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Albuquerque, NM 87110

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**STATE OF NEW MEXICO
LIVESTOCK BOARD**

**FINANCIAL STATEMENTS
AND INDEPENDENT
AUDITOR'S REPORT**

JUNE 30, 2018

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD**

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**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD**

Official Roster

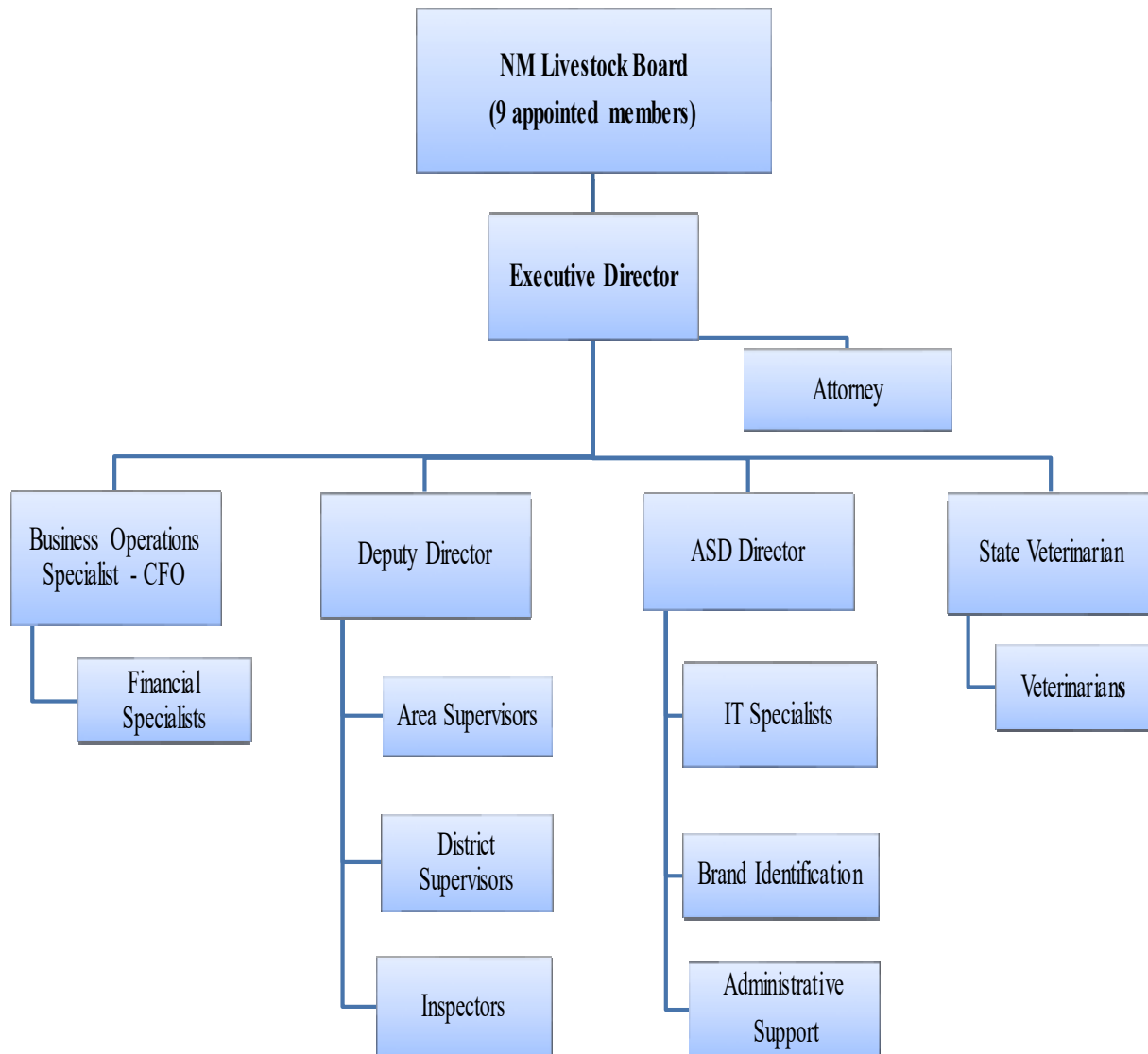
Board Members

<u>Name</u>	<u>Title</u>
Bill Sauble	Chairman
Don “Bebo” Lee	Vice-Chairman
Loren Patterson	Member
Casey Spradley	Member
Effie Walker	Member
Molly Martinez	Member
Sybrand Vander Dussen	Member
Kevin Elfering	Member

Administration

Robert Alexander	Executive Director
Shawn Davis	Deputy Director
Ralph Zimmerman, D.V.M.	State Veterinarian
Priscilla Pena-Johnson	Admin/Human Resources
Andrew Silva	Chief Financial Officer

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
ORGANIZATIONAL CHART
JUNE 30, 2018





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Independent Auditor's Report

Board Members
New Mexico Livestock Board
and
Mr. Wayne Johnson
New Mexico State Auditor
Santa Fe, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the fiduciary funds, the budgetary comparisons for the general fund and major special revenue fund of the State of New Mexico New Mexico Livestock Board (the Board) as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Board as of June 30, 2018, and the respective changes in financial position, and the respective budgetary comparisons for the general fund and major special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the fiduciary fund of the Board as of June 30, 2018, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As discussed in Note 1, the financial statements of the Board are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, each major fund and the aggregate remaining fund information of the State of New Mexico that are attributable to the transactions of the Board. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2018, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis which is required 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.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the Board's financial statements and budgetary comparison. Other schedules required by 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining schedule of changes in assets and liabilities required by 2.2.2 NMAC is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedule of changes in assets and liabilities required by 2.2.2 NMAC is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2018 on our consideration of the Board'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 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 Board'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 Board's internal control over financial reporting and compliance.

Ricci & Company LLC

Albuquerque, New Mexico
October 29, 2018

BASIC FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
STATEMENT OF NET POSITION -
GOVERNMENT WIDE
June 30, 2018**

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Petty Cash and Investment in State General Fund Investment Pool	\$ 6,585,883
Livestock fees and charges receivable	131,727
Due from other state agencies	<u>3</u>
Total current assets	<u>6,717,613</u>
Noncurrent Assets	
Capital assets	2,559,170
Less accumulated depreciation	<u>(1,795,725)</u>
Total noncurrent assets	<u>763,445</u>
Total assets	<u><u>\$ 7,481,058</u></u>
LIABILITIES	
Current Liabilities	
Vouchers payable	\$ 71,482
Accrued payroll, benefits and taxes	172,676
Compensated absences - current portion	<u>144,980</u>
Total current liabilities	<u>389,138</u>
Noncurrent liabilities	
Compensated absences - noncurrent portion	<u>281,621</u>
Total liabilities	<u>670,759</u>
DEFERRED INFLOWS OF RESOURCES	
Brand recording fees and sales of estrays	<u>2,317,557</u>
NET POSITION	
Net investment in capital assets	763,445
Restricted - special revenue fund	12,122
Restricted - by statute	<u>3,717,175</u>
Total net position	<u><u>\$ 4,492,742</u></u>

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
STATEMENT OF ACTIVITIES -
GOVERNMENT WIDE
Year Ended June 30, 2018**

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net Revenues (Expenses) and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Expenses				
General government	\$ 5,820,507	2,791,495	141,539	(2,887,473)
Depreciation	329,080	-	-	(329,080)
Total governmental activities	<u>6,149,587</u>	<u>2,791,495</u>	<u>141,539</u>	<u>(3,216,553)</u>
General Revenues and Other:				
State General Fund appropriation				703,700
Livestock property taxes				2,454,935
Miscellaneous revenue				140,335
Total general revenues and other				<u>3,298,970</u>
Change in net position				82,417
Net position, beginning				<u>4,410,325</u>
Net position, ending				<u><u>\$ 4,492,742</u></u>

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
BALANCE SHEET -
GOVERNMENTAL FUNDS
June 30, 2018**

	General Fund	Special Revenue Horse Shelter Rescue Fund	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
State General Fund Investment Pool	\$ 6,572,761	12,122	\$ 6,584,883
Petty cash	300	-	300
Other Cash	700	-	700
Receivables:			
Livestock fees and charges	131,727	-	131,727
Due from other state agencies	3	-	3
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 6,705,491</u>	<u>12,122</u>	<u>\$ 6,717,613</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Vouchers payable	\$ 71,482	-	\$ 71,482
Accrued payroll, benefits and taxes	172,676	-	172,676
Total liabilities	<u>244,158</u>	<u> </u>	<u>244,158</u>
DEFERRED INFLOWS OF RESOURCES			
Brand recording fees/sale of estrays	2,317,557	-	2,317,557
	<u> </u>	<u> </u>	<u> </u>
FUND BALANCES			
Nonspendable - petty cash	300	-	300
Restricted - special revenue fund	-	12,122	12,122
Restricted - by statute	4,143,476	-	4,143,476
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>4,143,776</u>	<u>12,122</u>	<u>4,155,898</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,705,491</u>	<u>12,122</u>	<u>\$ 6,717,613</u>

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
 NEW MEXICO LIVESTOCK BOARD
 RECONCILIATION OF THE BALANCE SHEET
 GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
 June 30, 2018**

Total fund balance for the governmental funds (Balance Sheet) \$ 4,155,898

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund.

These consist of:

Machinery and equipment	\$ 2,559,170	
Less accumulated depreciation	<u>(1,795,725)</u>	
Total capital assets, net of depreciation		763,445

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Compensated absences	<u>(426,601)</u>
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Net position of governmental activities (Statement of Net Position) \$ 4,492,742

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2018**

	General Fund	Special Revenue Horse Shelter Rescue Fund	Total
Revenues			
Intergovernmental revenues - federal grant funds	\$ 141,539	-	141,539
Personal property taxes on livestock	2,454,935	-	2,454,935
Charges for services:			
Inspection fees	1,291,632	-	1,291,632
Brand recording fees and horse permits	946,749	-	946,749
Licenses and permits	553,114	-	553,114
Miscellaneous	130,044	10,291	140,335
Total revenues	5,518,013	10,291	5,528,304
Expenditures			
Current:			
General government			
Personal services and employee benefits	4,367,181	-	4,367,181
Contractual services	223,873	-	223,873
Other expense	1,072,485	9,000	1,081,485
Capital outlay	295,700	-	295,700
Total expenditures	5,959,239	9,000	5,968,239
Excess (deficiency) of revenues over expenditures	(441,226)	1,291	(439,935)
Other Financing Sources (Uses)			
State General Fund appropriation	703,700	-	703,700
Total other financing sources (uses)	703,700	-	703,700
Net change in fund balances	262,474	1,291	263,765
Fund balances, beginning of year	3,881,302	10,831	3,892,133
Fund balances, end of year	\$ 4,143,776	12,122	4,155,898

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
 NEW MEXICO LIVESTOCK BOARD
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 Year Ended June 30, 2018**

Net change in fund balance - Governmental Funds
(Statement of Revenues, Expenditures and Changes in Fund Balance) \$ 263,765

Amounts reported for governmental activities in the Statement of
 Activities are different because:

In the Statement of Activities certain operating expenses-
 compensated absences payable-are measured by the amounts
 earned during the year. In the Governmental Funds, however,
 expenditures are measured by the amount of financial
 resources used (essentially the amount actually paid.) The
 increase in the liability for compensated absences payable
 for the year was: (147,968)

Governmental funds report capital outlays as expenditures.
 However, in the Statement of Activities the cost of those assets
 is allocated over their estimated useful lives and reported
 as depreciation expense:

Capital assets acquired	\$ 295,700	
Depreciation expense	<u>(329,080)</u>	<u>(33,380)</u>

Change in net position of governmental activities \$ 82,417

The Notes to the Financial Statements are an integral part of this statement.

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL -
GENERAL FUND
Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance Favorable (Unfavorable)
	Original	Final		
General Appropriation Program code P685				
Revenues				
Federal sources	\$ -	141,751	141,539	\$ (212)
Other	5,322,200	5,572,200	5,376,474	(195,726)
Total revenues	<u>5,322,200</u>	<u>5,713,951</u>	<u>5,518,013</u>	<u>- (195,938)</u>
Expenditures				
General government:				
Personnel services	4,311,300	4,496,464	4,367,181	129,283
Contractual services	269,500	317,219	223,873	93,346
Other costs	1,295,100	1,453,968	1,368,185	85,783
Total expenditures	<u>5,875,900</u>	<u>6,267,651</u>	<u>5,959,239</u>	<u>308,412</u>
Excess (deficiency) of revenues over expenditures	<u>(553,700)</u>	<u>(553,700)</u>	<u>(441,226)</u>	<u>112,474</u>
Other Financing Sources (Uses)				
State General Fund appropriations	553,700	553,700	703,700	150,000
Total other financing sources	<u>553,700</u>	<u>553,700</u>	<u>703,700</u>	<u>150,000</u>
Change in fund balance general appropriation	-	-	262,474	262,474
Special Appropriation Program code ZC5558				
Fund balance budgeted	100,000	100,000	-	(100,000)
Other financing uses	-	-	-	-
	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>(100,000)</u>
Special Appropriation program code ZC5559				
Fund balance budgeted	50,000	50,000	-	(50,000)
Other financing uses	-	-	-	-
	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>(50,000)</u>
Net change in fund balances	<u>\$ -</u>	<u>-</u>	<u>262,474</u>	<u>\$ 112,474</u>

The Notes to the Financial Statements are an integral part of this statement.

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - MAJOR SPECIAL
REVENUE FUND HORSE SHELTER RESCUE FUND
Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance Favorable (Unfavorable)
	Original	Final		
Program code P685				
Revenues				
Miscellaneous	\$ -	9,000	10,291	\$ 1,291
Total revenues	<u>-</u>	<u>9,000</u>	<u>10,291</u>	<u>1,291</u>
Expenditures				
General government:				
Personnel services	-	-	-	-
Contractual services	-	-	-	-
Other costs	-	9,000	9,000	-
Total expenditures	<u>-</u>	<u>9,000</u>	<u>9,000</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>1,291</u>	<u>1,291</u>
Other Financing Sources (Uses)				
Fund balance budgeted	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>-</u>	<u>1,291</u>	<u>\$ 1,291</u>

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
 NEW MEXICO LIVESTOCK BOARD
 STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 June 30, 2018**

	<u>Agency Funds</u>
ASSETS	
Investment in State General Fund Investment Pool	\$ 79,447
Due from general fund	<u>-</u>
Total assets	<u><u>\$ 79,447</u></u>
LIABILITIES	
Due to NM Beef Council	\$ 78,186
Due to NM Sheep & Goat Council	<u>1,261</u>
Total liabilities	<u><u>\$ 79,447</u></u>

The Notes to the Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The New Mexico Livestock Board (Board) was created by a merger between the Cattle Sanitary Board (1887) and the Sheep Sanitary Board (1897) in 1967 by Chapter 213, Section 3 [77-2-2-2 NMSA, 1978]. Its purpose is to promote greater economy, service, and efficiency in the administration of the laws relating to the livestock industry of New Mexico. The primary activities include livestock inspection and brand recording.

The Board is comprised of nine members, appointed by the Governor of the State of New Mexico. Seven members must represent New Mexico's livestock industry and two must be members of the public. The Board is bipartisan. No more than five members may belong to the same political party. The terms of office of the members are six years. The Board elects from its members a chairperson, vice-chairperson, and secretary.

The financial statements of the Board have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the Board's accounting policies are described below.

A. Financial Reporting Entity

Governmental accounting standards define the financial reporting entity as consisting of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability as the "cornerstone of all financial reporting in government."

A primary government is any state government or general-purpose local government, consisting of all the organizations that make up its legal entity. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are, for financial reporting purposes, part of the primary government. The Board, therefore, is part of the primary government of the State of New Mexico. The financial statements of the Board include only a portion of the primary government of the State of New Mexico.

Included within the Board for this purpose are the following: All of the programs that are administered and/or controlled by the Board have been included.

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

No entities were noted that should be considered component units of the Board.

B. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the Board as a whole) and fund financial statements. The new reporting model focus is on either the Board as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type activities. In the government-wide Statement of Net Position, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reflected on a full accrual, economic resources basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The Board includes deferred outflows of resources and deferred inflows of resources in the financial reporting model.

Deferred outflows of resources – a consumption of net assets by the government that is applicable to a future reporting period. It has a positive effect on net position, similar to assets.

Deferred inflows of resources – an acquisition of net assets by the government that is applicable to a future reporting period. It has a negative effect on net position, similar to liabilities.

Net position – The residual of the net effects of assets, deferred outflows of resources, liabilities, and deferred inflows of resources.

The government-wide Statement of Activities reflects both the gross and net cost per functional category general governments, which are otherwise being supported by general governmental revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function. The Board includes only one function (general governments). When an expense is incurred when both restricted and unrestricted resources are available, the Board utilizes the restricted resources first. All internal activity is eliminated, and transactions of the agency funds are reported separately.

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements (Continued)

The net cost (by function or business-type activity) is normally covered by general revenues (taxes, intergovernmental revenues, interest income, etc.). The Board does not currently employ indirect cost allocation systems.

The government-wide focus is more on the sustainability of the Board as an entity and the change in aggregate financial position resulting from the activities of the current fiscal period.

The fund financial statements emphasize the major funds in either the governmental or business-type categories. Non-major funds (by category) or fund type are summarized into a single column. The Board had no nonmajor governmental funds during the year ended June 30, 2018.

The governmental fund statements are presented on a current financial resource and modified accrual basis of accounting. This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the Board's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented on the page following each statement, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental activities column on the governmental-wide presentation.

C. Financial Statement Presentation

The financial transactions of the Board are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, expenditures or expenses, and other financing sources or uses. Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the accompanying financial statements.

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Financial Statement Presentation (Continued)

Governmental Fund Types. All governmental fund types are accounted for on a spending or financial measurement focus. Only current assets and liabilities are generally included on their balance sheets. Their reported fund balance (net current position) is considered a measure of available spendable resources. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current position. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period. Due to their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current position, such long-term amounts are not recognized as governmental fund type expenditures. The following is a description of the Governmental Funds of the Board.

General Fund. The General Fund (Fund number 39500) is the general operating fund of the Board. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is considered the Board's fund for accounting for the special tax levy proceeds in accordance with Section 77-2-25 NMSA 1978, for accounting for brand fees, in accordance with Section 77-2-7.5, other fees collected in accordance with the Livestock Code in accordance with Section 77-2-21 and net proceeds related to estrays in accordance with Section 77-3-6. The General Fund is considered non-reverting based on Section 77-2-26 NMSA 1978.

Special Revenue Funds. Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. The Horse Shelter Rescue Fund (Fund number 12130) was created as a non-reverting fund by Section 77-2-32 NMSA 1978 and is used to account for the receipt of an appropriation and other miscellaneous revenues restricted to support horse rescues and homeless horses. The Board presents this fund as a major fund for increased clarity.

Fiduciary Fund Types. Fiduciary fund types include trust and agency funds, which are used to account for assets held by the Board in the capacity of trustee or agent. The Agency Fund financial statement is not part of the government-wide financial statements because the Agency Fund is custodial in nature (assets equal liabilities) and does not belong to the Board. The Agency Fund also does not involve measurement of the results of operations. The Agency Fund of the Board (fund number 19600) is used to account for assets held and receipts collected by the Board as an agent for the New Mexico Beef Council and the New Mexico Sheep and Goat Council. This fund was established by 77-2A-7.1 NMSA 1978.

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange transactions are recognized when the exchange takes place.

Government fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to the compensated absences and claims and judgments, are recorded only when payment is due.

Modified Accrual. All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. “Available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

In applying the “susceptible to accrual” concept to intergovernmental revenues the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and deferred revenue by the recipient. The livestock property taxes levied by the various counties are recognized as income when they are levied. However, property tax receivables for uncollected property taxes have not been made because this information is not available to the Board from all counties which collect livestock property taxes.

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting (Continued)

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the Board's taxpayer or citizenry. Program revenues reduce the cost of the function to be financed from the Board's general revenues.

Program revenues are categorized as (a) charges for services, which include revenues collected for inspections, etc., (b) program-specific operating grants, which includes revenues received from state and federal sources to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

E. Budgetary Accounting

The State Legislature makes annual appropriations to the Board. Legal compliance is monitored through the establishment of an annual budget. Annual budgets are adopted each fiscal year for the General Fund and the Special Revenue Fund. Expenditures may not legally exceed appropriations at the object expenditure classification level. Amendments to the budget require approval by the State's Financial Control Division of the New Mexico Department of Finance and Administration (DFA). The budgets presented have been so amended during the fiscal year.

The Board follows these procedures in establishing the budgetary data reflected in the financial statements.

1. No later than September 1, the Board submits to the Legislative Finance Committee (LFC), and the Department of Finance and Administration (DFA) an appropriation request for the fiscal year commencing the following July 1. The appropriation request includes proposed expenditures and the means of financing them.
2. Appropriation request hearings are scheduled by the DFA. Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcomes of these hearings are incorporated into the General Appropriations Act. The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit.
3. The Board submits to DFA, no later than May 1, an annual operating budget by category and line item based upon the appropriation made by the Legislature. The DFA-Budget Division reviews and approves the operating budget which becomes effective on July 1. All subsequent budget adjustments must be approved by the director of the DFA-Budget Division and the LFC.

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Accounting (Continued)

4. Legal level of budgetary control for expenditures is at the program appropriation level. The Board's has one program appropriation code, P586. Formal budgetary integration is employed as a management control device during the fiscal year for the General and Special Revenue Fund.

Budgets are prepared in accordance with accounting principles generally accepted in the United States of America.

Per the General Appropriation Act, Laws of 2007, Chapter 28, Section 3, Item N, "For the purpose of administering the General Appropriation Act of 2007 and approving operating budgets, the State of New Mexico shall follow the modified accrual basis of accounting for governmental funds in accordance with the manual of model accounting practices issued by the department of finance and administration." The budget is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline per Section 6-10-4 NMSA 1978. Those accounts payable that do not get paid timely must be paid out of the next year's budget. Encumbrances related to single year appropriations lapse at year end. Appropriation periods are sometimes for periods in excess of twelve months (multiple-year appropriations). When multiple-year appropriation periods lapse, the authority for the budget also lapses and encumbrances can no longer be charged to that budget.

F. Capital Assets

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. Computer software is included in equipment. The Board does not have any internally developed software. Contributed assets are recorded at the fair market values as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The State's capitalization policy per Section 12-6-10 NMSA 1978, i.e., the dollar value above which asset acquisitions are added to the capital accounts, is \$5,000. Items on the capital asset listing that were capitalized under previous lower thresholds will remain on the inventory list and continue to be depreciated.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives with no salvage value. The estimated useful lives range from 3 to 10 years.

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Compensated Absences Payable

Vacation and sick leave earned and not taken is cumulative; however, upon termination of employment, sick pay for such leave hours accumulated up to 600 hours is forfeited, and vacation pay is limited to payment for 240 hours. Vacation leave up to the maximum of 240 hours is payable upon separation from service at the employee's current hourly rate. Sick leave is payable semiannually to qualified employees for hours accumulated above 600 hours at a rate equal to 50% of their hourly rate, not to exceed 120 hours each semiannual period. Upon retirement, payment for sick leave is limited to 400 hours accumulated in excess of 600 hours at the 50% hourly rate. The compensated absences payable is included in the government-wide financial statements.

H. Net Position / Fund Balances

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets is intended to reflect the portion of net assets which are associated with non-liquid, capital assets less outstanding debt. The net related debt is the debt less outstanding liquid assets and any associated unamortized cost. The Board did not have any related debt during the year ended June 30, 2018.

Restricted net assets consists of net asset with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net assets are all other net assets that do not meet the definition of "restricted" or "net investment in capital assets". The Board does not have any Unrestricted Net Assets.

Fund balance amounts are reported within one of the fund balance categories list below:

Nonspendable: Consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted: Consists of amounts that are restricted to specific purposes as a result of a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed: Consist of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Net Position / Fund Balances (Continued)

the government removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts.

Assigned: Consist of amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

Unassigned: Represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

Based on the criteria outlined above, the fund balances in the General Fund (39500) and Horse Shelter Rescue Fund (12130) are considered restricted at year end due to Section 77-7-26 and Section 77-7-32 NMSA 1978, respectively.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Board considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Board considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as appropriate opportunities arise. However, The Board reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

I. Receivables

All receivables are considered collectible and are expected to be collected within one year. As a result, the Board has not established an allowance for doubtful accounts

J. 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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Subsequent Events

Management has evaluated subsequent events through October 29, 2018, the date the financial statements were available to be issued.

NOTE 2. STATE GENERAL FUND INVESTMENT POOL

Section 8-6-3 NMSA 1978 NMSA, requires that all money of the state except when otherwise specially provided, be kept by the State Treasurer. Cash of the Board is maintained on deposit with State Treasurer in the State General Fund Investment Pool (SGFIP) The State Treasurer, with the advice and consent of the state board of finance, may invest money held in demand deposits and not immediately needed for operations, in securities in accordance with Sections 6-10-10 I through O, NMSA 1978 as amended.

For additional disclosure information regarding the investment in the State Treasurer’s SGFIP, the reader should see the separate audit report for the State Treasurer’s Office for the fiscal year ended June 30, 2018, review the State Treasurer’s Investment Policy at http://www.nmsto.gov/investment_policy_1 and review Sections 2.60.4.1 through 2.60.4.15 of the New Mexico Administrative Code, regarding Investment of Deposits of Public Funds Depository Bank Requirements, Collateral Level Requirements, and Custodial Bank Requirements.

At June 30, 2018, the Board had the following invested in the State General Fund Investment Pool:

Account Name	Agency Number	SHARE Fund	Balance per SHARE
NM Livestock Board – General Fund	50800	39500	\$ 6,572,761
Horse Shelter Rescue Fund	50800	12130	<u>12,122</u>
Total Governmental Funds			<u>6,584,883</u>
Agency Fund	50800	19600	<u>79,447</u>
Total Investment in SGFIP			<u><u>\$ 6,664,330</u></u>

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 3. CAPITAL ASSETS

A summary of changes in capital assets follows:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
Machinery and equipment	\$ 2,283,430	295,700	(19,960)	2,559,170
Accumulated depreciation	<u>(1,486,605)</u>	<u>(329,080)</u>	<u>19,960</u>	<u>(1,765,725)</u>
Totals	<u>\$ 796,825</u>	<u>(33,380)</u>	<u>-</u>	<u>763,445</u>

Depreciation expense of \$329,080 was unallocated.

NOTE 4. DEFERRED INFLOWS OF RESOURCES

Sale of Estrays. Deferred revenue from stray sales represents proceeds from the sale of livestock for which ownership cannot be verified. The rightful owners of unbranded livestock are determined by the Board through arbitration. Proceeds from sales of estrays revert to the Board if ownership is not resolved within two years from the date of sale. The amount deferred at June 30, 2018 is \$160,557.

Brand Recording Fees. The Board renews cattle brands every three, six, nine and twelve years at the election of the brand holder. The amount collected in the renewal year is amortized over a three, six, nine, or twelve-year period. The year ended June 30, 2015 was a renewal year. At June 30, 2018, \$2,157,000 related to brand renewal and will be amortized into revenue over the next two fiscal years.

NOTE 5. COMPENSATED ABSENCES PAYABLE

A summary of changes in compensated absences payable for the year ended June 30, 2018 is as follows:

	<u>Balance</u> <u>6/30/17</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>6/30/18</u>	<u>Due in</u> <u>One Year</u>
Accrued vacation and sick leave	\$ 278,633	362,826	(214,894)	\$ 426,601	\$ 144,980

The liability at June 30, 2018 of \$426,601 has been recorded in the government-wide financial statements and represents the Board's commitment to fund out of the General Fund the accrued vacation, sick leave, and comp time costs from future operations.

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 6. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description. Substantially all of the Board’s full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (PERA) (Chapter 10, Article 11 NMSA 1978.) The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing, multiple- employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P. O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA’s website at <http://www.pera.state.nm.us>.

Funding Policy. Plan members are required to contribute 8.92% of their gross salary. The Board is required to contribute 16.59% of the gross covered salary. The contribution requirements of plan members and the Board are established in State statute under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Board’s contributions to PERA for the fiscal years ending June 30, 2018, 2017, and 2016 were \$495,818, \$470,024, and \$443,670, respectively, which equal the amount of the required contributions for each fiscal year.

The Board, as a part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Disclosure requirements for governmental funds apply to the primary government as a whole, and as such, this information will be presented in the Component Appropriation Funds Annual Financial Report (General Fund) and the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

Information concerning the net pension liability, pension expense, and pension-related deferred inflows and outflows of resources of the primary government will be contained in the General Fund and the CAFR and will be available, when issued, from the Office of State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

NOTE 7. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

Compliant with the requirements of Government Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the State of New Mexico has implemented this standard for the fiscal year ended June 30, 2018.

The Department as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple-employer defined benefit postemployment health care plan that provides comprehensive group health insurance for persons who have retired from certain public service positions in New Mexico. The other postemployment benefits (OPEB) Plan is administered by the Retiree Health Care Authority of the State of New Mexico. Overall, total OPEB liability

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

**NOTE 7. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN
(CONTINUED)**

exceeds OPEB Plan net position resulting in a net OPEB liability. The State has determined the State's share of the net OPEB liability to be a liability of the State as a whole, rather than any agency or department of the State and the liability will not be reported in the department or agency level financial statements of the State. All required disclosures will be presented in the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

Information concerning the net liability, benefit expense, and benefit-related deferred inflows and deferred outflows of resources of the primary government will be contained in the State of New Mexico Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2018 and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

Plan Description. The Board contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and / or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; (2) retirees defined by the Act who retired prior to July 1, 1990; (3) former legislators who served at least two years; and (4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the post-employment health care plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque NM 87107.

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

**NOTE 7. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN
(CONTINUED)**

former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premiums to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The employer, employee, and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the Board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2016, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2018, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C- 15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the Legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Board's contributions to the RHCA for the years ended June 30, 2018, 2017 and 2016 were \$58,366, \$55,329, and \$52,227, respectively, which equal the required contributions for each year.

NOTE 8. COMMITMENTS – OPERATING LEASES

The Board is committed under several leases for office space and various equipment. Rental payments totaling \$118,279 were made during the year ended June 30, 2018 for office facilities and office equipment.

Future minimum amounts to be paid for the next five years and thereafter under all operating leases with a term greater than one year are as follows:

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 8. COMMITMENTS – OPERATING LEASES (CONTINUED)

2019	\$ 107,845
2020	72,297
2021	4,200
2022	4,200
2023	<u>4,200</u>
Total	<u>\$ 192,742</u>

NOTE 9. INSURANCE COVERAGE AND CONTINGENCIES

New Mexico Statutes (Section 15-7-2 NMSA 1978) require Risk Management Division (RMD) to be responsible “for the acquisition and administration of all insurance purchased by the State”. Various Statutes allow RMD to insure, self-insure, or use a combination of both for all risks administered by it. RMD operates under the supervision of the Secretary of the State of New Mexico, General Services Department.

The Board is exposed to various risks of loss related to: general, automobile, and aircraft liabilities, including those related to law enforcement and civil rights (torts); theft of, damage to, and destruction of state property assets; errors and omissions; injuries to employees; group insurance; and, natural disasters, all of which are insured against by participation in the public entity risk pool described above subject to the limits of coverage set by RMD.

Management of the Board is not aware of any material contingent liabilities.

NOTE 10. TRANSFERS AND DUE TO / FROM OTHER STATE AGENCIES

The Department receives and makes operating transfers for various reasons as described below:

	Transfer From	Transfer To
Department of Finance & Administration (Agency No. 34101, Fund 85300)	\$ 703,700	-
Board’s General Fund (Agency No. 50800, Fund 39500)	-	\$ 703,700
Purpose: General Fund appropriation FY 2018		
Department of Finance & Administration (Agency No. 34100, Fund 80000)	\$ 2,454,935	-
Board’s General Fund (Agency No. 50800, Fund 39500)	-	\$ 2,454,935
Purpose: Transfer of tax levy revenues		

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 10. TRANSFERS AND DUE TO / FROM OTHER STATE AGENCIES

The following transfers were for the purchase of services from other state agencies and are included in expenditures in the accompanying financial statements:

	Transfer From	Transfer To
Board's General Fund (Agency No. 50800, Fund 39500)	\$ 360	-
General Services (Agency No. 35000, Fund 36503)	-	\$ 360

Purpose: DDC Online

Board's General Fund (Agency No. 50800, Fund 39500)	\$ 26	-
NM Commission of Public Records (Agency No. 36900, Fund 37100)	-	\$ 26

Purpose: Public Records Storage Fee

Board's General Fund (Agency No. 50800, Fund 39500)	\$ 1,200	-
Dept. of Public Safety (Agency No. 79000, Fund 78600)	-	\$ 1,200

Purpose: Law Enforcement Training Course

Board's General Fund (Agency No. 50800, Fund 39500)	\$ 80	-
NM Secretary of State (Agency No. 37000, Fund 79900)	-	\$ 80

Purpose: Notary Public Applications w/Bonds

As of June 30, 2018, The Board's General Fund (Agency No. 50800, Fund 39500) was due \$3 from the Department of Finance and Administration (Agency No. 34100, Fund 80000) for tax mill levy receivables.

NOTE 11. CONCENTRATIONS OF CREDIT AND OTHER RISKS

Credit risk represents the accounting loss that would be recognized at the balance sheet date if counterparties failed completely to perform as contracted. Concentrations of credit risk exist from financial instruments for groups of customers or counterparties having similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Board has a significant exposure to adverse changes in the cattle industry. Most of the Board's revenue is directly or indirectly generated from services provided to counterparties in the cattle industry.

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 12. RECENT PRONOUNCEMENTS

In August 2018, the GASB issued Statement No. 90, *Majority Interests in an amendment of GASB Statements No. 14 and No. 6*. The requirements of this statement are effective for periods beginning after December 15, 2018. Earlier application is encouraged. This statement is not applicable to the Board.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. This statement is not applicable to the Board.

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. This Statement applies to notes to financial statements of all periods presented. This statement is not applicable to the Board.

In June 2017, the GASB issued Statement No. 87, *Leases*. The provisions of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. This standard will be implemented in a subsequent period.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. This statement is not applicable to the Board.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The provisions of this Statement are effective for periods beginning after June 15, 2017. Earlier application is encouraged. This statement is not applicable to the Court.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. This standard will be implemented in a subsequent period.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. This statement is not applicable to the Board.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2016. Earlier application is encouraged. This statement is not applicable to the Board.

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 12. RECENT PRONOUNCEMENTS (CONTINUED)

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The Board has implemented this standard accordingly in the current year.

NOTE 13. SUBSEQUENT EVENTS

The Board has evaluated subsequent events through October 24, 2018, which is the date the financial statements were available to be issued and concluded that no additional disclosures are required.

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2018**

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
NEW MEXICO BEEF COUNCIL				
ASSETS				
State General Fund Investment Pool	\$ 1,321	\$ 1,287,570	\$ (1,210,705)	\$ 78,186
Receivable - General Fund	73,309	1,214,266	(1,287,575)	-
Total Assets	\$ 74,630	\$ 2,501,836	\$ (2,498,280)	\$ 78,186
LIABILITIES				
Due to NM Beef Council	74,630	1,215,555	(1,211,999)	78,186
Total liabilities	\$ 74,630	\$ 1,215,555	\$ (1,211,999)	\$ 78,186
NEW MEXICO SHEEP AND GOAT COUNCIL				
ASSETS				
State General Fund Investment Pool	\$ -	\$ 14,354	\$ (13,093)	\$ 1,261
Receivable - General Fund	861	13,488	(14,349)	-
Total Assets	\$ 861	\$ 27,842	\$ (27,442)	\$ 1,261
LIABILITIES				
Due to NM Sheep and Goat Council	861	13,493	(13,093)	1,261
Total liabilities	\$ 861	\$ 13,493	\$ (13,093)	\$ 1,261
TOTAL ALL AGENCY FUNDS				
ASSETS				
State General Fund Investment Pool	\$ 1,321	\$ 1,301,924	\$ (1,223,798)	\$ 79,447
Receivable - General Fund	74,170	1,227,754	(1,301,924)	-
Total Assets	\$ 75,491	\$ 2,529,678	\$ (2,525,722)	\$ 79,447
LIABILITIES				
Due to NM Beef Council	74,630	1,215,555	(1,211,999)	78,186
Due to NM Sheep and Goat Council	861	13,493	(13,093)	1,261
Total liabilities	\$ 75,491	\$ 1,229,048	\$ (1,225,092)	\$ 79,447

The Notes to the Financial Statements are an integral part of this statement.

COMPLIANCE SECTION



Service plus value, it all adds up.

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**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***

Independent Auditor's Report

Board Members
State of New Mexico New Mexico Livestock Board
and
Mr. Wayne Johnson
New Mexico State Auditor
Santa Fe, 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 governmental activities, each major fund, the budgetary comparisons of the general fund and major special revenue fund, of the State of New Mexico New Mexico Livestock Board (Board), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated October 29, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2018-001.

The Boards's Response to Finding

The Board's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Board's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Ricci & Company LLC

Albuquerque, New Mexico
October 29, 2018

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2018**

A. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

2017-001 VERIFICATION OF CHARGES ON VEHICLE MAINTENANCE PRICE AGREEMENT PURCHASES (Other Non-compliance)

Resolved

B. FINDINGS AND RESPONSES

2018-001 TIMELY DEPOSITING OF FUNDS COLLECTED BY FIELD AGENTS

CONDITION

During our testing of internal controls over compliance with the State cash management regulations, we noted that one (1) deposit for \$372 out of 25 deposits tested was not deposited by a field agent in a timely manner.

CRITERIA

NMAC 77-2-10 requires that funds collected by the Board's agents be deposited in not more than ten days.

EFFECT

There is an increased risk that funds will be lost or misappropriated.

CAUSE

Oversight by the collecting agent and lack of monitoring by supervisory personnel.

RECOMMENDATION

We recommend that the Board's supervisory staff monitor the agent's activities more closely to ensure that deposits are made in a timely manner.

MANAGEMENT RESPONSE

The CFO has communicated a corrective plan of action to IT and accounts receivable staff. This plan is a new procedure in which both IT and accounts receivable staff to monitor FileMaker's "Recap List" on a weekly basis for recaps that do not have a deposit associated with it. An email will then be generated that notifies the inspector and the area supervisor of the recap number that has not been associated with a deposit.

TIMELINE TO CORRECT

The plan will be implemented in November of 2018.

RESPONSIBLE OFFICIAL

Chief Financial Officer

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
EXIT CONFERENCE
For the Year Ended June 30, 2018**

Exit Conference

An exit conference was held on October 29, 2018, to discuss the annual financial report. Attending were the following:

Representing the New Mexico Livestock Board:

Robert Alexander, Executive Director
Andrew Silva, Chief Financial Officer

Representing the Independent Auditor:

Mark Santiago, CPA, Senior Audit Manager
Mike Easley, CPA, Audit Supervisor

Note: Ricci & Company, LLC assisted in the preparation of the financial statements presented in this report. The Board's management has reviewed and approved the financial statements and related notes and they believe that their records adequately support the financial statements.