ST. MARY'S COUNTY METROPOLITAN COMMISSION

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

For the Years Ended June 30, 2023 and 2022

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ST. MARY'S COUNTY METROPOLITAN COMMISSION

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

JUNE 30, 2023 AND 2022

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SB & COMPANY, LLC
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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

Report on the Audit of the Financial Statements

Opinions

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 years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise MetCom's basic financial statements as listed in the table of contents.

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, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of MetCom and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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.

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

Auditor's Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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.

Supplementary 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.

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.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have issued our report dated November 27, 2023 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
November 27, 2023

SB & Company, LLC

Management's Discussion and Analysis
June 30, 2023 and 2022

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, 2023 and 2022. 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 $4.7 and $6.0 million or 3.4% and 4.6% as a result of operations in FY2023 and FY2022, respectively.

- During the current year, MetCom's revenue from operations was $17.1 million, representing an increase of 4.3% over the prior year. During FY2022, revenue increased by 2.0% over FY2021. The percent change in rates increased from FY2022 to FY2023. Both years realized an increase in usage and new customers.

- MetCom's operating expenses excluding depreciation were $16.7 and $15.1 million for the years ended June 30, 2023 and 2022, respectively.

- Depreciation expense totaled $7.0 million and $6.5 million for the years ended June 30, 2023 and 2022, respectively.

- MetCom's net nonoperating revenue was $9.7 and $8.7 million for the years ended June 30, 2023 and 2022, respectively. The increase of 11% was a result of a decrease in debt service charges, and a decrease in interest expenses. FY2022 decrease by 1% as a result of a decrease in debt service charges and in interest expense.

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.

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 $4.7 and $6.0 million during the years ended June 30, 2023 and 2022, respectively. The increase for both FY2023 and FY2022 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, 2023, 2022, and 2021.

NET POSITION
(in millions)

	As of June 30,		
	2023	2022	2021
ASSETS AND DEFERRED OUTFLOWS			
Current and other assets	$ 63.2	$ 73.4	$ 60.9
Capital assets	181.0	172.9	171.6
Deferred outflows	2.6	3.7	2.3
Total Assets and Deferred Outflows	246.8	250.0	234.8
LIABILITIES AND DEFERRED INFLOWS			
Long-term debt outstanding	82.0	88.4	83.3
Pension liability	5.7	4.3	5.6
OPEB liability	1.6	3.6	1.9
Other liabilities	14.5	14.3	11.7
Deferred inflows	2.0	3.1	2.0
Total Liabilities and Deferred Inflows	105.8	113.7	104.5
NET POSITION			
Net investment in capital assets	101.2	93.4	101.6
Restricted	16.7	18.5	16.8
Unrestricted	23.1	24.4	11.9
Total Net Position	141.0	136.3	130.3
Total Liabilities, Deferred Inflow of Resources and Net Position	$ 246.8	$ 250.0	$ 236.4

Overview of the Financial Statements (continued)

Statements of Revenue, Expenses, and Changes in Net Position

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

CHANGES IN NET POSITION
(in millions)

	Years Ended June 30,		
	2023	**2022**	**2021**
Operating revenues	$ 17.1	$ 16.4	$ 16.1
Operating expenses	(16.7)	(15.1)	(15.4)
Depreciation expense	(7.0)	(6.5)	(6.6)
Operating loss	(6.6)	(5.2)	(5.9)
Nonoperating revenues, net	9.7	8.7	8.8
Capital contributions	1.6	2.5	0.2
Change in net position	4.7	6.0	3.1
Net position – beginning of year	136.3	130.3	127.2
Net Position – End of year	$ 141.0	$ 136.3	$ 130.3

MetCom's operating revenues total $17.1 million during the current year. Total operating revenues increased by $0.7 million or 4.3% over the prior year, compared to operating revenue in the prior year of $16.4 million which was an increase of 1.9% over FY2021. For both FY2023 and FY2022, the increase was largely a result of increased rates. FY2023 also realized a significant increase in interest income.

Expenses from MetCom's operations excluding depreciation were $16.7 and $15.1 million for the years ended June 30, 2023 and 2022, respectively. Depreciation expense total $7.0 million and $6.5 million for the years ended June 30, 2023 and 2022, respectively.

MetCom's net nonoperating revenue was $9.7 and $8.7 million for the years ended June 30, 2023 and 2022, respectively. The increase of 11% was a result of a decrease in debt service charges, and a decrease in interest expense. FY2022 decrease by 1% was a result of a decrease in debt service and in interest expense.

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, 2023 and 2022, amounts to $181.0 and $172.9 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 years ended June 30, 2023 and 2022, was $8.1 million and $1.3 million, respectively. The majority of the increase was for the purchase and build-outs of the 23123 Camden Way Engineering Offices, and Developer water and sewer infrastructure projects Dollar General in Lexington Park and Oak Crest Center in California, Maryland.

CAPITAL ASSETS
(in millions)

	June 30, 2023	June 30, 2022	June 30, 2021
Utility plants	$ 168.8	$ 166.1	$ 155.7
Water plants	75.7	73.5	71.9
Equipment	10.8	10.4	10.2
Buildings	4.1	4.0	3.9
Land	1.9	1.9	1.9
Construction in progress	22.8	12.2	16.9
Total before depreciation	284.1	268.1	260.5
Accumulated depreciation	(103.1)	(95.2)	(88.9)
Net Capital Assets	$ 181.0	$ 172.9	$ 171.6

Long-Term Debt

As of June 30, 2023 and 2022, MetCom had a total of $90.8 million and $96.2 million, respectively, in debt outstanding.

DEBT ADMINISTRATION
(in millions)

	June 30, 2023	June 30, 2022	June 30, 2021
Bonds payable	$ 53.4	$ 57.1	$ 48.9
Notes and loans payable	37.4	39.1	40.9
	$ 90.8	$ 96.2	$ 89.8

Overview of the Financial Statements (continued)

Economic Factors and Next Year's Budgets and Rates

MetCom anticipates a negligible decrease in the total operating revenues for next year compared with FY2023 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, 2023 and 2022

	2023	2022
CURRENT ASSETS		
Cash and cash equivalents	**$ 49,918,948**	$ 54,475,529
Accounts receivable	**1,769,146**	1,724,265
Loans/grants receivable	**11,013,494**	16,927,046
Inventory	**236,437**	260,519
Prepaid expenses	**221,053**	-
Total current assets	**63,159,078**	73,387,359
NONCURRENT ASSETS		
Net capital assets	**180,979,859**	172,855,905
Unamortized bond discount	**16,699**	18,369
Total noncurrent assets	**180,996,558**	172,874,274
TOTAL ASSETS	**244,155,636**	246,261,633
DEFERRED OUTFLOWS OF RESOURCES		
Pension	**1,297,525**	1,868,238
OPEB	**1,014,642**	1,495,088
Bond refunding	**326,796**	326,796
Total Assets and Deferred Outflows of Resources	**$ 246,794,599**	$ 249,951,755
CURRENT LIABILITIES		
Accounts payable	**$ 417,158**	$ 521,896
Accrued interest payable	**1,003,146**	1,065,626
Accrued expenses	**1,147,650**	1,677,052
Unearned revenue	**30,013**	30,013
Bond premiums	**2,968,736**	2,987,662
Bonds payable	**3,766,336**	4,130,381
Notes and loans payable	**5,018,075**	3,832,874
Total current liabilities	**14,351,114**	14,245,504
NONCURRENT LIABILITIES		
Bonds payable	**49,626,976**	53,004,829
Notes and loans payable	**32,395,273**	35,307,134
Net pension liability	**5,666,604**	4,200,218
Net OPEB liability	**1,583,299**	3,529,350
Total noncurrent liabilities	**89,272,152**	96,041,531
TOTAL LIABILITIES	**103,623,266**	110,287,035
DEFERRED INFLOWS OF RESOURCES		
Pension	**478,823**	2,738,993
OPEB	**1,728,838**	587,345
Total Liabilities and Deferred Inflows of Resources	**105,830,927**	113,613,373
NET POSITION		
Net investment in capital assets	**101,186,693**	93,507,733
Restricted	**16,657,860**	18,475,121
Unrestricted	**23,119,119**	24,355,528
Total Net Position	**$ 140,963,672**	$ 136,338,382

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, 2023 and 2022

	2023	2022
Operating revenue:		
Service charges	**$ 16,664,004**	$ 16,151,482
Miscellaneous	**395,010**	353,252
Total operating revenue	**17,059,014**	16,504,734
Operating expenses:		
Direct operating expenses	**10,718,344**	9,501,454
Administrative expenses	**5,985,399**	5,630,262
Total operating expenses	**16,703,743**	15,131,716
Operating income before depreciation	**355,271**	1,373,018
Depreciation	**(6,996,841)**	(6,534,174)
Operating loss	**(6,641,570)**	(5,161,156)
Nonoperating revenue (expenses):		
Interest income	**1,488,434**	103,826
Debt service charges	**10,137,566**	11,151,076
House connection charges, net	**(8,234)**	10,001
Interest expense	**(2,088,173)**	(2,714,000)
Other fees	**146,600**	129,376
Total nonoperating revenue, net	**9,676,193**	8,680,279
Income before contributions	**3,034,623**	3,519,123
Capital contributions	**1,590,667**	2,530,034
Change in net position	**4,625,290**	6,049,157
Net position, beginning of year	**136,338,382**	130,289,225
Net Position, End of Year	**$ 140,963,672**	$ 136,338,382

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, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Receipts from customers	**$ 22,532,675**	$ 18,412,732
Other receipts	**395,010**	353,252
Payments to suppliers	**(11,389,694)**	(10,773,156)
Payments to employees	**(6,692,343)**	(4,263,545)
Net Cash from Operating Activities	**4,845,648**	3,729,283
Cash Flows from Capital and Related Financing Activities		
Proceeds from capital debt	**1,244,574**	42,454,250
Purchases of capital assets	**(16,016,940)**	(7,502,246)
Principal paid on capital debt	**(6,713,132)**	(35,949,681)
Interest paid on capital debt	**(2,150,653)**	(2,344,726)
Capital contribution	**1,590,667**	2,530,034
Other receipts	**11,154,821**	11,962,221
Net Cash from Capital and Related Financing Activities	**(10,890,663)**	11,149,852
Cash Flows from Investing Activities		
Interest received	**1,488,434**	103,826
Net change in cash and cash equivalents	**(4,556,581)**	14,982,961
Cash and cash equivalents, beginning of year	**54,475,529**	39,492,568
Cash and Cash Equivalents, End of Year	**$ 49,918,948**	$ 54,475,529

	2023	2022
Reconciliation of Operating Loss to Net Cash and Cash Equivalents from Operating Activities		
Operating loss	**$ (6,641,570)**	$ (5,161,156)
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	**6,996,841**	6,534,174
Changes in assets and liabilities:		
Accounts, loans, grants receivable	**5,868,671**	2,198,555
Inventory	**24,082**	157,311
Prepaid expense	**(221,053)**	76,758
Deferred outflows	**1,051,159**	(1,376,992)
Accounts payable	**(104,738)**	(1,108,160)
Accrued expenses	**(529,402)**	707,964
Net pension liability	**1,466,386**	(1,378,789)
Net OPEB liability	**(1,946,051)**	1,554,920
Deferred inflows	**(1,118,677)**	1,524,698
Net Cash from Operating Activities	**$ 4,845,648**	$ 3,729,283

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, 2023 and 2022

	Pension and OPEB Trust Funds	
	2023	**2022**
ASSETS		
Restricted investments	**$ 9,075,284**	$ 7,867,243
Receivables	**-**	6,113
	9,075,284	7,873,356
LIABILITIES AND NET POSITION		
Held in trust for pension and OPEB	**$ 9,075,284**	$ 7,873,356

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, 2023 and 2022

	Pension and OPEB Trust Funds	
	2023	**2022**
ADDITIONS		
Contributions	**$ 730,162**	$ 559,159
Unrealized gains/(losses)	**790,610**	(1,129,437)
Total additions	**1,520,772**	(570,278)
DEDUCTIONS		
Benefits	**318,844**	313,159
Administrative expenses	**-**	25,696
TOTAL DEDUCTIONS	**318,844**	338,855
CHANGES IN NET POSITION	**1,201,928**	(909,133)
NET POSITION - BEGINNING OF YEAR	**7,873,356**	8,782,489
NET POSITION - END OF YEAR	**$ 9,075,284**	$ 7,873,356

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

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. Government Accounting Standards Board (GASB) Statement No. 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 GASB.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

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:

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

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 $836,060 and $720,633, as of June 30, 2023 and 2022, 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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires MetCom 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 (FDIC) 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 $49,918,948 and $54,475,529, as of June 30, 2023 and 2022, respectively. As of June 30, 2023, the carrying amount of $49,918,948 is made up of $12,000,000 of CDARS investments, $31,653,478 of Insured Cash Sweep (ICS) deposits, and $5,335,665 of investments in MLGIP. As of June 30, 2022, the carrying amount of $37,333,885 is made up of $12,000,000 of CDARS investments, $37,333,885 of ICS deposits, $5,030,163 of investments in MLGIP, and a book value of cash of $28,370 with an associated bank balance of $26,870. Of the associated cash bank balances, up to $500,000 was covered by Federal depository insurance as of June 30, 2023 and 2022. As of June 30, 2023 and 2022, 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 as of June 30, 2023 and 2022, was $12,000,000 and $12,000,000, respectively.

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, 2023:

Description	Effective Date	Maturity Date	Interest Rate	Principal
CDARS	7/7/2022	7/6/2023	0.48%	$ 1,000,000
CDARS	9/8/2022	9/7/2023	0.01%	1,000,000
CDARS	10/13/2022	10/12/2023	0.60%	1,000,000
CDARS	11/10/2022	11/9/2023	0.63%	1,000,000
CDARS	12/1/2022	11/30/2023	0.65%	1,000,000
CDARS	1/5/2023	1/4/2024	0.68%	1,000,000
CDARS	3/9/2023	3/4/2024	1.24%	1,000,000
CDARS	8/4/2022	8/3/2023	0.48%	1,000,000
CDARS	2/2/2023	2/1/2024	1.00%	1,000,000
CDARS	4/6/2023	4/4/2024	1.83%	1,000,000
CDARS	5/4/2023	5/2/2024	1.98%	1,000,000
CDARS	6/1/2023	5/30/2024	2.08%	1,000,000
ICS	1/11/2019	N/A	5.09%	9,908,033
ICS	1/11/2019	N/A	5.09%	21,745,445
Total				$ 43,653,478

A summary of the terms for the deposits and the annual yields are as follows as of June 30, 2022:

Description	Effective Date	Maturity Date	Interest Rate	Principal
CDARS	9/9/2021	9/8/2022	0.38%	$ 1,000,000
CDARS	10/14/2021	10/13/2022	0.38%	1,000,000
CDARS	12/2/2021	12/1/2022	0.38%	1,000,000
CDARS	1/6/2022	1/5/2023	0.36%	1,000,000
CDARS	3/10/2022	3/9/2023	0.35%	1,000,000
CDARS	4/7/2022	4/6/2023	0.36%	1,000,000
CDARS	5/5/2022	5/4/2023	0.38%	1,000,000
CDARS	7/8/2021	7/7/2022	0.40%	1,000,000
CDARS	9/16/2021	9/15/2022	0.38%	1,000,000
CDARS	11/12/2021	11/10/2022	0.36%	1,000,000
CDARS	2/3/2022	2/2/2023	0.35%	1,000,000
CDARS	6/2/2022	6/1/2023	0.45%	1,000,000
ICS	1/11/2019	N/A	0.85%	10,572,084
ICS	1/11/2019	N/A	0.85%	26,761,801
Total				$ 49,333,885

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 Standards and Poor's. As of June 30, 2023 and 2022, 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. MLGIP 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, 2023 and 2022, was $5,335,665 and $5,030,163, respectively.

In fiscal year 2015, MetCom joined the Maryland Association of Counties (MACo) Pooled OPEB Trust (the Trust). There are 15 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, 2023, the net position of the Trust was valued at $74.6 million. MetCom's interest was $8.0 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 certified public accounting 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.

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.

2. DEPOSITS AND INVESTMENTS (continued)

Investments (continued)

MetCom had the following deposits and investments as of June 30, 2023 and 2022, which were not subject to fair value disclosure leveling as they were reported at amortized cost:

	2023	2022
MLGIP	**$ 6,263,970**	$ 5,030,163
Broker deposits - CDARS	**12,000,000**	12,000,000
ICS	**31,653,478**	37,333,885
Cash	**-**	109,981
Petty cash	**1,500**	1,500
	$ 49,918,948	$ 54,475,529

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 was as follows:

	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023
Capital assets being depreciated:				
Utility plants	$ 166,104,239	$ 3,530,010	$ 852,029	$ 168,782,220
Water plant systems	73,540,232	2,195,981	-	75,736,213
Equipment	10,391,585	383,827	3,149	10,772,263
Buildings	4,011,109	103,602	40,967	4,073,744
Total Capital Assets Being Depreciated	254,047,165	6,213,420	896,145	259,364,440
Capital assets not being depreciated:				
Utility plant construction in process	3,509,606	6,968,496	1,649,021	8,829,081
Water plant construction in process	8,565,229	5,972,465	604,514	13,933,180
Land/land rights	1,928,703	2,576,214	2,563,975	1,940,942
Total Capital Assets	268,050,703	21,730,595	5,713,655	284,067,643
Accumulated depreciation:				
Utility plants	61,302,234	3,936,473	(852,029)	66,090,736
Water plant systems	23,232,408	2,434,849	-	25,667,257
Equipment	8,042,386	444,074	(3,149)	8,489,609
Buildings	2,617,770	181,445	(40,967)	2,840,182
Total Accumulated Depreciation	95,194,798	6,996,841	(896,145)	103,087,784
Net Capital Assets	$ 172,855,905	$ 14,733,754	$ 6,609,800	$ 180,979,859

Depreciation expense of $6,996,841 was charged to activities as follows:

Sewer activities	$ 4,802,429
Water activities	2,085,315
Engineering activities	36,842
Administrative	72,255
	$ 6,996,841

3. CAPITAL ASSETS (continued)

Capital asset activity for the year ended June 30, 2022 was as follows:

	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022
Capital assets being depreciated:				
Utility plants	$ 155,644,283	$ 10,792,603	$ 332,647	$ 166,104,239
Water plant systems	71,912,850	1,627,382	-	73,540,232
Equipment	10,208,468	337,546	154,429	10,391,585
Buildings	3,946,003	65,106	-	4,011,109
Total Capital Assets Being Depreciated	241,711,604	12,822,637	487,076	254,047,165
Capital assets not being depreciated:				
Utility plant construction in process	10,392,376	3,054,905	9,937,675	3,509,606
Water plant construction in process	6,507,374	3,025,091	967,236	8,565,229
Land/land rights	1,937,103	55,294	63,694	1,928,703
Total Capital Assets	260,548,457	18,957,927	11,455,681	268,050,703
Accumulated depreciation:				
Utility plants	57,880,511	3,646,964	225,241	61,302,234
Water plant systems	20,881,200	2,377,826	26,618	23,232,408
Equipment	7,713,001	342,642	13,257	8,042,386
Buildings	2,451,028	166,742	-	2,617,770
Total Accumulated Depreciation	88,925,740	6,534,174	265,116	95,194,798
Net Capital Assets	$ 171,622,717	$ 12,423,753	$ 11,190,565	$ 172,855,905

Depreciation expense of $6,534,174 was charged to activities as follows:

Sewer activities	$ 4,484,868
Water activities	1,947,423
Engineering activities	34,406
Administrative	67,477
	$ 6,534,174

4. LONG-TERM DEBT

Long-term bonds payable as of June 30, 2023 are as follows:

Bond Payable Description	Due	Rate	Principal	Interest
Thirtieth issue	2012-2029	2.96 - 3.4%	$ 571,341	$ 71,176
Fortieth issue	2015-2027	2.08%	2,772,000	145,683
Forty-eighth issue	2019-2049	3.39%	6,658,000	4,430,204
Forty-ninth issue	2019-2029	1.82%	187,500	28,959
Fiftieth issue	2020-2030	0.96%	4,091,000	721,116
Fifty-first issue	2021-2034	1.79%	16,533,223	1,551,462
Fifty-second issue	2023-2036	1.79%	13,210,248	2,062,499
Fifty-forth issue	2021-2051	2.67%	9,370,000	5,194,252
			53,393,312	14,205,351
Less current portion			3,766,336	1,389,089
			$ 49,626,976	$ 12,816,262

The annual requirements to amortize principal and interest payments of all bonds outstanding as of June 30, 2023 are as follows:

Years Ending June 30,	Principal	Interest	Total
2024	$ 3,766,336	$ 1,389,089	$ 5,155,425
2025	3,863,770	1,295,173	5,158,943
2026	3,963,640	1,198,818	5,162,458
2027	4,078,249	1,099,471	5,177,720
2028	3,453,572	996,637	4,450,209
2029-2033	15,448,606	3,682,361	19,130,967
2034-2038	9,718,639	2,236,398	11,955,037
2039-2043	3,317,500	1,419,064	4,736,564
2044-2048	3,937,000	763,511	4,700,511
2049-2053	1,846,000	124,829	1,970,829
Total	$ 53,393,312	$ 14,205,351	$ 67,598,663

4. LONG-TERM DEBT (continued)

Long-term bonds payable as of June 30, 2022 are as follows:

Bond Payable Description	Due	Rate	Principal	Interest
Thirtieth issue	2012-2029	2.96%	$ 655,813	$ 6,875
Thirty-sixth issue	2013-2033	4.31%	738,000	33,356
Thirty-eighth issue	2015-2034	3.51%	1,021,000	32,657
Fortieth issue	2015-2027	2.08%	3,429,000	217,006
Forty-eighth issue	2019-2049	3.39%	6,803,500	4,715,940
Forty-ninth issue	2019-2029	1.82%	214,500	37,993
Fiftieth issue	2020-2030	0.96%	4,586,500	913,727
Fifty-first issue	2021-2034	1.79%	16,952,581	1,851,843
Fifty-second issue	2023-2036	1.79%	13,210,248	2,298,962
Fifty-fourth issue	2021-2051	2.67%	9,524,068	5,436,332
			57,135,210	15,544,691
Less current portion			4,130,381	1,511,477
			$ 53,004,829	$ 14,033,214

The annual requirements to amortize principal and interest payments of all bonds outstanding as of June 30, 2022 are as follows:

Years Ending June 30,	Principal	Interest	Total
2023 (current)	$ 4,130,381	$ 1,511,477	$ 5,641,858
2024	3,679,211	1,366,386	5,045,597
2025	3,772,923	1,275,506	5,048,429
2026	3,870,743	1,182,256	5,052,999
2027	3,981,432	1,086,082	5,067,514
2028-2032	16,386,322	4,061,947	20,448,269
2033-2037	11,618,698	2,461,055	14,079,753
2038-2042	3,206,500	1,511,781	4,718,281
2043-2047	3,802,000	878,663	4,680,663
2048-2052	2,687,000	209,538	2,896,538
Total	$ 57,135,210	$ 15,544,691	$ 72,679,901

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:

Period	Price
May 1, 2020 through April 30, 2021	102%
May 1, 2021 through April 30, 2022	101%
On or after May 1, 2022	100%

4. LONG-TERM DEBT (continued)

Thirtieth Issue (continued)

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.

Thirty-sixth Issue

On October 2, 2013, MetCom issued $15,948,168 of Infrastructure Financing Bonds in conjunction with the CDA. As of June 30, 2023 and 2022, the unspent proceeds were $0 and $738,000, 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. In July 2021 MetCom advance refunded 2013 Series A to an interest rate of 1.79% reducing its total debt service payments. The refunded debt service was awarded via the RFP process and includes 2012, 2013, and 2014 Bonds under the new 2021 B Series with payments being issued monthly through 2034.

Thirty-eighth Issue

On August 28, 2014, MetCom issued $22,075,230 of Infrastructure Financing Bonds in conjunction with the CDA. 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.

In July 2021, MetCom advance refunded 2014 Series A to an interest rate of 1.79% reducing its total debt service payments. The refunded debt service was awarded via the RFP process and includes 2012, 2013, and 2014 Bonds under the new 2021 B Series with payments being issued monthly through 2034. As of June 30, 2023 and 2022, the unspent proceeds were $0 and $1,021,000, respectively.

4. LONG-TERM DEBT (continued)

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 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.

Forty-eighth Issue

On November 21, 2019, MetCom issued $7,152,371 of Infrastructure Financing Bonds, 2019, Series BII, in conjunction with the CDA. As of June 30, 2023 and 2022, the unspent proceeds were $6,658,000 and $5,242,259, respectively.

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, MetCom issued $279,594 of Infrastructure Financing Bonds, 2019, Series BI, in conjunction with the CDA. There were no unspent proceeds as of June 30, 2022.

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.

4. LONG-TERM DEBT (continued)

Fiftieth Issue

On August 11, 2020, MetCom issued Refinancing Bonds Series 2020-A1 in the principal amount of $5,411,345, after a premium discount of $980,662. These bonds were issued with a true interest cost of .96% to refund certain maturities of MetCom's 2010 Series A Bonds, the Twenty-seventh Issue, issued in conjunction with the CDA, with a coupon rate ranging from .75% to 4.31% on the refunded bonds.

These bonds were issued to take advantage of a favorable interest rate environment, and to reduce its total debt service payments in excess of $1,000,000.

Interest is payable on October 1, 2020 and semiannually thereafter on each October 1 and April 1 to maturity.

Fifty-first Issue

On July 1, 2021, MetCom issued an advanced refunding of Issues 2012B, 2013A, and 2014A in the principal amount of $17,026,696 Series 2021B (Taxable). These bonds were issued with a true interest cost of 1.79% to refund. This advance refunding was issued to take advantage of a favorable interest rate environment, and to reduce its total debt service payments in excess of $2,000,000.

Principal and interest payments are payable on the first of every month to maturity in 2034.

Fifty-second Issue

On July 1, 2021, MetCom issued General Obligation Bonds Series 2021A in the principal amount of $13,210,248. These bonds were issued with a true interest cost of 1.79%. The proceeds of the Series 2021A Bond will be used to finance all or a portion of the costs of various routine and non-routine capital upgrades, rehabilitation, improvements or renovations to its various water and wastewater facilities. These bonds were issued from undrawn proceeds of prior CDA issuances 2012B, 2013A, and 2014A, and were issued to take advantage of the favorable interest rate environment.

Principal and interest payments are payable on the first of every month to maturity in 2036.

4. LONG-TERM DEBT (continued)

Fifty-fourth Issue

On December 2, 2021, MetCom issued $10,590,570 of Infrastructure Financing Bonds, Series 2021A-1 and 2021A-2 in conjunction with CDA. As of June 30, 2022, the unspent proceeds were $9,206,865.

The bonds mature on April 1, 2051 in 30 annual installments, beginning in 2022 and ending in 2051. The average interest yield on these bonds is 2.67%. Interest was payable on April 1, 2022 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, 2031.

Notes and loans payable as of June 30, 2023 are as follows:

Loans Payable Description	Due	Rate	Principal	Interest
MD Water Quality Loan #18	2025	1.10%	$ 518,952	$ 33,640
MD Water Quality Loan #19	2024	1.10%	56,564	3,405
MD Water Quality Loan #22	2027	1.10%	175,674	10,086
MD Water Quality Loan #25	2029	1.00%	63,949	5,582
MD Water Quality Loan #26	2030	1.00%	217,200	20,011
MD Water Quality Loan #28	2030	2.20%	185,222	27,231
MD Water Quality Loan #32	2034	1.80%	2,926,487	465,953
MD Water Quality Loan #33	2033	1.70%	222,455	32,750
MD Water Quality Loan #34	2035	2.10%	13,682,875	2,677,374
MD Water Quality Loan #35	2035	2.10%	3,420,719	1,223,274
MD Water Quality Loan #37	2034	2.00%	1,443,157	234,538
Leonardtown #41	2037	1.80%	1,115,234	244,947
MD Water Quality Loan #42	2038	1.50%	2,429,491	422,692
MD Water Quality Loan #43	2038	1.50%	1,719,541	312,681
MD Water Quality Loan #44	2039	1.60%	3,949,911	782,787
MD Water Quality Loan #45	2039	1.70%	1,363,252	319,923
MD Water Quality Loan #46	2039	1.70%	1,012,944	240,606
MD Water Quality Loan #47	2049	1.70%	812,285	422,832
MD Water Quality Loan #53	2042	0.80%	2,097,436	8,910
			37,413,348	7,489,222
Less current portion			5,018,075	898,913
			$ 32,395,273	$ 6,590,309

4. LONG-TERM DEBT (continued)

The annual requirements to amortize principal and interest payments on all notes and loans outstanding as of June 30, 2023 are as follows:

Years Ending June 30,	Principal	Interest	Total
2024	$ 5,018,075	$ 898,913	$ 5,916,988
2025	2,955,119	843,918	3,799,037
2026	2,635,217	774,916	3,410,133
2027	2,685,091	725,043	3,410,134
2028	2,735,925	670,876	3,406,801
2029-2033	13,842,924	2,565,604	16,408,528
2034-2038	6,765,859	869,520	7,635,379
2039-2043	542,845	78,367	621,212
2044-2048	167,005	43,245	210,250
2049	65,288	9,910	75,198
Total	$ 37,413,348	$ 7,480,312	$ 44,893,660

Notes and loans payable as of June 30, 2022 are as follows:

Loans Payable Description	Due	Rate	Principal	Interest
MD Water Quality Loan #18	2025	1.10%	$ 774,200	$ 54,686
MD Water Quality Loan #19	2024	1.10%	112,514	7,426
MD Water Quality Loan #22	2027	1.10%	242,674	16,238
MD Water Quality Loan #25	2029	1.00%	74,283	6,881
MD Water Quality Loan #26	2030	1.00%	247,012	24,087
MD Water Quality Loan #28	2030	2.20%	209,453	33,350
MD Water Quality Loan #32	2034	1.80%	3,172,804	536,577
MD Water Quality Loan #33	2033	1.70%	242,707	38,018
MD Water Quality Loan #34	2035	2.10%	14,676,475	3,043,128
MD Water Quality Loan #35	2035	2.10%	3,669,119	1,361,873
MD Water Quality Loan #37	2034	2.00%	1,573,930	273,276
Leonardtown #41	2037	1.80%	1,184,737	274,599
MD Water Quality Loan #42	2038	1.50%	2,584,102	470,789
MD Water Quality Loan #43	2038	1.50%	1,833,911	348,260
MD Water Quality Loan #44	2039	1.60%	4,187,598	866,773
MD Water Quality Loan #45	2039	1.70%	1,454,790	354,339
MD Water Quality Loan #46	2039	1.70%	1,081,798	266,492
MD Water Quality Loan #47	2049	1.70%	854,405	450,409
MD Water Quality Loan #53	2042	0.80%	963,496	39,140
			39,140,008	8,466,341
Less current portion			3,832,874	985,313
			$ 35,307,134	$ 7,481,028

4. LONG-TERM DEBT (continued)

The annual requirements to amortize principal and interest payments on all notes and loans outstanding as of June 30, 2022 are as follows:

Years Ending June 30,	Principal	Interest	Total
2023 (current)	$ 3,832,874	$ 985,313	$ 4,818,187
2024	2,920,639	898,913	3,819,552
2025	2,955,119	844,635	3,799,754
2026	2,635,217	774,916	3,410,133
2027	2,685,091	725,043	3,410,134
2028-2032	13,936,079	2,836,225	16,772,304
2033-2037	9,240,887	1,203,702	10,444,589
2038-2042	626,989	132,764	759,753
2043-2047	241,433	48,347	289,780
2048-2049	65,680	16,483	82,163
Total	$ 39,140,008	$ 8,466,341	$ 47,606,349

As of June 30, 2023, MetCom has nineteen loans from the Maryland Water Quality Financing Administration.

- 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-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.
- 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.
- Loan number thirty-seven in the amount of $2,420,291 is for the Route 235 and Route 712 Interceptor Rehabilitation.

4. LONG-TERM DEBT (continued)

- Loan number forty-one in the amount of $1,705,500 is for MetCom's share of Leonardtown's Maryland Department of the Environment (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 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 the County.
- Loan number fifty-three in the amount of $2,389,167 is for Phase 2 of the St. Clements Shores Water System Replacement project.

Changes in Long-Term Debt

The changes in long-term debt payable for the year ended June 30, 2023 were as follows:

	June 30, 2022	Additions	Deductions	June 30, 2023	Amounts due within one year
Bonds payable	$ 57,135,210	$ -	$ 3,741,898	$ 53,393,312	$ 3,766,336
Notes and loans payable	39,140,008	1,244,574	2,971,234	37,413,348	5,018,075
Total long-term debt	$ 96,275,218	$ 1,244,574	$ 6,713,132	$ 90,806,660	$ 8,784,411

The changes in long-term debt payable for the year ended June 30, 2022 were as follows:

	June 30, 2021	Additions	Deductions	June 30, 2022	Amounts due within one year
Bonds payable	$ 48,866,805	$ 40,605,135	$ 32,336,730	$ 57,135,210	$ 4,130,381
Notes and loans payable	40,903,844	1,849,115	3,612,951	39,140,008	3,832,874
Total long-term debt	$ 89,770,649	$ 42,454,250	$ 35,949,681	$ 96,275,218	$ 7,963,255

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 as of June 30, 2023 and 2022 was $689,849 and $689,849, respectively.

b. The Board has restricted net assets per agreement with customers for upgrades and replacements to their water and sewer systems. The amount restricted as of June 30, 2023 and 2022 was $130,204 and $130,204, respectively.

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, 2023 and 2022, was $6,610,568 and $9,138,913, 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, 2023 and 2022, was $9,227,239 and $8,516,155, respectively.

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.

6. RETIREMENT AND PENSION PLANS (continued)

Maryland State Retirement and Pension System (continued)

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.

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%.

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. 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 7% of their annual pay. MetCom's contractually required contribution rate for the System for the years ended June 30, 2023 and 2022, was $665,745 and $646,369, 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.

6. RETIREMENT AND PENSION PLANS (continued)

Maryland State Retirement and Pension System (continued)

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

As of June 30, 2023 and 2022, MetCom reported a liability of $5,666,604 and $4,200,218, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022 and 2021, 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, 2023 and 2022, MetCom's proportion was 0.028% and 0.028%, respectively.

For the year ended June 30, 2023, MetCom recognized pension expense for the System of $816,489. As of June 30, 2023, 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	$ -	$ 404,551
Changes of assumptions	631,780	57,111
Net difference between projected and actual earnings on pension plan Investments	-	17,161
Employer contribution subsequent to measurement date	665,745	-
	$ 1,297,525	$ 478,823

There was $665,745 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, 2022. 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:

Years Ending June 30,	Amount
2024	$ (45,584)
2025	(42,353)
2026	(127,361)
2027	386,222
2028	(17,967)
Total	$ 152,957

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/ACFR/.

6. RETIREMENT AND PENSION PLANS (continued)

Maryland State Retirement and Pension System (continued)

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

Sensitivity of 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 6.8 percent is $5,666,604. 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 (5.8 percent) is $8,694,362, or 1-percentage-point higher (7.8 percent) is $3,154,253.

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.

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 MLGIP and the Maryland Association of Counties (MACo) OPEB Trust. The OPEB Trust does not issue a stand-alone financial report.

As of June 30, 2023 and 2022, membership consisted of:

	2023	2022
Retirees and beneficiaries currently receiving benefits	15	26
Active plan members	73	73
Total	88	99

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

Plan Description (continued)

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, 2023 and 2022, the annual money weighted rate of return of the OPEB Trust was 15.4% and -10.4%, respectively.

Net OPEB Liability

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

	2023	2022
Total OPEB liability	$ 10,658,583	$ 11,402,706
Plan fiduciary net position	(9,075,284)	(7,873,356)
Net OPEB liability	$ 1,583,299	$ 3,529,350
Plan fiduciary net position as a percentage of the total OPEB liability	85.15%	69.05%

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2022 rolled forward to June 30, 2023 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Projected unit credit
Inflation	2.50%
Salary increases	3.00%
Investment rate of return	6.50%
Healthcare cost trend rate	The trend for 2022 is 5.1%. The ultimate trend is 4.0%.
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, 2023. 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.

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

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 2.94%	Medical Trend 3.94%	1% Increase 4.94%
Net OPEB liability	$ 23,379	$ 1,583,299	$ 3,567,922

	1% Decrease 5.68%	Discount Rate 6.68%	1% Increase 7.68%
Net OPEB liability	$ 3,356,786	$ 1,583,299	$ 173,330

For the year ended June 30, 2023, MetCom recognized OPEB expense of $459,942. As of June 30, 2023, 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	$ 568,942	$ 628,660
Changes of assumptions	-	1,100,178
Net difference between projected and actual earnings on OPEB plan investments	445,700	-
	$ 1,014,642	$ 1,728,838

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:

Years Ending June 30,	Amount
2024	$ (24,809)
2025	(89,515)
2026	141,382
2027	(206,739)
2028	(157,596)
Thereafter	(376,919)
Total	$ (714,196)

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

Changes in the net OPEB liability:

Total OPEB liability:		
Service cost	$	249,973
Interest		747,284
Differences between expected and actual experience		(707,243)
Changes of assumptions		(715,293)
Benefit payments, including refunds of member contributions		(318,844)
Net change in total OPEB liability		(744,123)
Total OPEB liability – beginning		11,402,706
Total OPEB liability – ending (a)	$	10,658,583
Plan fiduciary net position:		
Contributions – employer	$	730,162
Net investment (loss)		790,610
Benefit payments		(318,844)
Administrative expense		-
Net change in plan fiduciary net position		1,201,928
Plan fiduciary net position – beginning		7,873,356
Plan fiduciary net position – ending (b)	$	9,075,284
County's Net OPEB Liability – Ending (a) – (b)	$	1,583,299
Plan fiduciary net position as a percentage of the total OPEB liability		85.15%

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:

		2023		2022
Change in net position - per financial statements	**$**	**4,625,290**	$	6,049,157
Add:				
Depreciation - facilities		**6,996,841**		6,534,174
Less:				
Principal payment on capital debt		**6,713,132**		6,504,569
OPEB		**(324,112)**		16,244
Pension accrual		**(223,071)**		307,593
Capital contributions		**1,590,667**		2,530,034
Excess (deficiency) of revenue over expenses - rate-setting method	**$**	**3,865,515**	$	3,224,891

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.

10. NEW ACCOUNTING PRONOUNCEMENTS

As of June 30, 2023, the Governmental Accounting Standards Board (GASB) has issued the following pronouncements: Statement No. 91, *Conduit Debt Obligations*; Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; Statement No. 96, *Subscription-Based Information Technology Arrangements*; and Statement No. 99, *Omnibus 2022*. These statements have been implemented and did not have a material effect on MetCom's financial statements.

The GASB has also issued Statement No. 100, *Accounting Changes and Error Corrections*; and Statement No. 101, *Compensated Absences*, which will require adoption in the future, if applicable. MetCom will be analyzing the effects of these pronouncements and plans to adopt them, as applicable, by their effective dates.

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, 2023 and 2022

	2023	2022	2021	2020	2019	2018	2017	2016
Proportion of the System net pension liability (asset)	0.028%	0.028%	0.027%	0.023%	0.022%	0.021%	0.022%	0.021%
Proportionate share of the System net pension liability (asset)	$ 5,666,604	$ 4,200,218	$ 5,579,007	$ 4,896,302	$ 4,533,596	$ 4,558,356	$ 5,077,598	$ 4,394,022
Total	$ 5,666,604	$ 4,200,218	$ 5,579,007	$ 4,896,302	$ 4,533,596	$ 4,558,356	$ 5,077,598	$ 4,394,022
Covered-employee payroll	$ 6,613,710	$ 6,193,130	$ 6,283,002	$ 6,167,063	$ 5,578,800	$ 5,033,524	$ 5,251,620	$ 4,914,900
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee	85.68%	67.82%	88.80%	79.39%	81.26%	90.56%	96.69%	89.40%
Plan fiduciary net position as a percentage of the total pension liability	76.27%	81.84%	72.34%	72.34%	71.18%	69.38%	65.79%	68.78%

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, 2023 and 2022

	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	$ 665,745	$ 646,369	$ 616,923	$ 529,249	$ 487,479	$ 430,869	$ 429,057	$ 419,241
Contributions in relation to the contractually required contribution	(665,745)	(646,369)	(616,923)	(529,249)	(487,479)	(430,869)	(429,057)	(419,241)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 6,613,710	$ 6,193,130	$ 6,283,002	$ 6,167,063	$ 5,578,800	$ 5,033,524	$ 5,251,620	$ 4,914,900
Contributions as a percentage of covered-employee payroll	10 07%	10 44%	9 82%	8 58%	8 74%	8 56%	8 17%	8 53%

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, 2023 and 2022

	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability:							
Service cost	$ 249,973	$ 240,359	$ 197,331	$ 198,581	$ 247,056	$ 237,782	$ 229,362
Interest	747,284	711,384	683,707	616,914	594,852	553,870	514,257
Differences between expected and actual experience	(707,243)	7,203	731,319	25,515	49,391	12,289	472
Changes of assumptions	(715,293)	-	(154,607)	(391,452)	(326,786)	-	-
Benefit payments, including refunds of member contributions	(318,844)	(313,159)	(245,506)	(254,716)	(222,652)	(162,593)	(151,091)
Net change in total OPEB liability	(744,123)	645,787	1,212,244	194,842	341,861	641,348	593,000
Total OPEB liability – beginning	11,402,706	10,756,919	9,544,675	9,349,833	9,007,972	8,366,624	7,773,624
Total OPEB liability – ending (a)	$ 10,658,583	$ 11,402,706	$ 10,756,919	$ 9,544,675	$ 9,349,833	$ 9,007,972	$ 8,366,624
Plan fiduciary net position:							
Contributions – employer	$ 730,162	$ 559,159	$ 666,371	$ 635,992	$ 728,453	$ 527,000	$ 526,000
Net investment income	790,610	(1,129,437)	1,638,626	88,640	305,417	268,969	329,007
Benefit payments	(318,844)	(313,159)	(245,506)	(254,716)	(222,652)	(162,593)	(151,091)
Administrative expense	-	(25,696)	(39,102)	-	-	-	-
Net change in plan fiduciary net position	1,201,928	(909,133)	2,020,389	469,916	811,218	633,376	703,916
Plan fiduciary net position – beginning	7,873,356	8,782,489	6,762,100	6,292,184	5,480,966	4,847,590	4,143,674
Plan fiduciary net position – ending (b)	$ 9,075,284	$ 7,873,356	$ 8,782,489	$ 6,762,100	$ 6,292,184	$ 5,480,966	$ 4,847,590
County's Net OPEB Liability – Ending (a) – (b)	$ 1,583,299	$ 3,529,350	$ 1,974,430	$ 2,782,575	$ 3,057,649	$ 3,526,638	$ 3,519,034
Plan fiduciary net position as a percentage of the total OPEB liability	85.15%	69.05%	81.65%	70.85%	67.30%	60.85%	57.94%
Covered employee payroll	$ 6,613,710	$ 6,193,130	$ 6,283,002	$ 5,389,669	$ 5,246,320	$ 5,381,613	$ 5,194,244
County's net OPEB liability as a percentage of covered employee payroll	23.94%	56.99%	31.42%	51.63%	58.28%	65.53%	67.75%
Annual money-weighted-rate of return, net of investment expenses	15.40%	-10.40%	24.23%	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, 2023 and 2022

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	$ 439,000	$ 456,000	$ 459,000	$ 443,000	$ 545,000	$ 527,000	$ 526,000	$ 507,000	$ 573,000	$ 550,000
Contributions related to the actuarially determined contribution	730,162	559,159	666,371	635,992	728,085	527,000	526,000	507,000	573,000	550,000
Contribution deficiency (excess)	$ (291,162)	$ (103,159)	$ (207,371)	$ (192,992)	$ (183,085)	$ -	$ -	$ -	$ -	$ -
Covered employee payroll	$ 6,193,130	$ 6,193,130	$ 6,283,002	$ 5,389,669	$ 5,246,320	$ 5,381,613	$ 5,194,244	$ 5,195,578	$ 4,911,310	$ 4,320,628
Contributions as a percentage of covered employee payroll	11 79%	9 03%	10 61%	11 80%	13 88%	9 79%	10 13%	9 76%	11 67%	12 73%

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Projected Unit Credit
Amortization method	Level percentage of payroll
Remaining amortization period	16 years for FYE 2022
Asset valuation method	Market value of assets
Inflation	2 5%
Payroll growth rate	3%
Investment rate of return	6 50%
Healthcare cost trend rate	The trend for 2021 is 4 9% The ultimate trend is 4 0%

OTHER SUPPLEMENTARY INFORMATION

ST. MARY'S COUNTY METROPOLITAN COMMISSION

Schedule of Departmental Allocable Operating and Nonoperating Revenues and Expenses
Year Ended June 30, 2023

	Sewer	Water	Engineering	Total
Operating revenue:				
Service charges	$ 10,844,377	$ 5,627,352	$ 192,275	$ 16,664,004
Miscellaneous	195,494	175,277	24,239	395,010
Total operating revenue	11,039,871	5,802,629	216,514	17,059,014
Operating expenses:				
Direct operating expenses	6,912,961	2,852,364	953,019	10,718,344
Administrative expenses	3,836,642	1,634,013	514,744	5,985,399
Total operating expenses	10,749,603	4,486,377	1,467,763	16,703,743
Operating income before depreciation	290,268	1,316,252	(1,251,249)	355,271
Depreciation	(4,802,429)	(2,085,315)	(109,097)	(6,996,841)
Operating loss	(4,512,161)	(769,063)	(1,360,346)	(6,641,570)
Allocable nonoperating revenue (expenses):				
Interest income	208,381	178,612	-	386,993
Debt service charges	5,537,027	4,600,539	-	10,137,566
House connection charges, net	-	(8,234)	-	(8,234)
Debt service charges - interest and finance charges	(1,331,286)	(756,887)	-	(2,088,173)
Total allocable nonoperating revenue, net	4,414,122	4,014,030	-	8,428,152
Total allocable net income (loss)	$ (98,039)	$ 3,244,967	$ (1,360,346)	1,786,582
Nonallocable revenue:				
Interest income				1,101,441
Other fees				146,600
Total nonallocable revenue				1,248,041
Capital contribution				1,590,667
Change in fund net position				$ 4,625,290

ST. MARY'S COUNTY METROPOLITAN COMMISSION

Schedule of Departmental Allocable Operating and Nonoperating Revenues and Expenses
Year Ended June 30, 2022

	Sewer	Water	Engineering	Total
Operating revenue:				
Service charges	$ 10,554,969	$ 5,474,888	$ 121,625	$ 16,151,482
Miscellaneous	154,227	178,835	20,190	353,252
Total operating revenue	10,709,196	5,653,723	141,815	16,504,734
Operating expenses:				
Direct operating expenses	6,110,412	2,419,610	971,432	9,501,454
Administrative expenses	3,429,392	1,542,692	658,178	5,630,262
Total operating expenses	9,539,804	3,962,302	1,629,610	15,131,716
Operating income before depreciation	1,169,392	1,691,421	(1,487,795)	1,373,018
Depreciation	(4,484,868)	(1,947,423)	(101,883)	(6,534,174)
Operating loss	(3,315,476)	(256,002)	(1,589,678)	(5,161,156)
Allocable nonoperating revenue (expenses):				
Interest income	16,622	12,442	-	29,064
Debt service charges	6,324,825	4,826,251	-	11,151,076
House connection charges, net	-	10,001	-	10,001
Debt service charges - interest and finance charges	(1,413,041)	(1,300,959)	-	(2,714,000)
Total allocable nonoperating revenue, net	4,928,406	3,547,735	-	8,476,141
Total allocable net income (loss)	$ 1,612,930	$ 3,291,733	$ (1,589,678)	3,314,985
Nonallocable revenue:				
Interest income				74,762
Other fees				129,376
Total nonallocable revenue				204,138
Capital contribution				2,530,034
Change in fund net position				$ 6,049,157

ST. MARY'S COUNTY METROPOLITAN COMMISSION

Schedule of Service Charges and Direct Operating Expenses
Year Ended June 30, 2023

	Sewer	Water	Engineering	Total
Service charges:				
Service charge - metered	$ 5,312,627	$ 2,660,906	$ -	$ 7,973,533
Service charge - nonmetered	5,248,732	2,966,446	-	8,215,178
Septage haul revenue	283,018	-	-	283,018
Review fees	-	-	63,660	63,660
Inspection fees	-	-	125,365	125,365
Residential tap fee sewer	-	-	3,250	3,250
Total service charges	$ 10,844,377	$ 5,627,352	$ 192,275	$ 16,664,004
Direct operating expenses:				
Salaries	$ 3,255,359	$ 1,293,730	$ 1,066,669	$ 5,615,758
Chemicals	787,950	159,854	-	947,804
Employee physicals/uniforms	32,047	19,352	8,324	59,723
Employee training	25,716	4,354	646	30,716
Lab/soil testing	20,078	-	-	20,078
Leonardtown - treatment plant	161,722	-	-	161,722
Maintenance	854,542	439,541	-	1,294,083
Materials and supplies	145,466	139,525	2,662	287,653
Miscellaneous	18,936	76,009	122,159	217,104
Oil and gas	126,997	1,961	-	128,958
Power	845,023	584,271	9,971	1,439,265
Professional fees	-	-	32,743	32,743
Safety supplies	16,726	8,465	-	25,191
Sludge removal	254,183	-	-	254,183
SSO fines and penalties	86,568	-	-	86,568
Telephone	10,730	4,829	3,465	19,024
Tools purchased	12,571	15,067	-	27,638
Vehicle operating and mileage	258,347	89,957	20,092	368,396
Water testing	-	15,449	-	15,449
Recovery of costs	-	-	(313,712)	(313,712)
Total direct operating expenses	$ 6,912,961	$ 2,852,364	$ 953,019	$ 10,718,344

ST. MARY'S COUNTY METROPOLITAN COMMISSION

Schedule of Service Charges and Direct Operating Expenses
Year Ended June 30, 2022

	Sewer	Water	Engineering	Total
Service charges:				
Service charge - metered	$ 5,127,460	$ 2,578,159	$ -	$ 7,705,619
Service charge - nonmetered	5,189,961	2,896,729	-	8,086,690
Septage haul revenue	237,548	-	-	237,548
Review fees	-	-	32,440	32,440
Inspection fees	-	-	85,685	85,685
Residential tap fee sewer	-	-	3,500	3,500
Total service charges	$ 10,554,969	$ 5,474,888	$ 121,625	$ 16,151,482
Direct operating expenses:				
Salaries	$ 2,989,576	$ 1,203,150	$ 1,080,976	$ 5,273,702
Chemicals	690,650	123,252	-	813,902
Employee physicals/uniforms	29,165	15,224	7,224	51,613
Employee training	16,564	4,710	407	21,681
Lab/soil testing	19,402	-	-	19,402
Leonardtown - treatment plant	146,582	-	-	146,582
Maintenance	696,323	288,018	-	984,341
Materials and supplies	116,964	76,905	485	194,354
Miscellaneous	18,248	71,693	115,954	205,895
Oil and gas	118,083	2,721	-	120,804
Power	736,075	511,423	4,326	1,251,824
Safety supplies	13,046	7,406	-	20,452
Sludge removal	257,185	-	-	257,185
SSO fines and penalties	31,000	-	-	31,000
Telephone	13,918	5,577	3,860	23,355
Tools purchased	13,352	7,151	-	20,503
Vehicle operating and mileage	204,279	79,266	20,029	303,574
Water testing	-	23,716	-	23,716
Recovery of costs	-	(602)	(261,829)	(262,431)
Total direct operating expenses	$ 6,110,412	$ 2,419,610	$ 971,432	$ 9,501,454

ST. MARY'S COUNTY METROPOLITAN COMMISSION

Schedules of Administrative Expenses
Years Ended June 30, 2023 and 2022

	2023	2022
Administrative expenses:		
Accounting	$ 15,300	$ 14,853
Advertising	7,787	8,935
Bond fees	1,500	6,000
Commissioners' salaries	14,500	14,500
Computer services	150,892	168,721
Consulting	5,602	78,700
Contractual employees	11,557	3,407
Depreciation	52,171	27,191
Dues and subscriptions	10,396	9,922
Electric	26,068	6,595
Employee training	19,814	10,253
Hospitalization and disability	1,177,935	1,275,597
Insurance	320,850	407,152
Legal	88,576	96,994
Mileage and travel	1,786	1,865
Miscellaneous	111,138	41,426
Office and administrative salaries	1,776,696	1,544,771
Office supplies and expenses	81,034	80,665
On-line fees	208,183	180,335
Payroll taxes	556,855	501,625
Postage expense	103,385	75,202
Retirement	1,184,291	1,017,954
Telephone and fax	55,955	54,485
Tuition reimbursement	3,128	3,114
Total administrative expenses	$ 5,985,399	$ 5,630,262
Allocated to services as follows:		
Sewer 64.1% and 60.91%	$ 3,836,642	$ 3,429,392
Water 27.3% and 27.4%	1,634,013	1,542,692
Engineering 8.6% and 11.69%	514,744	658,178
	$ 5,985,399	$ 5,630,262

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS 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), a component unit of St. Mary's County, Maryland, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise MetCom's basic financial statements, and have issued our report thereon dated November 27, 2023.

Report on 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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Report on 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
November 27, 2023

SB & Company, LLC