

**STATE OF NEW MEXICO
NORTH CENTRAL SOLID WASTE AUTHORITY**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED JUNE 30, 2025**

**STATE OF NEW MEXICO
NORTH CENTRAL SOLID WASTE AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2025**

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**STATE OF NEW MEXICO
NORTH CENTRAL SOLID WASTE AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2025**

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**STATE OF NEW MEXICO
NORTH CENTRAL SOLID WASTE AUTHORITY
OFFICIAL ROSTER (UNAUDITED)
AS OF JUNE 30, 2025**

BOARD OF DIRECTORS

Alex Naranjo, Chairman Rio Arriba County
Jeremy Maestas, Vice-Chairman Rio Arriba County
Peggy Sue Martinez, Secretary..... City of Española
Bernardino Chavarria Santa Clara Pueblo
Ben Lujan..... Ohkay Owingeh Pueblo

ADMINISTRATIVE STAFF

Leo Marquez General Manager

FINANCIAL SECTION



Independent Auditors' Report

Joseph M. Maestas, P.E., CFE
New Mexico State Auditor
and
Board of Directors
North Central Solid Waste Authority
Española, New Mexico

Qualified Opinion

We have audited the accompanying financial statements of the business-type activities of the New Mexico North Central Solid Waste Authority (the "Authority"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Authority, as of June 30, 2025, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

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



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Matter Giving Rise to the Qualified Opinion on the Business-Type Activities

Because of the inadequacy of accounting records for the year ended 2025, management was unable to identify the source of a discrepancy in the amount of \$150,137 related to the rollforward of net position for the Authority's business-type activities. Management recorded this unexplained difference as miscellaneous expense. As a result, we were unable to obtain sufficient appropriate audit evidence to support the propriety of this adjustment. Accordingly, we could not determine whether adjustments were necessary to miscellaneous expenses or net position of the Authority's business-type activities.

Change in Accounting Principle

As described in *Note 1* to the financial statements, in 2025, the Authority adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the *Schedule of the Authority's Proportionate Share of the Net Pension Liability of Public Employees Retirement Association (PERA) Plan* and the *Schedule of Employer's Proportionate Share of the Net OPEB Liability* on pages 41 and 43, the *Schedule of the Authority's Contributions Public Employees Retirement Association* and the *Schedule of the Authority's OPEB Contributions* on pages 42 and 44, and the notes to the required supplementary information on page 45, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the Authority's basic financial statements. The budgetary comparison information and schedule of schedule of pledged collateral are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information and schedule of pledged collateral are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2025, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Albuquerque, New Mexico
December 15, 2025

TKM, LLC

TKM, LLC
Auditors | Advisors | CPAs

BASIC FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
NORTH CENTRAL SOLID WASTE AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2025**

	Business-Type Activities
ASSETS	
Current Assets	
Cash	\$ 665,239
Receivable, Net	272,359
Prepaid Expense	99,729
Total Current Assets	1,037,327
Noncurrent Assets	
Capital Assets, Net	3,306,062
Lease Right-of-Use Asset, Net	153,795
Subscription Assets, Net	81,305
Total Noncurrent Assets	3,541,162
Total Assets	4,578,489
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows - Pension Related	1,196,770
Deferred Outflows - OPEB Related	275,433
Total Deferred Outflows of Resources	1,472,203
Total Assets and Deferred Outflows of Resources	\$ 6,050,692

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
NORTH CENTRAL SOLID WASTE AUTHORITY
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2025**

	Business-Type Activities
LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 262,332
Accrued Salaries	87,987
Accrued Liabilities	97,918
Unearned Revenue	500,202
Compensated Absences Payable, Current	183,840
Notes Payable, Current	61,384
Lease Liability, Current	53,087
Subscription Liability, Current	20,566
Total Current Liabilities	1,267,316
Noncurrent Liabilities	
Compensated Absences Payable, Noncurrent	71,325
Lease Liability, Noncurrent	106,805
Subscription Liability, Noncurrent	43,025
Net Pension Liability	3,715,929
Net OPEB Liability	525,459
Total Noncurrent Liabilities	4,462,543
Total Liabilities	5,729,859
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows - Pension Related	201,183
Deferred Inflows - OPEB Related	606,537
Total Deferred Inflows of Resources	807,720
Total Liabilities and Deferred Inflows of Resources	6,537,579
NET POSITION	
Net Investment in Capital Assets	3,317,679
Unrestricted (Deficit)	(3,804,566)
Total Net Position	(486,887)
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 6,050,692

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
NORTH CENTRAL SOLID WASTE AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2025**

	Business-Type Activities
OPERATING REVENUES	
Charges for Services	\$ 5,089,138
Total Operating Revenues	5,089,138
OPERATING EXPENSES	
Salaries	2,380,868
Employee Benefits	1,044,900
Tipping and Hauling Fees	724,687
Depreciation and Amortization	587,844
Insurance Premiums	413,986
Repairs and Maintenance	370,946
Fuel and Oil	337,441
Professional Services	233,946
Miscellaneous	170,774
Payroll Taxes	170,043
Operational Charges	140,780
Administration Expenses	84,990
Bank Charges & Fees	72,012
Office & Janitorial Supplies	36,264
Uniforms	24,092
Rent Expense	21,907
Printing and Advertising	18,119
Training & Continuing Education	3,818
Total Operating Expenses	6,837,417
Operating Income (Loss)	(1,748,279)
NON-OPERATING REVENUES (EXPENSES)	
Intergovernmental	1,865,721
Gain on Disposal of Equipment	25,266
Interest Income	4
Interest Expense	(16,850)
Lien Release Charges	(2,479)
Penalties	(357)
Total Non-operating Revenues (Expenses)	1,871,305
Income before capital contributions	123,026
CAPITAL CONTRIBUTIONS	
Intergovernmental	1,821,068
Change in Net Position	1,944,094
Net Position, Beginning of Year	(2,349,293)
Restatement (Note 17)	(81,688)
Net Position, Beginning of Year, as Restated	(2,430,981)
Net Position, End of Year	\$ (486,887)

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
NORTH CENTRAL SOLID WASTE AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2025**

	Business-Type Activities
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	
Cash Received From Customers	\$ 5,034,696
Cash Payments to Employees for Services, Related Benefits and Taxes	(3,457,832)
Cash Payments to Suppliers for Goods and Services	(2,876,151)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(1,299,287)
CASH FLOWS FROM (USED IN) NON-CAPITAL FINANCING ACTIVITIES	
Intergovernmental	1,882,771
Lien Release Charges	(2,479)
Penalties	(357)
NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES	1,879,935
CASH FLOWS FROM (USED IN) CAPITAL FINANCING ACTIVITIES	
Proceeds from Disposal of Capital Assets	36,952
Intergovernmental	1,276,160
Acquisition of Capital Assets	(1,321,847)
Principal Payment on Note Payable	(24,757)
NET CASH PROVIDED BY (USED IN) CAPITAL FINANCING ACTIVITIES	(33,492)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	4
Redemption of Investments	34,443
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	34,447
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	581,603
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	83,636
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 665,239

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
NORTH CENTRAL SOLID WASTE AUTHORITY
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2025**

	Business-Type Activities
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:	
Operating Income (Loss)	\$ (1,748,279)
Adjustments to Reconcile Operating income (Loss) To Net Cash Used by Operating Activities	
Depreciation and Amortization Expense	587,844
Bad Debts	72,792
Changes in Assets and Liabilities	
Decrease in Receivables	2,158
Decrease in Prepaid Expenses	206,250
(Increase) in Deferred Outflows of Resources	(645,373)
(Decrease) in Accounts Payable	(13,599)
Increase in Accrued Salaries	32,663
Increase in Accrued Liabilities	21,486
(Decrease) in Unearned Revenues	(126,757)
Increase in Compensated Absences	50,504
(Decrease) in Notes Payable	(334,453)
(Decrease) in Lease and Subscription Liability	(78,587)
(Decrease) in Deferred inflows of Resources	(379,348)
Increase in OPEB Liability	102,277
Increase in Net Pension Liability	951,135
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ (1,299,287)
Schedule of Non-Cash Transactions	
Intergovernmental capital contribution	\$ 482,205

See Independent Auditors' Report and Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
NORTH CENTRAL SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

North Central Solid Waste Authority (Authority) provides solid waste collection services to the Rio Arriba County, Santa Clara Pueblo, and Ohkay Owingeh Pueblo for residents and commercial properties. The Authority also operates convenience centers where residents and businesses can dump trash.

The Authority was formed pursuant to a joint powers agreement between the City of Española, Rio Arriba County, Santa Clara Pueblo, and Ohkay Owingeh Pueblo, which was signed on November 27, 2002. The Authority began operations on October 1, 2004. The agreement is for an indefinite period of time. None of the members have an equity interest in the Authority. The Authority was formed pursuant to the New Mexico Joint Powers Agreement Act, Section 11-1-1 et seq. NMSA 1978. The Authority is an instrumentality of its members operated for public purposes. The Authority is not considered a solid waste authority, a political subdivision of the state or a local public body.

The Authority is governed by a board, which acts as the fiscal agent for the Authority, and is comprised of one member appointed by each participating party. At the present time, Rio Arriba County has two representatives on the governing board. Each board member in good standing has one vote on all matters of business affecting the Authority.

The financial statements of the Authority have been prepared on the accrual basis of accounting. The Authority has prepared its financial statements in conformity with generally accepted accounting principles (GAAP) in the United States as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below:

Financial Reporting Entity

In evaluating how to define the reporting entity for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the reporting entity was made by applying the criteria set forth in GAAP. The most primary standard for including or excluding a potential component unit with the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Authority is able to exercise oversight responsibilities. Based upon the application of these criteria, the Authority has no component units.

The determination of whether the Authority is a component unit of any of its member governments has not been made by the Authority, as such determinations are the responsibility of the individual members in accordance with applicable GAAP.

**STATE OF NEW MEXICO
NORTH CENTRAL SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation and Accounting

The Authority's basic financial statements are presented on the accrual basis of accounting.

The accounts of the Authority are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenses.

Enterprise funds account for activities: (1) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (2) that are required by laws or regulations that the activity's costs of providing services, including capital costs, such as depreciation or debt service, be recovered with fees and charges rather than with taxes or similar revenues; or (3) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs, such as depreciation or debt service. The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Authority's ongoing operation. The principal operating revenue is charges for services. Operating expenses include the cost of operations, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Non-operating grant revenue is recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, and then unrestricted resources as they are needed.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operations, are included on the statement of net position. Net position is segregated into three components; net investment in capital assets, restricted, and unrestricted components. The Authority's operating statements present increases (revenues) and decreases (expenses) in net position.

Budgets

The budget for the one enterprise fund is prepared by management and approved by the board of directors. The general manager is responsible for preparing the budget, from requests submitted by department heads. The appropriated budget is prepared by line item within object class, program, department and fund; revenues expected to be available are estimated to provide for balanced budgeting. The comprehensive budget package is brought before the board of directors for approval by resolution.

**STATE OF NEW MEXICO
NORTH CENTRAL SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets (Continued)

The New Mexico Department of Finance and Administration Local Government Division (LGD) does not review or approve the annual budget of the Authority, as it is not a solid waste authority, a political subdivision of the state, or a local body as defined by the Local Government Finance Act, Sections 6-6-1 et seq. NMSA 1978. Rather, the Authority is a joint powers agreement entity pursuant to the Joint Powers Agreement Act, Section 11-1-1 et seq. NMSA 1978. The Authority is not directly under the regulatory authority of LGD except for issues directly related to LGD's regulatory authority over its constituent members which would be the City of Española, New Mexico and Rio Arriba County.

Actual expenditures may not exceed the budget on a fund basis. Budgets may be amended as circumstances change. Budget transfers necessary within expenses, and budget increases required must be approved by the board of directors. The Authority's level of budgetary control is at the total fund level.

Cash and Cash Equivalents

Cash includes amounts in demand deposits. State statutes authorize the government to invest in interest bearing accounts with local financial institutions, direct obligations of the state and the U.S. Treasury or New Mexico political subdivisions, and the State Treasurer's Investment Pool. New Mexico State Statutes require that financial institutions with public monies on deposit pledge collateral, to the owner of such public monies, in an amount not less than 50% of the uninsured public monies held on deposit. If required, collateral pledged is held in safekeeping by other financial institutions, with safekeeping receipts held by the Authority. The pledged securities remain in the name of the financial institution.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Prepaid Items

Payments made to vendors for goods or services that will benefit periods beyond year end, are recorded as prepaid items.

Capital Assets

Capital assets, which include property, plant, equipment, computer hardware and software, furniture, fixtures, and vehicles are valued and reported at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated acquisition value on the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

**STATE OF NEW MEXICO
NORTH CENTRAL SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Prior to June 17, 2005, the Authority defined capital assets as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Effective June 17, 2005, in accordance with state statutes, the Authority changed its capitalization threshold to include only assets with a cost of \$5,000 or more. All assets capitalized prior to June 17, 2005 that are property of the Authority remain on the financial and accounting records of the Authority.

Major outlay for capital assets and improvements are capitalized as projects are constructed. Interest, if applicable, incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Capital assets are amortized or depreciated using the straight-line method over the estimated useful lives as follows:

Assets	Years
Buildings	10
Convenience Stations	10
Leasehold Improvements	5
Containers	10
Equipment	7-10
Office Equipment, Computer Hardware and Software	3-5
Vehicles	5

Lease

The Authority accounts for leases in accordance with GASB Statement No. 87, *Leases*. A lease is a contract that conveys control of the right to use another party's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction.

The Authority recognizes a lease right-of-use asset and a corresponding lease liability at the commencement of the lease term only for lease right-to-use assets with a present value of \$5,000 or more and a minimum noncancelable lease term of 12 months or more. Lease right-to-use assets that do not meet these criteria are considered immaterial and are expensed as incurred.

The lease liability is measured at the present value of payments expected to be made during the lease term, adjusted by any lease incentives received. The lease right-to-use assets represent the Authority's right to use the underlying assets and are measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs.

When the interest rate implicit in the lease contract is not readily determinable, the Authority uses an incremental borrowing rate (IBR) to discount the subscription payments to their present value. The IBR reflects the rate of interest that the Authority would have to pay to borrow funds over a similar term and with similar security to obtain an amount equal to the subscription payments in a similar economic environment.

**STATE OF NEW MEXICO
NORTH CENTRAL SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Lease (Continued)

The lease right-of-use asset is amortized over the shorter of the subscription term or the useful life of the underlying assets on a straight-line basis. Interest expense related to the lease liability is recognized over the lease term. Variable payments not included in the measurement of the lease liability are expensed as incurred.

Subscription

The Authority accounts for Subscriptions in accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs). A SBITA is a contract that conveys control of the right to use another party's information technology (IT) software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction.

The Authority recognizes a subscription asset and a corresponding subscription liability at the commencement of the subscription term only for SBITAs with a present value of \$5,000 or more and a minimum noncancelable subscription term of 12 months or more. SBITAs that do not meet these criteria are considered immaterial and are expensed as incurred.

The subscription asset represents the Authority's right to use the underlying IT assets and is measured at the present value of subscription payments expected to be made during the subscription term, adjusted for any incentives received. The subscription liability is measured at the present value of these payments.

When the interest rate implicit in the SBITA contract is not readily determinable, the Authority uses an IBR to discount the subscription payments to their present value. The IBR reflects the rate of interest that the Authority would have to pay to borrow funds over a similar term and with similar security to obtain an amount equal to the subscription payments in a similar economic environment.

The subscription asset is amortized over the shorter of the subscription term or the useful life of the underlying IT assets on a straight-line basis. Interest expense related to the subscription liability is recognized over the subscription term. Variable payments not included in the measurement of the subscription liability are expensed as incurred.

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent consumption of assets that are applicable to future reporting periods. The amounts are reported in a separate section after assets in the statement of net position.

Deferred inflows of resources represent acquisition of assets that are applicable to a future reporting period. The deferred inflows of resources are reported in a separate section after liabilities in the statement of net position.

**STATE OF NEW MEXICO
NORTH CENTRAL SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unearned Revenues

The Authority reports unearned revenue on its statement of net position. Unearned revenues arise when the Authority receives resources before it has a claim to them, for example, as when customers remit annual fees in the middle of the fiscal year. In subsequent periods, when both revenue recognition criteria are met, or when the Authority has a legal claim to the resources, the liability for unearned revenue is removed from the statement of net position and revenue is recognized.

Compensated Absences Payable

During fiscal year 2025, the Authority adopted the provisions of GASB Statement No. 101, *Compensated Absences*. GASB Statement No. 101 requires a liability to be recognized for leave that has not been used when all of the following criteria are met:

1. The leave is attributable to services already rendered.
2. The leave accumulates.
3. The leave is more likely than not (greater than 50 percent likelihood) to be used for time off or otherwise paid in cash.

The Authority records a liability for compensated absences in accordance with these requirements. Compensated absences represent earned leave that is attributable to services already rendered, accumulates, and is more likely than not to be used or paid in cash.

The liability includes annual leave and sick leave. Vacation leave is considered fully payable upon separation, subject to statutory limits. Sick leave that is earned each month and carries over without limits at the end of the fiscal year, but any unused sick leave is not paid upon termination of employment.

In measuring the liability, the Authority applies statewide historical usage assumptions as follows:

- Vacation leave – 100% of accumulated balances are considered payable or usable.
- Sick leave – 60% of accumulated balances are considered likely to be used.

The liability is measured using employee pay rates in effect at year-end. Salary-related payments that are directly and incrementally associated with leave are also included. Consistent with GASB Statement No. 34, as amended, the portion of the liability expected to be liquidated within one year is reported as a current liability.

Short-Term Obligations

In the statement of net position, short-term debt and other short-term obligations are reported as current liabilities.

Long-Term Obligations

In the statement of net position, long-term debt and other long-term obligations are reported as noncurrent liabilities.

**STATE OF NEW MEXICO
NORTH CENTRAL SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

Net position comprise the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. Net position are classified in the following three components:

Net Investment in Capital Assets – This component of net position consists of capital assets, lease right-of-use assets, and subscription assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any bonds, mortgages, notes on other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant, unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in the same net position component as the unspent proceeds.

Restricted – This component of net position consists of constraints imposed by creditors, such as through debt covenants; grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net position consists of net position that do not meet the definition of restricted or net investment in capital assets.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA), and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. 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.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Mexico Retiree Health Care Authority (NMRHCA) and additions to and deductions from NMRHCA's fiduciary net position have been determined on the same basis as they are reported by NMRHCA. For this purpose, NMRHCA recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Cash Flows

For the purpose of the statement of cash flows, the Authority considers all highly liquid investments, including restricted cash with maturity of three months or less when purchased, to be cash equivalents.

**STATE OF NEW MEXICO
NORTH CENTRAL SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

NOTE 2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS

Cash

New Mexico State Statutes provide authoritative guidance regarding the deposit of cash and idle cash. Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more bank or savings and loan associations. Deposits may be made to the extent that they are insured by an agency of the United States of America or by collateral deposited as security or by bond given by the financial institution. The rate of interest in non-demand interest-bearing accounts shall be set by the state Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Idle cash may be invested in a wide variety of instruments, including money market accounts, certificates of deposit, the New Mexico State Treasurer's investment pool, or in securities which are issued by the state or by the United States government, or by their departments or agencies, and which are either direct obligations of the state or the United States, or are backed by the full faith and credit of those governments.

Cash Deposited with Financial Institutions

The Authority maintains cash within two financial institutions located in Española, New Mexico and an online payment processing company. The Authority's deposits are carried at cost. The Federal Depository Insurance Corporation (FDIC) insures the cash accounts at the financial institutions.

At June 30, 2025, the amount of cash reported on the financial statements differs from the amount on deposit with the various institutions because of transactions in transit and outstanding checks. The locations and amounts deposited are as follows:

<u>Institution Name</u>	<u>Account Type</u>	<u>Balance Per Institution</u>	<u>Reconciling Items</u>	<u>Balance Per Financial Statements</u>
Century Bank	Non-Interest Bearing	\$ 712,875	\$ (64,181)	\$ 648,694
NM Bank & Trust	Interest Bearing	15,869	-	15,869
Cash on Hand	N/A	676	-	676
	Total Cash Deposits	<u>\$ 729,420</u>	<u>\$ (64,181)</u>	<u>\$ 665,239</u>

**STATE OF NEW MEXICO
NORTH CENTRAL SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS (CONTINUED)

Cash Deposited with Financial Institutions (Continued)

The amounts reported as cash for the Authority within the statement of net position is displayed as:

Statement of Net Position:

Cash \$ 665,239

Except for items in transit, the carrying value of deposits by the respective depositories equated to the carrying value by the Authority. None of the Authority's deposits were collateralized with eligible securities, as described by New Mexico State Statute, in amounts equal to at least 50% of the Authority carrying value of the demand deposits. Such collateral, as permitted by the state statutes would have been held in each respective depository bank's collateral pool at a Federal Reserve Bank, or member bank other than the depository bank, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds with the exception of deposit insurance provided by the Federal Deposit Insurance Corporation.

Account Name	Century Bank	NM Bank & Trust	Total
Total Amount of Deposits	\$ 712,875	\$ 15,869	\$ 728,744
Less: FDIC Coverage	(250,000)	(15,869)	(265,869)
Uninsured Public Funds	462,875	-	462,875
Collateral requirement (50% of uninsured public funds)	231,438	-	231,438
Pledged Securities	(916,374)	-	(916,374)
(Over) Under Collateralized	\$ (684,937)	\$ -	\$ (684,937)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank or processing center's failure, the government's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. As of June 30, 2025, \$462,875 of the bank accounts were exposed to custodial credit risk.

**STATE OF NEW MEXICO
NORTH CENTRAL SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 3. RECEIVABLE, NET

Receivables, net of allowance for doubtful accounts, at June 30, 2025, consisted of the following:

	Balance June 30, 2025
Accounts Receivable:	
Charges for Services	\$ 609,311
Allowance for Doubtful Accounts	(435,655)
Accounts Receivable, Net	173,656
Intergovernmental Receivables:	
RAID Grant	98,703
Receivable, Net	<u>\$ 272,359</u>

The Authority's policy is to provide for uncollectible based upon expected defaults.

NOTE 4. CAPITAL ASSETS, LEASE RIGHT-OF-USE ASSETS AND SUBSCRIPTION ASSETS

Capital assets activity for the year ended June 30, 2025, was as follows:

	Beginning Balance July 1, 2024	Additions	Deletions	Ending Balance June 30, 2025
<i>Business-Type Activities:</i>				
Capital Assets Being Depreciated:				
Buildings	\$ 5,000	\$ -	\$ -	\$ 5,000
Convenience Stations	120,554	-	-	120,554
Equipment	4,547,240	1,277,974	(247,619)	5,577,595
Containers	151,322	-	-	151,322
Vehicles	458,044	400,926	(13,000)	845,970
Office Furniture & Equipment	9,560	-	-	9,560
Computer Software	98,298	-	-	98,298
Total Capital Assets Being Depreciated	5,390,018	1,678,900	(260,619)	6,808,299
Accumulated Depreciation				
Buildings	(5,000)	-	-	(5,000)
Convenience Stations	(109,351)	(1,592)	-	(110,943)
Equipment	(2,745,239)	(381,925)	235,932	(2,891,232)
Containers	(75,910)	(13,599)	-	(89,509)
Vehicles	(207,383)	(106,180)	13,000	(300,563)
Office Furniture & Equipment	(4,780)	(1,912)	-	(6,692)
Computer Software	(98,299)	-	1	(98,298)
Total Accumulated Depreciation	(3,245,962)	(505,208)	248,933	(3,502,237)
Capital Assets, Net	\$ 2,144,056	\$ 1,173,692	\$ (11,686)	\$ 3,306,062

Depreciation expense recorded during the year ended June 30, 2025, was \$505,208.

**STATE OF NEW MEXICO
NORTH CENTRAL SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

**NOTE 4. CAPITAL ASSETS, LEASE RIGHT-OF-USE ASSETS AND SUBSCRIPTION ASSETS
(CONTINUED)**

Lease right-of-use assets activity for the year ended June 30, 2025, was as follows:

	Beginning Balance July 1, 2024	Additions	Deletions	Ending Balance June 30, 2025
Right-of-Use Assets being Amortized:				
Land	\$ 63,240	\$ -	\$ -	\$ 63,240
Building	167,359	-	-	167,359
Equipment	66,054	-	-	66,054
Total Right-of-Use Assets Being Amortized	<u>296,653</u>	<u>-</u>	<u>-</u>	<u>296,653</u>
Less: Accumulated Amortization for:				
Land	(21,105)	(13,480)	-	(34,585)
Building	(30,682)	(33,472)	-	(64,154)
Equipment	(29,645)	(14,474)	-	(44,119)
Total Accumulated Amortization Right-of-Use Assets, Net	<u>(81,432)</u>	<u>(61,426)</u>	<u>-</u>	<u>(142,858)</u>
	<u>\$ 215,221</u>	<u>\$ (61,426)</u>	<u>\$ -</u>	<u>\$ 153,795</u>

Amortization expense for lease right-of-use assets recorded during the year ended June 30, 2025, was \$61,426.

Subscription assets activity for the year ended June 30, 2025, was as follows:

	Beginning Balance July 1, 2024	Additions	Deletions	Ending Balance June 30, 2025
Subscription Assets				
Software Subscription	\$ 106,050	\$ -	\$ -	\$ 106,050
Total Subscription Assets	<u>106,050</u>	<u>-</u>	<u>-</u>	<u>106,050</u>
Less: Accumulated Amortization for:				
Software Subscription	(3,535)	(21,210)	-	(24,745)
Total Accumulated Amortization	<u>(3,535)</u>	<u>(21,210)</u>	<u>-</u>	<u>(24,745)</u>
Subscription Assets, Net	<u>\$ 102,515</u>	<u>\$ (21,210)</u>	<u>\$ -</u>	<u>\$ 81,305</u>

Amortization expense for subscription assets recorded during the year ended June 30, 2025, was \$21,210.

**STATE OF NEW MEXICO
NORTH CENTRAL SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 5. ACCRUED LIABILITIES

Accrued liabilities at June 30, 2025 consisted of the following:

	Balance June 30, 2025
Health Insurance Premiums	\$ 37,114
Employee Benefits Payable	20,447
Governmental Sales Tax	16,175
State Payroll Taxes	13,993
Unclaimed Property	8,502
Interest Payable	1,687
	\$ 97,918

NOTE 6. LONG-TERM DEBT

The Authority's long-term debt activity for the year ended June 30, 2025, was as follows:

	Beginning Balance July 1, 2024	Additions	Deletions	Ending Balance June 30, 2025	Amount Due Within One Year
Rio Arriba County Loan #1	\$ 336,205	\$ -	\$ 336,205	\$ -	\$ -
Rio Arriba County Loan #2	110,000	-	110,000	-	-
First Insurance Funding	86,141	-	24,757	61,384	61,384
Total Notes Payable	\$ 532,346	\$ -	\$ 470,962	\$ 61,384	\$ 61,384

Note Payable - Rio Arriba County-Loan #1

The Authority signed a loan agreement on June 30, 2011 with Rio Arriba County (County) in the amount of \$1,054,205. The loan was given to relieve the Authority of its sizable delinquent obligations to the Internal Revenue Service, New Mexico Taxation and Revenue Department and the General (Risk Management) Services Division of the State of New Mexico. On July 18, 2017, the Authority and the County agreed that the Authority would remit \$53,000 annually to retire the debt. The loan was forgiven by the County during fiscal year 2025.

Note Payable - Rio Arriba County-Loan #2

The Authority experienced financial difficulties during the second quarter of the fiscal year, as the Authority began to lag in the timely remittance of current obligations. Rio Arriba County provided short-term financing of \$350,000 during December 2023, to assist the Authority. The Authority's practice is to allow customers the opportunity to receive a reduced rate for the remittance of the annual fee for the upcoming calendar year. The loan was forgiven by the County during fiscal year 2025.

**STATE OF NEW MEXICO
NORTH CENTRAL SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 6. LONG-TERM DEBT (CONTINUED)

Note Payable – First Insurance Funding

On December 5, 2024, the Authority financed its annual vehicle insurance premium with First Insurance Funding. The Authority remitted \$59,430 to the insurance provider and financed the remaining balance of \$178,292. The note accrues interest at 13.15% per annum. The Authority remitted monthly payments throughout the fiscal year. The note matures on September 5, 2025. The insurance policy is in effect from December 5, 2024 through December 4, 2025. The amount due for the fiscal year ended June 30, 2025 is \$61,384.

The annual requirements to amortize the notes as of June 30, 2025, including interest payments are as follows:

Year Ending June 30,	Principal	Interest	Total Debt Service
2026	\$ 61,384	\$ 1,350	\$ 62,734
2027	-	-	-
2028	-	-	-
2029	-	-	-
2030	-	-	-
Total	\$ 61,384	\$ 1,350	\$ 62,734

NOTE 7. COMPENSATED ABSENCES PAYABLE

The Authority's compensated absences payable activity for the year ended June 30, 2025, was as follows:

	Beginning Balance July 1, 2024	Restatement (Note 21)	Restated Balance July 1, 2024	Net Change	Ending Balance June 30, 2025	Amount Due Within One Year
Compensated Absences	\$ 122,973	\$ 81,688	\$ 204,661	\$ 50,504 *	\$ 255,165	\$ 183,840

* The change in the compensated absence liability is presented as a net change.

NOTE 8. LEASE LIABILITY

The Authority's lease liability activity for the year ended June 30, 2025, was as follows:

	Beginning Balance July 1, 2024	Additions	Deletions	Ending Balance June 30, 2025	Amount Due Within One Year
Land	\$ 43,290	\$ -	\$ 11,796	\$ 31,494	\$ 12,155
Building	138,186	-	32,295	105,891	33,277
Equipment	37,044	-	14,537	22,507	7,655
Total	\$ 218,520	\$ -	\$ 58,628	\$ 159,892	\$ 53,087

**STATE OF NEW MEXICO
NORTH CENTRAL SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 8. LEASE LIABILITY (CONTINUED)

The Authority is party to several lease agreements for land, buildings, and equipment. All leases included in the lease liability calculation contain fixed payment terms, do not include escalation clauses or variable payments not already reflected in the lease liability, and do not contain residual value guarantees. The present value of all future lease payments was calculated using an incremental borrowing rate of 3.00%.

Land and Building Leases

In September 2021, the Authority entered into a four-year lease for land used as a collection site. The lease requires an initial payment of \$5,500, followed by annual payments of \$3,000.

In July 2023, the Authority entered into a five-year lease for a land parcel in Taos, New Mexico. Under this agreement, the Authority is required to make quarterly payments of \$2,500.

In August 2023, the Authority entered into a five-year building lease requiring monthly payments of \$3,000.

Equipment (Copier) Leases

In July 2023, the Authority entered into a five-year copier lease with quarterly payments of \$1,920.

In January 2022, the Authority entered into a 42-month copier lease requiring monthly payments of \$370.36.

In August 2020, the Authority entered into a 61-month copier lease requiring monthly payments of \$278.72.

The annual requirements to amortize principal on the lease liability outstanding as of June 30, 2025, are as follows:

Year Ending June 30,	Principal	Interest	Total Lease Payments
2026	\$ 53,087	\$ 3,876	\$ 56,963
2027	51,130	2,344	53,474
2028	52,682	785	53,467
2029	2,993	-	2,993
2030	-	-	-
Total	<u>\$ 159,892</u>	<u>\$ 7,005</u>	<u>\$ 166,897</u>

**STATE OF NEW MEXICO
NORTH CENTRAL SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 9. SUBSCRIPTION LIABILITY

The Authority's subscription liability activity for the year ended June 30, 2025, was as follows:

	Beginning Balance July 1, 2024	Additions	Deletions	Ending Balance June 30, 2025	Amount Due Within One Year
Software Subscriptions	\$ 83,550	\$ -	\$ 19,959	\$ 63,591	\$ 20,566

The Authority subscribes to an accounting application for general operations. The subscription is for a five-year term with no options to renew. There are no variable payments related to this subscription. There are no residual value guarantees that are not included in the subscription liability calculation. The Authority is responsible for annual principal and interest payments of \$22,500. There is no annual escalation. The Authority has used the incremental borrowing rate of 3.00% to calculate the present value of this subscription.

The following future principal and interest obligations from the Authority's subscription are as follows:

Year Ending June 30,	Principal	Interest	Total Subscription Payments
2026	\$ 20,566	\$ 1,833	\$ 22,399
2027	21,191	1,204	22,395
2028	21,834	558	22,392
2029	-	-	-
2030	-	-	-
Total	<u>\$ 63,591</u>	<u>\$ 3,595</u>	<u>\$ 67,186</u>

**STATE OF NEW MEXICO
NORTH CENTRAL SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 10. PERA PENSION PLAN

General Information about the Pension Plan

Plan Description

Public Employees Retirement Fund is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officers, Municipal General, Municipal Police/Detention Officers, Municipal Fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the Public Employees Retirement Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-8, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), each employee and elected official of every affiliated public employer is required to be a member in the Public Employees Retirement Fund, unless specifically excluded. PERA issues a publicly available annual comprehensive financial report that can be obtained at <https://www.nmpera.org/financial-overview/>.

Benefits provided - Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 100% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available. A blended pension benefit is equal to the sum of the pension attributable to the service credit the member has accrued under each coverage plan, with different pension factors for service credit earned after July 1, 2013.

**STATE OF NEW MEXICO
NORTH CENTRAL SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 10. PERA PENSION PLAN (CONTINUED)

General Information about the Pension Plan (Continued)

TIER II

The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least five years of service credit and the sum of the member's age and service credit equals at least 85 or at age 65 with 5 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4, and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers, and municipal juvenile detention officers will remain in 25-year retirement plans; however, service credit will no longer be enhanced by 20%. Senate Bill 145 passed during the 2023 Legislative Session and provide the 20% enhanced service credit to certain state police members who had not previously been eligible. All public safety members in Tier II may retire at age 60 with 5 or more years of service credit. Generally, under Tier II pension factors were reduced by .5. The computation of final average salary increased as the average of salary for 60 consecutive months.

Contributions - For fiscal year 2025, the Authority was required to contribute 11.30% of the gross covered salary for the Authority's Municipal General Plan 2. The contribution requirements of plan members and PERA are established in State statute under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature.

The Authority's contributions to the PERA retirement plan for PERA employees for the years ending June 30, 2025, 2024, and 2023 were \$457,069, \$360,478, and \$278,625, respectively, which include employer paid member benefits that were "picked up" by the employer.

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

At June 30, 2025, the Authority reported a liability of \$3,715,929 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2024 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2024. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2024. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2025, the Authority's proportion was 0.15572%, which was an increase of 0.02515% from its proportion measured as of June 30, 2024.

**STATE OF NEW MEXICO
NORTH CENTRAL SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 10. PERA PENSION PLAN (CONTINUED)

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

For the year ended June 30, 2025, the Authority recognized pension expense of \$209,554. At June 30, 2025, the Authority reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 352,901	\$ 13,858
Net difference between projected and actual investment earnings on pension plan investments	154,410	-
Changes of assumptions	119,479	-
Changes in proportion and differences between Authority's contributions and proportionate share of contributions	317,057	187,325
Authority's contributions subsequent to the measurement date	252,923	-
Total	\$ 1,196,770	\$ 201,183

\$252,923 reported as deferred outflows of resources related to pensions resulting from Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	Amount
2026	\$ 147,667
2027	492,517
2028	119,004
2029	(16,524)
2030	-
Total	\$ 742,664

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NORTH CENTRAL SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 10. PERA PENSION PLAN (CONTINUED)

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

Actuarial assumptions. The total pension liability in the June 30, 2024 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date	June 30, 2023
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll for all divisions except for the Legislative division which is Level Dollar
Amortization Period	25 years
Actuarial Assumptions:	
Investment Rate of Return	7.25% per year, net of investment-related expenses (composed of an assumed 2.50% inflation rate and a 4.75% real rate of return)
Projected Salary increases	3.25% to 13.50% annual rate
Includes Inflation at	2.50%
Mortality Assumption	Pre-retirement mortality: PUB-2010 General Employees Mortality table, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010. For non-public safety group, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups. Post-retirement mortality (non-disabled): PUB-2010 General Mortality table, Below Median Income, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.
Experience Study Dates	The Board adopted new actuarial assumptions on May 30, 2024 based on the 2024 actuarial experience study prepared as of June 30, 2023. Experience study was conducted for July 1, 2018 to June 30, 2023.

**STATE OF NEW MEXICO
NORTH CENTRAL SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 10. PERA PENSION PLAN (CONTINUED)

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

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2023. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2024. These assumptions were adopted by the Board in the June 30, 2024, actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using statistical analysis method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation adjusted) 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. The target allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	46.0%	3.9%
Core Fixed Income	13.0%	2.2%
Credit	17.0%	2.3%
Absolute Return	6.0%	2.6%
Real Assets	<u>18.0%</u>	5.9%
Total	<u>100.0%</u>	

Discount rate. A single discount rate of 7.25% was used to measure the total pension liability as of June 30, 2023. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan’s fiduciary net position and future contributions were projected to be available to finance 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 period of projected benefit payments to determine the total pension liability.

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

**STATE OF NEW MEXICO
NORTH CENTRAL SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 10. PERA PENSION PLAN (CONTINUED)

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

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate. The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
The Authority's proportionate share of the net pension liability	\$ 5,344,869	\$ 3,715,929	\$ 2,369,327

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued financial reports for PERA.

Payables to the pension plan

At June 30, 2025, the Authority reported a payable of \$20,477 for outstanding contributions due to NMPERA for the year ended June 30, 2025.

NOTE 11. OPEB

General Information about the OPEB

Plan description. Employees of the Authority are provided with OPEB through the Retiree Health Care Fund (Fund) – a cost-sharing multiple-employer defined benefit OPEB plan administered by the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Fund under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

NMRHCA is an independent agency of the State of New Mexico. The funds administered by NMRHCA are considered part of the State of New Mexico financial reporting entity and are OPEB trust funds of the State of New Mexico. NMRHCA's financial information is included with the financial presentation of the State of New Mexico.

Benefits provided. The Fund is a multiple employer cost sharing defined benefit healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees.

**STATE OF NEW MEXICO
NORTH CENTRAL SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 11. OPEB (CONTINUED)

General Information about the OPEB (Continued)

Employees covered by benefit terms. At June 30, 2024, the Fund's measurement date, the following employees were covered by the benefit terms:

Plan membership	
Current retirees and surviving spouses	52,978
Inactive and eligible for deferred benefits	12,552
Current Active Members	93,595
	159,125
	159,125
 Active membership	
State general	18,462
State police and corrections	1,260
Municipal General	17,283
Municipal Police	3,169
Municipal Fire	2,419
Educational Retirement Board	51,002
	93,595
	93,595

Contributions. Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee's salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer's participation in the Fund. Contributions to the Fund from the Authority were \$43,199 for the year ended June 30, 2024.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2025, the Authority reported a liability of \$525,459 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023. The Authority's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ended June 30, 2024. At June 30, 2024, the Authority's proportion was 0.02944%.

**STATE OF NEW MEXICO
NORTH CENTRAL SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 11. OPEB (CONTINUED)

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

For the year ended June 30, 2025, the Authority recognized OPEB income of \$135,627. At June 30, 2025, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 5,631	\$ 54,887
Changes of Assumptions	98,327	333,213
Change in proportion	123,579	218,437
Difference between actual and projected earnings on OPEB plan investments	4,697	-
Contributions made after the measurement date	43,199	-
Total	\$ 275,433	\$ 606,537

Deferred outflows of resources totaling \$43,199 represent Authority contributions to the Fund made subsequent to the measurement date, and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30,	
2026	\$ (128,338)
2027	(159,013)
2028	(99,099)
2029	(19,187)
2030	31,334
Total	\$ (374,303)

**STATE OF NEW MEXICO
NORTH CENTRAL SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 11. OPEB (CONTINUED)

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

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2023, using the following actuarial assumptions:

Valuation Date	June 30, 2023
Actuarial Cost Method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.30% for ERB members; 2.50% for PERA members
Projected payroll increases	3.00% to 13.00%, based on years of service, including inflation
Investment rate of return	7.00%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8.00% graded down to 4.50% over 14 years for Non-Medicare medical plan costs and 8.50% graded down to 4.50% over 16 years for Medicare medical plan costs
Mortality	ERB members: 2020 GRS Southwest Region Teacher Mortality Table, set back one year (and scaled at 95% for males). Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2020. PERA members: Headcount-Weighted RP-2014 Blue Collar Annuitant Mortality, set forward one year for females, projected generationally with Scale MP-2017 times 60%.

Rate of return. The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns 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, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions.

**STATE OF NEW MEXICO
NORTH CENTRAL SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 11. OPEB (CONTINUED)

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

The best estimates for the long-term expected rate of return is summarized as follows:

Asset Class	Long-term Rate of Return
U.S core fixed income	1.6%
U.S equity - large cap	6.9%
Non U.S. - emerging markets	8.7%
Non U.S - developed equities	7.2%
Private equity	9.9%
Credit and structured finance	3.7%
Real estate	3.6%
Absolute return	3.2%
U.S equity - small / mid cap	6.9%

Discount rate. The discount rate used to measure the total OPEB liability is 7.00% as of June 30, 2024. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are included. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. The 7.00% assumed investment return on plan assets, which includes the assumed inflation rate of 2.50%, was used to calculate the net OPEB liability.

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the net OPEB liability, calculated using the discount rate of 7.00% as of June 30, 2024, as well as what the Fund's net OPEB liability would be if it were calculated using a discount rate that is 1-percent lower or 1-percent higher than the current rate:

1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
\$ 662,639	\$ 525,459	\$ 413,007

The following presents the net OPEB liability of the Authority, as well as what the Authority's net OPEB liability 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:

1% Decrease	Current Trend Rates	1% Increase
\$ 406,069	\$ 525,459	\$ 832,068

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in NMRHCA's audited financial statements for the year ended June 30, 2024.

**STATE OF NEW MEXICO
NORTH CENTRAL SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 11. OPEB (CONTINUED)

At June 30, 2025, the Authority did not have any outstanding contributions due to NMRHCA for the year ended June 30, 2025.

NOTE 12. CAPITAL CONTRIBUTIONS

During the fiscal year, the New Mexico Department of Finance and Administration awarded a capital outlay grant to the Authority in the amount of \$847,000. During the fiscal year, the Authority expended \$677,267 of the award for capital equipment. The Authority intends to expend the remaining \$169,733 in the next fiscal year.

NOTE 13. IN-KIND LEASE

During August 2023, the Authority relocated their administrative offices to a Rio Arriba County building. Currently, the county is not requiring any rental income; however, the Authority has recorded in-kind revenues and rental expense of \$3,000 per month. The in-kind revenue and expense is based on fair market rental of similar commercial property.

NOTE 14. CONTINGENT LIABILITIES

The Authority from time to time is party to various claims and lawsuits arising in the normal course of business. The Authority is insured through the New Mexico Self-Insurer's Fund. In the opinion of management, the outcome of these matters will not have a material effect on the financial position of the Authority. Currently there are no known outstanding issues.

NOTE 15. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority has purchased insurance from commercial vendors and pays an annual premium for its general insurance coverage, as such all risk of loss is transferred.

NOTE 16. TAX ABATEMENT DISCLOSURES

The Authority has not been affected by a tax abatement.

**STATE OF NEW MEXICO
NORTH CENTRAL SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 17. RESTATEMENT

Implementation of New Accounting Standard

During the fiscal year, the Authority adopted the provision of GASB Statement No. 101, *Compensated Absences*, issued in June 2022. The requirements of GASB 101 became effective for reporting periods beginning after December 15, 2023. Accordingly, the provisions of this Statement have been applied in the preparation of these financial statements.

GASB 101 established recognition and measurement guidance for compensated absences, including vacation, sick leave, and other forms of paid leave. The Statement requires that a liability be recognized for leave when specific recognition criteria are met, rather than when leave is used or paid.

As a result of the provision's adoption, the Authority restated beginning net position as of July 1, 2024, to recognize previously unrecorded compensated absences' liabilities.

Net Position:

• Net Position as of July 1, 2024, as previously reported	\$ (2,349,293)
• Change in accounting principle	\$ (81,688)
• Net Position as of July 1, 2024, as restated	\$ (2,430,981)

NOTE 18. NEW ACCOUNTING STANDARDS

The Authority conforms to the pronouncements of the GASB, which are the primary authoritative statements of accounting principles generally accepted in the United States of America applicable to state and local governments.

The following pronouncements have been issued but are not yet effective and will be evaluated in year of implementation:

- GASB Statement No. 103, *Financial Reporting Model Improvements*
- GASB Statement No. 104, *Disclosure of Certain Capital Assets*

The following pronouncements that are issued and effective are not deemed to be applicable to the Authority:

- GASB Statement No. 102, *Certain Risk Disclosures*

The following pronouncements that are issued and effective have been adopted by the Authority and have an impact on the Authority's financial statements:

- GASB Statement No. 101, *Compensated Absences*

**STATE OF NEW MEXICO
NORTH CENTRAL SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 19. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosures of certain information concerning individual funds including the following:

- A. The Authority reported deficit net position of \$(486,887) at June 30, 2025.
- B. The Authority did not over expend its budget for the year ended June 30, 2025.
- C. The Authority had no instances of designated cash appropriations in excess of available balances.

NOTE 20. SUBSEQUENT EVENTS

Management evaluated subsequent events through December 15, 2025, which is the date the financial statements were available to be issued. Based upon this evaluation, the Authority has determined that there are no subsequent events that have occurred which require adjustment to or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
NORTH CENTRAL SOLID WASTE AUTHORITY
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY – MUNICIPAL GENERAL DIVISION
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
LAST 10 FISCAL YEARS**

	Fiscal Year Measurement Date	June 30 -				
		2025 2024	2024 2023	2023 2022	2022 2021	2021 2020
The Authority's proportion of the net pension liability (asset)		0.15572%	0.13057%	0.15354%	0.16606%	0.17750%
The Authority's proportionate share of the net pension liability (asset)		\$ 3,715,929	\$ 2,764,794	\$ 2,723,352	\$ 1,870,989	\$ 3,589,453
The Authority's covered-employee payroll		\$ 2,241,877	\$ 1,432,518	\$ 1,432,518	\$ 1,500,525	\$ 1,571,386
The Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll		165.75%	193.00%	190.11%	124.69%	228.43%
Plan fiduciary net position as a percentage of the total pension liability		66.00%	67.26%	69.35%	77.25%	66.36%

	Fiscal Year Measurement Date	June 30 -				
		2020 2019	2019 2018	2018 2017	2017 2016	2016 2015
The Authority's proportion of the net pension liability (asset)		0.16740%	0.16220%	0.16380%	0.15470%	0.14110%
The Authority's proportionate share of the net pension liability (asset)		\$ 2,897,860	\$ 2,649,843	\$ 2,250,750	\$ 2,471,585	\$ 1,438,637
The Authority's covered-employee payroll		\$ 1,670,304	\$ 1,531,475	\$ 1,466,161	\$ 1,393,733	\$ 1,296,619
The Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll		173.49%	173.03%	153.51%	177.34%	110.95%
Plan fiduciary net position as a percentage of the total pension liability		70.52%	71.13%	73.74%	69.18%	81.31%

**STATE OF NEW MEXICO
NORTH CENTRAL SOLID WASTE AUTHORITY
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS TO PERA PLAN – MUNICIPAL
GENERAL DIVISION
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
LAST 10 FISCAL YEARS**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Statutory required contribution	\$ 253,721	\$ 207,761	\$ 150,254	\$ 146,967	\$ 154,078
Contributions in relation to the statutorily required contribution	<u>253,721</u>	<u>207,761</u>	<u>150,254</u>	<u>146,967</u>	<u>154,078</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 2,241,877	1,874,817	1,432,518	1,500,525	\$ 1,571,386
Contributions as a percentage of covered-employee payroll	11.32%	11.08%	10.49%	9.79%	9.81%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutory required contribution	\$ 165,883	\$ 145,909	\$ 140,018	\$ 132,652	\$ 123,377
Contributions in relation to the statutorily required contribution	<u>165,883</u>	<u>145,909</u>	<u>140,018</u>	<u>132,652</u>	<u>123,377</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 1,670,304	\$ 1,527,834	\$ 1,466,161	\$ 1,393,773	\$ 1,296,619
Contributions as a percentage of covered-employee payroll	9.93%	9.55%	9.55%	9.52%	9.52%

**STATE OF NEW MEXICO
NORTH CENTRAL SOLID WASTE AUTHORITY
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF
NET OPEB LIABILITY
NEW MEXICO RETIREE HEALTH CARE AUTHORITY (NMRHCA) PLAN
LAST 10 FISCAL YEARS***

	Fiscal Year Measurement Date	June 30 -			
		2025 2024	2024 2023	2023 2022	2022 2021
The Authority's proportion of the net OPEB liability		0.02944%	0.02485%	0.02934%	0.03484%
The Authority's proportionate share of the net OPEB liability		\$ 525,459	\$ 423,182	\$ 678,130	\$ 1,070,680
The Authority covered employee payroll		\$ 1,651,374	\$ 1,874,817	\$ 1,455,342	\$ 1,501,475
The Authority's proportionate share of the net OPEB liability as a percentage of its covered employee payroll		31.82%	22.57%	46.60%	71.31%
Plan fiduciary net position as a percentage of the total OPEB liability		46.99%	44.16%	33.33%	25.39%

	Fiscal Year Measurement Date	June 30 -			
		2021 2020	2020 2019	2019 2018	2018 2017
The Authority's proportion of the net OPEB liability		0.03484%	0.03478%	0.03197%	0.02911%
The Authority's proportionate share of the net OPEB liability		\$ 1,462,900	\$ 1,127,703	\$ 1,390,169	\$ 1,319,170
The Authority covered employee payroll		\$ 1,497,464	\$ 1,451,345	\$ 1,527,834	\$ 1,466,161
The Authority's proportionate share of the net OPEB liability as a percentage of its covered employee payroll		97.69%	77.70%	90.99%	89.97%
Plan fiduciary net position as a percentage of the total OPEB liability		16.50%	18.92%	13.14%	11.34%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full ten-year trend is compiled, the Authority will present information for available years.

**STATE OF NEW MEXICO
NORTH CENTRAL SOLID WASTE AUTHORITY
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS TO OPEB PLAN
NEW MEXICO RETIREE HEALTH CARE AUTHORITY (NMRHCA) PLAN
LAST 10 FISCAL YEARS***

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Contractually required contribution	\$ 44,839	\$ 37,495	\$ 29,315	\$ 31,345
Contributions in relation to the contractually required contributions	<u>44,839</u>	<u>37,495</u>	<u>29,315</u>	<u>31,345</u>
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
The Authority's covered payroll	\$ 2,241,877	\$ 1,874,817	\$ 1,455,342	\$ 1,592,250
Contributions as a percentage of covered payroll	2.00%	2.00%	2.01%	2.00%
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 31,388	\$ 30,786	\$ 30,557	\$ 29,323
Contributions in relation to the contractually required contributions	<u>31,388</u>	<u>30,786</u>	<u>30,811</u>	<u>27,306</u>
Contribution Deficiency (Excess)	\$ -	\$ -	\$ (254)	\$ 2,017
The Authority's covered payroll	\$ 1,573,070	\$ 1,451,345	\$ 1,527,834	\$ 1,466,161
Contributions as a percentage of covered payroll	2.00%	2.12%	2.02%	1.86%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full ten-year trend is compiled, the Authority will present information for available years.

**STATE OF NEW MEXICO
NORTH CENTRAL SOLID WASTE AUTHORITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2025**

Pension Plan

Changes of benefit terms: The PERA and COLA and retirement eligibility benefits changes in recent years are described in Note 1 of PERA's ACFR <https://www.nmpera.org/financial-overview/>.

Assumptions: The Public Employees Retirement Association of New Mexico Annual Actuarial Valuations as of June 30, 2024 report is available at <https://www.nmpera.org/financial-overview/retirement-fund-valuation-reports/>.

OPEB Plan

In the total OPEB liability measured as of June 30, 2024, changes in assumptions include adjustments resulting from a decrease in the discount rate from 6.22% to 7.00%.

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
NORTH CENTRAL SOLID WASTE AUTHORITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS WITH
RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2025**

	Budgeted Amounts		Actual On Budgetary Basis	Budget to GAAP Difference	Actual On GAAP Basis	Budgetary
	Original	Final				Variance With Final Budget Over (Under)
OPERATING REVENUES						
Charges for services	\$ 6,175,000	\$ 6,645,000	\$ 5,034,696	\$ 54,442	\$ 5,089,138	\$ (1,610,304)
Total Operating Revenues	<u>6,175,000</u>	<u>6,645,000</u>	<u>5,034,696</u>	<u>54,442</u>	<u>5,089,138</u>	<u>(1,610,304)</u>
OPERATING EXPENSES						
Salaries	2,320,000	2,320,000	2,322,903	57,965	2,380,868	(2,903)
Tipping and Hauling Fees	805,000	995,000	746,860	(22,173)	724,687	248,140
Employee Benefits	833,000	833,000	1,005,310	39,590	1,044,900	(172,310)
Depreciation and Amortization	-	-	-	587,844	587,844	-
Repairs and Maintenance	574,000	574,000	430,037	(59,091)	370,946	143,963
Fuel and Oil	434,000	484,000	428,968	(91,527)	337,441	55,032
Insurance Premiums	296,000	526,000	394,024	19,962	413,986	131,976
Payroll Taxes	195,000	195,000	129,619	40,424	170,043	65,381
Operational Charges	174,000	174,000	153,548	(12,768)	140,780	20,452
Professional Services	125,000	125,000	264,788	(30,842)	233,946	(139,788)
Administration Expenses	91,900	91,900	93,668	(8,678)	84,990	(1,768)
Bank Charges & Fees	46,000	46,000	72,012	-	72,012	(26,012)
Office & Janitorial Supplies	30,500	30,500	38,601	(2,337)	36,264	(8,101)
Printing and Advertising	18,000	18,000	25,105	(6,986)	18,119	(7,105)
Uniforms	18,000	18,000	29,852	(5,760)	24,092	(11,852)
Training and Continuing Education	20,000	20,000	4,358	(540)	3,818	15,642
Rent Expense	28,000	28,000	48,663	(26,756)	21,907	(20,663)
Small Equipment and Tools	347,000	347,000	-	-	-	347,000
Miscellaneous	5,612	5,612	170,424	350	170,774	(164,812)
Total Operating Expenses	<u>6,361,012</u>	<u>6,831,012</u>	<u>6,358,740</u>	<u>478,677</u>	<u>6,837,417</u>	<u>472,272</u>
Operating Income (Loss)	<u>(186,012)</u>	<u>(186,012)</u>	<u>(1,324,044)</u>	<u>(424,235)</u>	<u>(1,748,279)</u>	<u>(1,138,032)</u>
NON-OPERATING REVENUES (EXPENSES) AND CAPITAL CONTRIBUTIONS						
Intergovernmental Capital Contributions	1,107,000	1,107,000	1,276,160	544,908	1,821,068	169,160
Intergovernmental Grants	-	-	1,823,971	5,750	1,829,721	1,823,971
Gain on Disposal of Equipment	-	-	95,752	(70,486)	25,266	95,752
Intergovernmental In-Kind Rental Assistance	-	-	-	36,000	36,000	-
Redemption of Investments	-	-	34,443	(34,443)	-	34,443
Interest Income	12	12	4	-	4	(8)
Miscellaneous Revenues	12,000	12,000	-	-	-	(12,000)
Capital Outlay	(847,000)	(847,000)	(1,321,847)	1,321,847	-	(474,847)
Note Principal Payments	(83,000)	(83,000)	-	-	-	83,000
Lien Release Charges	(3,000)	(3,000)	(2,479)	-	(2,479)	521
Interest Expense	-	-	-	(16,850)	(16,850)	-
Penalties	-	-	(357)	-	(357)	(357)
Total Non-operating Revenues (Expenses) and Capital Contributions	<u>186,012</u>	<u>186,012</u>	<u>1,905,647</u>	<u>1,786,726</u>	<u>3,692,373</u>	<u>1,719,635</u>
Net Change	<u>-</u>	<u>-</u>	<u>581,603</u>	<u>\$ 1,362,491</u>	<u>\$ 1,944,094</u>	<u>581,603</u>
Cash Balance, Beginning of Year	<u>83,636</u>	<u>83,636</u>	<u>83,636</u>			<u>-</u>
Cash Balance, End of Year	<u>\$ 83,636</u>	<u>\$ 83,636</u>	<u>\$ 665,239</u>			<u>\$ 581,603</u>

**STATE OF NEW MEXICO
NORTH CENTRAL SOLID WASTE AUTHORITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS WITH
RECONCILIATION TO GAAP (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2025**

Explanation of Differences:	
Change in Receivables	\$ 96,545
Change in Investments	34,443
Change in Prepaid Expenses	43,479
Acquisition of Capital Assets	1,321,847
Change in Deferred Outflow of Resources	645,373
Change in Accounts Payable	17,599
Change in Accrued Salaries	(32,663)
Change in Accrued Liabilities	(21,486)
Change in Unearned Revenues	67,957
Change in Compensated Absences	(54,504)
Change in Lease and Subscription Liability	96,753
Change In Notes Payable	470,962
Change in Deferred Inflows of Resources	378,348
Change in OPEB Liability	(102,277)
Change in Net Pension Liability	(951,135)
Gain On Disposal of Capital Assets	11,886
Bad Debts	(72,792)
Depreciation and Amortization	(587,844)
	<u>\$ 1,362,491</u>

**STATE OF NEW MEXICO
 NORTH CENTRAL SOLID WASTE AUTHORITY
 SCHEDULE OF PLEDGED COLLATERAL
 JUNE 30, 2025**

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>CUSIP</u>	<u>Maturity Date</u>	<u>Fair / Par Market Value at June 30, 2025</u>	<u>Name and Location of Safekeeper</u>
Century Bank	SANTA FE CNTY N MEX GO IMPT REF	0000022979	7/1/2033	\$ 916,374	FHLBank Dallas
Total Pledged Collateral				\$ 916,374	

COMPLIANCE SECTION



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

Joseph M. Maestas, P.E., CFE
New Mexico State Auditor
and
Board of Directors
North Central Solid Waste Authority
Española, New Mexico

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, the financial statements of the business-type activities of the New Mexico North Central Solid Waste Authority (Authority) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated December 15, 2025.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.



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A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2025-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2025-002 (2022-003) to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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*.

Authority's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Authority's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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



TKM, LLC
Auditors | Advisors | CPAs

Albuquerque, New Mexico
December 15, 2025

**STATE OF NEW MEXICO
NORTH CENTRAL SOLID WASTE AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2025**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

- | | |
|---|-----------|
| 1. Type of Auditors' Report Issued: | Qualified |
| 2. Internal Control Over Financial Reporting: | |
| Material weaknesses identified? | Yes |
| Significant deficiencies identified? | Yes |
| Noncompliance material to financial statements noted? | No |

**STATE OF NEW MEXICO
NORTH CENTRAL SOLID WASTE AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2025**

SECTION II - FINANCIAL STATEMENT FINDINGS

2025-001 – Financial Closing and Material Adjustment (Material Weakness)

Condition: During the audit, the following material adjustments were required to accurately present the Statement of Net Position:

- An adjustment of \$56,518 for correcting accounts payable and related expenses.
- An adjustment of \$150,137 to net position and miscellaneous expenses for properly stating the beginning net position.

Criteria: Under the 2013 COSO Framework, management is responsible for designing, implementing, and maintaining internal controls that ensure complete and accurate financial reporting in accordance with applicable accounting standards.

Cause: The Authority lacked adequate procedures and internal controls to ensure that its liabilities, expenses, and net position were properly recorded, stated, and reported in accordance with applicable accounting standards.

Effect: Material audit adjustments were required to properly state accounts payable and related expenses as of June 30, 2025. Additionally, a material adjustment to beginning net position and miscellaneous expenses was recorded to roll forward net position without adequate supporting documentation. This entry contributed to a modification of the audit opinion.

Auditors' Recommendation: We recommend that the Authority design and implement internal controls over month-end and year-end closing procedures, including timely reconciliations of key accounts, to ensure financial information is complete and accurate before reporting.

Management's Response: The Authority did not include one payment to a vendor in the schedule of accounts payable that was provided to the auditors. At year-end, the Authority's staff will perform an additional review of accounts payable to ensure all accounts payable are included in the schedule of accounts payable at yearend.

The Authority's staff will review their accounting procedures and internal controls, and modify, as necessary, to ensure the Authority's accounting records comply with governmental accounting standards.

Timeline to Correct: August 31, 2026

Responsible Party: The Authority's Accountant

**STATE OF NEW MEXICO
NORTH CENTRAL SOLID WASTE AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2025**

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

2025-002 (2022-003) – Expenditures (Significant Deficiency) – Repeated and Modified

Condition: During our testwork over expenditures, we noted that 5 of the 22 invoices tested, totaling \$230,271.26 out of \$1,295,741.88, were not paid by their respective due dates. These invoices were paid between 7 and 120 days after the due date.

Management Progress: The Authority has made measurable progress toward resolving this finding. During fiscal year 2025, only five invoices were processed late, a significant improvement compared to 26 late invoices in fiscal year 2024.

Criteria: 2.20.6.8 A (8) NMAC requires “all payments to vendors shall be accurate and timely and be for services already rendered or goods received and accepted by the Association as complying with the contract or purchase order”.

Cause: The Authority’s cash flow fluctuates throughout the year due to inconsistent timing of customer payments, resulting in periods of limited available cash and contributing to delays in paying certain invoices.

Effect: The Authority is not in compliance with 2.20.6.8 A (8) NMAC.

Auditors’ Recommendations: We recommend that the Authority implement regular cash flow forecasting and design and implement internal controls over payment scheduling procedures to ensure adequate cash is available to remit invoices on time.

Management’s Response: The Authority has made significant progress on resolving this finding. The Authority continues to work becoming cash solvent to ensure that all vendors are paid timely. The Authority works with all vendors to keep them updated if their invoice is unable to be paid timely.

Timeline to Correct: February 28, 2026

Responsible Party: The Authority’s Accountant

**STATE OF NEW MEXICO
NORTH CENTRAL SOLID WASTE AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2025**

SECTION III - SECTION 12-6-5 NMSA 1978 FINDINGS

None

SECTION IV - STATUS OF PRIOR YEAR AUDIT FINDINGS

Finding

Status

2025-002 (2022-003) *Expenditures*

Repeated and Modified

**STATE OF NEW MEXICO
NORTH CENTRAL SOLID WASTE AUTHORITY
EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2025**

An exit conference was held on December 15, 2025, to discuss the results of the audit.

Representing the North Central Solid Waste Authority:

Alex Naranjo, Chairman
Leo Marquez, General Manager
Cyrus Gray, Finance Director

Representing Contractor:

Dominic Fierro

Representing the Independent Auditors:

Jose "Joe" Ortiz, CPA – Audit Partner
Shi Lu, CPA – Audit Manager
Ramon Calasagsag – Audit Senior, In-Charge

Preparation of Financial Statements

The audited financial statements of the Authority were prepared by the independent certified public accountants performing the audit. Management is responsible for ensuring the books and records adequately support the preparation of the financial statements in accordance with generally accepted accounting principles and that the information is current and in balance. Management has reviewed and approved the financial statements as presented.