom faces no interest rate risk. The cost and fair value of the MLGIP investments as of June 30, 2020 and 2019 was \$9,813,060 and \$9,651,758, respectively.

In fiscal year 2015, MetCom joined the Maryland Association of Counties (MACo) Pooled OPEB Trust (the Trust). There are nine members to this wholly-owned instrumentality of its members. The Trust is a common trust fund which is comprised of shares or units in a commingled fund that is not publicly traded. The assets of the Trust are managed by a Board of Trustees and consist of U.S. treasury obligations, U.S. government agencies, corporate and foreign bonds, global funds and international equity securities.

As of June 30, 2020, the net position of the Trust was valued at \$48.3 million. MetCom's interest was \$6.7 million. Contributions to the Trust Fund qualify as "contributions in relation to the actuarially determined contribution" within the meaning of GASB Statement No. 75 and the Trust Fund qualifies as a "trust or equivalent arrangement" under the meaning of GASB Statement No. 43. The Trust is audited annually by an independent CPA firm. Separately issued financial statements may be obtained by sending a request to the following address: Board of the MACo Pooled OPEB Trust, 169 Conduit Street, Annapolis, MD 21401.

MetCom categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described on the following page.

ST. MARY'S COUNTY METROPOLITAN COMMISSION

**Notes to the Financial Statements
June 30, 2020 and 2019**

2. DEPOSITS AND INVESTMENTS (continued)

Investments (continued)

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the entity has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

All equity and debt securities are classified in level 1 and are valued using process quoted in active markets for those securities.

Transactions are recorded on the trade date. Realized gains and losses are determined using the identified cost method. Any change in net unrealized gain or loss from the preceding period is reported in the statement of revenues, expenses and changes in net position. Dividends are recorded on the ex-dividend date. Interest is recorded on the accrual basis.

MetCom may terminate its membership in the Trust and withdrawal its allocated investment balance by providing written notification to the Trust six months prior to the intended withdrawal date.

ST. MARY'S COUNTY METROPOLITAN COMMISSION

Notes to the Financial Statements June 30, 2020 and 2019

2. DEPOSITS AND INVESTMENTS (continued)

Investments (continued)

MetCom had the following deposits and investments as of June 30, 2020 and 2019, which were not subject to fair value disclosure leveling as they were reported at amortized cost:

| | <u>2020</u> | <u>2019</u> |
|------------------------|----------------------|----------------------|
| Investments | \$ 9,813,060 | \$ 9,651,758 |
| Broker deposits- CDARS | 10,500,000 | 10,000,000 |
| ICS | 12,218,035 | 6,058,026 |
| Cash | 3,965,996 | 6,022,917 |
| Petty cash | 1,500 | 1,500 |
| | <u>\$ 36,498,591</u> | <u>\$ 31,734,201</u> |

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

| | Balance June 30, 2019 | Additions | Deletions | Balance June 30, 2020 |
|---------------------------------------|--------------------------|----------------------|---------------------|--------------------------|
| Capital assets: | | | | |
| Utility plants | \$ 151,146,066 | \$ 2,539,067 | \$ - | \$ 153,685,133 |
| Water plant systems | 66,251,155 | 2,703,138 | - | 68,954,293 |
| Equipment | 9,061,829 | 903,675 | 80,000 | 9,885,504 |
| Capitalized interest | 818,201 | - | - | 818,201 |
| Buildings | 3,946,003 | - | - | 3,946,003 |
| | <u>231,223,254</u> | <u>6,145,880</u> | <u>80,000</u> | <u>237,289,134</u> |
| Not being depreciated: | | | | |
| Utility plant construction in process | 5,390,688 | 5,176,985 | 2,167,659 | 8,400,014 |
| Water plant construction in process | 1,964,588 | 5,452,407 | 2,881,926 | 4,535,069 |
| Land/land rights | 1,937,103 | - | - | 1,937,103 |
| | <u>240,515,633</u> | <u>16,775,272</u> | <u>5,049,585</u> | <u>252,161,320</u> |
| Accumulated depreciation | | | | |
| Utility plants | 49,814,780 | 4,009,030 | - | 53,823,810 |
| Water plant systems | 16,326,682 | 2,224,072 | - | 18,550,754 |
| Equipment | 7,096,955 | 200,146 | 80,000 | 7,217,101 |
| Capitalized interest | 400,918 | 16,364 | - | 417,282 |
| Buildings | 2,130,566 | 160,231 | - | 2,290,797 |
| | <u>75,769,901</u> | <u>6,609,843</u> | <u>80,000</u> | <u>82,299,744</u> |
| Net Capital assets | <u>\$ 164,745,732</u> | <u>\$ 10,165,429</u> | <u>\$ 4,969,585</u> | <u>\$ 169,861,576</u> |

ST. MARY'S COUNTY METROPOLITAN COMMISSION

**Notes to the Financial Statements
June 30, 2020 and 2019**

3. CAPITAL ASSETS (continued)

Depreciation expense of \$6,609,843 was charged to activities as follows:

| | |
|------------------------|---------------------|
| Sewer activities | \$ 4,536,805 |
| Water activities | 1,969,975 |
| Engineering activities | 34,805 |
| Administrative | 68,258 |
| | <u>\$ 6,609,843</u> |

Capital asset activity for the year ended June 30, 2019 was as follows:

| | Balance June 30, 2018 | Additions | Deletions | Balance June 30, 2019 |
|---------------------------------------|--------------------------|----------------------|----------------------|--------------------------|
| Capital assets: | | | | |
| Utility plants | \$ 147,207,075 | \$ 3,964,028 | \$ 25,037 | \$ 151,146,066 |
| Water plant systems | 52,310,458 | 13,969,601 | 28,904 | 66,251,155 |
| Equipment | 8,925,995 | 485,096 | 349,262 | 9,061,829 |
| Capitalized interest | 818,201 | - | - | 818,201 |
| Buildings | 3,938,072 | 7,931 | - | 3,946,003 |
| | <u>213,199,801</u> | <u>18,426,656</u> | <u>403,203</u> | <u>231,223,254</u> |
| Not being depreciated: | | | | |
| Utility plant construction in process | 2,562,586 | 5,003,939 | 2,175,837 | 5,390,688 |
| Water plant construction in process | 10,725,961 | 5,392,751 | 14,154,124 | 1,964,588 |
| Land/land rights | 1,311,103 | 626,000 | - | 1,937,103 |
| | <u>227,799,451</u> | <u>29,449,346</u> | <u>16,733,164</u> | <u>240,515,633</u> |
| Accumulated depreciation | | | | |
| Utility plants | 46,185,506 | 3,654,311 | 25,037 | 49,814,780 |
| Water plant systems | 14,364,443 | 1,991,143 | 28,904 | 16,326,682 |
| Equipment | 6,729,779 | 716,438 | 349,262 | 7,096,955 |
| Capitalized interest | 384,554 | 16,364 | - | 400,918 |
| Buildings | 1,970,335 | 160,231 | - | 2,130,566 |
| | <u>69,634,617</u> | <u>6,538,487</u> | <u>403,203</u> | <u>75,769,901</u> |
| Net Capital assets | <u>\$ 158,164,834</u> | <u>\$ 22,910,859</u> | <u>\$ 16,329,961</u> | <u>\$ 164,745,732</u> |

Depreciation expense of \$6,538,487 was charged to activities as follows:

| | |
|------------------------|---------------------|
| Sewer activities | \$ 4,487,829 |
| Water activities | 1,948,708 |
| Engineering activities | 34,429 |
| Administrative | 67,521 |
| | <u>\$ 6,538,487</u> |

ST. MARY'S COUNTY METROPOLITAN COMMISSION

**Notes to the Financial Statements
June 30, 2020 and 2019**

4. LONG-TERM DEBT

Long-term bonds payable as of June 30, 2020 are as follows:

| <u>Bond Payable Description</u> | <u>Due</u> | <u>Rate</u> | <u>Principal</u> | <u>Interest</u> |
|---------------------------------|------------|--------------|----------------------|----------------------|
| Twenty-seventh issue | 2011-2030 | 0.75 - 4.31% | \$ 7,294,800 | \$ 1,799,747 |
| Thirtieth issue | 2012-2029 | 2.96 - 3.4% | 819,244 | 147,683 |
| Thirty-first issue | 2013-2032 | 0.61 - 3.42% | 5,681,300 | 1,296,995 |
| Thirty-sixth issue | 2014-2033 | 4.31% | 11,519,300 | 4,212,791 |
| Thirty-eighth issue | 2015-2034 | 3.51% | 16,678,500 | 5,194,185 |
| Thirty-ninth issue | 2015-2021 | 1.31% | 53,000 | 694 |
| Fortieth issue | 2015-2027 | 2.08% | 4,699,000 | 399,402 |
| Forty-eighth Issue | 2019-2049 | 3.39% | 7,081,500 | 5,517,383 |
| Forty-ninth Issue | 2019-2029 | 1.82% | 266,500 | 58,533 |
| | | | <u>54,093,144</u> | <u>18,627,413</u> |
| Less current portion | | | <u>3,607,339</u> | <u>2,008,286</u> |
| | | | <u>\$ 50,485,805</u> | <u>\$ 16,619,127</u> |

The annual requirements to amortize principal and interest payments of all bonds outstanding as of June 30, 2020 are as follows:

| <u>Years Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------------------------|----------------------|----------------------|----------------------|
| 2021 (current) | \$ 3,607,339 | \$ 2,008,286 | \$ 5,615,625 |
| 2022 | 3,652,393 | 1,912,397 | 5,564,790 |
| 2023 | 3,757,971 | 1,807,283 | 5,565,254 |
| 2024 | 3,865,125 | 1,691,401 | 5,556,526 |
| 2025 | 3,991,447 | 1,571,387 | 5,562,834 |
| 2026-2030 | 19,734,369 | 5,768,732 | 25,503,101 |
| 2031-2035 | 11,076,000 | 2,103,650 | 13,179,650 |
| 2035-2040 | 1,300,500 | 833,868 | 2,134,368 |
| 2041-2045 | 1,592,500 | 812,227 | 2,404,727 |
| 2046-2049 | 1,515,500 | 118,182 | 1,633,682 |
| Total | <u>\$ 54,093,144</u> | <u>\$ 18,627,413</u> | <u>\$ 72,720,557</u> |

ST. MARY'S COUNTY METROPOLITAN COMMISSION

**Notes to the Financial Statements
June 30, 2020 and 2019**

4. LONG-TERM DEBT (continued)

Long-term bonds payable as of June 30, 2019 are as follows:

| <u>Bond Payable Description</u> | <u>Due</u> | <u>Rate</u> | <u>Principal</u> | <u>Interest</u> |
|---------------------------------|------------|--------------|----------------------|----------------------|
| Twenty-seventh issue | 2011-2030 | 0.75 - 4.31% | \$ 7,889,300 | \$ 2,114,397 |
| Thirtieth issue | 2012-2029 | 2.96 - 3.4% | 895,953 | 178,744 |
| Thirty-first issue | 2013-2032 | 0.61 - 3.42% | 6,077,800 | 1,479,075 |
| Thirty-sixth issue | 2014-2033 | 4.31% | 12,190,000 | 4,749,952 |
| Thirty-eighth issue | 2015-2034 | 3.51% | 17,635,000 | 5,803,920 |
| Thirty-ninth issue | 2015-2021 | 1.31% | 154,000 | 2,712 |
| Fortieth issue | 2015-2027 | 2.08% | 5,314,000 | 509,933 |
| | | | 50,156,053 | 14,838,732 |
| Less current portion | | | 3,410,908 | 1,787,235 |
| | | | <u>\$ 46,745,145</u> | <u>\$ 13,051,497</u> |

The annual requirements to amortize principal and interest payments of all bonds outstanding as of June 30, 2019 are as follows:

| <u>Years Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------------------------|----------------------|----------------------|----------------------|
| 2020 (current) | \$ 3,410,908 | \$ 1,787,235 | \$ 5,198,143 |
| 2021 | 3,446,339 | 1,703,121 | 5,149,460 |
| 2022 | 3,483,393 | 1,612,303 | 5,095,696 |
| 2023 | 3,585,471 | 1,512,513 | 5,097,984 |
| 2024 | 3,687,125 | 1,406,902 | 5,094,027 |
| 2025-2029 | 18,880,817 | 5,193,461 | 24,074,277 |
| 2030-2034 | 13,662,000 | 1,623,197 | 15,285,197 |
| Total | <u>\$ 50,156,053</u> | <u>\$ 14,838,732</u> | <u>\$ 64,994,784</u> |

Twenty-third issue

On November 14, 2007, the Commission issued \$10,889,100 of Infrastructure Financing Bonds in conjunction with the Maryland Community Development Administration (CDA). As of June 30, 2020, MetCom had drawn only \$10,101,170 of the proceeds.

The bonds mature on May 1, in 20 annual installments, beginning in 2008 and ending in 2027. Interest rates on the bonds range from 3.5% to 4.25%. Interest was payable on May 1, 2008 and semiannually thereafter on each November 1 and May 1 to maturity. The bonds may be prepaid, in whole or in part, at any time after June 1, 2017. Any partial prepayment shall not be less than the outstanding balance or \$50,000, whichever is less.

ST. MARY'S COUNTY METROPOLITAN COMMISSION

Notes to the Financial Statements June 30, 2020 and 2019

4. LONG-TERM DEBT (continued)

On August 6, 2015 MetCom refinanced \$5,914,800 of this debt with TD bank.

Twenty-seventh issue

On August 25, 2010, the Commission issued \$12,613,963 of Infrastructure Financing Bonds in conjunction with the Maryland Community Development Administration (CDA). As of June 30, 2020, and 2019, the unspent proceeds were \$0 and \$1,133,375, respectively.

The bonds mature on May 1, in 20 annual installments, beginning in 2011 and ending in 2030. Interest rates on the bonds range from .75%-4.31%. Interest was payable on November 1, 2010 and semiannually thereafter on each November 1 and May 1 to maturity. The bonds may be prepaid, in whole or in part, at any time after June 1, 2020.

Any partial prepayment shall not be less than the outstanding balance or \$50,000, whichever is less.

Thirtieth issue

On March 15, 2012, MetCom issued refunding bonds in the principal amount of \$1,448,492. The bonds mature on May 1, in 18 annual installments, beginning in 2012 and ending in 2029. Interest was payable May 1, 2012 and semiannually thereafter on each May 1 and November 1 until maturity.

The bonds may be prepaid at the following premiums:

| <u>Period</u> | <u>Price</u> |
|------------------------------------|--------------|
| May 1, 2020 through April 30, 2021 | 102% |
| May 1, 2021 through April 30, 2022 | 101% |
| On or after May 1, 2022 | 100% |

The bonds were issued to refund all the outstanding maturities of Financing Bond Issue number fourteen, issued in conjunction with the Maryland Community Development Administration (CDA). These bonds were issued with an interest rate of 2.96% that may be increased up to 3.4% in the event of a decrease in the marginal maximum corporate income tax rate. The refunded bonds had a true interest cost ranging from 4.5% to 5.0%. These bonds were issued to take advantage of a favorable interest rate environment.

MetCom refunded these bonds to reduce its total debt service payments by \$249,357 and to obtain an economic gain of \$197,055.

ST. MARY'S COUNTY METROPOLITAN COMMISSION

Notes to the Financial Statements June 30, 2020 and 2019

4. LONG-TERM DEBT (continued)

Thirty-first issue

On December 19, 2012, the Commission issued \$8,719,514 of Infrastructure Financing Bonds in conjunction with the Maryland Community Development Administration (CDA). As of June 30, 2020, and 2019, the unspent proceeds were \$0 and \$462,359, respectively.

The bonds mature on May 1, in 20 annual installments, beginning in 2013 and ending in 2032. Interest rates on the bonds range from .61%-3.42%. Interest was payable on May 1, 2013 and semiannually thereafter on each May 1 and November 1 to maturity. The bonds may be prepaid, in whole or in part, at any time after June 1, 2022. Any partial prepayment shall not be less than the outstanding balance or \$50,000, whichever is less.

Thirty-sixth issue

On October 2, 2013, the Commission issued \$15,948,168 of Infrastructure Financing Bonds in conjunction with the Maryland Community Development Administration (CDA). As of June 30, 2020, and 2019, the unspent proceeds were \$6,031,653 and \$7,669,082, respectively.

The bonds mature on May 1, in 20 annual installments, beginning in 2014 and ending in 2033. The average interest yield on these bonds is 4.31%. Interest was payable on May 1, 2014 and semiannually thereafter on each May 1 and November 1 to maturity. The bonds may be prepaid, in whole or in part, at any time after June 1, 2023. Any partial prepayment shall not be less than the outstanding balance or \$50,000, whichever is less.

Thirty-eighth issue

On August 28, 2014, the Commission issued \$22,075,230 of Infrastructure Financing Bonds in conjunction with the Maryland Community Development Administration (CDA). As of June 30, 2020, and 2019, the unspent proceeds were \$10,000,188 and \$11,882,908, respectively.

The bonds mature on May 1, in 20 annual installments, beginning in 2015 and ending in 2034. The average interest yield on these bonds is 3.51%. Interest was payable on May 1, 2015 and semiannually thereafter on each May 1 and November 1 to maturity. The bonds may be prepaid, in whole or in part, at any time after June 1, 2024. Any partial prepayment shall not be less than the outstanding balance or \$50,000, whichever is less.

ST. MARY'S COUNTY METROPOLITAN COMMISSION

Notes to the Financial Statements

June 30, 2020 and 2019

4. LONG-TERM DEBT (continued)

Thirty-ninth issue

On August 6, 2015, MetCom issued Refinancing Bonds Series 2015A in the principal amount of \$2,157,000. These bonds were issued with a true interest cost of 1.31% to refund certain maturities of MetCom's Refunding Bonds of 2003, the Seventeenth Issue, with a coupon rate ranging from 2.75% to 4.4% and certain maturities of MetCom's 2006 Series A Bonds, the Twenty-first Issue, issued in conjunction with the Maryland Community Development Administration (CDA), with a coupon rate ranging from 3.65% to 4.275% and for the cost to refinance the loans.

These bonds were issued to take advantage of a favorable interest rate environment. Funds in the amount of \$449,973 were deposited with an escrow agent to provide for all future debt service payments of the refinanced bonds. Funds in the amount of \$1,680,395 were used to complete the defeasance of MetCom's Refunding Bonds of 2003. The remaining proceeds were used for prepayment fees and bond issuance costs.

MetCom refunded these bonds at a premium to reduce its total debt service payments by \$87,229 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$102,135.

Fortieth issue

On August 6, 2015, MetCom issued Refinancing Bonds Series 2015B in the principal amount of \$5,619,000. These bonds were issued with a true interest cost of 2.08% to refund certain maturities of MetCom's 2007 Series B Bonds, the Twenty-third Issue, issued in conjunction with the Maryland Community Development Administration (CDA), with a coupon rate ranging from 3.5% to 4.25% and for the cost to refinance the loans.

These bonds were issued to take advantage of a favorable interest rate environment. Funds in the amount of \$6,310,569 were deposited with an escrow agent to provide for all future debt service payments of the refinanced bonds. The remaining proceeds were used for prepayment fees and bond issuance costs.

MetCom refunded these bonds at a premium to reduce its total debt service payments by \$537,674 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$431,337.

ST. MARY'S COUNTY METROPOLITAN COMMISSION

Notes to the Financial Statements June 30, 2020 and 2019

4. LONG-TERM DEBT (continued)

Forty-eighth Issue

On November 21, 2019, the Commission issued \$7,152,371 of Infrastructure Financing Bonds, 2019, Series BII, in conjunction with the Maryland Community Development Administration (CDA). As of June 30, 2020, the unspent proceeds were \$6,776,637.

The bonds mature on April 1, 2049 in 30 annual installments, beginning in 2020 and ending in 2049. The average interest yield on these bonds is 3.39%. Interest was payable on April 1, 2020 and semiannually thereafter on each April 1 and October 1 to maturity. The bonds may be prepaid in whole or in part, at any time after June 1, 2029.

Forty-ninth Issue

On November 21, 2019, the Commission issued \$279,594 of Infrastructure Financing Bonds, 2019, Series BI, in conjunction with the Maryland Community Development Administration (CDA). As of June 30, 2020, the unspent proceeds were zero.

The bonds mature on April 1, 2029 in 10 annual installments, beginning in 2020 and ending in 2029. The average interest yield on these bonds is 1.82%. Interest was payable on April 1, 2020 and semiannually thereafter on each April 1 and October 1 to maturity.

Notes, leases and loans payable as of June 30, 2020 are as follows:

| <u>Loans Payable Description</u> | <u>Due</u> | <u>Rate</u> | <u>Principal</u> | <u>Interest</u> | <u>Undrawn</u> |
|----------------------------------|------------|-------------|------------------|-----------------|----------------|
| MD Water Quality Loan #16 | 2023 | 1.20% | \$ 44,552 | \$ 3,843 | \$ - |
| MD Water Quality Loan #18 | 2025 | 1.10% | 1,276,397 | 105,082 | - |
| MD Water Quality Loan #19 | 2024 | 1.10% | 222,592 | 17,288 | - |
| MD Water Quality Loan #20 | 2024 | 1.10% | 69,544 | 5,425 | - |
| MD Water Quality Loan #22 | 2027 | 1.10% | 374,496 | 24,406 | - |
| MD Water Quality Loan #25 | 2029 | 1.00% | 94,645 | 9,783 | - |
| MD Water Quality Loan #26 | 2030 | 1.00% | 305,753 | 33,120 | - |
| MD Water Quality Loan #28 | 2030 | 2.20% | 258,633 | 38,076 | - |
| MD Water Quality Loan #32 | 2034 | 1.80% | 3,652,448 | 690,814 | - |
| MD Water Quality Loan #33 | 2033 | 1.70% | 282,201 | 49,565 | - |
| MD Water Quality Loan #34 | 2035 | 2.10% | 16,602,786 | 3,843,524 | - |
| MD Water Quality Loan #35 | 2035 | 2.10% | 4,150,697 | 1,654,294 | - |
| MD Water Quality Loan #37 | 2034 | 2.00% | 1,827,833 | 358,393 | - |
| Leonardtown #41 | 2037 | 1.80% | 1,320,079 | 286,717 | - |
| MD Water Quality Loan #42 | 2038 | 1.50% | 2,886,504 | 514,887 | - |
| MD Water Quality Loan #43 | 2038 | 1.50% | 1,964,363 | 353,750 | - |
| MD Water Quality Loan #44 | 2039 | 1.60% | 4,053,202 | 931,958 | - |
| MD Water Quality Loan #45 | 2039 | 1.70% | 1,204,121 | 602,251 | 201,976 |
| MD Water Quality Loan #46 | 2039 | 1.70% | 1,151,754 | 452,982 | - |
| MD Water Quality Loan #47 | 2049 | 1.70% | 874,131 | 454,873 | - |
| | | | 42,616,731 | 10,431,031 | \$ 201,976 |
| Less current portion | | | 2,636,959 | 935,447 | |
| | | | \$ 39,979,772 | \$ 9,495,584 | |

ST. MARY'S COUNTY METROPOLITAN COMMISSION

**Notes to the Financial Statements
June 30, 2020 and 2019**

4. LONG-TERM DEBT (continued)

The annual requirements to amortize principal and interest payments on all notes, leases and loans outstanding as of June 30, 2020, are as follows:

| <u>Years Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------------------------|----------------------|----------------------|----------------------|
| 2021 (current) | \$ 2,636,959 | \$ 935,447 | \$ 3,572,406 |
| 2022 | 2,585,546 | 887,214 | 3,472,760 |
| 2023 | 2,618,599 | 838,302 | 3,456,901 |
| 2024 | 2,662,613 | 798,288 | 3,460,901 |
| 2025 | 2,455,528 | 679,639 | 3,135,167 |
| 2026-2030 | 10,488,360 | 2,592,109 | 13,080,469 |
| 2031-2035 | 12,511,500 | 2,090,565 | 14,602,065 |
| 2036-2040 | 6,379,432 | 1,541,353 | 7,920,785 |
| 2041-2045 | 139,097 | 34,057 | 173,154 |
| 2046-2049 | 139,097 | 34,057 | 173,154 |
| Total | \$ 42,616,731 | \$ 10,431,031 | \$ 53,047,762 |

Notes, leases and loans payable as of June 30, 2019 are as follows:

| <u>Loans Payable Description</u> | <u>Due</u> | <u>Rate</u> | <u>Principal</u> | <u>Interest</u> | <u>Undrawn</u> |
|----------------------------------|------------|-------------|----------------------|---------------------|---------------------|
| MD Water Quality Loan #15 | 2020 | 2.70% | \$ 53,142 | \$ 2,463 | \$ - |
| MD Water Quality Loan #16 | 2023 | 1.20% | 78,552 | 6,379 | - |
| MD Water Quality Loan #18 | 2025 | 1.10% | 1,523,404 | 134,370 | - |
| MD Water Quality Loan #19 | 2024 | 1.10% | 276,735 | 23,115 | - |
| MD Water Quality Loan #20 | 2024 | 1.10% | 164,205 | 11,891 | - |
| MD Water Quality Loan #22 | 2027 | 1.10% | 439,334 | 43,170 | - |
| MD Water Quality Loan #25 | 2029 | 1.00% | 104,675 | 11,385 | - |
| MD Water Quality Loan #26 | 2030 | 1.00% | 334,688 | 38,072 | - |
| MD Water Quality Loan #28 | 2030 | 2.20% | 279,063 | 54,792 | - |
| MD Water Quality Loan #32 | 2034 | 1.80% | 3,885,929 | 774,275 | - |
| MD Water Quality Loan #33 | 2033 | 1.70% | 301,455 | 55,832 | - |
| MD Water Quality Loan #34 | 2035 | 2.10% | 17,536,330 | 4,321,497 | - |
| MD Water Quality Loan #35 | 2035 | 2.10% | 4,384,082 | 1,819,948 | - |
| MD Water Quality Loan #37 | 2034 | 2.00% | 1,951,064 | 404,673 | - |
| Leonardtown #41 | 2037 | 1.80% | 1,561,008 | 368,894 | - |
| MD Water Quality Loan #42 | 2038 | 1.50% | 3,034,361 | 573,096 | 295,239 |
| MD Water Quality Loan #43 | 2038 | 1.50% | 2,166,982 | 396,519 | 104,555 |
| MD Water Quality Loan #44 | 2039 | 1.60% | 2,318,277 | 805,500 | 962,183 |
| MD Water Quality Loan #45 | 2039 | 1.70% | 146,454 | 277,620 | - |
| MD Water Quality Loan #46 | 2039 | 1.70% | 767,240 | 201,020 | 717,119 |
| MD Water Quality Loan #47 | 2049 | 1.70% | 834,581 | 204,340 | 431,273 |
| | | | <u>42,141,561</u> | <u>10,528,851</u> | <u>\$ 2,510,369</u> |
| Less current portion | | | <u>2,673,203</u> | <u>1,053,746</u> | |
| | | | <u>\$ 39,468,358</u> | <u>\$ 9,475,105</u> | |

ST. MARY'S COUNTY METROPOLITAN COMMISSION

**Notes to the Financial Statements
June 30, 2020 and 2019**

4. LONG-TERM DEBT (continued)

The annual requirements to amortize principal and interest payments on all notes, leases and loans outstanding as of June 30, 2019, are as follows:

| <u>Years Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------------------------|----------------------|----------------------|----------------------|
| 2020 (current) | \$ 2,673,203 | \$ 1,053,746 | \$ 3,726,948 |
| 2021 | 2,636,959 | 935,447 | 3,572,406 |
| 2022 | 2,585,546 | 887,214 | 3,472,760 |
| 2023 | 2,618,599 | 838,302 | 3,456,901 |
| 2024 | 2,662,613 | 798,288 | 3,460,901 |
| 2025-2029 | 12,395,767 | 3,254,423 | 15,650,190 |
| 2030-2034 | 12,543,463 | 2,092,490 | 14,635,952 |
| 2035-2039 | 3,747,218 | 600,828 | 4,348,045 |
| 2040-2044 | 139,097 | 34,057 | 173,154 |
| 2045-2049 | 139,097 | 34,057 | 173,154 |
| Total | <u>\$ 42,141,561</u> | <u>\$ 10,528,851</u> | <u>\$ 52,670,411</u> |

As of June 30, 2020, MetCom has twenty loans from the Maryland Water Quality Financing Administration. Proceeds from loan number sixteen for \$567,680 was used to upgrade the Leonardtown wastewater treatment plant. Loan number eighteen for \$4,712,200 was used to upgrade the Marley-Taylor WRF. Loan number nineteen for \$976,700 was used to replace the Lexington Park Wastewater Pumping Station. Loan number twenty for \$1,466,576 was for water meter installations. Loan number twenty-two for \$1,136,984 was used for the Andover Road/Estates sewer projects and for arsenic remediation wells. Loan number twenty-five for \$191,593 was used for the Hollywood Water Extension to provide arsenic remediation. Loan number twenty-six for \$582,547 was used for Patuxent Park Sewer Line Repair and the Marlay-Taylor Methane Powered CoGeneration Project. Loan number twenty-eight for \$443,927 was used for the St. Clements Shore Well. Loan number thirty-two in the amount of \$4,874,202 is for the Radio Read Meter Project. As of June 30, 2020, and 2019, MetCom had drawn \$4,421,361 of the proceeds. Loan number thirty-three in the amount of \$394,000 is for the Shangri La Drive/South Essex Drive Sewer Rehabilitation. Loan number thirty-four in the amount of \$21,082,400 is for the Marlay-Taylor Wastewater Reclamation Facility Enhanced Nutrient Removal, ENR, project. Loan number thirty-five in the amount of \$5,270,600 is also for Marlay-Taylor Wastewater Reclamation Facility ENR project. This loan will be paid for by Navy charges and is therefore taxable. As of June 30, 2020, MetCom has drawn \$26,200,310 of the proceeds on loans thirty-four and thirty-five. Loan number thirty-seven in the amount of \$2,420,291 is for the Route 235 and Route 712 Interceptor Rehabilitation. Loan number forty-one in the amount of \$1,705,500 is for MetCom's share of Leonardtown's MDE loan for the ENR project. Loan number forty-one is a shared project with the Town of Leonardtown for the Leonardtown Wastewater Treatment Plan ENR Upgrade. Of the total proceeds in the amount of \$7,500,000, MetCom is contributing

ST. MARY'S COUNTY METROPOLITAN COMMISSION

Notes to the Financial Statements June 30, 2020 and 2019

4. LONG-TERM DEBT (continued)

22.74% in debt service. Loan number forty-two in the amount of \$3,368,474 is for the St. Clement's Shores Water Line Extension. Loan number forty-three in the amount of \$2,491,768, is for the Piney Point Water. Loan number forty-four in the amount of \$5,292,504, is for the Great Mills Wastewater Pumping Station. Loan number forty-five in the amount of \$2,052,427, is for Phase I of the Town Creek Water line replacement project. Loan number forty-six in the amount of \$1,543,828, is for Phase 4 of the Patuxent Park Water Line Replacement Project. Loan number forty-seven in the amount of \$1,550,260, is for Phase 4 of the Patuxent Park Sewer Line Replacement Project. Both projects funded by loan forty-six and forty-seven are joint projects with St. Mary's County Government.

Changes in Long-Term Debt

The changes in long-term debt payable for the year ended June 30, 2020 were as follows:

| | <u>June 30, 2019</u> | <u>Additions</u> | <u>Deductions</u> | <u>June 30, 2020</u> | <u>Amounts due within one year</u> |
|----------------------------------|----------------------|----------------------|---------------------|----------------------|--|
| Bonds payable | \$ 50,156,053 | \$ 7,431,964 | \$ 3,494,873 | \$ 54,093,144 | \$ (3,607,339) |
| Notes, leases, and loans payable | 42,141,561 | 3,531,632 | 3,056,462 | 42,616,731 | (2,636,959) |
| Total long-term debt | <u>\$ 92,297,614</u> | <u>\$ 10,963,596</u> | <u>\$ 6,551,335</u> | <u>\$ 96,709,875</u> | <u>\$ (6,244,298)</u> |

The changes in long-term debt payable for the year ended June 30, 2019 were as follows:

| | <u>June 30, 2018</u> | <u>Additions</u> | <u>Deductions</u> | <u>June 30, 2019</u> | <u>Amounts due within one year</u> |
|----------------------------------|----------------------|---------------------|---------------------|----------------------|--|
| Bonds payable | \$ 54,124,258 | \$ - | \$ 3,968,205 | \$ 50,156,053 | \$ (3,410,908) |
| Notes, leases, and loans payable | 37,897,202 | 6,684,477 | 2,440,118 | 42,141,561 | (2,673,203) |
| Total long-term debt | <u>\$ 92,021,460</u> | <u>\$ 6,684,477</u> | <u>\$ 6,408,323</u> | <u>\$ 92,297,614</u> | <u>\$ (6,084,111)</u> |

5. RESTRICTED NET ASSETS

Net assets are restricted for the repayment of the following:

- a. Collection of fees for a sinking fund to upgrade the capacity of the main sewage treatment plant at Marley-Taylor WRF are restricted for that purpose. The amount restricted at June 30, 2020 and 2019 was \$707,104.
- b. The Board has restricted net assets per agreement with customers for upgrades and replacements to their water and sewer systems. The amount restricted at June 30, 2020 and 2019 is \$130,894.
- c. The Capital Project Upgrade funds are reserved for the replacement and upgrade of water and sewer facilities. These funds are restricted by law for that purpose. The balance as of June 30, 2020 and 2019 was \$9,566,265, and \$10,580,551, respectively.
- d. The Capital Project New Services funds are reserved for the construction of facilities to serve new customers. These funds are restricted by law for that purpose. The balance as of June 30, 2020 and 2019 was \$6,829,613, and \$3,953,933, respectively.

ST. MARY'S COUNTY METROPOLITAN COMMISSION

Notes to the Financial Statements June 30, 2020 and 2019

6. RETIREMENT AND PENSION PLANS

Nationwide Retirement Solutions

On March 18, 2004, MetCom adopted a Section 457 plan. Under the terms of the plan, employees may contribute up to 100% of their salary, up to the contribution limits, to the plan. No employer contributions are made to this plan.

Maryland State Retirement and Pension System

Summary of Significant Accounting Policies

Pensions. Virtually all employees of the County (other than those covered by the Sheriff's Office Retirement Plan) are members of the Maryland State Retirement and Pension System (the System). The System is considered a single multiple employer cost sharing plan.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the 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.

General Information about the Pension Plan

Plan Description. Certain employees of the MetCom are provided with pensions through the System—a cost-sharing multiple-employer defined benefit pension plan administered by the Maryland State Retirement and Pension System (MSRPS). The State Personnel and

Pensions Article of the Annotated Code of Maryland (the Article) grants the authority to establish and amend the benefit terms of the System to the MSRPS Board of Trustees.

MSRPS issues a publicly available financial report that can be obtained at www.sra.state.md.us/Agency/Downloads/CAFR/.

Benefits Provided. A member of the 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.

Early Service Retirement. A member of the System may retire with reduced benefits after completing 25 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree either attains age 60 or would have accumulated 30 years of creditable service, whichever is less. The maximum reduction for the System member is 30%.

ST. MARY'S COUNTY METROPOLITAN COMMISSION

**Notes to the Financial Statements
June 30, 2020 and 2019**

6. RETIREMENT AND PENSION PLANS (continued)

Maryland State Retirement and Pension System (continued)

Disability and Death Benefits. Generally, a member covered under retirement plan provisions who is permanently disabled after 5 years of service receives a service allowance based on a minimum percentage (usually 25%) of the member's average final compensation (AFC). A member covered under pension plan provisions who is permanently disabled after accumulating 5 years of eligibility service receives a service allowance computed as if service had continued with no change in salary until the retiree attained age 62. Death benefits are equal to a member's annual salary as of the date of death plus all member contributions and interest.

Contributions. (ERS) The Article sets contribution requirements of the active employees and the participating governmental units are established and may be amended by the MSRPS Board. Employees are required to contribute 6% of their annual pay. MetCom's contractually required contribution rate for the System for the years ended June 30, 2020 and 2019 was \$529,249 and \$487,479, respectively, 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.

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

As of June 30, 2020, and 2019, MetCom reported a liability of \$4,896,302 and \$4,533,596, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. MetCom's proportion of the net pension liability was based on MetCom's share of contributions to the pension plan relative to the contribution of all participating employers. As of June 30, 2020, and 2019, MetCom's proportion was 0.024% and 0.022%, respectively.

For the year ended June 30, 2020, MetCom recognized pension expense for the System of approximately \$497,000. As of June 30, 2020, MetCom reported deferred outflows of resources and deferred inflows of resources related to ERS from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ - | \$ 19,735 |
| Changes of assumptions | 69,582 | - |
| Net difference between projected and actual earnings on Pension plan Investments | 100,733 | 425,907 |
| Employer contribution Subsequent to measurement date | 529,249 | - |
| | <u>\$ 699,564</u> | <u>\$ 445,642</u> |

ST. MARY'S COUNTY METROPOLITAN COMMISSION

Notes to the Financial Statements

June 30, 2020 and 2019

6. RETIREMENT AND PENSION PLANS (continued)

Maryland State Retirement and Pension System (continued)

\$529,249 reported as deferred outflows of resources related to the System resulting from MetCom's contributions subsequent to the measurement date will be recognized as a reduction of the System pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the System will be recognized in pension expense as follows:

| <u>Year Ending June 30,</u> | <u>Amount</u> |
|-----------------------------|---------------------|
| 2021 | \$ (288,459) |
| 2022 | 129,606 |
| 2023 | (37,724) |
| 2024 | (78,750) |
| Total | <u>\$ (275,327)</u> |

Information included in the MSRPS financial statements. Actuarial assumptions, long-term expected rate of return on pension plan investments, discount rate, and pension plan fiduciary net position are available at www.sra.state.md.us/Agency/Downloads/CAFR/.

Sensitivity of MetCom's proportionate share of the net pension liability to changes in the discount rate. MetCom's proportionate share of the System net pension liability calculated using the discount rate of 7.4 percent is \$4,896,302. Additionally, MetCom's proportionate share of the System net pension liability if it were calculated using a discount rate that is 1-percentage-point lower (6.4 percent) is \$7,099,638, or 1-percentage-point higher (8.4 percent) is \$2,908,158.

7. OTHER POST-RETIREMENT BENEFITS (OPEB)

Plan Description

MetCom provides health, prescription, dental and vision care insurance benefits to eligible retirees, eligible retirees' family members and the family members of deceased employees as a single-employer plan. Eligible persons include employees with a minimum of ten years of eligible MetCom service entering an immediate retirement, family members of eligible retirees and family members of deceased employees. MetCom pays a percentage of premiums based on the date of hire and number of years of service. For employees hired prior to May 10, 2007, the percentage ranges from 53.13% with ten years of service to 85% with 16 or more years of service. The percentages for employees hired on or after May 10, 2007, range from 21.25% with 15 years of service to 85% with 30 years of service. There is no statutory or contractual requirement to provide these benefits, and they may be changed or modified by MetCom's Board of Commissioners.

ST. MARY'S COUNTY METROPOLITAN COMMISSION

Notes to the Financial Statements June 30, 2020 and 2019

7. OTHER POST-RETIREMENT BENEFITS (OPEB) (continued)

Plan Description (continued)

MetCom's OPEB plan is administered through the single-employer Retiree Benefit Trust of St. Mary's County Metropolitan Commission as an irrevocable trust. Assets of the trust are dedicated to providing post-retirement health, prescription, dental and vision coverage to current and eligible future retirees. The Trust's financial statements are prepared using the accrual basis of accounting. Contributions are recognized in the period in which the contributions are due. Benefits are recognized when due and payable. The Trust assets are invested with the Maryland Local Government Investment Pool and the Maryland Association of Counties (MACo) OPEB Trust. The OPEB Trust does not issue a stand-alone financial report.

As of June 30, 2020, and 2019, membership consisted of:

| | <u>2020</u> | <u>2019</u> |
|---|-------------|-------------|
| Retirees and beneficiaries currently receiving benefits | 27 | 20 |
| Active plan members | <u>73</u> | <u>73</u> |
| Total | <u>100</u> | <u>93</u> |

Investments

MetCom's investment authority is established in the Retiree Benefit Trust of St. Mary's County Metropolitan Commission. For the years ended June 30, 2020 and 2019, the annual money weighted rate of return of the OPEB Trust was 6.68%.

Net OPEB Liability

The components of the net OPEB liability of MetCom as of June 30, were as follows:

| | <u>2020</u> | <u>2019</u> |
|--|---------------------|---------------------|
| Total OPEB liability | \$ 9,544,675 | \$ 9,349,833 |
| Plan fiduciary net position | <u>(6,762,100)</u> | <u>(6,292,184)</u> |
| Net OPEB liability | <u>\$ 2,782,575</u> | <u>\$ 3,057,649</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | <u>70.85%</u> | <u>67.30%</u> |

ST. MARY'S COUNTY METROPOLITAN COMMISSION

**Notes to the Financial Statements
June 30, 2020 and 2019**

7. OTHER POST-RETIREMENT BENEFITS (OPEB) (continued)

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2019, rolled forward to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|----------------------------|---|
| Actuarial cost method | Projected unit credit |
| Inflation | 2.20% |
| Salary increases | 3.00% |
| Investment rate of return | 6.50% |
| Healthcare cost trend rate | The Ultimate trending is 3.90% (pre-medicare) and 3.80% (post-Medicare) |
| Discount Rate | 6.68% |

The long-term nominal expected rate of return on OPEB plan investments of 6.68% was determined using a building block method where return expectations are established for each asset class. The building block approach uses the current underlying fundamentals, not historical returns. Spread and the risk-free rate are used for fixed income; and dividends, earnings growth and valuation are used for equity. These return expectations are weighted based on asset/target amounts.

The discount rate used to measure the total OPEB liability was 6.68% as of June 30, 2020. The projection of cash flow used to determine the discount rate assumed that the MetCom's contributions will be made at rates equal to current contributions levels.

The sensitivity of the net OPEB liability to a 1% change in the projected healthcare cost trend rate and discount rate is as follows:

| | 1% Decrease 3.00% | Medical Trend 4.00% | 1% Increase 5.00% |
|--------------------|----------------------|------------------------|----------------------|
| Net OPEB Liability | \$1,116,094 | \$ 2,782,575 | \$4,967,452 |

| | 1% Decrease 5.68% | Discount Rate 6.68% | 1% Increase 7.68% |
|--------------------|----------------------|------------------------|----------------------|
| Net OPEB Liability | \$4,622,529 | \$ 2,782,575 | \$1,348,706 |

ST. MARY'S COUNTY METROPOLITAN COMMISSION

**Notes to the Financial Statements
June 30, 2020 and 2019**

7. OTHER POST-RETIREMENT BENEFITS (OPEB) (continued)

Actuarial Assumptions (continued)

For the year ended June 30, 2020, MetCom recognized OPEB expense of \$418,844. As of June 30, 2020, MetCom reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences Between expected and actual experience | \$ 71,342 | \$ - |
| Changes of assumptions | - | 605,472 |
| Net Difference between projected and actual earnings on OPEB plan Investments | 324,556 | - |
| | <u>\$ 395,898</u> | <u>\$ 605,472</u> |

The amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB plan will be recognized in pension expense as follows:

| <u>Year Ending June 30,</u> | <u>Amount</u> |
|-----------------------------|---------------------|
| 2021 | \$ 24,735 |
| 2022 | 32,668 |
| 2023 | 16,040 |
| 2024 | 2,577 |
| 2025 | (62,130) |
| Thereafter | (223,464) |
| Total | <u>\$ (209,574)</u> |

ST. MARY'S COUNTY METROPOLITAN COMMISSION

Notes to the Financial Statements June 30, 2020 and 2019

8. RATE SETTING

MetCom is required by law to set rates which are sufficient to cover both operating expenses and debt service. Depreciation of the plant and collection systems is not an allowable cost for purposes of setting rates. A reconciliation of the results of operations for financial reporting and rate-setting purposes is as follows:

| | <u>2020</u> | <u>2019</u> |
|---|---------------------|---------------------|
| Change in net position - per financial statements | \$ 6,443,862 | \$ 8,146,507 |
| Add: | | |
| Depreciation - facilities | 6,593,479 | 6,522,123 |
| Less: | | |
| Principal payment on capital debt | 6,551,335 | 6,408,323 |
| Repayment of internal pension loan | - | - |
| OPEB | (217,148) | (263,144) |
| Pension accrual | 482,565 | 134,621 |
| Capital contributions | 1,435,251 | 2,712,559 |
| Excess (deficiency) of revenue over expenses - rate-setting method | <u>\$ 4,785,338</u> | <u>\$ 5,676,271</u> |

9. RISK MANAGEMENT

MetCom 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 related disasters. MetCom is a member of the Local Government Insurance Trust (LGIT) sponsored by the Maryland Municipal League (MML) and the Maryland Association of Counties. The LGIT is a self-insured public entity risk pool offering general liability, excess liability, business auto liability, police legal liability, public official liability and property coverage.

LGIT is capitalized at an actuarially determined level to provide financial stability for its local government members and to reduce the possibility of assessment. The trust is owned by the participating counties and cities and managed by a Board of Trustees elected by the members.

Annual premiums are assessed for the various policy coverages. The agreement for the formation of LGIT provides that the trust will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$1,000,000 for each insured event. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the past fiscal year. MetCom paid premiums of approximately \$133,000, during the years ended June 30, 2020 and 2019.

10. SUBSEQUENT EVENTS

MetCom evaluated the subsequent events and transactions through December 2, 2020, the date these financial statements were available for issue and have determined that no material subsequent events have occurred, other than noted above, that would affect the information presented in the accompanying basic financial statements or require additional disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

ST. MARY’S COUNTY METROPOLITAN COMMISSION

**Schedule of Proportionate Share of the Net Pension Liability of the Maryland State Retirement and Pension System
and Related Ratios
June 30, 2020 and 2019**

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|---------------------|---------------------|---------------------|---------------------|
| Proportion of the System net pension liability (asset) | 0.023% | 0.022% | 0.021% | 0.022% |
| Proportionate share of the System net pension liability (asset) | <u>\$ 4,896,302</u> | <u>\$ 4,533,596</u> | <u>\$ 4,558,356</u> | <u>\$ 5,077,598</u> |
| Total | <u>\$ 4,896,302</u> | <u>\$ 4,533,596</u> | <u>\$ 4,558,356</u> | <u>\$ 5,077,598</u> |
| Covered-employee payroll | \$ 6,167,063 | \$ 5,578,800 | \$ 5,033,524 | \$ 5,251,620 |
| Proportionate share of the net pension liability (asset) as a percentage of its covered- | 79.39% | 81.26% | 90.56% | 96.69% |
| Plan fiduciary net position as a percentage of the total pension liability | 72.34% | 71.18% | 69.38% | 65.79% |

Note- This schedule is presented to illustrate the requirement to show information for 10 years. However, information prior to June 30, 2016 is not available.

ST. MARY'S COUNTY METROPOLITAN COMMISSION

**Schedule of Contributions and Related Ratios of the Net Pension Liability of the Maryland State Retirement and Pension System
June 30, 2020 and 2019**

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|------------------|------------------|------------------|------------------|
| Contractually required contribution | \$ 529,249 | \$ 487,479 | \$ 430,869 | \$ 429,057 |
| Contributions in relation to the contractually required contribution | <u>(529,249)</u> | <u>(487,479)</u> | <u>(430,869)</u> | <u>(429,057)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered-employee payroll | \$ 6,167,063 | \$ 5,578,800 | \$ 5,033,524 | \$ 5,251,620 |
| Contributions as a percentage of covered-employee payroll | 8.58% | 8.74% | 8.56% | 8.17% |

This schedule is presented to illustrate the requirement to show information for 10 years. However, information prior to June 30, 2016 is not available.

ST. MARY'S COUNTY METROPOLITAN COMMISSION

**Schedule of Changes in Net OPEB Liability and Related Ratios
June 30, 2020 and 2019**

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|---------------------|---------------------|---------------------|---------------------|
| Total OPEB liability: | | | | |
| Service cost | \$ 198,581 | \$ 247,056 | \$ 237,782 | \$ 229,362 |
| Interest | 616,914 | 594,852 | 553,870 | 514,257 |
| Differences between expected and actual experience | 25,515 | 49,391 | 12,289 | 472 |
| Changes of assumptions | (391,452) | (326,786) | - | - |
| Benefit payments, including refunds of member contributions | <u>(254,716)</u> | <u>(222,652)</u> | <u>(162,593)</u> | <u>(151,091)</u> |
| Net change in total OPEB liability | 194,842 | 341,861 | 641,348 | 593,000 |
| Total OPEB liability – beginning | <u>9,349,833</u> | <u>9,007,972</u> | <u>8,366,624</u> | <u>7,773,624</u> |
| Total OPEB liability – ending (a) | <u>\$ 9,544,675</u> | <u>\$ 9,349,833</u> | <u>\$ 9,007,972</u> | <u>\$ 8,366,624</u> |
| Plan fiduciary net position: | | | | |
| Contributions – employer | \$ 635,992 | \$ 728,453 | \$ 527,000 | \$ 526,000 |
| Net investment income | 88,640 | 305,417 | 268,969 | 329,007 |
| Benefit payments | (254,716) | (222,652) | (162,593) | (151,091) |
| Administrative expense | - | - | - | - |
| Net change in plan fiduciary net position | <u>469,916</u> | <u>811,218</u> | <u>633,376</u> | <u>703,916</u> |
| Plan fiduciary net position – beginning | <u>6,292,184</u> | <u>5,480,966</u> | <u>4,847,590</u> | <u>4,143,674</u> |
| Plan fiduciary net position – ending (b) | <u>\$ 6,762,100</u> | <u>\$ 6,292,184</u> | <u>\$ 5,480,966</u> | <u>\$ 4,847,590</u> |
| County's Net OPEB Liability – ending (a) – (b) | <u>\$ 2,782,575</u> | <u>\$ 3,057,649</u> | <u>\$ 3,526,638</u> | <u>\$ 3,519,034</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | 70.85% | 67.30% | 60.85% | 57.94% |
| Covered employee payroll | 5,389,669 | 5,246,320 | 5,381,613 | 5,194,244 |
| County's net OPEB liability as a percentage of covered employee payroll | 51.63% | 58.28% | 65.53% | 67.75% |
| Annual money-weighted-rate of return, net of investment expenses | 1.55% | 4.85% | 5.55% | 7.94% |

Notes to schedule:

Information prior to 2017 is not available

ST. MARY'S COUNTY METROPOLITAN COMMISSION

**Schedule of Contributions - OPEB
June 30, 2020 and 2019**

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|--|------------------|------------------|----------------|----------------|----------------|----------------|----------------|-----------------|----------------|----------------|
| Actuarially determined contribution | \$ 443,000 | \$ 545,000 | \$ 527,000 | \$ 526,000 | \$ 507,000 | \$ 573,000 | \$ 550,000 | \$ 580,000 | \$ 538,000 | \$ 431,000 |
| Contributions related to the actuarially determined contribution | <u>635,992</u> | <u>728,085</u> | <u>527,000</u> | <u>526,000</u> | <u>507,000</u> | <u>573,000</u> | <u>550,000</u> | <u>596,404</u> | <u>538,000</u> | <u>431,000</u> |
| Contribution deficiency (excess) | <u>(192,992)</u> | <u>(183,085)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(16,404)</u> | <u>-</u> | <u>-</u> |
| Covered employee payroll | 5,389,669 | 5,246,320 | 5,381,613 | 5,194,244 | 5,195,578 | 4,911,310 | 4,320,628 | 4,319,527 | 4,162,094 | 3,851,158 |
| Contributions as a percentage of covered employee payroll | 11.80% | 13.88% | 9.79% | 10.13% | 9.76% | 11.67% | 12.73% | 13.81% | 12.93% | 11.19% |

Methods and assumptions used to determine contribution rates:

| | |
|-------------------------------|---|
| Actuarial cost method | Projected Unit Credit |
| Amortization method | Level percentage of payroll |
| Remaining amortization period | 18 years |
| Asset valuation method | Market value of assets |
| Inflation | 2.20 percent |
| Salary increases | 3.00 percent |
| Investment rate of return | 6.50 percent |
| Healthcare cost trend rate | The ultimate trend is 3.90% (pre-Medicare) and 3.80% (post-Medicare). |

OTHER SUPPLEMENTARY INFORMATION

ST. MARY'S COUNTY METROPOLITAN COMMISSION

**Schedule of Departmental Allocable Operating and Nonoperating Revenues and Expenses
Year Ended June 30, 2020**

| | <u>Sewer</u> | <u>Water</u> | <u>Engineering</u> | <u>Total</u> |
|---|---------------------|---------------------|-----------------------|---------------------|
| Operating Revenue: | | | | |
| Service charges | \$ 9,758,244 | \$ 5,215,477 | \$ 164,908 | \$ 15,138,629 |
| Miscellaneous | 121,800 | 164,682 | 22,192 | 308,674 |
| Total operating revenue | <u>9,880,044</u> | <u>5,380,159</u> | <u>187,100</u> | <u>15,447,303</u> |
| Operating Expenses: | | | | |
| Direct operating expenses | 5,490,869 | 2,467,252 | 847,401 | 8,805,522 |
| Administrative expenses | 3,308,864 | 1,486,796 | 510,654 | 5,306,314 |
| Total operating expenses | <u>8,799,733</u> | <u>3,954,048</u> | <u>1,358,055</u> | <u>14,111,836</u> |
| Operating income before depreciation | 1,080,311 | 1,426,111 | (1,170,955) | 1,335,467 |
| Depreciation | <u>(4,536,805)</u> | <u>(1,969,975)</u> | <u>(103,062)</u> | <u>(6,609,842)</u> |
| Operating loss | <u>(3,456,494)</u> | <u>(543,864)</u> | <u>(1,274,017)</u> | <u>(5,274,375)</u> |
| Allocable nonoperating revenue (expenses): | | | | |
| Interest income | 123,202 | 30,799 | - | 154,001 |
| Debt service charges | 6,616,939 | 5,380,730 | - | 11,997,669 |
| House connection charges, net | - | 86,614 | - | 86,614 |
| Debt service charges - interest and finance charges | <u>(1,592,338)</u> | <u>(1,100,264)</u> | <u>-</u> | <u>(2,692,602)</u> |
| Total allocable nonoperating revenue, net | <u>5,147,803</u> | <u>4,397,879</u> | <u>-</u> | <u>9,545,682</u> |
| Total allocable net income (loss) | <u>\$ 1,691,309</u> | <u>\$ 3,854,015</u> | <u>\$ (1,274,017)</u> | <u>4,271,307</u> |
| Nonallocable revenue: | | | | |
| Interest income | | | | 587,881 |
| Other fees | | | | <u>149,423</u> |
| Total nonallocable revenue | | | | <u>737,304</u> |
| Capital contribution | | | | <u>1,435,251</u> |
| Change in fund net position | | | | <u>\$ 6,443,862</u> |

ST. MARY'S COUNTY METROPOLITAN COMMISSION

**Schedule of Departmental Allocable Operating and Nonoperating Revenues and Expenses
Year Ended June 30, 2019**

| | <u>Sewer</u> | <u>Water</u> | <u>Engineering</u> | <u>Total</u> |
|---|---------------------|---------------------|-----------------------|---------------------|
| Operating Revenue: | | | | |
| Service charges | \$ 9,214,677 | \$ 5,064,718 | \$ 156,682 | \$ 14,436,077 |
| Miscellaneous | 123,806 | 121,340 | 15,303 | 260,449 |
| Total operating revenue | <u>9,338,483</u> | <u>5,186,058</u> | <u>171,985</u> | <u>14,696,526</u> |
| Operating Expenses: | | | | |
| Direct operating expenses | 5,375,861 | 2,283,902 | 683,990 | 8,343,753 |
| Administrative expenses | 3,036,666 | 1,543,305 | 414,545 | 4,994,516 |
| Total operating expenses | <u>8,412,527</u> | <u>3,827,207</u> | <u>1,098,535</u> | <u>13,338,269</u> |
| Operating income before depreciation | 925,956 | 1,358,851 | (926,550) | 1,358,257 |
| Depreciation | <u>(4,487,829)</u> | <u>(1,948,708)</u> | <u>(101,950)</u> | <u>(6,538,487)</u> |
| Operating loss | <u>(3,561,873)</u> | <u>(589,857)</u> | <u>(1,028,500)</u> | <u>(5,180,230)</u> |
| Allocable nonoperating revenue (expenses): | | | | |
| Interest income | 112,347 | 28,087 | - | 140,434 |
| Debt service charges | 6,566,717 | 5,124,673 | - | 11,691,390 |
| House connection charges, net | - | 71,230 | - | 71,230 |
| Debt service charges - interest and finance charges | <u>(900,988)</u> | <u>(924,802)</u> | <u>-</u> | <u>(1,825,790)</u> |
| Total allocable nonoperating revenue, net | <u>5,778,076</u> | <u>4,299,188</u> | <u>-</u> | <u>10,077,264</u> |
| Total allocable net income (loss) | <u>\$ 2,216,203</u> | <u>\$ 3,709,331</u> | <u>\$ (1,028,500)</u> | <u>4,897,034</u> |
| Nonallocable revenue: | | | | |
| Interest income | | | | 421,315 |
| Other fees | | | | <u>115,602</u> |
| Total nonallocable revenue | | | | <u>536,917</u> |
| Capital contribution | | | | <u>2,712,559</u> |
| Change in fund net position | | | | <u>\$ 8,146,510</u> |

ST. MARY'S COUNTY METROPOLITAN COMMISSION

**Schedule of Service Charges and Direct Operating Expenses
Year Ended June 30, 2020**

| | <u>Sewer</u> | <u>Water</u> | <u>Engineering</u> | <u>Total</u> |
|---------------------------------|---------------------|---------------------|--------------------|----------------------|
| Service charges: | | | | |
| Service charge - metered | \$ 4,781,318 | \$ 2,429,149 | \$ - | \$ 7,210,467 |
| Service charge - nonmetered | 4,818,252 | 2,786,328 | - | 7,604,580 |
| Septage haul revenue | 158,674 | - | - | 158,674 |
| Review fees | - | - | 49,118 | 49,118 |
| Inspection fees | - | - | 114,040 | 114,040 |
| Residential tap fee sewer | - | - | 1,750 | 1,750 |
| Cut-on cut-off fees | - | - | - | - |
| Total service charges | <u>\$ 9,758,244</u> | <u>\$ 5,215,477</u> | <u>\$ 164,908</u> | <u>\$ 15,138,629</u> |
| Direct Operating Expenses: | | | | |
| Salaries | \$ 2,907,201 | \$ 1,248,059 | \$ 1,062,722 | \$ 5,217,982 |
| Chemicals | 550,162 | 126,357 | - | 676,519 |
| Contractual employees | 8,236 | - | - | 8,236 |
| Employee physicals/uniforms | 21,160 | 7,957 | 6,154 | 35,271 |
| Employee training | 21,798 | 11,331 | 1,846 | 34,975 |
| Lab/soil testing | 15,748 | - | - | 15,748 |
| Leoardtown - treatment plant | 148,453 | - | - | 148,453 |
| Maintenance | 451,873 | 368,109 | - | 819,982 |
| Materials and supplies | 94,513 | 51,263 | 1,372 | 147,148 |
| Miscellaneous | 18,532 | 53,363 | 22,275 | 94,170 |
| Oil and gas | 73,634 | 1,349 | - | 74,983 |
| Power | 666,436 | 516,034 | 4,107 | 1,186,577 |
| Professional fees | - | - | - | - |
| Safety supplies | 9,040 | 8,166 | - | 17,206 |
| Sludge removal | 357,759 | - | - | 357,759 |
| SSO fines and penalties | - | - | - | - |
| Telephone | 13,669 | 8,429 | 5,088 | 27,186 |
| Temporary labor | - | - | - | - |
| Tools purchased | 9,060 | 4,099 | - | 13,159 |
| Vehicle operating and mileage | 123,595 | 48,029 | 18,763 | 190,387 |
| Water testing | - | 16,845 | - | 16,845 |
| Recovery of costs | - | (2,138) | (274,926) | (277,064) |
| Total direct operating expenses | <u>\$ 5,490,869</u> | <u>\$ 2,467,252</u> | <u>\$ 847,401</u> | <u>\$ 8,805,522</u> |

ST. MARY'S COUNTY METROPOLITAN COMMISSION

**Schedule of Service Charges and Direct Operating Expenses
Year Ended June 30, 2019**

| | <u>Sewer</u> | <u>Water</u> | <u>Engineering</u> | <u>Total</u> |
|---------------------------------|---------------------|---------------------|--------------------|----------------------|
| Service charges: | | | | |
| Service charge - metered | \$ 7,749,360 | \$ 4,823,683 | \$ - | \$ 12,573,043 |
| Service charge - nonmetered | 1,331,894 | 175,848 | - | 1,507,742 |
| Septage haul revenue | 133,423 | - | - | 133,423 |
| Review fees | - | - | 60,045 | 60,045 |
| Inspection fees | - | - | 93,137 | 93,137 |
| Residential tap fee sewer | - | - | 3,500 | 3,500 |
| Cut-on cut-off fees | - | 65,187 | - | 65,187 |
| Total service charges | <u>\$ 9,214,677</u> | <u>\$ 5,064,718</u> | <u>\$ 156,682</u> | <u>\$ 14,436,077</u> |
| Direct Operating Expenses: | | | | |
| Salaries | \$ 2,683,836 | \$ 1,051,813 | \$ 928,126 | \$ 4,663,775 |
| Chemicals | 437,024 | 115,555 | - | 552,579 |
| Contractual employees | 3,831 | - | - | 3,831 |
| Employee physicals/uniforms | 20,544 | 8,818 | 1,569 | 30,931 |
| Employee training | 28,344 | 8,017 | 4,306 | 40,667 |
| Lab/soil testing | 8,098 | - | - | 8,098 |
| Leonardtown - treatment plant | 135,072 | - | - | 135,072 |
| Maintenance | 544,551 | 310,731 | - | 855,282 |
| Materials and supplies | 114,468 | 79,892 | 1,043 | 195,403 |
| Miscellaneous | 38,712 | 53,732 | 21,872 | 114,316 |
| Oil and gas | 84,528 | 1,396 | - | 85,924 |
| Power | 679,514 | 563,150 | 4,592 | 1,247,256 |
| Professional fees | - | - | 6,983 | 6,983 |
| Safety supplies | 9,070 | 80 | - | 9,150 |
| Sludge removal | 373,104 | - | - | 373,104 |
| SSO fines and penalties | - | - | - | - |
| Telephone | 42,372 | 8,772 | 4,864 | 56,008 |
| Temporary labor | - | - | - | - |
| Tools purchased | 16,636 | 8,917 | - | 25,553 |
| Vehicle operating and mileage | 156,157 | 59,805 | 19,340 | 235,302 |
| Water testing | - | 19,091 | - | 19,091 |
| Recovery of costs | - | (5,867) | (308,705) | (314,572) |
| Total direct operating expenses | <u>\$ 5,375,861</u> | <u>\$ 2,283,902</u> | <u>\$ 683,990</u> | <u>\$ 8,343,753</u> |

ST. MARY'S COUNTY METROPOLITAN COMMISSION

**Schedules of Administrative Expenses
Years Ended June 30, 2020 and 2019**

| | <u>2020</u> | <u>2019</u> |
|------------------------------------|---------------------|---------------------|
| Administrative Expenses: | | |
| Accounting | \$ 14,000 | \$ 17,310 |
| Advertising | 3,138 | 6,161 |
| Bond fees | 676 | 150 |
| Casual labor | 317 | 14,760 |
| Commissioners' salaries | 14,500 | 14,500 |
| Computer services | 63,059 | 90,746 |
| Consulting | 1,240 | 3,337 |
| Contractual employees | 10,694 | 29,673 |
| Depreciation | 54,878 | 57,487 |
| Dues and subscriptions | 8,881 | 8,455 |
| Electric | 11,165 | 11,763 |
| Employee training | 10,774 | 4,059 |
| Hospitalization and disability | 1,452,942 | 1,198,767 |
| Insurance | 270,868 | 232,434 |
| Legal | 90,756 | 113,039 |
| Mileage and travel | 836 | 8,363 |
| Miscellaneous | 91,041 | 73,687 |
| Office and administrative salaries | 1,550,750 | 1,392,156 |
| Office supplies and expenses | 48,356 | 68,465 |
| On-line fees | 132,001 | 127,671 |
| Payroll taxes | 482,494 | 464,197 |
| Postage expense | 88,867 | 82,359 |
| Retirement | 844,570 | 927,526 |
| Telephone and fax | 54,946 | 42,680 |
| Tuition reimbursement | 4,565 | 4,771 |
| Recovery of costs | - | - |
| Total administrative expenses | <u>\$ 5,306,314</u> | <u>\$ 4,994,516</u> |
| Allocated to services as follows: | | |
| Sewer 62.4% and 60.8% | \$ 3,308,864 | \$ 3,036,666 |
| Water 28% and 30.9% | 1,486,796 | 1,543,305 |
| Engineering 9.6% and 8.3% | 510,654 | 414,545 |
| | <u>\$ 5,306,314</u> | <u>\$ 4,994,516</u> |



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

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of
St. Mary's County Metropolitan Commission

We have audited, 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, the financial statements of the St. Mary's County Metropolitan Commission (MetCom) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise MetCom's basic financial statements, and have issued our report thereon dated December 2, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered MetCom's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MetCom's internal control. Accordingly, we do not express an opinion on the effectiveness of MetCom's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



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Compliance and Other Matters

As part of obtaining reasonable assurance about whether MetCom’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Owings Mills, Maryland
December 2, 2020