Maryland ENVIRONMENTAL SERVICE

Annual Report 2025

Maryland Environmental Service
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Environmental Solutions for a Better Tomorrow

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About MES

MES was established by the General Assembly in 1970 to assist with the preservation, improvement, and management of the quality of air, land, water, and natural resources, and to promote the health and welfare of the citizens of the State.

Today, MES employs nearly 800 teammates and operates more than 1,000 environmental projects across Maryland and the Mid-Atlantic Region. As a not-for-profit business unit of the State of Maryland, MES provides multi-disciplinary environmental compliance services to enhance and protect the environment through innovative solutions to the region's most complex environmental challenges.

Mission

To provide operational and technical services to protect and enhance the environment for the benefit of the people of Maryland.

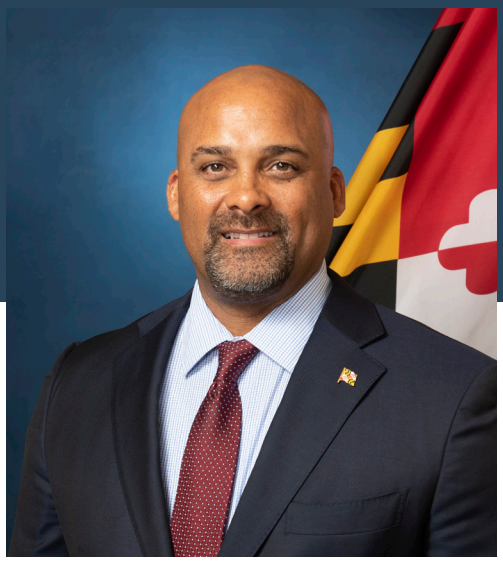
Vision

Maryland Environmental Service is an innovative and leading-edge solver of environmental problems; a responsible and successful manager of environmental operations; and a great place to work.

MES Headquarters in Millersville

Welcome Message

Charles Glass, Ph.D., P.E.
Executive Director, MES



As Executive Director of MES, it is my privilege to reflect annually on the accomplishments of our agency, which has proudly served the State of Maryland for over 50 years. The MES mission remains the same: To provide operational and technical services to protect and enhance the environment for the benefit of the people of Maryland. In many cases, we operate behind the scenes, providing infrastructure services that are critical to the health, safety, and sustainability of Maryland's communities. The MES staff carry out their responsibilities with a focus on efficiency and cost-effective solutions, always striving to maximize the impact of every dollar entrusted to us by our clients.

Those dedicated professionals are the core of our agency, and I am proud to serve beside them. They approach every challenge with a can-do spirit and an unwavering commitment to success. Their resilience and innovative thinking ensure that we not only meet the immediate needs of our clients but also adapt to evolving environmental and fiscal challenges. Our employees are truly the heart and soul of this agency. They not only serve Maryland communities but also give back their time, talent, and mentorship with equal passion.

We are now more than halfway through the execution of our current strategic plan, which will guide us through fiscal year 2027. Developing this roadmap required thoughtful collaboration from our management team, who continue to monitor progress and adjust to ensure we achieve our goals. As we look ahead, we have already begun laying the groundwork for our next five-year strategic cycle, ensuring that we remain proactive and forward-thinking in our approach. This ongoing commitment to strategic planning positions MES to respond effectively to future challenges and be ready for new opportunities as they arise.

I am equally proud of the strides we have made to improve the MES workplace culture. The agency is committed to continuous learning, personal growth, and employee empowerment. We have been honored with additional Top Workplaces awards this year, bringing our total to eight in four years — from the Baltimore Sun (2022-2025), the Washington Post (2024, 2025), and national recognition from USA Today (2024, 2025).

Every project detailed in the following report reflects our team's commitment to environmental stewardship and service to Maryland. United in purpose, we will continue to safeguard and enhance Maryland's natural resources, ensuring a lasting legacy for future generations.

Charles Glass, Ph.D., P.E.

Board of Directors

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Board Secretary

Brendon Baatz
Board Treasurer

State Treasurer Dereck E. Davis
Board Member

Charles Glass, Ph.D., P.E.
Board Member

James H. Johnson, Ph.D, P.E.
Board Member

Moalie Jose, P.E.
Chair, Audit Committee

Robert L. Witt, II
Chair, Human Resources Committee

Administrative Updates

$90,243.08
Provided in Tuition Reimbursement

58
Staff Members Honored with Inspire Awards

137
Recruitment Events Attended

3
Top Workplaces Awards

Strategic Planning Group

MES Senior Management maintained a strong focus on the four strategic goals outlined in the organization's five-year plan, using 26 key performance indicators (KPIs) as a roadmap to monitor progress and make informed adjustments when necessary. Throughout FY25, the team continued to evaluate performance across all levels, celebrating achievements and identifying opportunities for growth based on comprehensive data analysis.

The four strategic priorities—Safety; Strengthening Employee Morale; Recruitment, Retention, and Succession Planning; and Business Development—will remain central to MES' decision-making and planning efforts through FY27.

Internship/Fellowship/Scholar Programs

Now in its third year, the MES Summer Internship program provides opportunities for young professionals to gain practical experience in the environmental field while learning from MES' skilled workforce. During summer 2025, twelve interns and two visiting Yale Conservation Scholars worked at MES, serving in various positions across the agency's administrative and environmental groups. Two fellows also joined MES as a part of MES' new Environmental and Engineering Fellowship program. This inaugural class of fellows will work at MES for a period of two years, moving through the agency to get direct experience across multiple service areas. Together, the students and recent graduates in these programs were able to build career skills, network, and participate in team building activities. MES staff enjoyed the opportunity to work with such an enthusiastic, talented group, many of whom expressed an interest in returning to work at MES after graduating.

Interns Touring Cox Creek DMCF

Employee Training and Education

Education and training are a high priority for MES, identified as one of the agency's three foundational pillars to employee success. To support this objective, MES offers in-house training, organizes monthly lunchtime learning events, and encourages staff to take advantage of formal education opportunities using the Tuition Assistance Program. This program provides financial assistance for conferences, seminars, and college courses, supporting staff who are interested in earning certificates, degrees, or enhancing their professional skills. Numerous staff take advantage of the program, and in FY25 MES provided $90,243.08 in tuition reimbursement for approved employee education. Internally, staff in MES departments lead periodic trainings on topics such as procurement and finance procedures and cybersecurity, as well as mandatory sessions covering diversity, equity, and inclusion, equal employment opportunity, and sexual harassment prevention. MES also focuses on aiding staff personal development through lunch-and-learn sessions, health and wellness events, and a new monthly employee development newsletter.

Top Workplaces Awards

MES is proud to have again received recognition as a Top Workplace, earning awards in FY25 from The Washington Post, USA Today, and – for the fourth consecutive year – The Baltimore Sun. These accolades are determined by employee feedback collected through an independent third-party survey assessing 15 key cultural factors essential to organizational success. MES has placed an extremely high priority on employee experience, implementing the MES Strategic Plan and conducting its own annual engagement surveys to assess satisfaction and determine areas for growth. Receiving multiple Top Workplaces awards is a testament to both the success of the agency's efforts and the positive opinions of its talented, committed staff.

Inspire Awards

MES' Inspire Awards program recognizes team members whose work goes above and beyond to serve our clients or provide substantial cost-savings. Through this program – which was updated in FY25 to provide a clearer process with improved guidelines – supervisors can nominate deserving staff. Winners are acknowledged at the monthly Board of Directors meeting. In FY25, an incredible 58 staff received Inspire Awards – truly an acknowledgement of the frequent excellence of MES' teams and work.

Safety and Environmental Compliance

Safety is MES' top priority. The agency is committed to eliminating or controlling workplace hazards and fostering a culture where every employee is responsible for their own safety and the safety of others. MES ensures a safe work environment through proactive hazard identification, facility audits, training, and the use of engineering controls and protective equipment whenever necessary.

76 Facilities
Safety Audits Completed

215 Employees
Trained in CPR

784 Employees
Completed Driver Training Courses

216 Employees
Completed Substance Abuse Training for Supervisors

650 Employees
Completed Heat Illness Prevention Training

Environmental Dredging and Restoration

Dredged Material Management Program Support

In FY25, the Environmental Dredging and Restoration group (EDR) provided ongoing support to the Maryland Port Administration (MPA) for its Dredged Material Management Program (DMMP). EDR responsibilities included operating the Masonville and Cox Creek dredged material containment facilities (DMCFs), which offer placement capacity for sediments removed from Baltimore Harbor channels; managing the Cox Creek Sediment Technology and Reuse (STAR) Facility, currently undergoing remediation and site development for its transition to a dredged material reuse facility; operating the Paul S. Sarbanes Ecosystem Restoration Project at Poplar Island, which accommodates sediments extracted from Bay approach channels; and contributing planning, technical, and engineering expertise to the Mid-Bay Island Ecosystem Restoration Project, which is intended to serve as future placement capacity for Bay channel sediments. EDR also participated in activities associated with the DMMP, as well as meetings of the citizen oversight committee, supporting outreach efforts and community engagement related to these projects.

EDR continued to provide environmental and technical support services to MPA and the U.S. Army Corps of Engineers (USACE) during the Baltimore Harbor anchorages and channels modification of the Seagirt Loop Channel preconstruction, engineering, and design phase, which will progress the project feasibility study to the construction phase. Implementation of the recommended plan to deepen and widen the West Seagirt Branch Channel will allow for safe and efficient access of the larger post-Panamax vessels to the Seagirt Marine Terminal, meeting future capacity needs at the Port of Baltimore.

Birding Tour at HMI

EDR continued to operate and maintain the no- longer-active Hart-Miller Island (HMI) DMCF and provided design, procurement, and construction oversight for the HMI land base pier replacement and personnel pier repairs during FY25. The HMI land base pier replacement project began in November 2024 by demolishing the existing pier, driving new piles, and replacing the pier. EDR advertised and awarded the HMI personnel pier repair project in December 2024, and the work was substantially completed by the end of FY25.

Along with the HMI personnel pier repairs, several large-scale construction projects at Masonville and Cox Creek limited site access for popular birding tours in FY25. EDR worked with MPA to identify additional opportunities for site access. Special tours to see some rare species like the Mottled Duck (HMI) and the first-recorded breeding in Baltimore City of Black-necked Stilts (Masonville DMCF) ensured continued public access to these great projects.

Port of Baltimore Environment, Safety, and Sustainability Support

EDR delivers comprehensive services at the Port of Baltimore's state-owned marine terminals, cruise terminal, and the World Trade Center, supporting the MPA in fulfilling its environmental management system, safety, and sustainability objectives. These services encompass facility asbestos inspections and abatement; National Pollutant Discharge Elimination System (NPDES) municipal separate storm sewer system (MS4) permit sampling, best management practices (BMP) inspections, repairs, and reporting for stormwater permit compliance; air emissions inventories; invasive species management; hazardous and non-hazardous waste site remediation at Dundalk Marine Terminal; and post-closure care for the Hawkins Point Hazardous Waste Landfill. Additionally, EDR enhances MPA's safety and risk management initiatives by providing employee training on topics such as recycling, safety, universal waste management, hazardous waste operations and emergency response, drinking water sampling, and conducting building inspections.

Cox Creek and Masonville Dredged Material Management Facilities

EDR continued to manage the Cox Creek expansion and dike raising by starting the design to elevation +80' mean lower low water (MLLW) while continuing closeout activities related to the +60' MLLW construction. These expansions will increase the cumulative capacity at Cox Creek from 6.5 to 15.6 million cubic yards (MCY). EDR continued designs for an alternative discharge system, started construction of a cross-property access road between Cox Creek and the STAR Facility, and completed the design of stockpile locations at the STAR Facility.

EDR continued construction support services for the Masonville dike raising to elevation +30' MLLW. By the end of FY25, nearly 90% of the mechanically stabilized wall and structural fill necessary for dike raising were completed, which will increase the cumulative capacity of the Masonville DMCF from 6.0 to 8.2 MCY. The contractor successfully installed wick drains and a surcharge in the Kurt Iron Slip and began a three-month consolidation process at the end of FY25. EDR started the design and permitting process for a future Masonville dike raising to elevation +42 MLLW.

The Masonville Cove forested and emergent nontidal wetlands were reconstructed by MES in 2023 to improve the hydrologic gradient of the wetlands. Additional wetland and upland seed were placed in August 2024 and May 2025. The wetlands have experienced significant improvement in vegetation growth and water retention and will receive final inspection by Maryland Department of the Environment (MDE) in 2025.

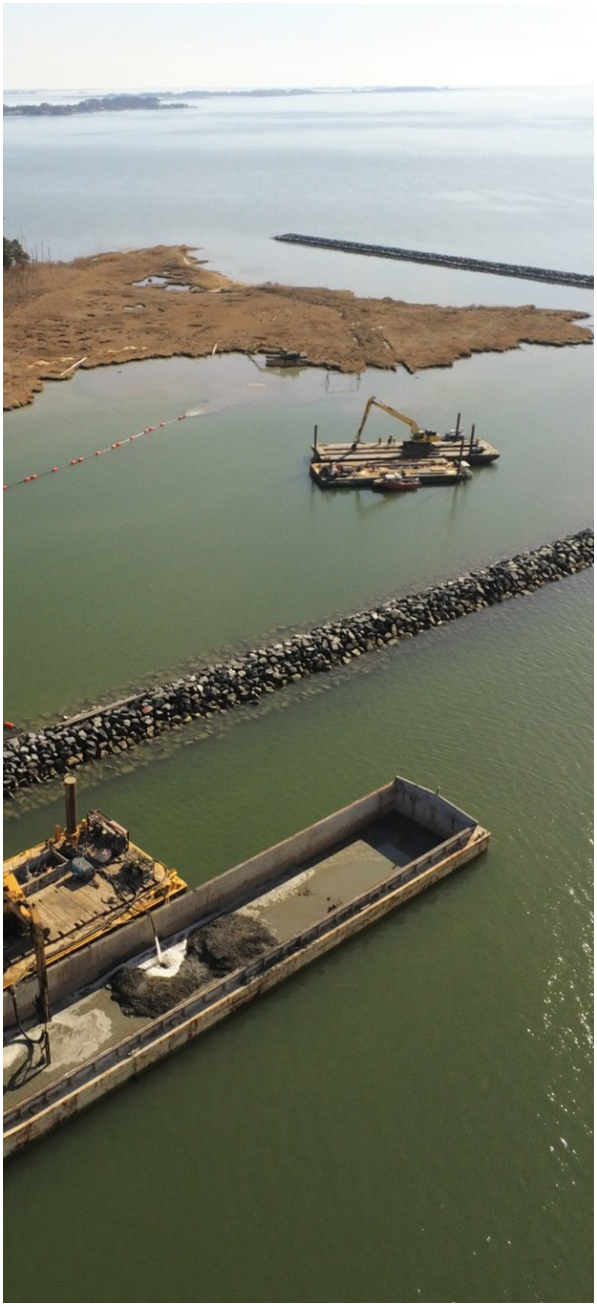
Masonville DMCF Dike Raising Construction

Mid-Bay

In FY25, the Mid-Bay Island Ecosystem Restoration Project (Mid-Bay) construction phase continued. The final design will provide 30 years and 90-95 MCY of dredged material placement capacity and approximately 2,144 acres of restored remote-island habitat (Barren Island will restore a minimum of 72 acres while James Island will restore 2,072 acres). Throughout FY25, EDR continued to provide project management, planning, engineering and design, geotechnical, construction management, outreach, and adaptive management and environmental support services to MPA and USACE.

Barren Island (BI) Phase I construction was completed in October 2024, and Phase II began in January 2025. Planning is underway for the James Island construction phase to begin, anticipated in calendar year 2026. Support of BI construction by MES includes coordinating modification of the Tidal Wetlands License (TWL) to support Phase II construction, management of submerged aquatic vegetation and turbidity monitoring, coordination of future cameras to archive construction activities, management of wetland design, and facilitation of construction monitoring.

For the James Island (JI) restoration effort, EDR ensured the project stayed on schedule with timely submittal of the JI Water Quality Certification request and TWL application, and by supporting design of JI Contract 1. Efforts included extensive coordination with agency stakeholders, participating in design meetings, providing updated plan sets for JI spillways, bulkhead, and personnel pier, and beginning facility design. EDR continued to prioritize community and stakeholder engagement, including Mid-Bay Workgroup meetings, seasonal newsletters, an annual public poster session, and various alternative methods ensuring the agencies and public are involved and up to date with the project.



Mid-Bay Construction

Poplar Island

EDR provided support for MPA at Poplar Island (PI) in FY25. Federal maintenance inflow occurred between January 2025 and April 2025, resulting in the placement of approximately 1.9 MCY of dredged material. Sand recovery operations were conducted in Cell 7, with the material stockpiled for planned future construction in Cell 1D. A total of 157,626 cubic yards (CY) of sand was removed from Cell 7, contributing to a cumulative movement of 367,534 CY of material to Cell 1D.

FY25 habitat design on PI focused on upland habitats and explored options to provide a hydraulic connection between the freshwater collected in the uplands and the adjacent tidal wetlands. This presents many engineering and environmental challenges, including ensuring planting success of terrestrial plants in dredged material and designing a successful connection between uplands and wetlands along steep slopes that will not negatively impact the wetlands below or continued construction. EDR facilitated regular meetings between a team of experts to share ideas and identify solutions. The approximately 30-acre Cell 2AX is being designed as an upland test plot. Concentrated dredged material inflows occurred to reach the target elevation to achieve a planting schedule as early as 2030 (depending on soil chemistry and other factors).

EDR advertised, awarded, and provided oversight for bulkhead repairs on PI in FY25. Work consisted of replacement of the bulkhead cap, painting of the sheet pile wall, installation of a cathodic protection system, and refurbishment of the lift gate assemblies at Spillway 16.

Turtle Release at Poplar Island

Outreach, Education, and Community Engagement

EDR engaged more than 6,000 individuals through classroom-based outreach initiatives during FY25. These sessions provided K-12 students in Maryland with information about the Port of Baltimore, the importance of dredging, and the success of MPA's restoration projects. EDR also reached 78 Title I classrooms, supporting students from low-income families. Additionally, staff facilitated tours for over 3,400 community members at PI, HMI, and Masonville.

EDR assisted MPA and the Baltimore Port Alliance with its seventh Hiring & Career Expo, bringing together 43 employers who shared job openings with more than 300 job seekers. Exit survey responses showed that 87% of job seekers found opportunities for which they will apply, and 60% of employers met candidates they are likely to interview or offer jobs.

The successful continuation of the "Youth Birding Week with the Port of Baltimore" summer field experience in FY25 with financial support from the Chesapeake Bay Trust and the Maryland Ornithological Society. Thirty-two youth birders participated alongside MES educators and local birding specialists, engaging in a week of comprehensive hands-on activities. During the program, participants recorded over 2,200 birds and gained valuable insights into habitat conservation and MPA's restoration initiatives.

Terrapin Education and Research Partnership (TERP) Program

EDR continued its involvement with the Port of Baltimore Terrapin Education and Research Partnership (TERP) Program, in collaboration with the MPA and Arlington Echo Outdoor Education Center, which is part of the Anne Arundel County Public School system. Additional program partners include the National Aquarium, CHESPAX, and the William S. Schmidt Center. The program places juvenile turtles from PI in Maryland classrooms, where students record growth data, observe behavior, learn husbandry protocols, and study the species' natural history. At the end of the school year, students release the terrapins into the Chesapeake Bay at PI. Over 3,460 terrapin hatchlings from PI have participated in the head-start program with schools throughout the state.

Surveying Support

EDR functioned as a full-service survey and mapping team, providing collaborative support to local, state, and federal entities for timely deliverables. In FY25, EDR delivered various survey and AutoCAD-related services and supported several project efforts. This included MPA projects involving cell surveys and volumetric calculations of remaining airspace in the DMCFs and PI, which are components of long-range planning for dredged material placement capacity. Additional projects covered quality assurance and quality control of survey data for pre- and post-dredging surveys of shipping lanes and channels, as well as vegetative analysis using multi-spectral imaging.

Blohm Park Pond Dredging

In FY25, EDR began work on the Blohm Park Pond dredging project with the City of Gaithersburg. The approximately one-acre stormwater management pond was constructed in the early 1990s and is part of a conveyance system of a natural creek that has been modified to control stormwater via an outlet control structure. The pond has not been dredged since its construction and is estimated to be 45% full of sediment, resulting in chronic flow blockage due to sediment accumulation around the pond discharge pipes. EDR began coordinating with the city to determine sediment reuse options, sediment sampling requirements, and planning for the design and dredging phase.

Blohm Park Pond

Environmental Operations

The MES Environmental Operations (EO) Group provides solid waste management services across Maryland, operating recycling centers, composting facilities, landfills, and landfill gas sites. Our composting sites turn yard, leaf, and food waste into Leafgro® and Leafgro GOLD®. Our team of gifted scientists and engineers also offers expertise in advanced solid waste systems and environmental compliance.

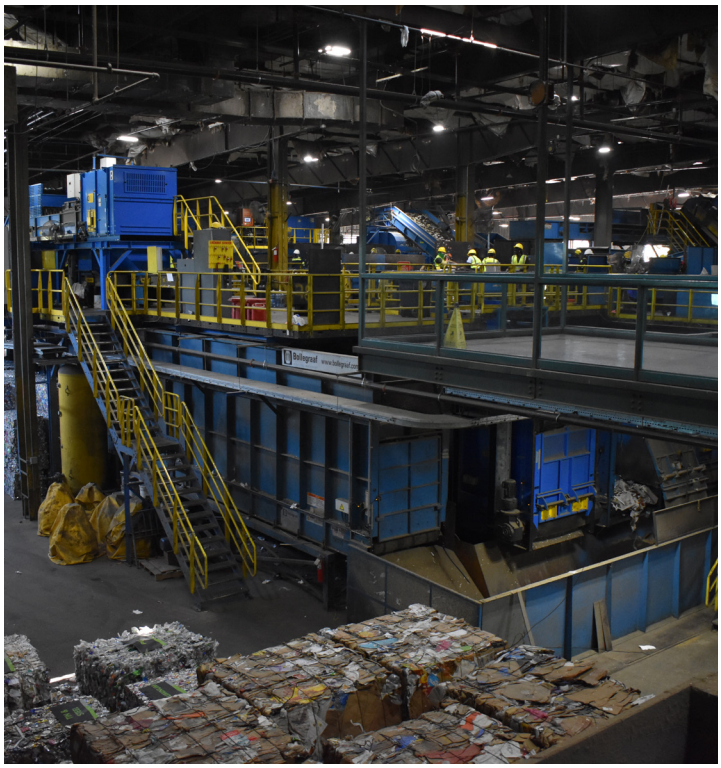
The group also works with the Department of Public Safety and Correctional Services, operating a cogeneration facility supplying steam and electricity to the Eastern Correctional Institution (ECI), and steam for heating, laundry, and cooking at three other Maryland Correctional Facilities. Environmental Operations also collaborates with various government agencies in Maryland to provide essential services.

MES works with the Maryland Department of the Environment to support used oil and antifreeze collection and operates an independent chlorofluorocarbon recovery unit.

Our innovative services even reach those in the most need. MES partners with the Maryland Department of Aging to manage a Durable Medical Equipment program. This program receives discarded durable medical equipment that is refurbished, recycled, and commissioned for reuse and returned at no charge to the communities that need this equipment.

Highlights for FY25 Include:

- The final design and purchase for upgraded screening equipment for the Prince George's Materials County Recycling Facility, with the installation of that equipment in FY26.
- The successful implementation of a food scrap depackaging system for the Prince George's County Organics Composting Operations will allow the county to recycle packaged food waste that would otherwise be landfilled.
- The successful start of a state-of-the-art Aerated Static Pile (ASP) Composting system for Harford County and the continuation of a similar ASP system for Baltimore County.
- The successful start and year-long implementation of projects that converted the Eastern Correctional Facility Co-Generation Plant to burn natural gas and converted ancillary propane equipment at the facility to burn natural gas.
- The completion of the design for the remaining Midshore II landfill Cells 1 and 5.



Prince George's County Materials Recycling Facility

Sanitizing Durable Medical Equipment for Reuse

Integrated Solid Waste Management Operations

MES is a leader in integrated solid waste management in Maryland. The agency focuses on source reduction, reuse, recycling, and composting to limit landfill and incineration use. We provide engineering, construction, and operations for large-scale, innovative waste management.

In Montgomery County, MES oversees dual-stream recycling, leaf and yard waste composting, solid waste pickup at bus stops, and commercial food scrap recycling.

In Harford County, MES manages the solid waste program, including engineering, composting, recycling, litter control, and homeowner collection facilities.

MES continued its partnership with Prince George's County, serving as the operator of the county's single-stream recycling center, its leachate pretreatment operations for its landfill, and the county's organics composting facility. MES also provides construction management and engineering services to the Prince George's County Department of the Environment, Resource Recovery Division. Through this unique agreement, MES manages consulting and service contracts related to capital improvement projects and regulatory compliance at multiple facilities, including the Brown Station Road Sanitary Landfill, Sandy Hill Landfill, the Prince George's County Materials Recycling Facility, the Prince George's County Organics Composting Facility, and the residential convenience centers.

The Brown Station Road Leachate Pretreatment Facility (BSRLPT) in Prince George's County treats leachate coming from the Brown Station Road Sanitary Landfill. This facility treats leachate to remove metals and other contaminants until the leachate reaches acceptable levels for discharge into the sanitary sewer system. Once the treated leachate is discharged, it goes to the Washington Suburban Sanitary Commission for final treatment. The BSRLPT treated over 8.3 million gallons of leachate during FY25.

MES has similar consulting services for several Maryland counties including updating ten-year solid waste management plans, evaluation of solid waste disposal alternatives, strategies for sustainable resource management, and zero waste management planning.

In addition to services that focus on waste reduction, MES also operates a landfill for Kent, Queen Anne's, Talbot, and Caroline counties through a partnership that will provide solid waste services for 92 years. In addition to the landfill, MES also manages recycling operations for the four counties. In FY24, MES successfully negotiated a 12-year extension to the existing Midshore II landfill. This agreement involved all four counties in the partnership and will allow for the complete utilization of permitted capacity at Midshore II. In FY25, MES completed the engineering and design of the remaining two cells at Midshore II and successfully procured the contractor, allowing construction to begin in FY26.

MES also provides up-to-date landfill monitoring support services (opened and closed), including the sampling, analysis, statistical interpretation, and reporting of the results of the analysis of groundwater, surface water, and landfill gas at 27 landfills located throughout the State of Maryland.

State-of-the-Art Composting

MES has had another successful year operating major composting operations for Harford, Prince George's, and Montgomery Counties.

The Prince George's County Organics Recycling Facility (PGCOCF) is one of the largest food scrap composting facilities in the country. Composting operations at the facility include windrow composting for leaf and yard trim to produce Leafgro® and a 12-bunker, 8-mobile heap food waste compost system to produce Leafgro Gold®. In FY25, the Prince George's County team processed 19,750 tons of food waste and 87,100 tons of leaf and yard trim compost and mulch. MES also assisted the county with the procurement, installation, and operation of a food scrap depacking system that allows the county to accept packaged food scraps that would otherwise be landfilled. The depacking system is an advanced machine that separates organic waste from inorganic packaging in a single pass, allowing the county to recover value from discarded materials like expired food and production waste. The machine features a hopper for feeding, internal augers, a vertical mill to tear apart packaging, and a screen to extract the pure organic material for further composting.

In Montgomery County, MES operates the Montgomery County Leaf and Yard Trim Composting Facility in Dickerson, Maryland. MES also operates a separate yard trim collection, processing, and transfer operation in Derwood, Maryland. Yard trim from county-based residential and commercial sources is delivered to the Montgomery County Recycling Facility, where they are ground and then transported to the Dickerson site. Once at Dickerson, the material is windrow composted to produce Leafgro®. In FY25, MES processed over 69,415 tons, including 650,000 bags of Leafgro®. Bagged Leafgro® is marketed for sale in the region and can be found in most lawn and garden centers and large box stores in the Mid-Atlantic.

In Harford County, MES operates the Harford County composting operation at the Harford County Waste Disposal Center (HWDC) in Scarboro, Maryland. The facility produces both mulch and compost. In FY25, 16,500 tons of organics were processed at the HWDC. The county sold 6,315 yards of compost and 39,014 yards of mulch in FY25

Bagged Leafgro®

That is a total of 192,765 tons of organic waste, thereby diverting material that would have otherwise been landfilled. Diverting organic waste from landfills reduces the amount of methane, which is a very harmful greenhouse gas produced at landfills, and extends the useful life of a landfill.

In addition to composting operations, MES is pleased to continue to assist Prince George's County in its continuing rollout of the largest residential food scrap collection program in Maryland. The county is providing weekly curbside collection of food scraps and yard trim to over 180,000 homes throughout Prince George's County. In addition to composting the materials from curbside collection, MES has supported this effort through quarterly composition studies. During these studies, MES separates curbside collected materials and evaluates their composition. This allows MES to provide valuable information such as the amount of food scraps and the types and amounts of contamination in the loads. The county can then use this information to direct outreach and education efforts, increasing participation and reducing contamination through targeted efforts.

Since 2020, MES has collaborated with Montgomery County on a Commercial Food Scraps Recycling Partnership Program. MES operates the vehicles that collect food scraps at participating commercial businesses and transports those materials for recycling. The program has been a big success, surpassing 1,000,000 pounds of food scraps in its first two years of operations. In FY25, the county recycled 790,000 pounds of food scraps through this program. The food scraps are then transported to the MES-operated Prince George's County Organics Composting Facility.

Innovative Recycling Operations

MES operates two large materials recycling facilities for both Prince George's and Montgomery Counties. Although similar, the Prince George's County facility is a single-stream facility, while the Montgomery County facility is a dual-stream facility.

The Prince George's County Materials Recycling Facility is equipped with the newest technology. It is well-positioned to continue serving the residents of Prince George's County for many years to come. In FY25 the facility processed and marketed over 33,203 tons of recyclables with a market value of $5,149.647.

In Montgomery County, MES operates a dual-stream recycling

facility along with a separate fiber recovery line. MES has successfully operated the facility for 30 years. In FY25, MES and Montgomery County recycled over 60,709 tons of recyclables. In addition, MES continued to work with the county on the design of needed upgrades at the materials recycling facility. These upgrades will include the latest technologies, provide more automation, and increase throughput.

Recycling Durable Medical Equipment

The EO group also operates the Durable Medical Equipment (DME) re-use program for the Maryland Department of Aging. The DME program, which was established in 2020, collects used medical equipment via donation from 21 collection and distribution sites in 14 Maryland counties and Baltimore City. MES staff collects items and operates the 51,000-square-foot warehouse located in Cheltenham, Md. In approximately five years of operation, over 55,000 pieces of DME have been collected, sanitized, repaired, and processed - with the added benefit of keeping more than 1,300,000 pounds of waste and over 500,000 cubic feet of valuable space in Maryland landfills. The market value of the recycled items is over $18,400,000. The refurbished items are distributed to Marylanders at no cost and without conditions.

Energy Plant Operations

MES has operated a four-megawatt cogeneration facility on behalf of the Maryland Department of Public Safety and Correctional Services (DPSCS) at the Eastern Correctional Institution Complex in Somerset County since July 1989. The cogeneration plant is designed to produce all the electricity and thermal resources, such as steam and high-temperature hot water, required at the correctional complex.

At ECI, design work began in FY23 to retrofit the two 38 million British thermal units (MMBtu) boilers to combust natural gas. This work continued throughout FY24 with the commissioning of the new retrofitted plant during the first quarter of FY25. Originally, the boilers at the ECI plant were fueled with debarked wood chips sourced from the lower eastern shore. Now that the conversion is complete, the cogeneration plant burns a more uniform, energy-dense fuel, increasing the reliability of plant operations. Along with the boiler conversion, MES also installed an underground service distribution pipeline to deliver utility-grade natural gas to ECI buildings and replace propane-fired equipment with natural gas-fired equipment. This work was completed in the first quarter of FY25.

In addition to ECI, MES operates the steam plants at the Jessup Correctional Facility, the Central Maryland Correctional Institution, and the Maryland Correctional Institution in Hagerstown. These plants produce steam for heat, cooking, and laundry at each of the three prisons, plus a similar steam plant at the U. of Maryland – Eastern Shore campus.

173,015
Tons of Yard Trim Composted

39,824,000
Pounds of Food Scraps Composted

97,012
Tons of Recyclables Returned to the Market

459,864
Gallons of Used Oil Recycled

12,000
Carbon Offsets by Landfill Gas Management at Midshore I Landfill

27,998
Durable Medical Equipment Items Collected, Cleaned, and Refurbished

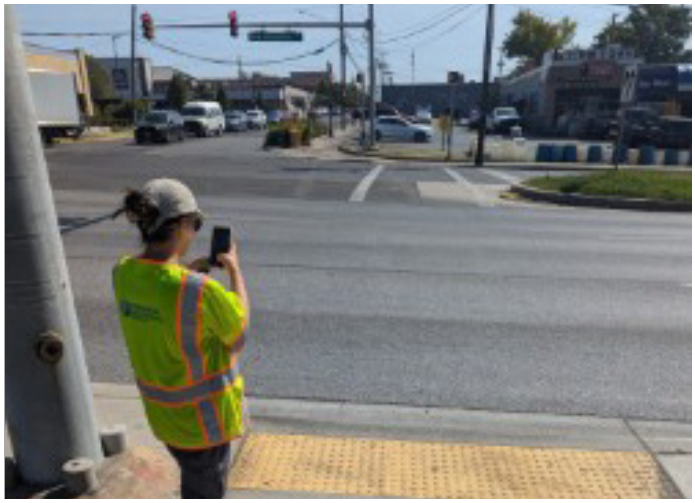
Technical and Environmental Services

The Technical and Environmental Services (TES) group provides expertise in diverse areas of environmental services as well as project management that supports state agencies, counties, municipalities, private industries, and universities with a broad range of environmental challenges. In FY25, TES continued to provide services in the areas of environmental management and technical support, National Environmental Policy Act review assistance for the Maryland Department of Natural Resources (DNR) and the Maryland Department of Transportation (MDOT), geospatial digital mapping, and application development and programming, as well as stormwater engineering, inspection, and technical services. Additionally, TES continued to support statewide maintenance activities for water and wastewater facilities and to manage diverse environmental tasks at the Baltimore Washington International Thurgood Marshall Airport (BWI) on behalf of the Maryland Aviation Administration (MAA). TES also expanded work on energy projects and emergency drainage construction projects for the State Highway Administration (SHA).

Geographic Information Systems and Program Development (GIS)

Following the successful completion of the bicycle and pedestrian crosswalk condition assessment in FY25, TES GIS staff began a new project for the SHA Asset Management Office, performing roadway lighting-condition assessments on state-owned roadways throughout Maryland. Using ArcGIS custom tools, staff validated existing maps and inspected and mapped the missing assets.

Working with the MDE Secretary's office, TES updated the environmental justice database to meet new state and federal standards and revitalize the look and functionality of the application, while migrating the database to a more user-friendly format. Governor Moore highlighted this tool in his executive order on environmental justice, and other state agencies now utilize it for MDE reporting and permitting.



Roadway Lighting-Condition Assessment

Software application development staff collaborated with the MDE Office of Information Management and Technology to plan and implement a web-based portal and mobile-friendly sample-data-collection tool for viewing and tracking lead in school drinking-water samples. This data will be stored in MDE's environmental tracking system database.

TES staff supporting SHA completed a historic aerial imagery project to collect and georeference historic aerial images. Focusing on Frederick and Montgomery counties in the 1930s and 1950s, staff scanned and georeferenced aerial flight photos as part of a complete imagery service. The resulting layer is currently with the Maryland Department of Information Technology (DoIT) for publishing for use by the entire state.

Sea Level Rise Analysis and Web Map of Impacts on

Assets

Working with the MES EDR group, GIS staff provided support to update projected sea-level rise impacts to Dredged Material Management Program sites, using scenarios from the University of Maryland Center for Environmental Science for 2050 and 2100.

The potential impacts associated with sea-level rise were assessed for both high-tide conditions and storm events. To aid in decision-making, a web application was developed for viewing these new scenarios.

Engineering

TES continued to support the University of Maryland (UMD) system schools – including Bowie State, UMD College Park, UMD Baltimore County, and Coppin State – with MS4 permit requirements. This work included stormwater inspections, mapping, reporting, drainage area computation and delineation, as-built survey development, and educational training. Engineering staff also continued to provide comprehensive engineering and inspection support for the Prince George's County Clean Water Partnership Program, including third-party inspection for construction and certification of BMP projects treating stormwater, mitigating flooding, and providing drainage improvement in the county. During FY25, MES entered into a new agreement with Montgomery County Greenbank for comprehensive environmental and engineering projects and kicked off the first task for stormwater engineering plan services for the Town of Washington Grove. Engineering staff entered into another new agreement with the Shoreham Beach Citizens Association to complete stormwater and flood-control projects.

Environmental Services

TES continued to support stormwater-compliance projects regulated under the National Pollutant Discharge Elimination System (NPDES), including services for St. Mary's County, Baltimore County, and private clients Eastalco and Pritchard Brown. The group expanded work for the Maryland Military Department, delivering stormwater inspections, maintenance, and preliminary engineering reports for the dams at Blum and Camp Fretterd Military Reservations; perfluoroalkyl and polyfluoroalkyl substances (PFAS) sampling at multiple locations; and underground storage tank removals. A major fuel spill remediation at Aberdeen Proving Ground was also completed, along with expanded work for the Department of Juvenile Services related to water tower inspection services, and sampling and reporting on lead in drinking water. TES expanded work with the Maryland Transportation Authority and Maryland Transit Administration for a broad range of projects, including oil/water separator inspections and maintenance, BMP inspections, expansion of the phragmites-removal project, and new tasks coordinating and overseeing hazardous-waste-removal projects.

Drainage Repair

BWI at Sunrise

Maryland Mesonet Tower

Building on the foundation laid in the previous fiscal year, FY25 has marked a period of rapid expansion and growing impact for the Maryland Mesonet, with TES continuing to play a central role in coordination, management, and outreach. The weather station network now spans nearly the entire state, from the mountains of Garrett County to the shores of Worcester County. As of August 29, 2025, there are 32 operational weather stations, with an additional five to ten anticipated by year's end. These stations are already providing vital real-time data that supports emergency-management decisions, local agriculture, and public-safety planning. The Mesonet website (www.mesonet.umd.edu) is continuously evolving to deliver more actionable information to the public, including the launch of a statewide heat index map during this summer's extreme temperatures. Looking ahead, TES will continue efforts to strengthen Mesonet coverage, ensuring that every Maryland community has access to timely, reliable weather information.

During this fiscal year, environmental review staff assisted in the development and review of the Chesapeake Bay Crossing Tier 2 (CBCT2) Study, which will culminate in the release of a draft Environmental Impact Statement in fall 2025. In addition to serving on the CBCT2 Working Group, TES staff spearheaded the cultural resource studies – including determinations of eligibility – and assisted with public outreach.

TES staff also worked on the cultural resource compliance reviews for the Francis Scott Key Bridge demolition and rebuilding planning, reviewing the demolition plans, wetland permit applications, and rebuilding plans to suggest best management practices to protect natural resources around the project site, including protected oyster reefs and colonial waterbird colonies in the area. TES staff also provided input on noise protection for anadromous fish during demolition and pile driving.

Glycol Recovery Vehicle at BWI

BWI/State Maintenance

TES maintained environmental compliance and maintenance support to over 46 projects for the MAA at BWI and Martin State (MTN) airports. Winter 2024-2025 saw six official and three unofficial deicing events at BWI. TES collected and processed approximately 2.77M gallons of fluid during the FY25 deicing season, with over 59,000 total gallons of glycol recovered. The BWI/MTN Emergency Response, Remediation, and Coordination Task offered immediate client benefits by addressing potential negative impacts from 13 significant sanitary overflows within the airport terminal. The new MAA Recycling Assistance Task has seen significant growth since starting in July 2024, with a 41% increase in food waste diversion from the previous year. As part of this growth, the MAA requested that MES facilitate a $880,000 preventative-maintenance, repair, and replacement contract for the airport's compactors over five years.

The maintenance team addressed more than 3,500 preventative and corrective maintenance actions across the MES-operated water/wastewater facilities. Notable projects included the repair of both fine-screen drum separators at the Eastern Correctional Institution Wastewater Treatment Plant. The restoration of these two units significantly decreased the amount of debris entering the collections system. Having these units in service has also reduced microparticles from clogging monitoring sensors and valves. Another major project completed by the maintenance team was the upgrade of positive displacement blowers at the Freedom District Wastewater Treatment Plant. Four outdated blowers were decommissioned and removed following a significant mechanical and electrical upgrade of two new, higher-efficiency units.

SHA Drainage/Environmental

TES expanded work on stormwater drainage projects through all seven SHA districts and completed 12 major stormwater repair projects across Maryland's rural and metropolitan roadways. SHA continued to rely heavily on MES, and in response, TES increased the number of staff supporting the SHA projects.

A new memorandum of understanding (MOU) specifically with SHA's District 3 office enabled TES to cover a wider variety of environmental projects in the busy metropolitan district. This included continued work remediating illegal dumpsites along SHA-owned roads, inspecting and repairing bridge-deck punctures over local waterways, and addressing significant erosion, slope failures, and washouts, which could lead to traffic concerns along major interstates.

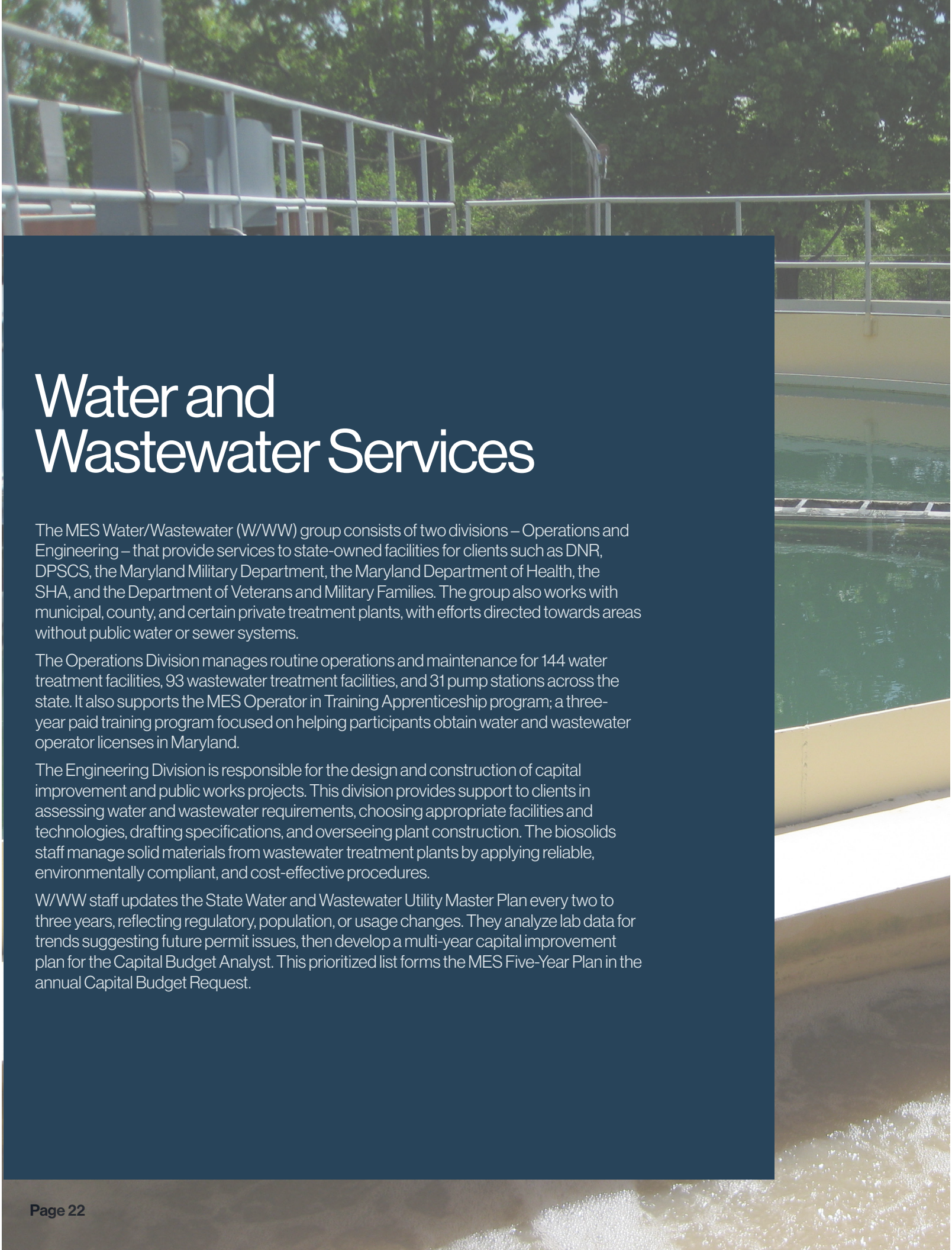
TES maintained a growing relationship with SHA's Office of Materials Technology OMT and Office of Environmental Design's Environmental Compliance Division (ECD), resulting in an increase in specialty projects from ECD. Notable projects included repairing a collapsed oil/water separator pipe at an SHA facility and overseeing the remediation and repair of a sewer overflow at a rest stop before a busy holiday weekend. In FY25, TES was able to execute the renewal of the MOU with ECD for an additional five years.

Energy Activities

TES continued to provide support to the Maryland Energy Administration's (MEA) energy program projects with a team of seven full-time staff. During the year, the team provided feedback on program design and testing of the new online portal for the Maryland Solar Access Program, which replaced the Residential Clean Energy Rebate Program. TES staff also assisted with the launch of the Maryland Solar Access Program in early 2025 and helped MEA eliminate the Electric Vehicle Supply Equipment Program's rebate-application backlog while assisting in developing a new application portal.

Other notable accomplishments included providing continued technical assistance to state and local governments interested in on-site solar generation and providing on-site historic preservation review services for solar and energy-efficient project reviews. TES staff participated in drafting several reports on behalf of MEA, including the 2023 and 2024 Strategic Energy Investment Fund Reports and Maryland's portion of the FY23 Regional Greenhouse Gas Initiative Proceeds Report. Another major milestone was a six-month effort to develop a request for proposals (RFP) for the Inflation Reduction Act Home Energy Rebates Program, which is expected to launch in Maryland at the end of CY25.

Solar Panels



Water and Wastewater Services

The MES Water/Wastewater (W/WW) group consists of two divisions – Operations and Engineering – that provide services to state-owned facilities for clients such as DNR, DPSCS, the Maryland Military Department, the Maryland Department of Health, the SHA, and the Department of Veterans and Military Families. The group also works with municipal, county, and certain private treatment plants, with efforts directed towards areas without public water or sewer systems.

The Operations Division manages routine operations and maintenance for 144 water treatment facilities, 93 wastewater treatment facilities, and 31 pump stations across the state. It also supports the MES Operator in Training Apprenticeship program; a three-year paid training program focused on helping participants obtain water and wastewater operator licenses in Maryland.

The Engineering Division is responsible for the design and construction of capital improvement and public works projects. This division provides support to clients in assessing water and wastewater requirements, choosing appropriate facilities and technologies, drafting specifications, and overseeing plant construction. The biosolids staff manage solid materials from wastewater treatment plants by applying reliable, environmentally compliant, and cost-effective procedures.

W/WW staff updates the State Water and Wastewater Utility Master Plan every two to three years, reflecting regulatory, population, or usage changes. They analyze lab data for trends suggesting future permit issues, then develop a multi-year capital improvement plan for the Capital Budget Analyst. This prioritized list forms the MES Five-Year Plan in the annual Capital Budget Request.

Dorsey Run WWTP

Elk Neck State Park WWTP

Facility Construction and Upgrades

Dorsey Run WWTP Projects

The W/WW group started a project to replace Dorsey Run Wastewater Treatment Plant's (WWTP) two existing belt presses with two centrifuges and began designs for the rehabilitation of the lime stabilization system and installation of a new sludge receiving screen. The centrifuge installation is anticipated to be completed in FY26. Construction of the lime stabilization system and the sludge receiving screen is expected to begin in FY26.

Rocky Gap Membrane Retrofit

The Operations and Engineering Divisions – along with maintenance staff and the membrane manufacturer – completed a retrofit of the Rocky Gap polymeric membranes with new ceramic membranes. This project required substantial system modifications to accommodate the new membrane technology. Despite these challenges, the team completed the retrofit in time for the busy season at the park and casino.

While the system has generally performed well, it experienced some initial issues, most notably, membrane fouling that required significant staff time and membrane changeouts to address. This issue has been resolved with the support of the manufacturer. The air diffusers were replaced with Reliaball diffusers, and the system is currently undergoing performance testing.

Elk Neck WWTP Upgrade

Construction of the Elk Neck State Park WWTP is 99% complete. The contractor is currently generating a list of items that need to be completed before issuance of the certificate of substantial completion. In addition, MES will replace two old blowers at the old treatment plant. The contract is anticipated to be completed in October 2025.

Sandy Point Water Treatment Plant

The W/WW group is continuing work to replace the 70-year-old water tank and upgrade the water treatment plant (WTP) at Sandy Point State Park. Work on the upgrades for the WTP has begun, and the foundation for the new water tower has been installed.

The construction of the upgrades to the WTP and the new water tower started in December 2024. This project will be completed in CY26.

Camp Fretterd WWTP

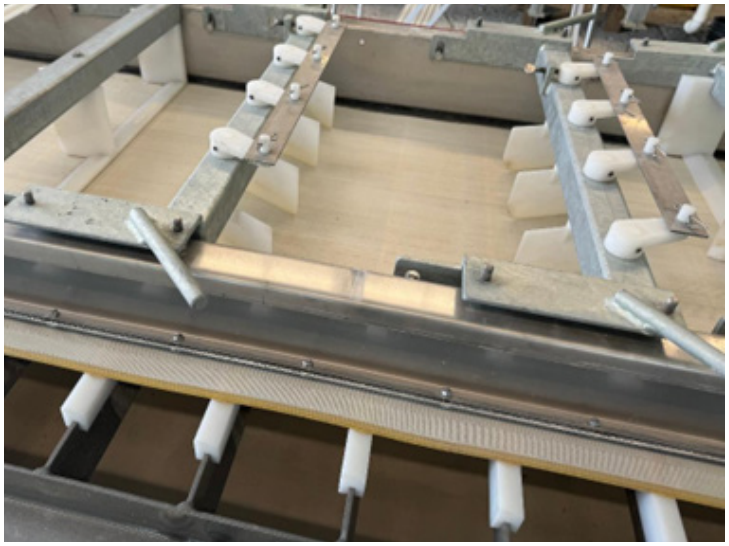
The upgrade of the Camp Fretterd WWTP was completed in 2025, so the plant could accommodate the proposed new facilities at the military reservation. The upgrades included construction of a new equalization tank, expansion of the existing treatment building, installation of new process controls, and electrical service upgrades. The new plant has been in operation since June.

A new booster pump station was also completed at Camp Fretterd in 2025. The proposed expansions required the existing water pumps at the booster pump station to be upgraded to supply the combined peak demands of the facilities downstream of the booster station.

Cheltenham Youth Detention Center

Work continued at the existing detention center WWTP, upgrading the facility to meet enhanced nutrient removal (ENR) limits. The proposed upgrades include the construction of a new membrane bioreactor (MBR) treatment plant and controls, a new office building, and various site improvements. Construction is 50% complete, with project completion anticipated by May 2026.

Cheltenham Youth Detention Center Construction



New Belt Filter Press Equipment at ECI

Phase one of the project to improve the Cheltenham water system was advertised in FY25, with construction expected to begin in FY26. This upgrade will enhance system resiliency through the installation of a new well and rehabilitation of the existing elevated storage tank and distribution system to address water quality and stagnation issues.

Greenbrier State Park

This project consists of five phases. The first phase involves drilling test wells to evaluate water quality and quantity. MES has developed the scope of work, obtained proposals, and is currently awaiting program approval to begin construction.

The second phase focuses on the rehabilitation of the collection system. Engineering firms have been contacted to submit design proposals for the sewer system, which will be based on the closed-circuit television (CCTV) footage obtained during the FY24 video inspection and cleaning project.

Swallow Falls WTP

Swallow Falls State Park is a 320-acre park in western Garrett County nine miles north of Oakland, MD, and close to the Youghiogheny River and Deep Creek Lake resort areas. The water system for the park consists of two groundwater wells, water treatment facilities, booster pumps, and a distribution system.

The last upgrades for the WWTP and WTP were in 1988 and 1991, respectively. Both facilities faced outdated controls, leaks, and structural issues, with restricted well flow compounding the problems.

MES improved system flow by reconditioning an existing well and installing a new one. Upgrades included new equipment, enhanced pipework, a building for well controls, and updates to filtration, pressure boosting, chemical feed, and HVAC systems.

The WTP portion of the total upgrade for the system was completed in June 2025.

Eastern Correctional Institution Biosolids Upgrade

The upgrade of the sludge dewatering system at the ECI has been completed. The two new belt filter presses are now online and produce a sludge cake with 23% solids content.

Springfield Hospital Center

In FY25, MES initiated a feasibility study in response to concerns raised by the Springfield Hospital Center after receiving positive Legionella bacteria results in its potable water system. The study was launched to evaluate the condition of the hospital's water system, identify the root causes of water quality issues, and explore potential improvement options. Early findings have pointed to several challenges, including aging infrastructure, inconsistent treatment performance, and the presence of disinfection byproducts at levels near or above regulatory limits. In parallel with the study, MES developed a capital improvement plan program to address these concerns through targeted upgrades.

Town of Finksburg

In a collaboration with the University of Maryland Environmental Finance Center, a preliminary engineering study was conducted to evaluate options for treating wastewater for the Town of Finksburg. The study considered alternatives such as constructing a new drainfield or connecting to one of several nearby wastewater treatment plants. As part of the evaluation, treatment technologies applicable to the site were identified, with consideration given to potential permittable outfall locations and compliance with NPDES requirements. Various pipeline routing alternatives were analyzed to determine the most feasible and cost-effective paths. A life cycle cost analysis was completed for each option, accounting for capital investment, operational and maintenance costs, labor, and power consumption. In addition to financial considerations, the study assessed non-monetary impacts such as environmental effects, long-term sustainability, operational complexity, and overall viability. Each alternative was then ranked based on a combination of these factors to identify the most suitable solution for the town's long-term wastewater needs.

Johns Hopkins University Permitting

Progress continued with securing permits for the Legionella treatment system at Johns Hopkins University (JHU). Both comprehensive permit packages were successfully submitted to MDE and have since been reviewed and returned, marking a key milestone in the permitting process. A proposal was requested for a third permit set, but JHU turned it down due to a lack of funding.

Point Lookout State Park Collection and Distribution

System

The construction of a sewer collection and water distribution system upgrade is 98% complete. The anticipated completion date is October 31, 2025.

Water Tank Program Inspections

MES conducted quality inspections at a variety of water storage tanks around the state:

- Cedarville State Forest Elevated Tank
- St. Mary's College Elevated Tank
- Pocomoke River Shad Landing Area Elevated Tank
- Smallwood State Park Hydropneumatic Tank
- Both Camp Fretterd Elevated Tanks
- ECI Front Elevated Tank
- Victor Cullen Elevated Tank
- WCI Elevated Tank

Tri-Con

MES had a strong showing at the 2025 Tri-Association Conference in Ocean City. The Operations Challenge Team, Motley Poo, competed and advanced to WEFTEC Nationals in Chicago. MES also did well in the Top Ops Competition – a quiz show for water plant operators – and became a two-time medalist in the Residuals and Biosolids Beauty Contest, winning the Class B category with samples from the Deep Creek Wastewater Treatment Plant. MES also won the biosolids beauty contest's Best in Presentation Overall!

In addition, Joseph Wright, Manager, Water/Wastewater Operations, received the Water Environment Federation William D. Hatfield Award for outstanding performance and professionalism in the operation of a wastewater treatment facility. Joe has been at MES for more than 29 years and is very deserving of this recognition.

MES Operations Team

144
Water Treatment Facilities

93
Wastewater Treatment Facilities

31
Pump Stations

1.47
Billion Gallons of Drinking Water Produced

5.52
Billion Gallons of Wastewater Treated

Team Innovation

The W/WW group continued to look into technology in the industry and partnered with universities to assist in proposal development and scaled pilots. Some of the partnerships and technologies reviewed in FY25 are listed below.

Johns Hopkins University, Department of Environmental Health and Engineering, Carbon Capture and Utilization from Treated Water Effluent in Water Resource Recovery Facilities

Dr. Roggero Rossi submitted a decarbonization project proposal to the U.S. Department of Energy. The proposal was a collaborative effort between Johns Hopkins University and the National Renewable Energy Laboratory, with MES as a partner. Unfortunately, the proposal did not qualify for funding.

George Washington University, Department of Civil and Environmental Engineering

As part of ongoing academic collaboration, MES provided a letter of commitment in support of Dr. Yun Shen's proposal titled "CAREER: Hidden Allies of Enteric Viruses and Bacteria in Water: Impacts on Viral Transmission and Human Health." Dr. Shen is an Assistant Professor at The George Washington University. MES has agreed to support the project by supplying drinking water and wastewater samples from selected water and wastewater treatment plants under our jurisdiction.

Floating Solar

The W/WW team is currently evaluating the feasibility of deploying floating solar panels at the Cambridge WWTP lagoon to enhance on-site renewable energy generation and reduce operational energy costs. The group is collaborating with D3Energy and Chaberton Energy to explore system design options . Preliminary discussions with representatives from the City of Cambridge have been positive and has expressed interest in supporting the project. The team is continuing to research potential funding opportunities to support design and implementation, including available state and federal grant programs for renewable energy and sustainability initiatives.

ECI Reverse Osmosis (RO) Reject, Electrocoagulation

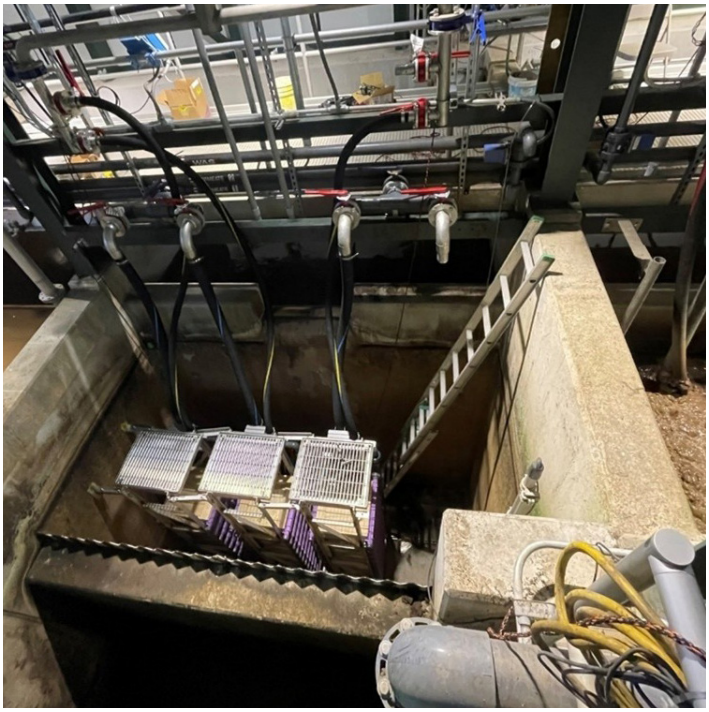
W/WW staff worked with Powell Water to evaluate the use of electrocoagulation to treat RO reject water for reuse in the Cogen plant's cooling towers. Testing conducted this year showed that electrocoagulation was not effective in removing the required parameters of interest. Consequently, the team is now focusing on blending the RO reject with other water sources to meet water quality requirements for reuse, rather than pursuing alternative treatment methods.

ECI RO Reject Blending

The W/WW Engineering Division is currently evaluating the partial incremental blending of RO reject with wastewater effluent. The feasibility of the concept plan was discussed with MDE, and following their concurrence, MES tasked KCI Technologies with preparing the necessary piping modifications and performing a mass balance analysis of the constituents in the final effluent. Both the piping modifications and the mass balance results have been submitted to MDE for review and approval. MES has received review comments from MDE, which included a suggestion to bring the process online to evaluate its potential for additional nutrient removal.

Honeywell CFX

MES met with Honeywell to discuss PFAS destruction technology for biosolids and conducted a site visit to the Dorsey WWTP as a potential implementation location. However, after initial discussions, the presence of phosphorus in the biosolids interferes with their system and addressing this would require additional processes. These requirements significantly increase complexity and costs, making the solution cost prohibitive.



Rocky Gap Membrane Retrofit Project

Maryland ENVIRONMENTAL SERVICE

259 Najoles Road
Millersville, MD 21108

(A Component Unit of the State of Maryland)

Financial Statements and Reports Required
for Audits Performed in Accordance with
Government Auditing Standards

Fiscal Years Ended June 30, 2025 and 2024

(With Independent Public Accountants' Report Thereon)

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Certified Public Accountants & Business Advisors
SBC

INDEPENDENT PUBLIC ACCOUNTANTS' REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Board of Directors
Maryland Environmental Service

Opinion

We have audited the financial statements of each major fund and the fiduciary activities of the Maryland Environmental Service (the Service), a component unit of the State of Maryland, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Service's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of each major fund and fiduciary activities of the Service, as of June 30, 2025, 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.

Basis for Opinion

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 the Service 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 opinion.

Other Matters

The financial statements of the Service for the year ended June 30, 2024, were audited by another auditor who expressed an unmodified opinion on those statements on October 30, 2024.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal 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 the Service's ability to continue as a going concern for twelve months beyond the financial statement issuance date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 controls. 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 controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Service's internal controls. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Service'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 controls–related matters that we identified during the audit.

Certified Public Accountants & Business Advisors
SBC

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2025 on our consideration of the Service's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal controls 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 Service's internal controls over financial reporting and compliance.

Owing Mills, Maryland
October 30, 2025

SB & Company, LLC

As the management of the Maryland Environmental Service (MES or the Service) we offer the following narrative overview and analysis of the financial activities of the Service for the fiscal years ended June 30, 2025 and 2024. This unaudited management discussion and analysis should be read in conjunction with the audited financial statements and the notes thereto which follow this section.

The Service is an independent agency of the State of Maryland that provides environmental services to both the public and private sectors on a fee for service basis. Substantially all of the Service's revenue is derived from the delivery of technical and operational environmental services. The Service is organized into three basic groups: Administration, Environmental Operations (recycling and solid waste services), and Environmental Services. The Environmental Services group includes water and wastewater, dredging and environmental monitoring services. The Service also accounts for operations of the Midshore Regional Landfills (Midshore).

Financial Highlights

The Service continues with another year of solid financial performance due to continuing and adding additional projects across the State of Maryland.

Environmental Dredging and Restoration

Mid-Bay Island (Barren and James Islands). The Service continues to provide project management, planning, engineering and design, geotechnical, construction management, outreach, and adaptive management and environmental support services to the Maryland Port Administration (MPA) and the U.S. Army Corps of Engineers (USACE) for the Mid-Bay Island Ecosystem Restoration Project (Mid-Bay). In FY 25, the Mid-Bay Project continued to move through the construction phase towards an operating project which will provide 30 years and 90-95 MCY of dredged material capacity and approximately 2,144 acres of restored remote island habitat (Barren Island will restore a minimum of 72 acres while James Island will restore 2,072 acres).

Barren Island (BI) Phase I construction was completed in October 2024, and Phase II began in January 2025. Support of BI construction by MES includes coordinating modification of the Tidal Wetlands License (TWL) to support Phase II construction, management of submerged aquatic vegetation and turbidity monitoring, coordination of future cameras to archive construction activities, management of wetland design, and facilitation of construction monitoring.

Planning is underway for the James Island (JI) construction phase to begin, anticipated in calendar year 2026. In FY 25, the Service ensured the project stayed on schedule with the timely submittal of the JI Water Quality Certification request and TWL application, and supporting design of JI Contract 1. Efforts included extensive coordination with agency stakeholders, participating in design meetings, providing updated plan sets for JI spillways, bulkhead, and personnel pier, and beginning facility design. The Service continued to prioritize community and stakeholder engagement, including Mid-Bay Workgroup meetings, seasonal newsletters, annual public poster session, and various alternative methods, ensuring the agencies and public are involved and up to date with the project.

Cox Creek Dredged Material Containment and STAR Facilities. The Service continues to operate the Cox Creek Dredged Material Containment Facility (DMCF) and the Cox Creek Sediment Technology and Reuse (STAR) facility on behalf of the MPA. The STAR facility is in the early stages of remediation and site development for transition to a dredged material innovative reuse site.

In FY 25, the Service continued to manage the Cox Creek expansion and dike raising by starting the design to elevation +80' mean lower low water (MLLW) while continuing closeout activities related to the +60' MLLW construction. These expansions will increase the cumulative capacity at Cox Creek from 6.5 to 15.6 million cubic yards (MCY). The Service also continued designs for an alternative discharge system for the DMCF, started construction of a cross-property access road between Cox Creek and the STAR Facility, completed the design and permitting of two stockpile locations at the

STAR Facility and prepared a procurement package to be used for movement of Colgate Creek dredged material and surplus material that will be removed from the DMCF upland cell and placed either at the STAR Facility or off-site locations for innovative reuse.

Masonville Dredged Material Containment Facility. The Service continues to operate the Masonville Dredged Material Containment Facility (DMCF) on behalf of the MPA. During FY 25, the Service continued construction support services for the Masonville dike raising to elevation +30' MLLW. By the end of FY25, nearly 90% of the Mechanically Stabilized Earthen wall and structural fill necessary for dike raising was completed which will increase the cumulative capacity of the Masonville DMCF from 6.0 to 8.2 MCY. The contractor successfully installed wick drains and a surcharge in the Kurt Iron Slip and began a 3-month consolidation process at the end of FY25. The Service also started the design and permitting process for future Masonville dike raising to elevation +42 MLLW.

Poplar Island. The Service continues to manage the Paul S. Sarbanes Ecosystem Restoration Project at Poplar Island (Poplar Island) on behalf of the project partners, the USACE, and the MPA by managing daily operations of the site, including construction, environmental monitoring, and surveying. Federal maintenance inflow took place between January 2025 and April 2025, with approximately 1.9 MCY of dredged material placed. Sand recovery continued from Cell 7 and stockpiled for future construction use in Cell 1D. 157,626 cubic yards (CY) of sand were removed from Cell 7. A cumulative total of 367,534 CY of material was moved to Cell 1D.
FY25 habitat design on Poplar Island focused on upland habitats onsite and explored options to provide a hydraulic connection between the freshwater collected within the uplands and the adjacent tidal wetlands. This presents many engineering and environmental challenges, including ensuring the planting success of terrestrial plants in dredged material and designing a successful connection between uplands and wetlands along steep slopes that will not negatively impact the wetlands below or the continued construction. The Service facilitated regular meetings between a team of experts to share ideas and identify solutions. The approximately 30-acre Cell 2AX is being designed as an upland test plot. Concentrated dredged material inflows occur to reach target elevation to achieve a planting schedule as early as 2030, depending on soil chemistry and other factors.

The Service advertised, awarded, and provided oversight for bulkhead repairs on Poplar Island in FY25. Work consisted of the replacement of the bulkhead cap, painting of the sheet pile wall, installation of a cathodic protection system, and refurbishment of the lift gate assemblies at Spillway 16

Port of Baltimore Environment, Safety, and Sustainability Support. The Service provides support at the Port of Baltimore's state-owned marine terminals, cruise terminal, and the World Trade Center by assisting MPA with meeting its environmental management system, safety, and sustainability goals. Services include facility asbestos inspections and abatement; National Pollutant Discharge Elimination System (NPDES) municipal separate storm sewer system (MS4) permit sampling, best management practices inspections (BMP) and repairs, and reporting for stormwater permit compliance; air emissions inventories; invasive species control; hazardous and non-hazardous waste management site remediation at Dundalk Marine Terminal; and hazardous waste landfill post-closure care at the Hawkins Point Hazardous Waste Landfill. The Service assists MPA's safety and risk management program by providing training to their employees in subjects such as recycling, safety, universal waste management, HAZWOPER, drinking water sampling and completing building inspections.
Seagirt Loop Channel Preconstruction, Engineering, and Design. The Service continues to provide environmental and technical support services to MPA and U.S. Army Corps of Engineers during the Baltimore Harbor Anchorages and Channels Modification of the Seagirt Loop Channel Preconstruction, Engineering, and Design Phase, which will progress the project feasibility study to the construction phase. Implementation of the recommended plan to deepen and widen the West Seagirt Branch Channel will allow for safe and efficient access of the larger post-Panamax vessels to the Seagirt Marine Terminal, meeting future capacity needs at the Port of Baltimore.

Environmental Operations

The MES Environmental Operations (EO) Group provides solid waste management services across Maryland, operating recycling centers, composting facilities, landfills, and landfill gas sites.

In FY25, the Service composted 31 million pounds of food waste; returned 111K tons of recyclables to the market; recycled 459K gallons of used oil, and 28K gallons of used antifreeze; processed 136K tons of organics into compost and mulch products; and generated carbon offsets equaling 12K metric tons of carbon emissions.

In FY25, the Service sold 149K cubic yards of organic compost and 97K tons of residential recyclables, generating $12.3 million to offset operating costs. Facilities include Montgomery County and Prince George's County Materials Recovery and Compost Facilities, plus the Midshore Regional Recycling Program.
The Service completed boiler conversion improvements and a turbine generator overhaul at the Eastern Correctional Institution cogeneration plant in Princess Anne, Maryland. The Service continued operations at three steam plants at the Central Maryland Correctional Facility in Sykesville, MD, the Maryland Correctional Institution at Hagerstown, and the Jessup Correctional Institution, where steam is used for heating, laundry, and kitchen purposes. FY25 marked the first year of MES providing services to the University of Maryland Eastern Shore to help operate the college's central steam plant.

FY25 marked the Services' 15th year of operations at the Midshore II Regional Solid Waste Facility (MSII) in Ridgely, MD. This program provides comprehensive solid waste and recycling services to Talbot, Caroline, Queen Anne, and Kent Counties. The service charges a tipping fee for each ton of waste that is landfilled. This generated nearly $ 10.4 million in revenue, including recycling program revenues, which is wholly reserved for the landfill's operations and funding a residential recycling program. Remaining landfill capacity and agreements are now in place to continue operations at Midshore II into calendar year 2042. The Service continued long-term permitting efforts for a future Midshore III facility in Queen Anne's County.

In FY25, the Service negotiated a five-year intergovernmental agreement with Montgomery County valued at $16,587,826. This agreement consolidated the annual arrangements for operating the County's recycling facility, organic composting operation, and organic grinding and transfer operations. The Service purchased approximately $836,584 in heavy equipment on behalf of Montgomery County. A 2022 CBI 6400CT was procured to support Montgomery County Grinding Operations, enabling continued processing of over 240,000 cubic yards of material at the Transfer Station. The Service also maintained trash collection at the County's Park and Ride bus stops.
MES continued its partnership with Prince George's County, serving as the operator of the County's single-stream recycling center, its leachate pretreatment operations for its landfill, and the County's organics composting facility. MES also provides construction management and engineering services to Prince George's County Department of the Environment, Resource Recovery Division. Through this unique agreement, MES manages consulting and service contracts related to capital improvement projects and regulatory compliance at multiple facilities, including the Brown Station Road Sanitary Landfill, Sandy Hill Landfill, the Prince George's County Materials Recycling Facility, the Prince George's County Organics Composting Facility, and the residential convenience centers. In FY25, the Service purchased depackaging equipment for the Prince George's County Organics Composting Facility. This $655,826 purchase allows the Service to accept packaged food scraps that would otherwise be sent to the landfill. Since its installation in October 2024, the depackager has allowed for the diversion of more than 8,000,000 pounds of packaged food materials.

In FY 25, with just over five years of operations, the Services operations of the Maryland Department of Aging's Durable Medical Equipment Facility have recycled more than 55,000 individual items. The market value of this equipment is in excess of $18 million, all of which is dedicated to being distributed at no cost to Marylanders who need this equipment.

Technical and Environmental Services

TES continued to provide a wide range of environmental compliance projects to various state and local government agencies, generally focusing on stormwater monitoring, management, analysis and mapping. Most TES projects include a discreet scope performed over the course of months to a year as opposed to long term operations. Listed below are some of the major projects performed by TES in FY25 which made up a source for the consistent billable revenue throughout the fiscal year.

In FY25, TES received approval for 32 tasks for the Maryland Aviation Administration under 2 contracts valued at $7.4M. Other notable revenue came from Maryland Transportation Authority (MDTA) for cultural resources support for $450,000 and continued support for Maryland Energy Administration initiatives, where 6 full-time staff salaries are 100% billable.

In FY25, 6 six new task orders were developed for the Maryland Department of Environment (MDE) for a variety of watershed and flood mapping projects. Combined, the tasks totaled over $330,000 in new revenue beginning in July 2024. In FY25, TES hired a full-time program developer for database projects, including the new Lead in Schools project, with a budget of $250,000.

TES projects supporting State Highway Administration (SHA) Office of Materials and Technology (OMT) grew by $200,000 in labor in FY25 for additional environmental compliance and sustainability tasks. A significant new task with SHA kicked off for TES in May 2025 with a major mapping and inspection effort for all street lighting assets on SHA-owned and operated roads. This new project supported 2 additional full-time interns through the end of the FY with a total FY25 budget of $650,000. The omnibus contract with the University of Maryland system was renewed in the fiscal year for an additional 5 years (through June 2030) and generated approximately $70,000 in labor revenue related to stormwater engineering design, inspection, compliance, and reporting projects at multiple UMD campus locations.

Through FY25, TES increased support to St. Mary's County stormwater projects with a FY budget of $60,000 and Prince George's County stormwater projects with a FY budget of over $800,000. For Maryland Military, 12 new projects were approved in FY25 over the prior year's work, with a labor estimate of an additional $100,000.

Water and Wastewater

The Service continued the design work for the expansion of the Maryland Department of the Military's Camp Fretterd Water Main Replacement.

The Service has completed the construction of the Maryland Department of the Military's new Water Booster Pump Station at Camp Fretterd. Additionally, the Service has completed construction of the Wastewater Treatment Plant upgrade at Camp Fretterd.

The Service anticipates starting the design services for the Maryland Department of Natural Resources' sewer collection system rehabilitation at Greenbrier State Park and the water distribution system improvements at Fort Frederick. The Service anticipates starting the construction of upgrades to the power distribution and water main at Janes Island State Park.

The Service anticipates completion of the design and starting of the construction of the Wastewater Treatment Plant at Point Lookout State Park.

The Service completed the construction of the Water Treatment Plant at Swallow Falls State Park. Design of upgrades to the Water Treatment Plant at Swallow Falls State Park is in progress.

The Service continued the design of upgrades to the water and wastewater systems at New Germany State Park.

MES conducted QA/QC inspections on the following water storage tanks in FY25: Cedarville State Forest Elevated Tank, St. Mary's College Elevated Tank, Pocomoke River Shad Landing Area Elevated Tank, Smallwood State Park Hydropneumatic Tank, Two Camp Fretterd Elevated Tanks, ECI Front Elevated Tank, Victor Cullen Elevated Tank, and WCI Elevated Tank

The Service continued the construction of the Maryland Department of Natural Resources' new Wastewater Treatment Plant Upgrade at Elk Neck State Park and the sewer collection system rehabilitation and water distribution system improvements at Point Lookout State Park.

The Service commenced construction for the new Water Treatment Plant and Water Tower at Sandy Point State Park.

The Service has continued design work for the Maryland Department of Veterans and Military Families' new Water Treatment Plant at Charlotte Hall Veterans Home, with the design currently 95% complete.

The Service continued the construction at the Maryland Department of Juvenile Services' new Wastewater Treatment Plant and Water Treatment Plant improvements at the Cheltenham Youth Facility.

The Service completed the refurbishment of the low-pressure sewer collection pump stations at the University of Maryland – Horn Point Laboratory on the eastern shore.

The Service started the construction of upgrades to the biosolids facility at the Maryland Department of Public Safety and Correctional Services' Dorsey Advanced Wastewater Treatment Plant in Jessup. In addition, the Service completed development of preliminary engineering report (PER) for the improvement of the pump stations, the headworks/wastewater screening systems, and wastewater treatment process refinement.

The Service completed construction of the last phase of the ECI Wastewater Treatment Plant Upgrade, consisting of the sludge facility upgrade.

The Service completed development of preliminary engineering report (PER) for the improvement of sewer lines, the headworks/wastewater screening systems, the grit removal system, the replacement of a generator, anoxic tank mixers, and miscellaneous facilities at the Maryland Correctional Institution in Hagerstown.

During the year, the Water and Wastewater Group added three new projects to its Operations Division.

Overview of Financial Statements

The basic financial statement for the Service and Midshore is prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). The Service's financial statements are reported as a special purpose business-type entity. This report includes three basic financial statements: the statement of net position; the statement of revenue, expenses and changes in net position; and the statement of cash flows for each major enterprise fund.

The condensed statements of net position present the financial position of the service as of June 30, 2025, 2024, and 2023. They provide information about the nature and the amount of resources (assets), plus deferred outflows (as applicable), obligations (liabilities), plus deferred inflows (as applicable) and net position.

The statements of revenue, expenses and changes in net position present the changes in net position over the course of the years ended June 30, 2025, 2024, and 2023. The change in net position may be useful in assessing whether the financial position improved or deteriorated for the year.

The statements of cash flows present the cash activities segregated by four major cash flow categories: operating activities, noncapital financing activities, capital and related financing activities, and investing activities. These statements may be useful in determining the changes in liquidity and in understanding how cash and cash equivalents were used during the years ended June 30, 2025, 2024, and 2023.

Fiduciary Fund

Fiduciary funds are used to account for resources held for the benefit of parties outside the Service. These activities are excluded from the business-type activities because the resources of these funds are restricted and cannot be used to finance the Service's operations. The Service's fiduciary funds include the OPEB Trust Fund.

The fiduciary activities are reported in the Other Postemployment Benefit Plan Statements of Plan Net Position and the Statements of Changes in Plan Net Position.

- The Statements of Plan Net Position present a point-in-time snapshot of the amounts the other postemployment benefit (OPEB) plan has accumulated in net position to pay for future benefits and any liabilities that are owed as of the date of the statements.

- The Statements of Changes in Plan Net Position present the additions and deductions for the fiscal years. Major sources of additions are contributions and net investment income. Major sources of deductions include benefit payments. These statements present how the net position changed from the prior fiscal year.

The fiduciary fund financial statements can be found on pages 27 and 28 of this report.

Notes to the Basic Financial Statements

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

The basic financial statements can be found on pages 22-57 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain Required Supplementary Information concerning the Service's defined benefit pension plan and OPEB plan for its employees.

The required supplementary information can be found on pages 58-60 of this report.

Financial Analysis

The purpose of the discussion and analysis that follows is to provide an understanding of the financial performance and activities of the Service as of and for the fiscal years ended June 30, 2025, and 2024 and 2023 for comparative purposes. As required supplementary information, the accompanying analysis of financial information should be used in conjunction with the financial statements and related notes thereto included elsewhere to assess the overall financial condition and reported operating results of the Service.

The following tables present condensed financial information about the Service and Midshore's net position as of June 30.

Maryland Environmental Service:

Condensed Statement of Net Position
(Expressed in Thousands)

	2025	(Restated) * 2024	2023
Current and other assets	$ 126,986	$ 120,345	$ 117,904
Capital assets and right to use leased assets	18,109	18,714	19,632
Total assets	145,095	139,059	137,536
Deferred Outflows related to Pensions and OPEB	874	1,420	1,155
Long-term debt	2,254	3,977	5,142
Other liabilities	109,944	103,515	101,894
Total liabilities	112,198	107,492	107,036
Deferred Inflows related to Pensions and OPEB	1,828	2,270	1,612
Net position:			
Net investment in capital assets	15,066	14,737	14,490
Restricted	219	126	124
Unrestricted	16,658	15,854	15,429
Total net position	$ 31,943	$ 30,717	$ 30,043

* Restated for the implementation of GASB 101

Midshore Regional Landfill:

Condensed Statement of Net Position
(Expressed in Thousands)

	2025	2024	2023
Current and other assets	$ 22,212	$ 21,734	$ 19,502
Capital assets	27,138	26,857	27,244
Total assets	49,350	48,591	46,746
Bonds payable	15,096	17,298	19,363
Other liabilities	15,531	14,735	13,123
Total liabilities	30,627	32,033	32,486
Defereed inflows related to debt refunding	100	134	169
Net position:			
Net investment in capital assets	10,736	9,438	7,898
Restricted	3,235	3,062	2,880
Unrestricted	4,652	3,924	3,313
Total net position	$ 18,623	$ 16,424	$ 14,091

The statements of net position present the financial position of the Service. Net position represents the difference between the amount of resources (assets), plus deferred outflows (as applicable), obligations (liabilities), plus deferred inflows (as applicable) and net position. Over time, increases and decreases in net position provide an indicator of improving or deteriorating financial position.

Total net position for the Service increased $1,226 in 2025. Net investment in capital assets increased $329 from the net of depreciation, acquisition of equipment, and payment of debt. The remaining components, restricted and unrestricted net position of $16,877, represent funds available for future expenditures.

Total net position for the Service increased $674 in 2024. Net investment in capital assets increased $247 from the net of depreciation, acquisition of equipment, and payment of debt. The remaining components, restricted and unrestricted net position of $15,980, represent funds available for future expenditures.

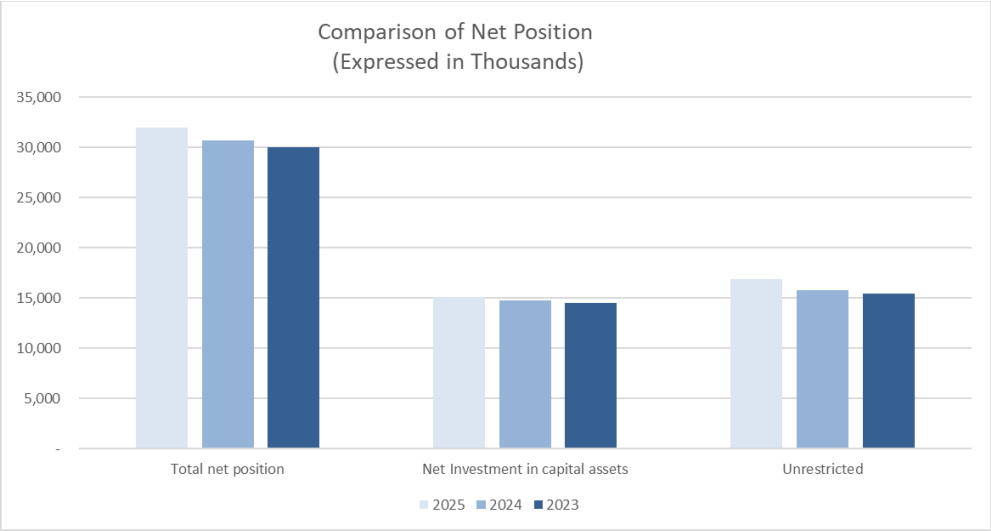
Over time, increases and decreases in net position provide an indicator of improving or deteriorating financial position.

Total net position for Midshore increased $2,199 in 2025, which is related to the excess of revenues over expenses. Net investment in capital assets increased $1,298 from the net of depreciation, acquisition of equipment, and payment of debt. The remaining components, restricted and unrestricted net position of $7,887 represent funds available for future expenditures.

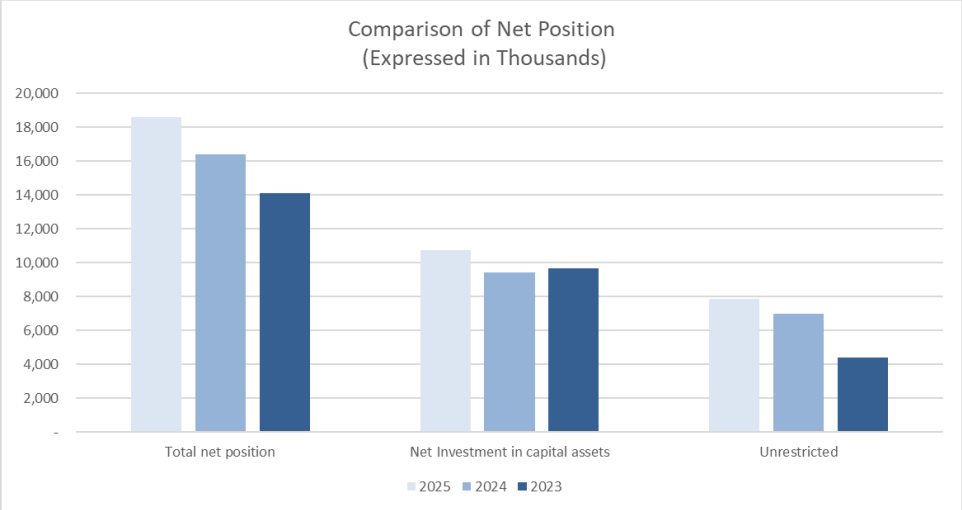
Total net position for Midshore increased $2,333 in 2024, which is related to the excess of revenues over expenses. Net investment in capital assets increased $1,540 from the net of depreciation, acquisition of equipment, and payment of debt. The remaining components, restricted and unrestricted net position of $6,986 represent funds available for future expenditures..

A comparison of years ended June 30, 2025, 2024, and 2023 for the Service and for Midshore are presented graphically below:

Maryland Environmental Service:



Midshore Regional Landfill:



The following table presents condensed financial information about the Service and Midshore revenue, expenses and changes in net position for the years ended June 30, 2025, 2024, and 2023.

Maryland Environmental Service:

Condensed Changes in Net Position
(Expressed in Thousands)

	2025	2024	2023
Total operating revenue	$ 222,571	$ 215,065	$ 196,447
Operating expenses			
Salaries and benefits	76,011	74,308	65,675
Other	137,046	131,264	120,150
General and administrative	13,398	13,446	12,849
Total operating expenses	226,455	219,018	198,674
Operating (loss) income	(3,884)	(3,953)	(2,227)
Non-operating revenue, net	5,110	4,627	2,844
Change in net position	1,226	674	617
Net position, beginning of year	30,717	30,043	29,426
Net position, end of year	$ 31,943	$ 30,717	$ 30,043

Midshore Regional Landfill:

Condensed Changes in Net Position
(Expressed in Thousands)

	2025	2024	2023
Total operating revenue	$ 10,030	$ 9,842	$ 9,781
Operating expenses			
Salaries and benefits	2,211	2,073	2,039
Other	5,515	5,433	7,684
General and administrative	620	575	583
Total operating expenses	8,346	8,081	10,306
Operating income (loss)	1,684	1,761	(525)
Nonoperating revenue, net	515	572	33
Change in net position	2,199	2,333	(492)
Net position, beginning of year	16,424	14,091	14,583
Net position, end of year	$ 18,623	$ 16,424	$ 14,091

The following table presents revenue by activity for the years ended June 30, 2025, 2024, and 2023:

Revenue by Activity
(Expressed in Thousands)

	2025	2024	2023
Environmental Dredging & Restoration	$ 49,721	$ 47,552	$ 44,636
Water/Wastewater Operations	41,074	35,714	36,647
Recycling	44,023	35,840	36,633
Solid Waste Management	21,852	21,041	19,525
Energy Generation	25,388	24,017	23,109
Environmental Engineering	7,465	17,653	6,075
Environmental Monitoring	25,747	25,520	24,181
Hazardous Waste Treatment	6,345	7,237	5,533
Grants	3,620	3,120	2,425
Other	956	491	108
Total Revenue	$ 226,191	$ 218,185	$ 198,872

The increase in total revenue for the year ended June 30, 2025 was $8,006 compared to the year ended June 30, 2024. The change represents an increase of 3.7% in total revenue. There was an increase in Environmental Dredging & Restoration of $2,169, an increase in Water and Wastewater Operations of $5,360, an increase in Recycling of $8,183, and a decrease in Environmental Engineering of $10,188.

The increase in Environmental Dredging and Restoration Group's revenue is largely attributable to Masonville Dredging & Construction - Dredge Material Containment Facility Dike Raising to Elevation + 30 Project. The Notice to Proceed for +30 construction was given at the end of November 2023 with major activities not starting until midway through quarter 3 of FY24. Construction continued through all FY25, resulting in much higher revenues in FY25.

The increase in Water and Wastewater is due to two new projects that started Summer of 2024.

The increase in Recycling was mainly due to the design work and construction of the Brown Station Road Landfill cell, which began in late FY2024 and across FY25, executed on behalf of Prince George's County with MES serving as the contract manager and construction management inspector.

The decrease in Environmental Engineering was due to the completion of capital projects for natural gas conversion that peaked in FY24 but the level of effort to finish the work in FY25 was greatly reduced.

The increase in total revenue for the year ended June 30, 2024 was $19,313 compared to the year ended June 30, 2023. The change represents an increase of 9.7% in total revenue. There was an increase in Environmental Dredging & Restoration of $2,916, an increase in Environmental Engineering of $11,578, and an increase in Solid Waste Management of $1,516.

The increase in Environmental Dredging and Restoration Group's revenue is largely attributable to The Mid-Bay Island (Barren and James Island) project. Activities began in the last quarter of FY2023 with substantial work in FY24 and had an estimated completion date of October 2024. This included project and construction management, adaptive management, engineering and design support, geotechnical borings and analysis, and turbidity monitoring.

The increase in Environmental Engineering is due to the boiler conversion improvements at the Eastern Correctional Institution co-generation plant in Princess Anne, Maryland. This latest phase of the conversion process included modifications to the internal boiler and boiler room to include removing equipment no longer needed and the installation of equipment that will receive natural gas. This project is scheduled to finish by December FY25.

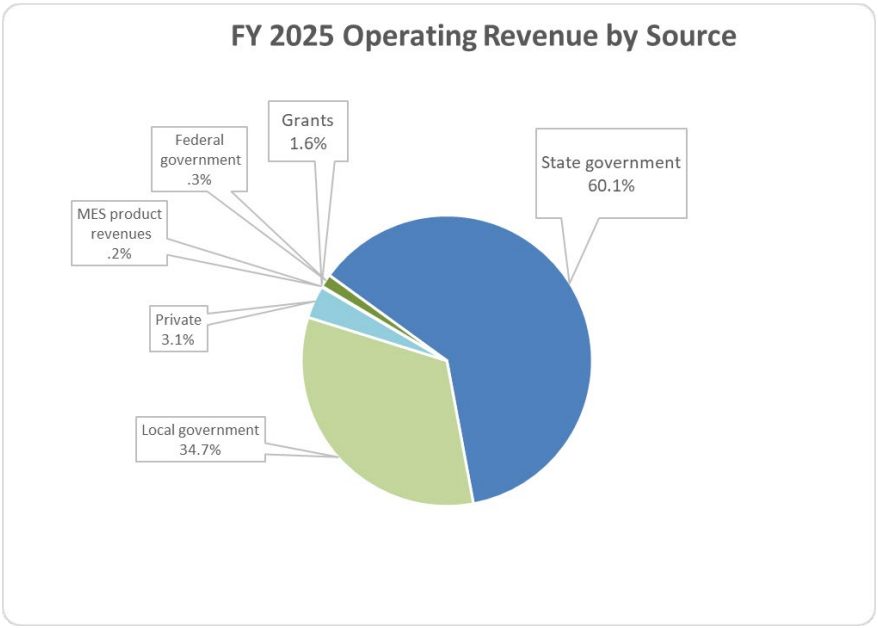
The increase in Solid Waste Management was due to the continued operations at three steam plants at the Central Maryland Correctional Facility in Sykesville, MD, the Maryland Correctional Institution at Hagerstown, and the Jessup Correctional Institution, where steam is used for heating, laundry and kitchen purposes.

The following table presents revenue by source for the years ended June 30, 2025, 2024, and 2023:

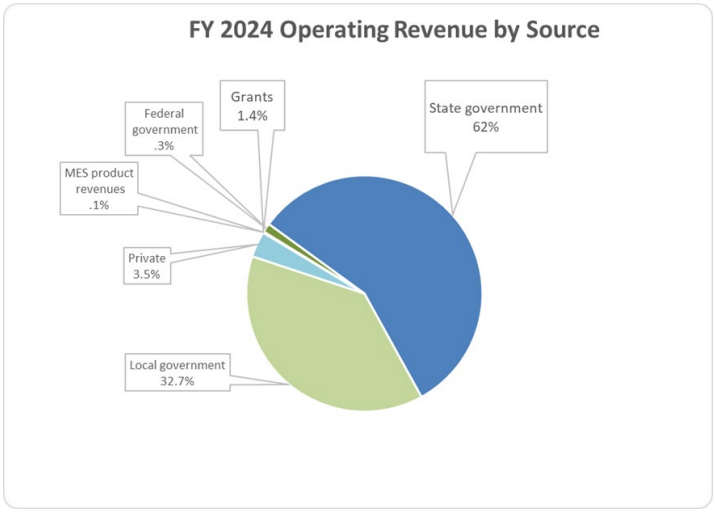
Revenue by Source
(Expressed in Thousands)

	2025	2024	2023
State government	$ 136,098	$ 135,422	$ 113,301
Local government	78,512	71,467	75,830
Private	6,959	7,936	6,988
Federal government	598	222	218
MES product revenues	404	18	110
Grants	3,620	3,120	2,425
Total Revenue	$ 226,191	$ 218,185	$ 198,872

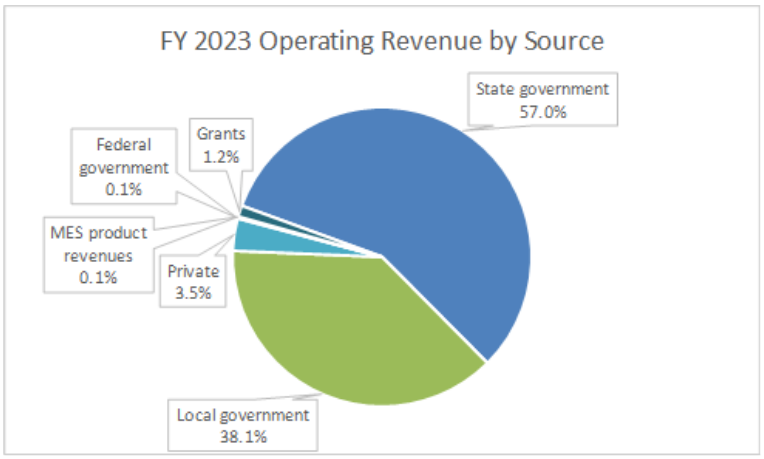
The following graph presents the Service's revenue by source for the year ended June 30, 2025:



The following graph presents revenue by source for the year ended June 30, 2024:



The following graph presents revenue by source for the year ended June 30, 2023:



Local government revenues increased by $7,045. The main factor for the increase was the design-work and construction of the Brown Station Road Landfill cell C-1, which began in late FY2024 and continued in FY25, executed on behalf of Prince George's County with MES serving as the contract manager and construction management inspector.

State government revenues increased by $22,121, while Local government revenues decreased by $4,363 in 2024.

The main factor for the increase in state revenues was due to The Mid-Bay Island project and construction management, adaptive management, engineering and design support, geotechnical borings and analysis, and turbidity monitoring. The boiler conversion improvements at the Eastern Correctional Institution co-generation plant that included modifications to the internal boiler and boiler room, and the continued operations at three steam plants at the Central Maryland Correctional Facility in Sykesville, MD, the Maryland Correctional Institution at Hagerstown, and the Jessup Correctional Institution.

The main reason for the decrease in local government was the completion of the operations and maintenance of the Back River Wastewater Treatment Plant in the City of Baltimore, bringing the facility back into compliance with its permit.

Operating Expenses

For both the Service and Midshore, operating expenses are predominantly related to those classified as cost of goods and services, general and administrative, and depreciation on capital assets.

Operating Income

Service operating loss reported in 2025 was ($3,884) compared to an operating loss of ($3,953) in 2024, a decrease of $69. The decrease was mainly due to the increase in operating revenue.

Service operating loss reported in 2024 was ($3,953) compared to an operating income of $198 in 2023, a decrease of $4,151. The increase was mainly due to the increase in operating expenses.

Midshore operating income reported in 2025 was $1,684 compared to operating income of $1,761 in 2024, a decrease of $77. This decrease was mainly due to the increase in operating expenses.

Midshore operating income reported in 2024 was $1,761 compared to operating loss of ($525) in 2023, an increase of $2,286. This increase was driven primarily by the effect of a lower closure post-closure estimate compared to the updated closure-postclosure cost estimate done in 2023.

Non-Operating Revenue (Expenses), Net

Service non-operating revenue (expense), net increased $483 to $5,110 in 2025. Non-operating items primarily include grants, interest income and interest expense.

Service non-operating revenue (expense), net increased $4,208 to $4,627 in 2024. Non-operating items primarily include grants, interest income and interest expense. For 2025, investment income decreased by $80, and grants increase by $500.

Midshore non-operating revenue (expense), net decreased $57 to $515 in 2025. Non-operating items primarily include interest income and interest expense. For 2025, interest income decreased by $112, and interest expense decreased by $58.

Midshore non-operating revenue (expense), net increased $539 to $572 in 2024. Non-operating items primarily include interest income and interest expense. For 2024, interest income increased by $369, and interest expense decreased by $132.

Grants

Service non-operating grants in 2025 totaled $3,620 compared to $3,120 in 2024, and $2,425 in 2023.

Capital Assets and Right to Use Leased Assets

The following tables present the Service's capital assets and right to use leased assets, net of depreciation as of June 30, 2025, 2024, and 2023, and capital expenditures for the years ended June 30, 2025, 2024, and 2023:

Capital Assets, Net of Depreciation
(Expressed in Thousands)

	2025	2024	2023
Land and improvements	$ 4,262	$ 4,262	$ 4,262
Buildings and improvements	4,805	4,573	4,737
Machinery and equipment	6,201	6,042	5,845
Total	$ 15,268	$ 14,877	$ 14,844

Right to Use Leased Assets, Net of Amortization
(Expressed in Thousands)

	2025	2024	2023
Land	$ 519	$ 551	$ 584
Subscription based software	2,322	3,286	4,204
Total	$ 2,841	$ 3,837	$ 4,788

Capital Expenditures
(Expressed in Thousands)

	2025	2024	2023
Autos and trucks	$ 1,511	$ 1,591	$ 1,178
Computer hardware/software	15	-	349
Tools/machinery/equipment	5	8	-
Leasehold improvements	350	-	-
Construction in progress	58	-	-
Total	$ 1,939	$ 1,599	$ 1,527

As of June 30, 2025, the carrying value of capital assets and right to use leased assets, net of depreciation and amortization, was $18,109, a decrease of $605 from 2024. The decrease is comprised of capital additions of $1,939 that was offset by depreciation and amortization of $2,448. The capital additions for the year were fleet vehicle replacements, construction/farm equipment, leasehold improvements, and equipment tools.

As of June 30, 2024, the carrying value of capital assets and right to use leased assets, net of depreciation and amortization was $18,718, a decrease of $914 from 2023. The decrease is comprised of capital additions of $1,599 that was offset by depreciation and amortization of $2,517. The capital additions for the year were fleet vehicle replacements, construction/farm equipment, and equipment tools.

The following tables present Midshore's capital assets, net of depreciation as of June 30, 2025, 2024, and 2023, and capital expenditures for the years ended June 30, 2025, 2024, and 2023:

Capital Assets, Net of Depreciation
(Expressed in Thousands)

	2025	2024	2023
Land and improvements	$ 1,690	$ 1,690	$ 1,690
Buildings and improvements	20,344	22,150	23,956
Construction in progress	1,248	331	85
Machinery and equipment	3,856	2,686	1,513
Total	$ 27,138	$ 26,857	$ 27,244

Capital Expenditures
(Expressed in Thousands)

	2025	2024	2023
Construction in progress	$ 917	246	19
Tools/machinery/equipment	2,110	1,753	181
Total	$ 3,027	$ 1,999	$ 200

As of June 30, 2025, the carrying value of capital assets, net of depreciation was $27,138 an increase of $281 from 2024. The increase is comprised of capital additions of $3,027 and depreciation of $2,746.

As of June 30, 2024, the carrying value of capital assets, net of depreciation was $26,857, a decrease of $387 from 2023. The decrease is comprised of capital additions of $1,999 and depreciation of $2,381.

Additional information on the Service's capital assets can be found in Note 3 to the financial statements.

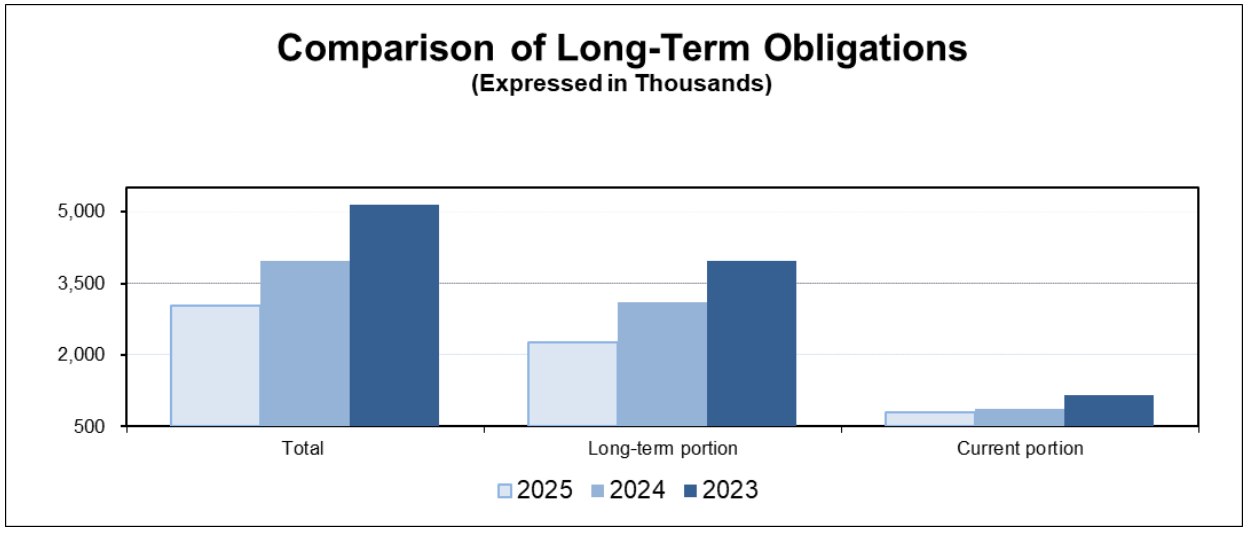
Long-Term Obligations

The following table and graph present outstanding long-term obligations as of June 30, 2025, 2024, and 2023:

Maryland Environmental Service:

Outstanding Debt and Capital Leases
(Expressed in Thousands)

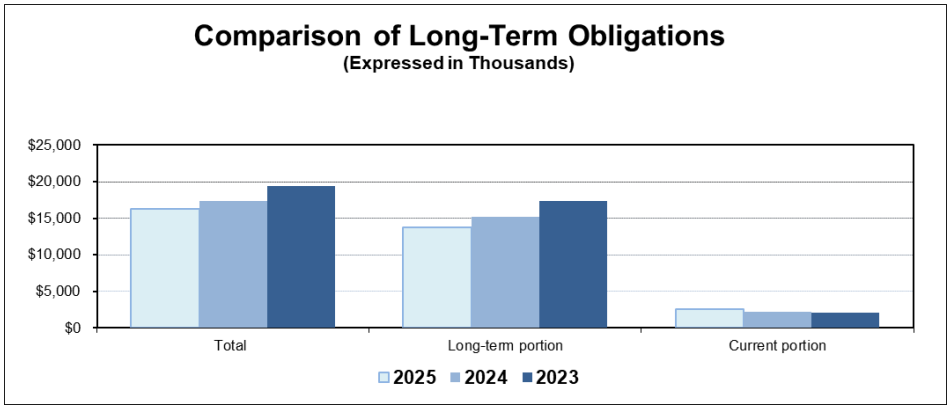
	2025	2024	2023
Lease liabilities	$ 3,043	$ 3,899	$ 4,611
Bonds and note payable	-	78	531
Total	$ 3,043	$ 3,977	$ 5,142



Midshore Regional Landfill:

Outstanding Debt and Capital Leases
(Expressed in Thousands)

	2025	2024	2023
Bonds payable	15,096	17,298	19,363
Loan payable	1,221	-	-
Total	$ 16,317	$ 17,298	$ 19,363



As of June 30, 2025, the Service's long-term obligations decreased $934 to $3,043 as a result of $934 of principal payments.

As of June 30, 2024, the Service's long-term obligations decreased $1,165 to $3,977 as a result of $1,165 of principal payments.

As of June 30, 2025, Midshore long-term obligations was $16,317 representing a decrease in outstanding principal of $2,300, and an increase in loan payable of $1,319.

As of June 30, 2024, Midshore long-term obligations was $17,298 representing a decrease in outstanding principal of $2,065.

Additional information on the Service's debt activity can be found in Notes 7 and 8 to the financial statements.

Requests for information: To obtain further information regarding current and future programs, prior year financials and contact information for the Service's employees, please refer to our website at: www.menv.com.

MARYLAND ENVIRONMENTAL SERVICE
FINANCIAL STATEMENTS

Maryland Environmental Service
Statements of Net Position
As of June 30, 2025 and 2024
(Expressed in Thousands)

Assets	**2025**	**(Restated) 2024**
Current assets:		
Cash and cash equivalents	$ 17,670	$ 8,360
Investments	44,412	54,059
Accounts receivable (net of allowance of $500)	50,196	44,891
Unbilled project costs accrued	2,643	2,408
Other	4	21
Total current assets	114,925	109,739
Non-current assets:		
Restricted cash	202	110
Due from project participants	9,486	10,197
Net OPEB asset	1,151	299
Note Receivable	1,222	-
Right of use leased assets, net of amortization	2,841	3,837
Capital assets, net of accumulated depreciation:		
Land	4,262	4,262
Buildings and improvements	4,805	4,573
Machinery and equipment	6,201	6,042
Total capital assets	15,268	14,877
Total non-current assets	30,170	29,320
Total assets	145,095	139,059
Deferred outflows		
Deferred outflows related to OPEB	432	839
Deferred outflows related to pensions	442	581
Total deferred outflows	874	1,420
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	36,685	33,679
Compensated absences	5,050	5,007
Due to Midshore and other projects	18,459	18,065
Advances from project participants	36,908	35,192
Lease liabilities	789	783
Note payable	-	78
Accrued workers' compensation costs	437	421
Total current liabilities	98,328	93,225
Non-current liabilities:		
Advances from project participants	2,062	1,807
Lease liabilities, less current portion	2,254	3,116
Accrued workers' compensation costs	2,476	2,383
Compensated absences, less current portion	4,808	4,799
Net Pension Liability	2,270	2,162
Total non-current liabilities	13,870	14,267
Total liabilities	112,198	107,492
Defereed inflows		
Deferred inflows related to OPEB	1,477	1,838
Deferred inflows related to pensions	351	432
Total deferred inflows	1,828	2,270
Net Position		
Net investment in capital assets	15,066	14,737
Restricted net position	219	126
Unrestricted net position	16,658	15,854
Total net position	$ 31,943	$ 30,717

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

Maryland Environmental Service
Statements of Revenue, Expenses and Change in Net Position
For the years ended June 30, 2025 and 2024
(Expressed in Thousands)

	2025	2024
Operating revenue:		
Charges for services	$ 222,571	$ 215,065
Total operating revenue	222,571	215,065
Operating expenses:		
Salaries and benefits	76,011	74,308
Contractual services	48,946	44,473
Technical fees	17,522	15,813
Utilities	11,076	13,073
Repairs and maintenance	4,144	4,702
Materials and supplies	11,179	9,855
Land, structures and equipment	39,851	39,632
Depreciation and amortization	2,448	2,517
General and administrative	13,398	13,446
Other	1,880	1,199
Total operating expenses	226,455	219,018
Operating loss	(3,884)	(3,953)
Nonoperating revenue (expenses):		
Grants	3,620	3,120
Investment income	1,588	1,668
Interest expense	(163)	(228)
Miscellaneous income (net)	65	67
Non-operating revenue, net	5,110	4,627
Change in net position	1,226	674
Net position, beginning of year	30,717	30,043
Net position, end of year	$ 31,943	$ 30,717

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

Maryland Environmental Service
Statements of Cash Flows
For the years ended June 30, 2025, and 2024
(Expressed in Thousands)

	2025	(Restated) 2024
Cash Flows From Operating Activities		
Receipts from customers	$ 215,869	$ 192,925
Payments to suppliers	(142,437)	(129,424)
Payments to employees	(76,012)	(75,274)
Net cash from operating activities	(2,580)	(11,773)
Cash Flows From Noncapital Financing Activities		
Grant receipts	3,620	3,120
Net cash from noncapital financing activities	3,620	3,120
Cash Flows From Capital and Related Financing Activities		
Purchases of capital assets	(1,939)	(1,599)
Principal maturities	(933)	(1,165)
Interest paid	(163)	(228)
Proceeds from sale of capital assets	162	67
Net cash from capital and related financing activities	(2,873)	(2,925)
Cash Flows From Investing Activities		
Purchases of investments	(200,353)	(216,222)
Sales and maturities of investments	210,000	221,851
Interest and dividends	1,588	1,668
Net cash from investing activities	11,235	7,297
Net changes in cash and cash equivalents	9,402	(4,281)
Cash and cash equivalents - beginning of the year	8,470	12,751
Cash and cash equivalents - end of the year	$ 17,872	8,470
Reconciliation of operating income to net cash provided by operating activities:		
Operating loss	$ (3,884)	$ (3,953)
Adjustments to reconcile operating (loss) income to net cash provided by operating activities:		
Depreciation and amortization expense	2,448	2,517
Change in non-cash operating assets and liabilities:		
Receivables, net	(5,358)	(8,927)
Other assets	(5,196)	(4,251)
Accounts and other payables	7,522	10,580
Due to and advances from project participants	2,075	(8,763)
Net pension liability	108	(137)
Net OPEB asset	(852)	(936)
Net change due to/from Midshore	448	2,150
Accrued workers compensation	109	(53)
Net cash from operating activities	$ (2,580)	$ (11,773)

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

Midshore Regional Landfill
Statements of Net Position
As of June 30, 2025, and 2024
(Expressed in Thousands)

Assets	**2025**	**2024**
Current assets:		
Due from MES	$ 18,459	$ 18,065
Accounts receivable	518	607
Total current assets	18,977	18,672
Non-current assets:		
Restricted investments	3,235	3,062
Capital assets not depreciated	2,938	2,021
Capital assets being depreciated, net	24,200	24,836
Total capital assets	27,138	26,587
Total non-current assets	30,373	39,919
Total assets	49,350	48,591
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	1,182	2,010
Advances from project participants	643	528
Bonds payable	2,297	2,186
Note payable	243	-
Total current liabilities	4,365	4,724
Non-current liabilities		
Bonds payable	12,799	15,112
Note payable	978	-
Accrued landfill closure and postclosure care costs	12,485	12,197
Total non-current liabilities	26,262	27,309
Total liabilities	30,627	32,033
Deferred inflows:		
Deferred inflows related to debt refunding	100	134
Total deferred inflows	100	134
Net Position		
Net investment in capital assets	10,736	9,438
Restricted net position	3,235	3,062
Unrestricted net position	4,652	3,924
Total net position	$ 18,623	$ 16,424

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

Midshore Regional Landfill
Statements of Revenue, Expenses and Change in Net Position
For the years ended June 30, 2025, and 2024
(Expressed in Thousands)

	2025	2024
Operating revenue:		
Charges for services	$ 10,030	$ 9,842
Total operating revenue	10,030	9,842
Operating expenses:		
Salaries and benefits	2,211	2,073
Contractual services	464	506
Technical fees	518	67
Utilities	42	47
Operations and maintenance	636	711
Materials and supplies	205	278
Land, structures and equipment	113	243
Depreciation	2,746	2,381
Closure/post closure	701	1,124
General and administrative	620	575
Other	90	76
Total operating expenses	8,346	8,081
Operating income	1,684	1,761
Nonoperating revenue (expenses):		
Grants	-	30
Interest income	810	922
Interest expense	(331)	(389)
Miscellaneous Income	36	9
Nonoperating revenue (expenses)	515	572
Change in net position	2,199	2,333
Net position, beginning of year	16,424	14,091
Net position, end of year	$ 18,623	$ 16,424

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

Midshore Regional Landfill
Statements of Cash Flows
For the years ended June 30, 2025, and 2024
(Expressed in Thousands)

	2025	2024
Cash Flows From Operating Activities		
Receipts from customers	$ 10,120	$ 9,987
Payments to suppliers	(4,208)	(4,210)
Payments to employees	(2,211)	(2,073)
Net cash from operating activities	3,701	3,704
Cash Flows From Noncapital Financing Activities		
Grant receipts	-	30
Net cash from noncapital financing activities	-	30
Cash Flows From Capital and Related Financing Activities		
Purchases of capital assets	(3,027)	(1,999)
Proceeds from note payable	1,319	
Proceeds from sale of capital assets	1	14
Principal maturities	(2,042)	(1,868)
Interest paid	(589)	(621)
Net cash from capital and related financing activities	(4,338)	(4,474)
Cash Flows From Investing Activities		
Purchase of investments	(173)	(182)
Interest and dividends	810	922
Net cash from investing activities	637	740
Net changes in cash and cash equivalents	-	-
Cash and cash equivalents - beginning of the year	-	-
Cash and cash equivalents - end of the year	$ -	$ -
Reconciliation of operating (loss0 income to net cash provided by operating activities:		
Operating income	1,684	$ 1,761
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation expense	2,746	2,381
Change in non-cash operating assets and liabilities:		
Accounts receivables	89	100
Accounts and other payables	(827)	(465)
Due from MES	(279)	(2,150)
Accrued landfill closure	288	2,077
Net cash from operating activities	$ 3,701	$ 3,704

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

Maryland Environmental Service
Other Postemployment Benefit Plan
Statements of Plan Net Position
As of June 30, 2025 and 2024
(Expressed in Thousands)

	2025	2024
Assets		
Cash and short-term investments	$ 1,534	$ 1,089
Investments:		
Equities	5,653	5,082
Fixed income	2,501	2,331
Total investments	8,154	7,413
Total assets	9,688	8,502
Fiduciary net position held in trust for other postemployment benefits	$ 9,688	$ 8,502

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

Maryland Environmental Service
Other Post Employment Benefit Plan
Statements of Changes in Plan Net Position
For the years ended June 30, 2025 and 2024
(Expressed in Thousands)

	2025	2024
Additions		
Employer contributions	$ 607	$ 1,118
Investment Income:		
Net apreciation in fair value of investments	627	798
Interests and dividends	259	183
	886	981
Less investment expense	34	17
Net investment income	852	964
Total additions	1,459	2,082
Deductions		
Benefits paid	273	268
Net change	1,186	1,814
Fiduciaty net position held in trust for other postemployment benefits		
Net position, beginning of year	8,502	6,688
Net position, end of year	$ 9,688	$ 8,502

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

(1) Organization and Summary of Significant Accounting Policies

(a) Reporting Entity

The General Assembly created Maryland Environmental Service (MES or the Service) in 1970 as an agency of the Maryland State Department of Natural Resources. Major activities of the Service include the provision of water supply and wastewater treatment, sewage sludge management, recycling assistance, solid waste management, and resource recovery from waste and dredging services. Services are provided to State of Maryland owned facilities, local communities, political subdivisions, Federal facilities and the private sector.

Pursuant to Chapter 196 of the 1993 Acts of the Maryland General Assembly, effective July 1, 1993, the Service was established as an instrumentality of the State and a public corporation independent of the Department of Natural Resources. Chapter 196 also expanded the Service's Board of Directors from seven to nine members; provided for the appointment of the Deputy Director, Secretary and Treasurer by the Director, with the approval of the Governor; provided for the appointment of the remaining Board members by the Governor, with the advice and consent of the Senate; exempted the Service from most provisions of the State Procurement Law; established the retirement and health benefits available for certain employees of the Service; authorized the Service to create a new personnel system; exempted the Service from most provisions of the State Merit System Law effective January 1, 1995; authorized the Service to create private corporations; authorized the Service to exercise the corporate powers granted Maryland corporations under the Maryland General Corporation Law; and made other changes to the law governing the Service. For financial reporting purposes, the Service is considered a discrete component unit of the State of Maryland.

The Service operates public and private water and wastewater treatment plants throughout the State of Maryland. Licensed and certified personnel operate and maintain the facilities. Projects range in size from basic pumping stations to advanced wastewater treatment facilities. Capabilities include laboratory testing, operations oversight, and management, operations, maintenance and plant supervision.

In the area of solid waste management, the Service operates state-of-the-art waste facilities including municipal solid waste and rubble landfills, incinerators, resource reclamation facilities in Montgomery and Prince George's Counties.

The Service has the capabilities to provide site analysis, planning, engineering, design and construction services, and the resources to finance and build water, wastewater and solid waste projects. The Service operates the Hart-Miller Island, Poplar Island, Cox Creek and Masonville Dredge Material Disposal Facilities as well as provides technical support for the Maryland Department of Transportation Maryland Port Administration.

The Service produces and sells yard waste compost for Montgomery and Prince George's Counties under the registered trademark Leafgro®.

The Service also reports a second major enterprise fund for the purpose to account for operations of the Midshore Regional Landfills. The landfills, located in Talbot County, Maryland and Caroline County, Maryland, are operated for the benefit of the governments of Caroline, Kent, Queen Anne's and Talbot Counties. The counties have the ultimate responsibility for payment of operating expenses and debt of the facilities.

(1) Organization and Summary of Significant Accounting Policies (continued)

(a) Reporting Entity *(continued)*

Certain employees of the Service are eligible to participate in the Retiree Medical Reimbursement Plan (OPEB Plan), which is a single-employer defined benefit plan administered by the Service. The plan is considered part of the Service's financial reporting entity. A separate report for the OPEB Plan is prepared in compliance with Generally Accepted Accounting Principles (GAAP).

(b) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accompanying financial statements present the financial position and results of operations of all of the Service, Midshore, and OPEB Plan activities. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Under these standards, the Service utilizes the accrual basis of accounting and the economic measurement focus in preparing its financial statements wherein revenues are recognized when earned and expenses are recognized when incurred.

The GAAP requires that resources be classified into three categories of net position. Net position represents the residual interest in the Service's assets plus deferred outflows (as applicable) of resources less liabilities plus deferred inflows (as applicable) of resources and consists of net investment in capital assets, restricted and unrestricted, as follows:

Net investment in capital assets: The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation and right to use lease assets, net of amortization reduced by the outstanding balances of bonds, mortgages, notes, lease liabilities or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt are included in this component of net position.

Restricted: Restricted net position represents the portion of net position that is reported as restricted when there are external third-party limitations (statutory, contractual, or bond covenant) on its use. The Service's restricted net position includes Grumman Sinking Fund for the purpose of creating reserves for, and financing, capital improvements to the related systems. Midshore's restricted net position includes the Closure Fund, Liability Fund, and Construction Fund. They are, respectively, to provide for general maintenance, compliance monitoring and other costs to be incurred after the Mid-Shore II Landfill has been closed, to settle any claims against the town of Easton related to the landfill, pay for design and construction costs of any corrective measures required on the landfill by MDE or EPA, and pay costs to defend any claims related to the landfill, and to finance costs of construction project/activities.

Unrestricted: Unrestricted net position represents the portion of net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by the Board or may be otherwise limited by contractual agreements with outside parties.

(1) Organization and Summary of Significant Accounting Policies (continued)

(c) Revenue Recognition

The Service distinguishes operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with ongoing operations. The principal operating revenue of the Service is charges to customers for services. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses. Interest income is recognized as non-operating revenue as earned. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

(d) Cash and Cash Equivalents

Cash consists of cash on hand and demand deposits, and highly liquid interest investments with maturities of three months or less from the date of acquisition are considered cash equivalents.

(e) Investments

The Service's investments are reported at fair value using quoted market price or the best available estimate thereof. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

(f) Capital Assets

Capital assets are stated at cost and consist primarily of Service-owned assets related to projects operated for participants. Certain contracts contain provisions whereby the participants have the option to purchase certain equipment during the terms of the contracts.

The Service defines capital assets as assets with an initial, individual cost of more than $5,000 (amount not rounded to thousands) and an estimated useful life in excess of one year. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend an asset's life are not capitalized.

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impaired assets that will no longer be used are reported at the lower of carrying value or fair value. Impairment losses on capital assets that will continue to be used are measured using the method that best reflects the diminished service utility of the capital asset. Impairment of capital assets with physical damage are measured using a restoration cost approach, an approach that uses the estimated cost to restore the capital asset to identify the portion of the historical cost of the capital asset that should be written off. The Service did not record any impairment charges as of June 30, 2025 and 2024 as there were no indicators of impairment.

Depreciation is computed using the straight-line method over the estimated useful lives of the capital assets, which range from 3 to 40 years. The depreciation on assets, which are not directly related to projects, are included in the operating costs on statements of revenue, expenses, and changes in net position.

Certain contracts contain provisions whereby the Service purchases equipment or constructs assets for clients. These expenses are recorded as land, structures and equipment in the statements of revenue, expenses and change in net position, and they are not capitalized as the assets belong to the customer and are not assets of the Service.

(1) Organization and Summary of Significant Accounting Policies (continued)

(g) Receivables and Payables

During the course of its operations, the Service has numerous transactions with Midshore Regional Landfill to manage operations, provide services, construct assets, and service debt. To the extent that such transactions have not been paid or received as of June 30, the balances of interfund amounts receivable or payable have been reflected accordingly.

All receivables are shown net of an allowance for uncollectible accounts. Accounts receivable in excess of 90 days that are not deemed collectible are written off against the allowance for uncollectible accounts.

The Service payables include project-related expenses and accruals, personnel-related costs, and pass-through product revenues owed to some of its major clients.

(h) Unbilled Project Costs

The Service records unbilled project costs as the timing difference related to the payroll and accounts payable accrual as the costs have been incurred, but not paid.

(i) Due to/From Project Participants

The Service accounts for major projects that cannot reflect accumulated profits as a due to/from at the close of fiscal year to the due to/from project participants' account.

(j) Right to use assets

The Service has recorded right to use lease assets as of year end. The right to use assets was initially measured at an amount equal to the present value of the future related lease payments plus any lease payments made prior to the lease term, less lease incentives, plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

(k) Compensated Absences

Employees of the Service earn vacation benefits based on time in service. The rights to such benefits are vested and recorded as earned. Sick leave is also earned and accumulated by employees based on time in service. However, such benefits do not vest and are not paid unless sickness causes employees to be absent. Historically, the Service did not accrue a liability for sick leave because it was not paid upon termination.

Effective for the fiscal year ended June 30, 2025, the Service implemented GASB Statement No. 101, Compensated Absences. Under Statement 101, a liability for unused leave is now recognized when the leave is earned and accumulated by employees based on time in service. As a result of adopting Statement 101, the Service performed an analysis of its historical employee leave patterns and employment policies and determined that the accumulated sick leave is more likely than not to be used. For purposes of valuing the liability, the Service has elected to use a last-in, first-out (LIFO) flow assumption. Under this assumption, the most recently accrued sick leave is presumed to be the first used. As a result, older, previously accrued sick leave balances are expected to remain outstanding and are used to value the long-term portion of the liability at the employee's pay rate as of the date of the financial statements.

(1) Organization and Summary of Significant Accounting Policies (continued)

(l) Accrued Workers' Compensation Costs

The accrued workers' compensation costs, applicable to the Service's coverage discussed in Note 13, are recorded as a short-term and long-term liability. As substantially all of these costs are recoverable under the Service's contracts, a receivable from project participants has been recorded to reflect the future funding of this liability.

(m) Pensions and Other Postemployment Benefits.

Certain employees of the Service are members of the Maryland State Retirement and Pension System. Employees are members of the Employees Retirement System of the State of Maryland (ERS). ERS is part of the State of Maryland Retirement and Pension System, which 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 ERS and additions to/deductions from ERS' fiduciary net position have been determined on the same basis as they are reported by ERS. 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.

The Service provides certain postemployment benefits to eligible employees. These benefits are paid out of the Service's Retiree Medical Reimbursement Plan (the Plan), a single-employer defined benefit plan. It is offered to eligible employees not covered under the State Retiree Plan. To be eligible, employees must have 30 years of service with the Service, or retire at age 60 or over and have 16 years of employment with the Service. Retired employees or their spouses ages 60 or over can be reimbursed up to $3,600 per calendar year for medical expenses. The net other postemployments benefits (OPEB) liability is calculated as the OPEB liability, as actuarially determined, less the Plan's net position.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Service's deferred outflows consist of changes to pension and OPEB expenses. Deferred outflows of resources relating to pension and OPEB are described in Notes 9 and 10, respectively.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Service's deferred inflows consisted of items relating to pension and OPEB, as described in Notes 9 and 10, respectively.

(n) Advances from Project Participants

Advances from project participants are received by the Service as provided for under contracts and are generally for working capital purposes. Such advances are recorded as a liability and are generally refunded to project participants at the end of the related contracts or used to pay project costs.

(1) Organization and Summary of Significant Accounting Policies (continued)

(o) Long Term Obligations and Bond Discount

Long term debt and other long-term obligations, including long-term contractual lease payments, are reported as liabilities in the applicable statements of net position. Bond payable is reported net of bond premium, which is recognized during the current period. Bond premium is amortized to interest expense using the effective interest method over the contractual term of the bonds.

(p) Arbitrage

The U.S. Treasury has issued regulations on calculating the rebate due to the Federal government on arbitrage profits and determining compliance with the arbitrage rebate provisions of the Tax Reform Act of 1986. Arbitrage profits arise when the Service temporarily invests the proceeds of tax-exempt debt in securities with higher yields. The Service treats the estimated rebate payable as a reduction of any interest income earned. As of June 30, 2025, and 2024, there were no arbitrage rebate liabilities.

(q) Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, and deferred inflows and disclosures of contingencies at the date the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

(r) Reclassifications

Certain reclassifications were made to the comparative fiscal year 2024 amounts to conform to the fiscal year 2025 presentation in the basic financial statements. Reclassifications did not impact the ending net position or change in net position.

(s) Implemented Accounting Pronouncements

In June 2022, GASB issued Statement No. 101, Compensated Absences. The primary objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement will take effect for financial statements with fiscal years beginning after December 15, 2023. The Service implemented this standard during the year ended June 30, 2025. The implementation resulted in a zero impact on the July 1, 2023 net position, an increase in liabilities, and in assets as of June 30, 2024, of $4,450. The assets increased due to substantially all of these compensated absences costs being recoverable under the Service's contract.

In December 2023, GASB issued Statement No. 102, Certain Risk Disclosures. The primary objective of this Statement is to provide users of financial statements with essential information about risks related to an organization's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024. The Service has evaluated this standard and implemented it in fiscal year 2025. The implementation did not have a material effect on the financial statements.

(1) Organization and Summary of Significant Accounting Policies (continued)

(t) Upcoming Accounting Pronouncements

In April 2024, GASB issued Statement No. 103, Financial Reporting Model Improvements. The primary objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision-making and assessing a government's accountability. This Statement also addresses certain application issues of the reporting model. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

In September 2024, GASB issued Statement No. 104, Disclosure of Certain Capital Assets. The primary objective of this Statement is to provide users of governmental financial statements with essential information about certain types of capital assets. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025. The Service will be analyzing the effects of these standards and will adopt them by their effective dates.

(2) Cash and Cash Equivalents and Investments

Custodial credit risk is the risk that in the event of a bank failure, the Service's deposits may not be returned to it. State statutes require that deposits and investments with financial institutions be fully collateralized. The investment policies for all of the Service's funds are the same as those of the state of Maryland Treasurer (Finance and Procurement Article 6-222). The Service's cash is considered to be cash on hand and demand deposits. Cash and cash equivalents totaled $17,670 and $8,360 as of June 30, 2025 and 2024, respectively. Included, as cash equivalents for financial statement presentation, were certain overnight investments of $25,846 and $18,434, offset by $9,075 and $10,074 of outstanding checks as of June 30, 2025 and 2024, respectively. Investments are valued at fair value, which is based on quoted market prices.

Deposits at financial institutions were either fully insured through FDIC or collateralized at year-end. Therefore, the Service has no significant exposure to custodial risk.

The State Finance and Procurement Article Section 6-222 defines the types of securities authorized as appropriate investments for the Service and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. The National Resource Article Section 3-126 authorizes the investment in obligation as described in the State Finance and Procurement Article Section 6-222.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Service's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State. The Service intends to hold investments until maturity to reduce adverse effect of changes in interest rates.

The State Finance and Procurement Article Section 6-222 defines the types of securities authorized as appropriate investments for the Service and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. The National Resource Article Section 3-126 authorizes the investment in obligation as described in the State Finance and Procurement Article Section 6-222.

(2) Cash and Cash Equivalents and Investments (continued)

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Service's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State. The Service intends to hold investments until maturity to reduce adverse effect of changes in interest rates.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Service's policy for reducing its exposure to credit risk is to comply with the State, which states that investments with financial institutions must be fully collateralized.

The Service 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. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Service has the following recurring fair value measurement as of June 30, 2025:

- US Treasuries of $39,793 and Money Market of $4,619 are valued at quoted market price (Level 1 inputs)

As of June 30, 2025, the Service had the following investments and quality ratings:

Investment Type	Ratings by Organization Moody's	Fair Value (In Thousands)	Investment Maturities (in Years)				
			Less than 1	1-5	6-10	11-15	More than 15
US Treasuries		$ 39,793	$ 39,793	$ -	$ -	$ -	$ -
Money Market		4,619	4,619	-	-	-	-
Total	Aaa	$ 44,412	$ 44,412	$ -	$ -	$ -	$ -

The Service has the following recurring fair value measurement as of June 30, 2024:

- US Treasuries of $49,649 and Money Market of $4,410 are valued at quoted market price (Level 1 inputs)

As of June 30, 2024, the Service had the following investments and quality ratings:

Investment Type	Organization Moody's	(In Thousands)	Less than 1	1-5	6-10	11-15	More than 15
US Treasuries		$ 49,649	$ 49,649	$ -	$ -	$ -	$ -
Money Market		4,410	4,410	-	-	-	-
Total	Aaa	$ 54,059	$ 54,059	$ -	$ -	$ -	$ -

(2) Cash and Cash Equivalents and Investments (continued)

The Midshore Regional Landfill has the following recurring fair value measurement as of June 30, 2025:

- US Treasuries of $1,382 and Money Market of $1,853 are valued at quoted market price (Level 1 inputs)

As of June 30, 2025, the Midshore Regional Landfill had the following investments and quality ratings:

Investment Type	Ratings by Organization Moody's	Fair Value (In Thousands)	Investment Maturities (in Years)				
			Less than 1	1-5	6-10	11-15	More than 15
US Treasuries		$ 1,382	$ 1,382	$ -	$ -	$ -	$ -
Money Market		1,853	1,853	-	-	-	-
Total	Aaa	$ 3,235	$ 3,235	$ -	$ -	$ -	$ -

The Midshore Regional Landfill has the following recurring fair value measurement as of June 30, 2024:

- US Treasuries of $1,291 and Money Market of $1,771 are valued at quoted market price (Level 1 inputs)

As of June 30, 2024, the Midshore Regional Landfill had the following investments and quality ratings:

Investment Type	Ratings by Organization Moody's	Fair Value (In Thousands)	Investment Maturities (in Years)				
			Less than 1	1-5	6-10	11-15	More than 15
US Treasuries		$ 1,291	$ 1,291	$ -	$ -	$ -	$ -
Money Market		1,771	1,771	-	-	-	-
Total	Aaa	$ 3,062	$ 3,062	$ -	$ -	$ -	$ -

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Service's policy for reducing this risk of loss is to comply with State regulation.

The issuance of debt is authorized by National Resource Article Section 3-112. Each Bond issue includes a Tax and Section 148 Certificate, which specifies the investment type and yield requirements.

Restricted cash and investments include deposits and investments that relate to the bond indentures and restricted project funds, which are not available to pay the general operating expenses of the Service.

(2) Cash and Cash Equivalents and Investments (continued)

The restricted cash and investments were comprised of the following funds as of June 30:

Maryland Environmental Service:

	2025	2024
Service held:		
Project restricted	$ 202	$ 110

Midshore Regional Landfill:

	2025	2024
Trustee held:		
Closure Fund	$ 900	$ 861
Construction Funds	1,382	1,291
Service held:		
Liability Fund	953	910
	$ 3,235	$ 3,062

OPEB Trust:

All investments are valued at fair value. Fair value for investments is determined using quoted market value of securities. Assets held in trust are held in a custodial account for which the custodian makes no investment decisions. PNC Institutional Investments is the advisor that provides investment management services.

The Service follows the asset allocation policy adopted by the State of Maryland for the Post-Retirement Health Benefits Trust (the Plan).

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Plan's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increases in interest rates.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan would not be able to recover the value of its investments that are in the possession of an outside party. Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the Plan, and are held by either: (a) the counterparty, or (b) the counterparty's trust department or agent but not in the Plan's name.

The Service has the following recurring fair value measurements as of June 30, 2025 and 2024:

- All investments consisted of equities and mutual funds and were valued using quoted market prices (Level 1 inputs)

Concentration of credit risk is the risk of loss attributed to the magnitude of the Plan's investment in the securities of a single issuer. The Plan's investment policy follows the asset allocation policy adopted by the State of Maryland for the Post-Retirement Health Benefits Trust and does not further limit its investment options. The Plan's investments consist of equity, fixed income securities and money market funds and follow the allocation policy.

(2) Cash and Cash Equivalents and Investments (continued)

As of June 30, 2025, the Plan had the following investments that represented 5% or more of total investments:

Issue	Fair Value	Percentage
iShares CORE S&P 500 ETF	$ 3,262	49%
Vanguard Total Bond Market Index Fund	1,462	22%
iShares CORE S&P MID-CAP ETF	638	10%
iShares CORE S&P SMALL-CAP ETF	517	8%
iShares MSCI EAFE EFT	450	7%
DODGE & COX Incle Fund	359	5%

As of June 30, 2024, the Plan had the following investments that represented 5% or more of total investments:

Issue	Fair Value	Percentage
iShares CORE S&P 500 ETF	$ 2,875	39%
Vanguard Total Bond Market Index Fund	1,391	19%
iShares CORE S&P MID-CAP ETF	602	8%
iShares CORE S&P SMALL-CAP ETF	505	7%
iShares MSCI EAFE EFT	394	5%
DODGE & COX Incle Fund	337	5%

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The investment policy for the Plan does not limit investments.

(3) Capital Assets

The tables below represent the changes in capital:

Maryland Environmental Service – Year Ended June 30, 2025:

	Balance 06/30/24	Additions	Deletions	Transfers In/Out	Balance 06/30/25
Capital assets, not depreciated					
Land and improvements	$ 4,262	$ -	$ -	$ -	$ 4,262
Construction in Progress	-	58	-	-	58
Total capital assets not depreciated	4,262	58	-	-	4,320
Capital assets, being depreciated					
Structures and improvements	11,112	350	-	-	11,462
Equipment	18,368	1,531	(358)	-	19,541
Total capital assets being depreciated	29,480	1,881	(358)	-	31,003
Less: accumulated depreciation for					
Structures and improvements	6,539	176	-	-	6,715
Equipment	12,326	1,372	(358)	-	13,340
Total accumulated depreciation	18,865	1,548	(358)	-	20,055
Total capital assets, net	$ 14,877	$ 391	$ -	$ -	$ 15,268

Maryland Environmental Service – Year Ended June 30, 2024:

	Balance 06/30/23	Additions	Deletions	Transfers In/Out	Balance 06/30/24
Capital assets, not depreciated					
Land and improvements	$ 4,262	$ -	$ -	$ -	$ 4,262
Total capital assets not depreciated	4,262	-	-	-	4,262
Capital assets, being depreciated					
Structures and improvements	11,312	-	(200)	-	11,112
Equipment	18,441	1,599	(1,244)	(428)	18,368
Total capital assets being depreciated	29,753	1,599	(1,444)	(428)	29,480
Less: accumulated depreciation for					
Structures and improvements	6,575	164	(200)	-	6,539
Equipment	12,596	1,402	(1,244)	(428)	12,326
Total accumulated depreciation	19,171	1,566	(1,444)	(428)	18,865
Total capital assets, net	$ 14,844	$ 33	$ -	$ -	$ 14,877

(3) Capital Assets (continued)

Midshore Regional Landfill – Year Ended June 30, 2025:

	Balance 06/30/24	Additions	Deletions	Transfers In/Out	Balance 06/30/25
Capital assets, not depreciated					
Land and improvements	$ 1,690	$ -	$ -	$ -	$ 1,690
Construction in progress	331	917	-	-	1,248
Total capital assets, not depreciated	2,021	917	-	-	2,938
Capital assets, being depreciated					
Structures and improvements	49,579			-	49,579
Equipment	7,050	2,110	(1,372)		7,788
Total capital assets being depreciated	56,629	2,110	(1,372)	-	57,367
Less: accumulated depreciation for					
Structures and improvements	27,429	1,806			29,235
Equipment	4,364	940	(1,372)		3,932
Total accumulated depreciation	31,793	2,746	(1,372)	-	33,167
Total capital assets, net	$ 26,857	$ 281	$ -	$ -	$ 27,138

Midshore Regional Landfill – Year Ended June 30, 2024:

	Balance 06/30/23	Additions	Deletions	Transfers In/Out	Balance 06/30/24
Capital assets, not depreciated					
Land and improvements	$ 1,690	$ -	$ -	$ -	$ 1,690
Construction in progress	85	246	-	-	331
Total capital assets, not depreciated	1,775	246	-	-	2,021
Capital assets, being depreciated					
Structures and improvements	49,579			-	49,579
Equipment	4,903	1,753	(64)	458	7,050
Total capital assets being depreciated	54,482	1,753	(64)	458	56,629
Less: accumulated depreciation for					
Structures and improvements	25,623	1,806	-	-	27,429
Equipment	3,390	575	(59)	458	4,364
Total accumulated depreciation	29,013	2,381	(59)	458	31,793
Total capital assets, net	$ 27,244	$ (382)	$ (5)	$ -	$ 26,857

(4) Right to Use Leased Assets

The tables below represent the changes in right-to-use lease assets:

Maryland Environmental Service – Year Ended June 30, 2025:

	Balance 06/30/24	Additions	Deletions	Transfers In/Out	Balance 06/30/25
Right to use leased assets, being amortized					
Land	$ 616	$ -	$ -	$ -	$ 616
Subscription based software	5,364	68	(388)	-	5,044
Total leased assets, being amortized	5,980	68	(388)	-	5,660
Less: accumulated amortization for					
Land	65	35	-	-	100
Subscription based software	2,078	865	(224)	-	2,719
Total accumulated amortization	2,143	900	(224)	-	2,819
Total right to use assets, net	$ 3,837	$ (832)	$ (164)	$ -	$ 2,841

Maryland Environmental Service – Year Ended June 30, 2024:

	Balance 06/30/23	Additions	Deletions	Transfers In/Out	Balance 06/30/24
Right to use leased assets, being amortized					
Land	$ 616	$ -	$ -	$ -	$ 616
Subscription based software	5,364	-	-	-	5,364
Total leased assets, being amortized	5,980	-	-	-	5,980
Less: accumulated amortization for					
Land	32	33	-	-	65
Subscription based software	1,160	918	-	-	2,078
Total accumulated amortization	1,192	951	-	-	2,143
Total right to use assets, net	$ 4,788	$ (951)	$ -	$ -	$ 3,837

(5) Construction Commitments

The Service entered into construction contracts with unrelated parties in the amount of $1,248 for the construction of Midshore Cell # 2, 3, and 5. As of June 30, 2025, all commitments had been incurred.

(6) Concentrations of Credit

The Service derived approximately 60% and 62% of its revenue in the years ended June 30, 2025 and 2024, respectively, from providing services to the State of Maryland.

(7) Lease Liabilities

The Service reports its leasing arrangements that qualify as other than short-term leases at the present value of their future minimum lease payments as of the date of its inception.

The Service leases office space under a non-cancellable agreement requiring monthly payments expected to range from $4 to $6 through August 2041. The Service also leases third-party technology requiring annual payments ranging from $603 to $968 through June 2030. The lease liabilities were measured at a discount rate of 5%. Associated with these leases, the Service has recorded right to use assets with net book values of $2,841 and $3,837 as of June 30, 2025 and 2024, respectively.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2025, were as follows:

Years ending June 30:	Principal	Interest	Total
2026	$ 789	$ 155	$ 944
2027	588	114	702
2028	565	84	649
2029	595	55	650
2030	23	25	48
Thereafter	483	156	639
Total	$ 3,043	$ 589	$ 3,632

(8) Debt

Maryland Environmental Service:

On April 5, 2003, the Service received note proceeds of $5.5 million from a lending institution. The note agreement required monthly payments of $39 through August 2024 including interest at 6.98%. The Service has paid off this obligation.

(8) Debt (continued)

Midshore Regional Landfill:

Bonds outstanding (including current portion) consisted of the following as of June 30:

	2025	2024
Midshore II Regional Landfill Project Revenue Bonds, Series 2020 $9,805 (plus bond premium of $1,700); interest at 3.0% to 4.0% paid semiannually on May 1 and November 1; due in annual installments beginning 2021 through 2030 in varying amounts from $815 to $1,160.	$ 7,582	$ 8,679
Midshore II Regional Landfill Project Revenue Bonds, Series 2018 $7,850 (plus bond premium of $793); interest at 3.0% to 5.0% paid semiannually on May 1 and November 1; due in annual installments beginning 2018 through 2030 in varying amounts from $500 to $1,260.	5,526	6,202
Midshore II Regional Landfill Project Revenue Bonds, Series 2014 $2,940 ; interest at 3.1% paid semiannually on May1 and November 1; due in annual installments beginning 2014 trough 2029 in varying amounts from $247 to $369	1,408	1,734
Hobbs Road Landfill Closure Project Water Quality Bond, Series 2011A; April 2011 $1,087; interest at 1.1% paid semiannually in February and August; due in annual installments beginning 2013 through 2031 in varying amounts from $90 to $111.	580	683
Total	15,096	17,298
Less: current portion	2,297	2,186
Long-term portion of debt	$ 12,799	$ 15,112

Future minimum payments for bonds payable as of June 30, 2025, were due as follows:

Years ending June 30:	Total	Principal	Interest
2026	$ 2,765	$ 2,297	$ 468
2027	2,798	2,413	385
2028	2,831	2,532	299
2029	2,842	2,634	208
2030	2,778	2,666	112
2031	2,585	2,554	31
Total	$ 16,599	$ 15,096	$ 1,503

(8) Debt (continued)

In January 2025, the Service entered into an agreement with Midshore Regional Landfill to procure a new Eco Landfill Compactor for the Midshore II Landfill at a cost of $1.3 million with an interest rate of 5%. This compactor will be repaid over a period of 5 years from the Midshore operating fund.

Future minimum payments for note payable as of June 30, 2025, were due as follows:

Years ending June 30:	Total	Principal	Interest
2026	$ 299	$ 243	$ 56
2027	299	256	43
2028	299	269	30
2029	298	282	16
2030	174	171	3
Total	$ 1,369	$ 1,221	$ 148

The Maryland Environmental Service Water Quality Bond, Series 2011A, was issued in connection with the closure and capping of the Hobbs Road Landfill. The bond constitutes special obligations of the Service and are payable solely from revenues (tipping fees and supplemental fees) from the project pledged by the Service under the bond indentures. Neither the State of Maryland, nor any political subdivision, nor the Service shall be obligated to pay the bonds or the interest thereon, except from such project revenue. In the event of any participating county's failure to pay any amounts required under the related Waste Service Agreement when due, the Service may accept Acceptable Waste generated outside the Midshore Counties. In addition, the State Intercept Provision (Md. Natural Resources Article Section 3-108(b)) provides that if a Midshore County fails to pay the Service within 60 days of the due date as established by contract, all State funds, or that portion of them required, relating to the income tax, the tax on racing, the recordation tax, the tax on amusements and the license tax which would otherwise be distributed to such Midshore County by the Comptroller of Maryland shall be paid directly to the Service.

The Regional Landfill Project Revenue Bond, 2014 Series, was issued in connection with the construction of a new landfill cell to increase the capacity of the Midshore II Regional Landfill. The bond constitutes a special obligation of the Service and is payable solely from revenues (tipping fees and supplemental fees) from the project pledged by the Service under Indenture of Trust. Neither the State of Maryland, nor any political subdivision, nor the Service shall be obligated to pay the bond or the interest thereon, except from such project revenues. In the event of any participating county's failure to pay any amounts required under the related Waste Disposal Service Agreement when due, the Service may accept Acceptable Waste generated outside the Midshore Counties. In addition, the State Intercept Provision, (Md. NR Code Ann., Section 3-108(b)), provides that if any local government fails to pay the Service within 60 days of the due date as established by contract, all State funds, or that portion of them required, relating to the income tax, the tax on racing, the recordation tax, the tax on amusements and the license tax which would otherwise be distributed to such local government, including a Midshore County, by the Comptroller of Maryland shall be paid directly to the Service.

MES issued $8.9 million in tax-exempt bonds in July of 2018, for the purpose of financing the cost of the planning, design, construction, equipping and operation of Midshore II Regional Landfill Project Cell #3, located in Caroline County, Maryland, to improve or increase the disposal capacity of the Midshore II Landfill. The Service entered into separate Waste Disposal Service Agreements in 2009 with County Commissioners of Caroline County, County Commissioners of Queen Anne's County, County Commissioners of Kent County and Talbot County, Maryland. Each of the Midshore Counties has agreed to deliver all its Acceptable Waste for disposal at the Regional Landfill, in each year throughout the term of the Series 2018 Bonds and to pay certain disposal fees. The Service Agreements executed

(8) Debt (continued)

by each Midshore County contain substantially similar terms and conditions. Each Midshore County will pay the Service a per-ton disposal fee (or Tipping Fee) for Acceptable Waste deliveries to the Regional Landfill by the Midshore County. The Service will also charge a Tipping Fee for disposal of Acceptable Waste deliveries to the Regional Landfill by persons other than the Midshore Counties. If in any year the Tipping Fees charged to all users of the Midshore II Landfill, other operating revenues of the Midshore II Landfill, including, but not limited to, charges for services or use of property or equipment, proceeds from the sale of recovered materials and revenues from gas, steam, or electricity, and interest earnings on money held by the Service in the Special Purpose Fund are insufficient to pay the total costs, defined in the Service Agreements and including but not limited to the costs of financing and operating the Regional Landfill, then each County will pay the Service a fee equal to its share based on its population compared to the population of all Midshore Counties of such deficiency.

Midshore issued $9.8 million in tax-exempt bonds in September 2020 with a premium of $1.7 million, for the purpose of refunding Midshore's outstanding revenue bond 2011 series. This funding, along with $1.1 million in debt service reserve fund sources, was used to defease the 2011 Series and the Service has removed the liability from its accounts.

The Service entered into separate Waste Disposal Service Agreements in 2009 with County Commissioners of Caroline County, County Commissioners of Queen Anne's County, County Commissioners of Kent County and Talbot County, Maryland. Each of the Midshore Counties has agreed to deliver all its Acceptable Waste for disposal at the Regional Landfill, in each year throughout the term of the Series 2020 Bonds and to pay certain disposal fees. The Midshore counties have agree to pay a Tipping Fee for each ton of acceptable waste delivered to the Service by or for the account of the Midshore Counties. The Tipping Fee might be adjusted by the Service. The Midshore Counties have also agreed in each fiscal year to pay a supplemental fee equal to the amount by which total costs exceed revenues in such fiscal year.

The Bonds are not payable from the general funds of the Service and do not constitute a legal or equitable pledge, or lien or encumbrance upon, any of the assets or property of the Service or upon any liability of the State of Maryland, of any political subdivision thereof (including the Subdivisions) or of the Service.

The following table represents changes in long-term liabilities for the years ended June 30:

Maryland Environmental Service:

2025	Beginning Balance (Restated)	Additions	Reductions	Ending Balance	Due Within One Year
Advances from project participants	$ 36,999	$ 73,944	$ (71,973)	$ 38,970	$ 36,908
Lease liabilities	3,899	-	(856)	3,043	789
Note payable	78	-	(78)	-	-
Compensated absences	9,806	701	(649)	9,858	5,050
Workers' compensation	2,804	109		2,913	437
Net OPEB asset	(299)	852		(1,151)	-
Net pension liability	2,162	108	-	2,270	-
Long-term liabilities	$ 55,449	$ 75,714	$ (73,556)	$ 55,903	$ 43,184

(8) Debt (continued)

2024	Beginning Balance	Additions	Reductions	Ending Balance (Restated)	Due Within One Year
Advances from project participants	$ 46,888	$ 60,563	$ (70,452)	$ 36,999	$ 35,192
Lease liabilities	4,611		(712)	3,899	783
Note payable	531	-	(453)	78	78
Compensated absences	5,196	8,297	(3,687)	9,806	5,007
Workers' compensation	2,857		(53)	2,804	429
Net OPEB asset	1,253	-	(1,552)	(299)	-
Net pension liability	2,076	86	-	2,162	-
Long-term liabilities	$ 63,412	$ 68,946	$ (76,909)	$ 55,449	$ 41,489

Midshore Regional Landfill:

2025	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable	$ 15,387	$ -	$ (1,944)	$ 13,443	$ 2,020
Bond premium	1,911		(258)	1,653	277
Note payable	-	1,319	(98)	1,221	243
Landfill closure and postclosure care	12,197	702	(414)	12,485	-
Long-term liabilities	$ 29,495	$ 2,021	$ (2,714)	$ 28,802	$ 2,540

2024	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable	$ 17,255	$ -	$ (1,868)	$ 15,387	$ 1,945
Bond premium	2,108		(197)	1,911	241
Landfill closure and postclosure care	10,120	2,436	(359)	12,197	-
Long-term liabilities	$ 29,483	$ 2,436	$ (2,424)	$ 29,495	$ 2,186

(9) Pension

Employees of the Service who were members of the State Employees Retirement or Pension systems on June 30, 1993, continue to participate in the Employees' Retirement and Pension Systems. These systems are part of the Maryland State Retirement and Pension System (the System), and are cost-sharing multiple employer public employee retirement systems. The System, which is administered in accordance with the State Personnel and Pensions Article of the Annotated Code of Maryland, consists of several plans, which are managed by the Board of Trustees for the System. The System provides retirement, death and disability benefits in accordance with State statutes. Vesting begins after completion of 5 years of service. Members of the Retirement System may retire with full benefits after attaining the age of 60, or completing 30 years of Service Credit, regardless of age. Members of the Pension system may retire with full benefits after attaining the age of 62 or after completing 30 years of Service Credit, regardless of age. The State Employees Retirement and Pension System prepares a separately audited Annual Comprehensive Financial Report, which can be obtained from the State Retirement and Pension System of Maryland, 120 E. Baltimore Street, Baltimore, Maryland 21202 or at https://sra.maryland.gov/annual-financial-reports.

(9) Pension (continued)

Members of the Retirement System are required to contribute to the System either 7% or 5% of their regular salaries and wages depending upon the retirement option selected. Members of the Contributory Pension System are required to contribute to the System 7% of their regular salaries and wages. Employer contribution rates are determined by the State annually. The Service's share of the cost of participation was $226 and $229, respectively, for the years ended June 30, 2025 and 2024.

All other employees of the Service participate in a Vanguard 401(k) Savings Plan. The plan requires the Service to contribute to the fund. The Service's share of the cost of participation for the years ended June 30, 2025 and 2024 was $3,373 and $4,641, respectively. Employees are fully vested when eligible for the plan.

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

As of June 30, 2025 and 2024, the Service reported a liability of $2,270 and $2,162, respectively, for its proportionate share of the ERS net pension liability. The ERS net pension liability was measured as of June 30, 2024 and 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Service's proportion of the ERS net pension liability was based on a projection of the Service's long-term share of contributions to the pension plan relative to the projected contributions of all participating government units, actuarially determined. The Service's proportion for ERS was .0086% and 0.094% for the years ended June 30, 2025 and 2024, respectively.

For the years ended June 30, 2025 and 2024, the Service recognized pension expense for ERS of approximately $107 and $86, respectively. As of June 30, 2025, the Service 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
Changes in assumptions	$ 71	$ -
Net difference in investment earningns		(3)
Net difference between actual and expected experience	180	-
Net change in proportionate share	-	(348)
Contributions made subsequent to the measurement date	191	-
Total	$ 442	$ (351)

The $191 reported as deferred outflows of resources relates to ERS resulting from the Service contributions subsequent to the measurement date will be recognized as a reduction of the ERS net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ERS will be recognized in pension expense as follows:

(9) Pension (continued)

	Deferred Outflows		Deferred inflows	
Years Ending June 30	Change in Assumptions	Actual and Expected Experience	Net change in propertionate share	Net difference in investment earnings
2026	$ 59	$ 27	$ (133)	$ (82)
2027	28	34	(89)	131
2028	(6)	50	(66)	(4)
2029	(7)	50	(46)	(48)
2030	(3)	19	(14)	-
Total	$ 71	$ 180	$ (348)	$ (3)

The following are the methods and assumptions used to determine total pension liability at June 30, 2024:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	17 years for the State Systems, 18 years for LEOPS Muni, and 25 years for CORS Muni. For ECS Muni: 40 years phasing down to 20 years over 5 years, 25 years remaining
Asset valuation method	5-Year smoothed market; 20% collar
Inflation	2.25% general, 2.75% wage.
Salary increases	2.75% to 11.25% including inflation.
Investment rate of return	6.80%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Various versions of the Pub-2010 Mortality Tables with projected generational mortality improvements based on the MP-2018 fully generational mortality improvement scale.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. For each major asset class that is included in the target asset allocation as of June 30, 2024, these best estimates are summarized in the following table:

(9) Pension (continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public equity	34.00%	6.60%
Private equity	16.00%	8.20%
Rate sensitive	21.00%	2.20%
Credit opportunities	8.00%	5.10%
Real assets	15.00%	5.00%
Absolute return	6.00%	4.00%
	100.00%	

A single discount rate of 6.80% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 6.80%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Sensitivity of the Services' proportionate share of the net pension liability to changes in the discount rate.

The Service's proportionate share of the ERS net pension liability calculated using the discount rate of 6.80% is $2,270. Additionally, the Service's proportionate share of the ERS net pension liability if it were calculated using a discount rate that is 1 percentage point lower (5.80%) is $2,946 or 1 percentage point higher (7.80%) is $1,191.

(10) Other Postemployment Benefits (OPEB)

Plan Description. The Maryland Environmental Service (the Service) Retiree Medical Reimbursement Plan (the Plan) is a single-employer defined benefit plan. It is offered to eligible employees not covered under the State Retiree Medical Plan. To be eligible for coverage under the Service's plan, an employee must retire from the Service at age 60 or older and have at least 16 years of service with the Service. Through December 31, 2018, the Plan reimbursed retirees for eligible medical expenses incurred by the retiree or spouse up to $3,600 per calendar year per retiree. Effective January 1, 2019, the annual limit was increased to $4,000 for current retirees. For retirements on or after January 1, 2019, the annual limit is based on the number of years of service at retirement, as follows:

Service at Retirement	Annual Limit
15-19	$ 4,000
20-24	4,500
25-29	5,000
30+	5,500

Retirees are not required to contribute to the Plan.

(10) Other Postemployment Benefits (OPEB) (continued)

The number of participants in the OPEB Plan as of the actuarial valuation date of July 1, 2023, was as follows:

Active	766
Retired	86
Total	804

General: Participation in the Plan is on a voluntary basis. In order to participate in the Plan, a retiree must complete annual enrollment forms. Participation is effective on the first of the month following the date the Service receives the completed enrollment forms.

Contributions: The Service makes contributions to the Plan on a quarterly basis based on an actuarially determined amount in accordance with the actuarial valuation. Participants do not contribute to the Plan.

Benefit Payment: The reimbursement account can be used to pay for any healthcare expense that would qualify as a deduction under IRS rules such as deductibles and copayments, dental expenses, prescription drug costs, vision care expenses. The expenses submitted for reimbursement must not be eligible for payment or reimbursement under any other health plan.

Plan Termination: Although it has not expressed intent to do so, the Service has the right to discontinue its contributions or to terminate the Plan. Upon termination of the Plan, any unused benefits at the time of termination may be used up to the end of the Plan year in which termination occurs.

(10) Other Postemployment Benefits (OPEB) (continued)

In 2010, the Service set up an irrevocable trust, the Maryland Environmental Service OPEB Trust Fund for the sole purpose of funding postemployment benefits for current and future retirees. Contribution requirements are determined according to actuarial valuations.

Actuarial Methods and Assumptions: Projections of benefits for reporting purposes are based on the substantive plan (the plan as understood by the Service and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of benefit costs of the Service to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with long-term perspective of the calculations.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the Service are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

In the July 1, 2023, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 6.0% estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits, which are the assets held in the trust. The July 1, 2023 valuation was rolled forward to June 30, 2025 and 2024.

Funding Policy: The Service has an irrevocable trust, the Maryland Environmental Service OPEB Trust Fund, for the sole purpose of funding postemployment benefits for current and future retirees. Contribution requirements are determined according to actuarial valuations. The Service contributed $607 and $1,118, respectively, in fiscal years 2025 and 2024. Total benefits paid was $273 and $268, respectively, in fiscal years 2025 and 2024.

As of the June 30, 2025, the Plan was 113.5% funded. The actuarial accrued liability for benefits was $8,537 resulting in a total net OPEB asset of $1,151.

Annual OPEB Cost and Net Obligation: The Service's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of generally accepted accounting principles. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. For the fiscal year ended June 30, 2025, the Service's annual OPEB cost was $159.

Plan Expenses: The Plan incurs investment expenses in proportion to its share of each investment for which it is involved. The Service absorbs all internal administration costs related to the Plan.

(10) Other Postemployment Benefits (OPEB) (continued)

The components of the net OPEB liability of the Service as of June 30, 2025, were as follows:

Total OPEB liability	$ 8,537
Plan fiduciary net position	9,688
MES's net OPEB asset	$ 1,151
Plan fiduciary net position as a percentage of total OPEB asset	113.5%

Year Ended June 30,	2025	2024
Total OPEB Liability		
Service cost	$ 159	$ 169
Interest	494	479
Difference between expected and actual experience	(46)	(507)
Changes in assumptions and other inputs	-	389
Benefit payments	(273)	(268)
Net Change in Total OPEB Liability	334	262
Total OPEB Liability - Beginning	8,203	7,941
Total OPEB Liability - Ending	$ 8,537	$ 8,203
Plan Fiduciary Net Position		
Contributions - employer	$ 607	$ 1,118
Net investment income	851	964
Benefit payments	(272)	(268)
Net Change in Plan Fiduciary Net Position	1,186	1,814
Plan Fiduciary Net Position - Beginning	8,502	6,688
Plan Fiduciary Net Position - Ending	$ 9,688	$ 8,502
Net OPEB (Asset) / Liability	$ (1,151)	$ (299)

Projections of benefits for reporting purposes are based on the substantive plan (the plan as understood by the Service and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of benefit costs of the Service to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with long-term perspective of the calculations.

(10) Other Postemployment Benefits (OPEB) (continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the Service are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

In the July 1, 2023, the actuarial valuation date, the entry age normal cost method was used. The actuarial assumptions included a 6.0% estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits, which are the assets held in the trust.

As of July 1, 2023, the latest actuarial valuation date, the accrued liability for the Plan was $7,561.

Actuarial valuation date		July 1, 2023
Actuarial value of assets	$	9,688
Actuarial accrued liability	$	8,537
Net OPEB asset	$	1,151
Funded ratio		113.50%
Annualized covered payroll	$	54,997
Inflation		2.00%
Ratio of unfunded actuarial liability to annual covered payroll		-0.60%
Actuarial cost method		Entry age
Money-weighted return		10.28%

Mortality rates were based on the PubG.H-2010 Employee and Healthy Retiree Mortality Tables, with generational projection using Scale MP-2020.

The long-term rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns net of OPEB plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of the geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rates of Return
Cash & Equivalents	13.00%	-1.00%
Equity	60.00%	7.75%
Fixed Income	25.00%	0.50%
Real Estate	0.00%	2.00%
Other	2.00%	6.22%
Total	100.00%	4.77%

(10) Other Postemployment Benefits (OPEB) (continued)

OPEB Deferred Outflows and Inflows of Resources

At June 30, 2025 and 2024, the Service reported deferred outflows of resources and deferred inflows of resources as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	$ 1	$ 555
Changes in assumptions	233	287
Difference between actual and expected investment earnings	198	635
Total	$ 432	$ 1,477

Amounts reported and deferred outflows of resources and deferred inflows of resources related to OPEB expense will be recognized in OPEB expense as follows:

Years Ending June 30	
2026	$ (115)
2027	(314)
2028	(290)
2029	(159)
2030	(84)
Thereafter	(83)
Total	$ (1,045)

Sensitivity of Net OPEB Liability to Changes in the Healthcare Cost Trend Rate and Discount Rate

The following presents the net OPEB asset of the Service, as well as what the Service's net OPEB asset would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current discount rate:

	1% Decrease	No Change	1% Increase
Net OPEB asset	$ 21	$ 1,151	$ 2,108

The following presents the net OPEB asset of the Service, as well as what the Service's net OPEB asset would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1 percentage-point higher than the current healthcare cost trend rates (7.0%):

	1% Decrease	No Change	1% Increase
Net OPEB asset	$ 1,871	$ 1,151	$ 39

(11) Contingent Liabilities

The Service is involved in litigation arising from the normal course of its operations. In the opinion of management, the amount of liability, if any, resulting from the final resolution of these matters will not be material to the financial position of the Service.

On April 15, 2011, the Maryland Environmental Service issued $1.5 million of Water Quality Bond, Series 2011B with the Maryland Water Quality Financing Administration (the Administration) in connection with the closure and capping of the Hobbs Road Landfill. Pursuant to the Clean Water Act, the Administration has forgiven the repayment of the principal amount and interest payment of the bond subject to MES continues to perform its other obligations under the agreement. Upon determination by the Administration that any of the other obligations under the agreement have been violated, payment of the principal and interest will become due and payable on demand. As of June 30, 2025, management believes it is in compliance with its obligations and has not violated the agreement.

The Service participates in a number of Federal and State assisted grants. These programs are subject to financial and compliance audits by the grantors or their representatives. The audits of most of these programs for, or including, the year ended June 30, 2025, have not yet been completed. In accordance with the provisions of the Uniform Grant Guidance, issued by the U.S. Office of Management and Budget, the Service participates in single audits of federally assisted programs. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although management does not believe amounts ultimately disallowed, if any, would be material.

(12) Landfill Closure and Postclosure Care Costs

State and Federal laws require the Service to cover and to perform certain maintenance and monitoring functions at Midshore I, Easton Landfill, Midshore II and Hobbs Road Landfill sites for 30 years after closure. Although closure and postclosure care costs will be paid near or after the date the landfills stop accepting waste, the Service reports a portion of these closure and post closure costs as a liability based upon the estimated useful life of the landfills.

Midshore I stopped accepting waste on December 31, 2010, was capped, and is now in the postclosure monitoring and maintenance period. Total closure and postclosure care costs for the landfill is currently estimated to be $4,664, as determined through engineering studies, and $3,083 and $3,641 has been recognized as a liability by the Service as of June 30, 2025 and 2024, respectively.

Midshore II current cells are approximately 42% filled as of June 30, 2025, with a remaining life of 17 years. Total closure and postclosure care costs for the landfill is currently estimated to be $28,382, as determined through engineering studies, and $9,402 and $8,556 has been recognized as a liability by the Service as of June 30, 2025 and 2024, respectively. Costs may be subject to change due to inflation, deflation, technology, and changes in applicable laws and regulations.

Under Federal regulations, the Service satisfied its financial assurance requirements based upon local government financial ratio tests of the project participants as of June 30, 2024. The Service expects to satisfy these requirements as of June 30, 2025, using the same criteria.

The Service serves as an operator for various landfills throughout the State of Maryland and no liability is recognized in regard to landfill closure and postclosure costs related to these landfills because of the Service’s limited role solely as an operator of these facilities.

(13) Risk Management

The Service is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Service participates in the State of Maryland's self-insurance program (the program). The program covers general liability, property and casualty, workers' compensation (see Note 9), and environmental liabilities and provides certain employee health benefits. The program allocates its cost of providing claims servicing and claims payments by charging a "premium" to the Service based on a percentage of estimated current payroll or based on average loss experience. As of June 30, 2025 and 2024, no additional assessments were made and the Service's premium for the years ended June 30, 2025, and 2024, was $6,303 and $5,989, respectively.

(14) Subsequent Events

The Service issued $25.4 million in tax-exempt bonds in October 2025 to finance all or a portion of the costs of the planning, design, construction, equipment, and operation of Cell Number 5 and Cell Number 1 of the Midshore II Regional Landfill.

Management has evaluated subsequent events through October 30, 2025, the date these financial statements were available for issue, and has determined that no material subsequent events have occurred that would affect the information presented in the accompanying financial statements or require additional disclosure except as disclosed above.

Maryland Environmental Service
Schedule of Changes in Net OPEB Liability and Related Ratios

Year Ended June 30,	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability									
Service cost	$ 159	$ 169	$ 164	$ 156	$ 150	$ 148	$ 111	$ 107	$ 152
Interest	494	479	456	516	490	410	285	343	319
Changes of benefit terms	-	-	-	-	-	-	1,312	-	-
Difference between expected and actual experience	(46)	(507)	1	(756)	(61)	321	6	(501)	-
Changes in assumptions and other inputs	-	389	-	523	(42)	450	173	(669)	-
Benefit payments	(273)	(268)	(241)	(179)	(180)	(175)	(120)	(89)	(84)
Net Change in Total OPEB Liability	334	262	380	260	357	1,154	1,767	(809)	387
Total OPEB Liability - Beginning	8,203	7,941	7,561	7,301	6,944	5,790	4,023	4,832	4,445
Total OPEB Liability - Ending	$ 8,537	$ 8,203	$ 7,941	$ 7,561	$ 7,301	$ 6,944	$ 5,790	$ 4,023	$ 4,832
Plan Fiduciary Net Position									
Contributions - employer	$ 607	$ 1,118	$ 1,136	$ 479	$ 541	$ 473	$ 263	$ 368	$ 335
Net investment income	851	964	466	(643)	999	(19)	176	154	349
Benefit payments	(272)	(268)	(241)	(180)	(180)	(175)	(120)	(89)	(84)
Net Change in Plan Fiduciary Net Position	1,186	1,814	1,361	(344)	1,360	279	319	433	600
Plan Fiduciary Net Position - Beginning	8,502	6,688	5,327	5,671	4,311	4,032	3,713	3,280	2,680
Plan Fiduciary Net Position - Ending	$ 9,688	$ 8,502	$ 6,688	$ 5,327	$ 5,671	$ 4,311	$ 4,032	$ 3,713	$ 3,280
Net OPEB (Asset) / Liability	$ (1,151)	$ (299)	$ 1,253	$ 2,234	$ 1,630	$ 2,633	$ 1,758	$ 310	$ 1,552
Plan fiduciary net position as a percentage of total OPEB Liability	113.5%	103.6%	84.2%	70.5%	77.7%	62.1%	69.6%	92.3%	67.9%
Covered Employee Payroll	54,997	52,881	55,306	53,178	48,536	$ 46,669	$ 44,599	$ 42,883	$ 44,599
Net OPEB liability as a percentage of covered employee payroll	-2.1%	-0.6%	2.3%	4.2%	3.4%	5.6%	3.9%	0.7%	3.5%

Notes to the Schedule:

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

Changes of Benefit Terms: Effective January 1, 2019, the reimbursement limit for current retirees was increased to $4,000. For retirements on or after January 1, 2019, the reimbursement limit was changed to (a) $4,000 for 15-19 years of service (b) $4,500 for 20-24 years of service, (c) $5,000 for 25-29 years of service, and (d) $5,500 for 30+ years of service at retirement.

Changes of Assumptions: Discount Rate 2017-2021 0.00%; 2022-2024 6.00%

Mortality Rates:

2017-2018	RPH-2014 Employee and Healthy Annuity, Generational with MP- 2018
2019	PubG.H-2010 Employee and Healthy Retiree, Generational with MP-2018
2020	PubG.H-2010 Employee and Healthy Retiree, Generational with MP-2019
2021	PubG.H-2010 Employee and Healthy Retiree, Generational with MP-2020
2022-2024	PubG.H-2010 Employee and Healthy Retiree, Generational with MP-2021

Maryland Environmental Service
Schedule of Employer Contributions OPEB

	2017	2018	2019	2020	2021	2022	2023	2024	2025
Actuarially Determined Contribution	$ 257	$ 266	$ 132	$ 287	$ 348	$ 283	$ 333	$ 271	$ 133
Employer Contribution	335	368	263	473	541	479	1,136	1,118	607
Contribution Deficiency/(Excess)	(70)	(102)	(130)	(186)	(194)	(194)	(803)	(848)	(474)
Covered Employee Payroll	39,956	42,883	44,599	46,669	48,536	53,178	55,306	52,881	54,997
Employer Contribution as a Percentage of Covered Employee Payroll	0.8%	0.9%	0.6%	1.0%	1.1%	0.9%	2.1%	2.1%	1.1%

Notes to Schedule

Methods and assumptions used to determine contributions rates:

Valuation Date:	Actuarially determined contributions are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.
Actuarial Cost Method:	Entry Age
Amortization Method:	Level percentage of payroll, closed
Amortization Period:	14 years
Asset Valuation Method:	Market Value
Inflation:	2.00%
Healthcare Cost Trend Rates:	6.50% initial, decreasing 0.50% per year to an ultimate rate of 5.00%
Salary Increases:	4.00% average, including inflation
Investment Rate of Return:	6.00%, net of plan investment expenses, including inflation
Retirement Rates:	In the actuarial valuation
Mortality Rates:	Mortality rates were based on the PubG.H-2010 Employee and Healthy Retiree mortality tables, Generational with Projection Scale MP-2021 for males or females,

Maryland Environmental Service
Schedule of Proportionate Share of Net Pension Liability

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
The Service's proportion of the ERS net pension liability	0.0086%	0.0094%	0.0127%	0.0127%	0.0122%	0.0127%	0.0155%	0.0131%	0.0159%	0.0143%
The Service's proportionate share of the ERS net pension liability	$ 2,270	$ 2,162	$ 2,076	$ 1,551	$ 2,583	$ 2,620	$ 3,260	$ 2,822	$ 3,761	$ 2,968
The Service's covered employee payroll	901	1,019	997	1,062	1,085	1,119	1,365	1,365	2,557	2,483
The Service's proportionate share of the net pension liability as a percentage of its covered employee payroll	252%	212%	208%	146%	238%	234%	239%	207%	147%	120%
Plan net position as a percentage of the total pension liability	81.84%	73.81%	81.84%	81.84%	70.72%	72.34%	69.38%	69.38%	65.79%	68.78%

This schedule is presented to illustrate the requirement to show information for 10 years.

Schedule of Required Employer Pension Plan Contributions

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution (ERS)	$ 191	$ 226	$ 229	$ 249	$ 228	$ 243	$ 262	$ 303	$ 318	$ 336
Contributions in relation to the contractually required contribution	191	226	229	249	228	243	262	303	318	336
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
The Service's covered-employee payroll	$ 901	$ 1,019	$ 997	$ 1,062	$ 1,085	$ 1,119	$ 1,365	$ 1,365	$ 2,557	$ 2,483
Contributions as a percentage of covered employee payroll	21.20%	22.18%	22.97%	23.45%	21.01%	21.72%	22.19%	22.19%	12.43%	13.53%

This schedule is presented to illustrate the requirement to show information for 10 years.

Certified Public Accountants & Business Advisors
SBC

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

Board of Directors
Maryland Environmental Service

We have audited, in accordance with the 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 (*Government Auditing Standards*), the financial statements of the each major fund and fiduciary activities of Maryland Environmental Service (the Service), a component unit of the State of Maryland, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Service's basic financial statements, and have issued our report thereon dated October 30, 2025.

Report on Internal Controls Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Service's internal controls over financial reporting (internal controls) as a basis for designing 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 the Service's internal control. Accordingly, we do not express an opinion on the effectiveness of the Service's internal controls.

A *deficiency in internal controls* 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 controls, such that there is a reasonable possibility that a material misstatement of the Service'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 controls was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal controls that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Certified Public Accountants & Business Advisors
SBC

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Service'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 financial statements. 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 controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Service's internal controls or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Service's internal controls and compliance. Accordingly, this communication is not suitable for any other purpose.

Owings Mills, Maryland
October 30, 2025

SB & Company, LLC

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