

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

**FINANCIAL STATEMENTS AND SCHEDULES
WITH INDEPENDENT AUDITORS'
REPORT THEREON FOR THE
FISCAL YEAR ENDED JUNE 30, 2019**

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

OFFICIAL ROSTER

JUNE 30, 2019

Board Members

Bill Sauble	Chairman
Don "Bebo" Lee	Vice-Chairman
Loren Patterson	Member
Casey Spradley	Member
Effie Walker	Member
Molly Manzanares	Member
Sybrand Vander Dussen	Member
Kevin Elfering	Member
Jonathan Peña	Member

Administration

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



Independent Auditors' Report

Honorable Brian S. Colón, Esq.
New Mexico State Auditor
and
Honorable Board Members
New Mexico Livestock Board
Albuquerque, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the budgetary comparisons for 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, 2019 and the related notes to the financial statements which collectively comprises 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 financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' 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 from 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 auditors' 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 on 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 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, each major fund and the aggregate remaining fund information of the Board as of June 30, 2019, and the respective changes in financial position and 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.

Emphasis of Matters

As discussed in *Note 1*, the financial statements of the Board are intended to present the financial position and 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 is attributable to the transactions of the New Mexico Livestock Board. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2019, and the changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified for this matter.

Other Matters

Required Supplementary Information:

The Board 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 the 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.

Other Information:

Our audit was conducted for the purpose of forming opinions on the financial statements and the budgetary comparisons. The other schedules required by Section 2.2.2 NMAC listed as other supplemental information in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

These other schedules required by Section 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements of to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, these other schedules required by Section 2.2.2 NMAC 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 October 10, 2019 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

Kubiak Melton & Associates, LLC

Kubiak Melton & Associates, LLC
Auditors – Business Consultants - CPAs

Albuquerque, New Mexico
October 10, 2019

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
STATEMENT OF NET POSITION
JUNE 30, 2019**

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Petty Cash and Investment in State General Fund Investment Pool	\$ 5,905,298
Livestock Fees and Charges Receivable	131,516
Due From Federal Government	<u>54,589</u>
Total Current Assets	<u>6,091,403</u>
Non-Current Assets	
Capital Assets, Net	<u>632,868</u>
Total Assets	<u>\$ 6,724,271</u>
 LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 283,566
Accrued Payroll	176,222
Compensated Absences Payable - Current	<u>148,624</u>
Total Current Liabilities	<u>608,412</u>
Non-Current Liabilities	
Compensated Absences Payable - Non-Current	<u>288,507</u>
Total Liabilities	<u>896,919</u>
 DEFERRED INFLOWS OF RESOURCES	
Brand Recording Fees / Sale of Estrays	<u>1,708,650</u>
Total Liabilities and Deferred Inflows of Resources	<u>2,605,569</u>
 NET POSITION	
Net Investment in Capital Assets	632,868
Restricted - Special Revenue Funds	13,979
Restricted by Statute	<u>3,471,855</u>
Total Net Position	<u>4,118,702</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 6,724,271</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

	Governmental Activities
Program Expenses	
General Government:	
Administrative Services	\$ 4,528,616
Contractual Services	316,412
Other	1,097,871
Depreciation Expense - Unallocated	282,342
Total Program Expenses	6,225,241
Program Revenues	
Federal Grants	140,751
Licenses and Permits	632,548
Brand Recording and Inspection Fees	2,266,595
Livestock Personal Property Taxes	2,074,028
Miscellaneous	87,609
Total Program Revenues	5,201,531
Net Program Expense	1,023,710
General Revenues and Transfers	
State General Fund Appropriations	553,700
Gain on Disposal of Capital Assets	36,764
Other Financing Sources	9,400
Reversion to State General Fund FY 2019	(18,000)
Total General Revenues and Transfers	581,864
Change in Net Position	(441,846)
Net Position - Beginning of Year	4,492,743
Restatement	67,805
Net Position - As Restated	4,560,548
Net Position - End of Year	\$ 4,118,702

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
BALANCE SHEET -
GOVERNMENTAL FUNDS
JUNE 30, 2019**

	39500 - General Fund	12130 - Horse Shelter Rescue	Total
ASSETS			
Current Assets			
Investment in State General Fund Investment Pool	\$ 5,890,319	\$ 13,979	\$ 5,904,298
Petty Cash	300	-	300
Other Cash	700	-	700
Livestock Fees and Charges Receivable	131,516	-	131,516
Due From Federal Government	54,589	-	54,589
Total Assets	<u>\$ 6,077,424</u>	<u>\$ 13,979</u>	<u>\$ 6,091,403</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ 283,566	\$ -	\$ 283,566
Accrued Payroll	176,222	-	176,222
Total Liabilities	<u>459,788</u>	<u>-</u>	<u>459,788</u>
Deferred Inflows of Resources			
Brand Recording Fees / Sale of Estrays	1,708,650	-	1,708,650
FUND BALANCES			
Nonspendable - Petty Cash	300	-	300
Restricted - Special Revenue Fund	-	13,979	13,979
Restricted - By Statute	3,908,686	-	3,908,686
Total Fund Balances	<u>3,908,986</u>	<u>13,979</u>	<u>3,922,965</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 6,077,424</u>	<u>\$ 13,979</u>	<u>\$ 6,091,403</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2019**

Total Fund Balances for Governmental Funds \$ 3,922,965

Amounts reported for governmental activities in the statement of net position are different as follows:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Capital Assets, Net 632,868

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:

Compensated Absences Payable (437,131)

Net Position of Governmental Activities \$ 4,118,702

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>39500 - General Fund</u>	<u>12130 - Horse Shelter Rescue</u>	<u>Total</u>
REVENUES			
Federal Grants	\$ 140,751	\$ -	\$ 140,751
Personal Property Taxes on Livestock	2,074,028	-	2,074,028
Charges for Services:			-
Inspection Fees	1,391,426	-	1,391,426
Brand Recording Fees	875,169	-	875,169
Licenses and Permits	632,548	-	632,548
Miscellaneous	79,753	7,856	87,609
Total Revenues	<u>5,193,675</u>	<u>7,856</u>	<u>5,201,531</u>
EXPENDITURES			
Personal Services & Benefits	4,518,086	-	4,518,086
Contract Services	310,412	6,000	316,412
Other Costs	1,097,871	-	1,097,871
Capital Outlay	151,765	-	151,765
Total Expenditures	<u>6,078,134</u>	<u>6,000</u>	<u>6,084,134</u>
Excess/(Deficiency)-Revenues over Expenditures	<u>(884,459)</u>	<u>1,856</u>	<u>(882,603)</u>
OTHER FINANCING SOURCES AND (USES)			
General Fund Appropriations	553,700	-	553,700
Gain on Disposal of Capital Assets	36,764	-	36,764
Other Financing Sources	9,400	-	9,400
Reversion to the State General Fund - FY 2019	(18,000)	-	(18,000)
Total Other Financing Sources and (Uses)	<u>581,864</u>	<u>-</u>	<u>581,864</u>
Net Change in Fund Balances	(302,595)	1,856	(300,739)
Fund Balances, Beginning	4,143,776	12,122	4,155,898
Restatement	67,805	-	67,805
Fund Balances, As Restated	4,211,581	12,122	4,223,703
Fund Balances, Ending	<u>\$ 3,908,986</u>	<u>\$ 13,978</u>	<u>\$ 3,922,964</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS TO THE STATEMENT OF
ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

Net Change in Fund Balances - Total Governmental Funds \$ (300,739)

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period these amounts are:

Capital Outlay	151,765	
Depreciation Expense	<u>(282,342)</u>	
Excess of capital outlay over depreciation expense		(130,577)

Expenses recognized in the Statement of Activities, not reported in the governmental funds:

Change in Compensated Absences		(10,530)
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Change in Net Position of Governmental Activities \$ (441,846)

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (BUDGETARY BASIS) –
GENERAL FUND (39500)
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Approved Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Federal Grants	\$ -	\$ 140,751	\$ 140,751	\$ -
Personal Property Taxes on Livestock	2,009,400	2,009,400	2,074,028	64,628
Charges for Services:				
Inspection Fees	986,100	986,100	1,391,426	405,326
Brand Recording Fees	900,000	900,000	875,169	(24,831)
Licenses and Permits	640,300	640,300	632,548	(7,752)
Miscellaneous	95,100	95,100	79,753	(15,347)
Total Revenues	<u>4,630,900</u>	<u>4,771,651</u>	<u>5,193,675</u>	<u>422,024</u>
Budgeted Fund Balance	<u>736,100</u>	<u>1,001,100</u>		
	<u>5,367,000</u>	<u>5,772,751</u>		
Expenditures				
General Government:				
Personal Services	4,463,900	4,688,278	4,518,086	170,192
Contractual Services	214,600	352,319	310,412	41,907
Other Costs	1,271,600	1,315,254	1,249,636	65,618
Total Expenditures	<u>5,950,100</u>	<u>6,355,851</u>	<u>6,078,134</u>	<u>277,717</u>
Excess (deficiency) of Revenues over (under) Expenditures	<u>(583,100)</u>	<u>(583,100)</u>	<u>(884,459)</u>	<u>301,359</u>
Other Financing Sources (Uses):				
General Fund Appropriations	553,700	553,700	553,700	-
Other Financing Sources	9,400	9,400	9,400	-
Total Other Financing Sources (Uses)	<u>\$ 563,100</u>	<u>\$ 563,100</u>	<u>563,100</u>	<u>\$ -</u>
Non-Budgeted Items				
Gain of Disposal of Assets			36,764	
Reversions			(18,000)	
Total Non-Budgeted Other Financing Sources (Uses)			<u>18,764</u>	
Net Change in Fund Balances			<u>\$ (302,595)</u>	

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (BUDGETARY BASIS) –
HORSE SHELTER RESCUE FUND (12130)
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Approved Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Charges for Services	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	6,000	7,856	1,856
Federal Grants	-	-	-	-
Total Revenues	<u>-</u>	<u>6,000</u>	<u>7,856</u>	<u>1,856</u>
Expenditures				
General Government:				
Personal Services	-	-	-	-
Contractual Services	-	6,000	6,000	-
Other Costs	-	-	-	-
Total Expenditures	<u>-</u>	<u>6,000</u>	<u>6,000</u>	<u>-</u>
Excess (deficiency) of Revenues over (under) Expenditures	<u>-</u>	<u>-</u>	<u>1,856</u>	<u>1,856</u>
Other Financing Sources (Uses):				
General Fund Appropriations	-	-	-	-
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Net Change in Fund Balances			<u>\$ 1,856</u>	

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Agency Fund</u>
ASSETS	
Investment in Sate General Fund	
Investment Pool	\$ 74,954
Due From Other Funds	<u>26</u>
Total Assets	<u><u>\$ 74,980</u></u>
LIABILITIES	
Deposits Held for Others	<u>\$ 74,980</u>
Total Liabilities	<u><u>\$ 74,980</u></u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

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.

Financial Reporting Entity and Component Units

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.

See Independent Auditors' Report

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Reporting Entity and Component Units (continued)

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.

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

Basis of Accounting – GASB Statement No. 34

The basic financial statements include both government-wide and fund financial statements. The reporting model focus is on either the Board as a whole or on major individual funds. Both the government-wide and fund financial statements categorize primary activities as governmental activities.

Basis of Accounting – Fund Accounting

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the Board, the primary government, as a whole, without displaying individual funds or fund types. Generally, these statements distinguish between activities that are governmental and those that are considered business-type activities. The Board has no business-type activities; therefore, these statements only reflect governmental activities. Government-wide financial statements exclude information about fiduciary funds and component units that are fiduciary in nature.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place.

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days in order to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

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, reconciliations that briefly explain the adjustments necessary to transform the fund based financial statements into the government-wide statements are presented on the page following each fund statement.

The accounts of the Board are organized on a fund basis, 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 equity, revenues and expenditures, or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which spending activities are controlled.

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
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements (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. However, in fiscal year 2019, \$18,000 was reverted to the state general fund resulting from a special appropriation of \$50,000 in which the Board spent \$32,000.

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 nonreverting 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.

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements (continued)

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.

Fund Balance Classification: Fund balance amounts are reported within one of the fund balance categories listed 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 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.

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements (continued)

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 77-7-6 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.

Budgets and 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.

See Independent Auditors' Report

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting (continued)

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.

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.

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets Liabilities, Deferred Outflows / Inflows of Resources and Net Position / Fund Balance

Investment in State General Fund Investment Pool

All governmental funds allotted to the Board are held on deposit with the State Treasurer General Fund Investment Pool. Note 2 describes the carrying value of the investment. The State Treasurer issues separate financial statements which disclose the collateral pledged to secure these deposits. Petty and other cash are held by the Board as reported in Note 2.

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

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.

Long-Term Liabilities

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.

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets Liabilities, Deferred Outflows / Inflows of Resources and Net Position / Fund Balance
(continued)

Deferred Outflows / Inflows of Resources

GASB 63 amended previous guidance on deferred revenue in the government-wide financial statements to include deferred outflows, which is the consumption of net assets by the government which is applicable to a future reporting period and deferred inflow of resources, which is acquisition of net assets by the government which is applicable to a future reporting period. The Board has deferred inflows of resources of \$1,708,650 at June 30, 2019.

Net Position

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, 2019.

Restricted net position, 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 position, 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.

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.

See Independent Auditors' Report

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 2: INVESTMENT IN STATE GENERAL FUND INVESTMENT POOL

Investment in the State Treasurer General Fund Investment Pool, petty and other cash at year end are classified as follows:

<u>Governmental Funds</u>	<u>Balance Per Treasurer</u>	<u>Book Value at June 30, 2019</u>
Investment in State General Fund		
Investment Pool (SHARE Fund 39500)	\$ 5,890,319	\$ 5,890,319
Investment Pool (SHARE Fund 12130)	13,979	13,979
Total Governmental Funds	<u>5,904,298</u>	<u>5,904,298</u>
Agency Fund (SHARE Fund 19600)	74,954	74,954
Total Investment at State Treasurer	<u>\$ 5,979,252</u>	<u>5,979,252</u>
Other Cash		700
Petty Cash		<u>300</u>
Total Cash		<u>\$ 5,980,252</u>

Custodial Credit Risk-Deposit

Custodial Credit Risk is the risk that in the event of a bank failure, the Board's deposits may not be returned. The Board does not have a policy for custodial credit risk. As of June 30, 2019, none of the Board's bank balance was exposed to custodial credit risk. Since all of the bank accounts are considered to be under the State Treasurer's control, the bank accounts are adequately collateralized.

Collateral Pledged by Financial Institutions

Section 6-10-17, NMSA 1978 compilation requires that banks or savings and loans provide additional collateral on funds held that exceed the FDIC insurance limit. These excess funds are required to be fifty percent collateralized. The collateralization of the Board's bank accounts is monitored by the State Treasurer's Office. The State Treasurer issues separate financial statements which disclose the collateral pledged to secure these deposits.

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 2: INVESTMENT IN STATE GENERAL FUND INVESTMENT POOL (CONTINUED)

State General Fund Investment Pool Reconciliation

As provided for in Chapter 8-6 of the New Mexico Statutes Annotated 1978, the State Treasurer shall receive and keep all monies of the state, except where otherwise provided, and shall disburse the public money upon lawful warrants. The State Treasurer's Office (STO) acts as the state's bank.

Agency cash receipts are deposited with STO and pooled in a statewide investment fund, when amounts are greater than immediate needs they are placed into short-term investments. When agencies make payments to vendors and employees they are made from this pool and their claims on the pool are reduced.

The comprehensive cash reconciliation model which compares aggregated agency claims on the State General Fund Investment Pool to the associated resources held by the State Treasurer's Office has been completed for fiscal year 2019. The process has been previously reviewed by the IPAs performing audits of the General Fund, the Department of Finance and Administration and the State of New Mexico's Comprehensive Annual Financial Report. These reviews have deemed the process sound and the Department fully compliant with the reconciliation requirements.

It is asserted that as of June 30, 2019, resources held in the pool were equivalent to the corresponding business unit claims on those resources. It is also asserted that all claims as recorded in the SHARE system shall be honored at face value.

NOTE 3: RECEIVABLES

Receivables consist of \$131,516 for livestock inspection fees. The Board also has \$54,589 due from the federal government for a grant. All amounts are expected to be fully collectable and therefore, there is not a provision for uncollectable accounts.

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 4: CAPITAL ASSETS

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

	Balance, June 30, 2018	Additions	Deletions	Adjustments	Balance, June 30, 2019
Capital Assets being Depreciated:					
Vehicles	\$ -	\$ 151,765	\$ (210,497)	\$ 1,947,519	\$ 1,888,787
Machinery & Equipment	2,559,170	-	-	(2,430,809)	128,361
Information Technology	-	-	-	483,290	483,290
Total Capital Assets being Depreciated	<u>2,559,170</u>	<u>151,765</u>	<u>(210,497)</u>	<u>-</u>	<u>2,500,438</u>
Less: Accumulated Depreciation for:					
Vehicles	-	(196,179)	210,497	(1,368,497)	(1,354,179)
Machinery & Equipment	(1,795,725)	-	-	1,667,364	(128,361)
Information Technology	-	(86,163)	-	(298,867)	(385,030)
Total Accumulated Depreciation	<u>(1,795,725)</u>	<u>(282,342)</u>	<u>210,497</u>	<u>-</u>	<u>(1,867,570)</u>
Capital Assets, Net	<u>\$ 763,445</u>	<u>\$ (130,577)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 632,868</u>

Current year depreciation expense is \$282,342 and has not been allocated to any function on the Statement of Activities.

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 5: COMPENSATED ABSENCES PAYABLE

The following is a summary of changes in compensated absences:

	Balance, June 30, 2018	Additions	Deletions	Balance, June 30, 2019	Amount Due Within One Year
Compensated Absences	\$ 426,601	\$ 333,878	\$ 323,348	\$ 437,131	\$ 148,624

General Fund resources have been used to liquidate accrued compensated absences in the past. The Board had no other debt activity during the year.

NOTE 6: DEFERRED INFLOWS OF RESOURCES

Sale of Estrays. Deferred inflows of resources relating to 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, 2019 is \$164,800.

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, 2019 was a renewal year. At June 30, 2019, \$1,543,850 related to brand renewal and will be amortized into revenue over the next fiscal year.

NOTE 7: DUE TO / DUE FROM OTHER STATE AGENCIES

There were no due to / due from other state agencies as of June 30, 2019.

NOTE 8: REVERSION TO STATE GENERAL FUND

The FY2019 reversion to the State General Fund in the amount of \$18,000 was remitted to the state general fund for fiscal year ending June 30, 2019.

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 9: OPERATING LEASES

The Board leases office space, storage and office equipment under operating leases with third-party vendors. The contracts for leases include annual non-appropriation clauses which can terminate the respective leases. Lease expense under these leases amounted to \$121,516 for the year ended June 30, 2019. Annual future minimum lease payments are as follows:

<u>Year Ending</u>	<u>Amount</u>
2020	\$ 119,190
2021	81,870
2022	4,200
2023	4,200
2024	4,200
Total	<u>\$ 213,660</u>

NOTE 10: PENSION PLAN PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description. When the eligibility requirements are met, the Board's employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (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 is also available on PERA's website at www.nmpera.org.

Funding Policy. Plan members are required to contribute 8.92% of their gross salary. The Board is required to contribute 16.99% of the gross covered salary. The contribution requirements of the plan members and the Board are established under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Board's employer contributions to PERA for the years ending June 30, 2019, 2018, and 2017, were \$496,591, \$495,818 and \$470,024 respectively, which equal the amount of the required contributions for each year.

Compliant with the requirements of Government Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions, the State of New Mexico has implemented the standard for the fiscal year ending June 30, 2019.

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 10: PENSION PLAN PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
(CONTINUED)**

The Board, as 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 11: DEFERRED COMPENSATION

The State of New Mexico offers state, local government and school district employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all State employees and those local government and school district employees whose employers have elected to participate in the plan and permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

There are employees that are making contributions to a Deferred Compensation Plan. Neither the Board nor the State of New Mexico contributes to the Deferred Compensation Plan. All contributions withheld from participants by the Board have been paid to the New Mexico Public Employee's Retirement Association, which administers the plan.

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 12: POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

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 the 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 postemployment healthcare 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 former legislator or former governing authority member.

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 12: POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN
(CONTINUED)**

Former legislators and governing authority members are required to pay 100% of the insurance premium 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 employees 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 plans 3, 4 or 5; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2014, the statutes 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 employers that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2% of each participating employee's annual salary; each participating employee was required to contribute 1% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the Fourth 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, 2019, 2018 and 2017, respectively, were \$58,457, \$58,366 and \$55,329, respectively, which equal the required contributions for the year.

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 12: POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN
(CONTINUED)**

Post-employment Benefits – State Retiree Health Care Plan GASB No. 75

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, 2019.

The Board, 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 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, 2019 and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building, 401 Galisteo Street, Santa Fe, New Mexico, 87501.

NOTE 13: RISKS OF LOSS

The Board obtains coverage through Risk Management Division of the State of New Mexico General Services Department. This coverage includes liability and civil rights, property, vehicle, employer bond, workers' compensation, group insurance and state unemployment. This coverage is designed to satisfy the requirements of the State Tort Claims Act. All employees of the Board are covered by a blanket fidelity bond of a \$5,000,000 coverage limit with a \$1,000 deductible per occurrence by the State of New Mexico for the period July 1, 2018 through June 30, 2019.

See Independent Auditors' Report

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 14: CONTINGENT LIABILITIES

The Board is party to various claims and lawsuits arising in the normal course of business. Management and the Board's attorneys are unaware of any material pending or threatened litigation, claims or assessments against the Board which are not covered by the Board's insurance as described in *Note 13*.

NOTE 15: RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS FINANCIAL STATEMENTS

For the Board, budgetary basis is GAAP basis.

NOTE 16: NEW ACCOUNTING STANDARDS

The Board reviewed subsequent pronouncements to June 30, 2019 issued by GASB noting the following statements that may have a potential material effect on the Board's financial statements in subsequent periods.

GASB 82

GASB Statement No. 82, *Fiduciary Activities* (GASB 82) establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB 82 is effective for periods beginning after December 15, 2018 (FY 2020).

NOTE 17: RESTATEMENT

The Board did not accrue special levy revenue in FY2018, the period when it was measurable and available and therefore had to restate fund balance/net position by \$67,805 as of June 30, 2019.

NOTE 18: SUBSEQUENT EVENTS REVIEW

A review of subsequent events through October 10, 2019, which is the date the financial statements were available for issuance, revealed no significant subsequent events which require disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
SCHEDULE OF CASH ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2019**

	Investment at State Treasurer	Book Value at June 30, 2019
<u>General Fund (39500)</u>		
Investment in the State General Fund Investment Pool	\$ 5,890,319	\$ 5,890,319
Petty Cash and Other Cash	-	1,000
 SPECIAL REVENUE FUND: Horse Shelter Rescue (12130)		
Investment in the State General Fund Investment Pool	13,979	13,979
 AGENCY FUND: (19600)		
Investment in the State General Fund Investment Pool	74,954	74,954
Total	\$ 5,979,252	\$ 5,980,252

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
SCHEDULE OF OPERATING TRANSFERS
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>From Agency / Fund</u>	<u>Description</u>	<u>To Agency / Fund</u>	<u>Transfer Amount In (Out)</u>
(1)	34101/85300	General Fund Appropriations	50800/39500	\$ 553,700
(2)	34101/85300	Compensation Increase	50800/39500	9,400
(3)	50800/39500	Reversion	34101/85300	(18,000)
		Net Transfers In (Out)		<u>\$ 545,100</u>

Purpose

- (1) General Fund Appropriations - Laws of 2018
- (2) General Fund Appropriations - Laws of 2018, section 8 Compensation Appropriations
- (3) Reversion to State General Fund - FY2019

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
COMBINING SCHEDULE OF CHANGES IN ASSETS
AND LIABILITIES – AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
<u>NEW MEXICO BEEF COUNCIL</u>				
ASSETS				
State General Fund Investment Pool	\$ 78,186	\$ 1,199,658	\$ 1,205,959	\$ 71,885
Receivable - General Fund	-	1,199,710	1,199,684	26
Total Assets	<u>\$ 78,186</u>	<u>\$ 2,399,368</u>	<u>\$ 2,405,643</u>	<u>\$ 71,911</u>
LIABILITIES				
Due to NM Beef Council	\$ 78,186	\$ 2,399,342	\$ 2,405,617	\$ 71,911
Total Liabilities	<u>\$ 78,186</u>	<u>\$ 2,399,342</u>	<u>\$ 2,405,617</u>	<u>\$ 71,911</u>
<u>NEW MEXICO SHEEP AND GOAT COUNCIL</u>				
ASSETS				
State General Fund Investment Pool	\$ 1,261	\$ 16,342	\$ 14,534	\$ 3,069
Receivable - General Fund	-	14,510	14,510	-
Total Assets	<u>\$ 1,261</u>	<u>\$ 30,852</u>	<u>\$ 29,044</u>	<u>\$ 3,069</u>
LIABILITIES				
Due to NM Sheep and Goat Council	\$ 1,261	\$ 30,852	\$ 29,044	\$ 3,069
Total Liabilities	<u>\$ 1,261</u>	<u>\$ 30,852</u>	<u>\$ 29,044</u>	<u>\$ 3,069</u>
<u>TOTAL</u>				
ASSETS				
State General Fund Investment Pool	\$ 79,447	\$ 1,215,974	\$ 1,220,467	\$ 74,954
Receivable - General Fund	-	1,214,220	1,214,194	26
Total Assets	<u>\$ 79,447</u>	<u>\$ 2,430,194</u>	<u>\$ 2,434,661</u>	<u>\$ 74,980</u>
LIABILITIES				
Due to NM Beef Council	\$ 78,186	\$ 2,399,342	\$ 2,405,617	\$ 71,911
Due to NM Sheep and Goat Council	1,261	30,852	29,044	3,069
Total Liabilities	<u>\$ 79,447</u>	<u>\$ 2,430,194</u>	<u>\$ 2,434,661</u>	<u>\$ 74,980</u>



**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**

Honorable Brian S. Colón, Esq.
New Mexico State Auditor
and
Honorable Board Members
New Mexico Livestock Board
Albuquerque, 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 and 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, 2019, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report dated October 10, 2019.

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 of 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Board'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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards* as which we described in the accompanying schedule of findings and responses as items 2018-001 and 2019-001.

The Board's Response to Finding

The Board's responses to the finding identified in our audit are described in the accompanying schedule of findings and responses. The Board's responses were not subjected to the auditing procedures applied in the audit of financial statements and, accordingly, we do not express an opinion on them.

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 Board'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 Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kubiak Melton & Associates, LLC

Kubiak Melton & Associates, LLC
Auditors – Business Consultants - CPAs

Albuquerque, New Mexico
October 10, 2019

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019**

Section I. Summary of Audit Results

Financial Statements:

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

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019

Section II – Current Year Findings

2018-001 — Timely Depositing of Funds Collected by Field Agents (Other - Noncompliance) – Repeated and Modified

Condition: During our testing of compliance with the State’s cash management laws, we noted that three (3) out of five (5) deposits totaling \$526 were not deposited by a field agent in a timely manner. In all instances, the amounts were deposited within a ten-day window.

Management’s Progress: Circumstances are different than prior year, the Board is still out of compliance with the laws.

Criteria: NMAC 77-2-10 allows for the Board to “establish rules governing the receipt and deposit of fees collected by its inspectors requiring remittance to the board in not more than ten days”. The Board has not established this rule as of yet and therefore is subject to Section 6-10-3, NMSA 1978 in which the 24-hour deposit rule applies.

Effect: The Board is out of compliance with Section 6-10-3, NMSA 1978.

Cause: The Board is applying NMAC 77-2-10, however, they have not established a rule for them to take advantage of the ten-day window.

Auditors’ Recommendations: We recommend that the Board establish a rule pursuant to NMAC 77-2-10 which will allow for a ten-day deposit window for the field agents. Once the rule is established, it should be communicated to all field agents so that they can comply with the rule.

Management’s Response: The Board will establish a rule pursuant to NMAC 77-2-10 which will allow for a ten-day deposit window for the field agents.

Responsible Party: Board of Directors

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019**

2019-001 — Acceptance of Personal Check for the Sale of an Estray Horse (Other - Noncompliance)

Condition: The Board accepted a personal check in the amount of \$179.50. Although, the winning bidder was a NM Horse Rescue, the payment received was a personal check from one of the NM Horse Rescue's board members.

Criteria: Per the "Bid Process for Equine Taken Up by New Mexico Livestock Board" posted on the Board's website:

"only certified funds will be accepted for payment (cash, money order, or cashier's check). A NM Registered Horse Rescue or Retirement Facility may pay by check."

Effect: The Board did not follow their policy by accepting a personal check from an individual. This can potentially increase the Board's liability to a worthless check or a stop payment on the check.

Cause: A personal check was accepted in place of certified funds. Although the payor was a board member of NM Registered Horse Rescue, the payment acceptance is not in compliance with the "Bid Process for Equine Taken Up by New Mexico Livestock Board".

Auditors' Recommendations: We recommend that the Board follow their policy for the "Bid Process for Equine Taken Up by New Mexico Livestock Board" or update their policy to fit the normal course of their operations.

Management's Response: The NM Livestock agrees with the condition that a personal check was accepted as payment on behalf of the winning bidder. In this case the winning bidder was a NM Horse Rescue and the personal check was from one of the horse rescues board members.

The NM Livestock Board also agrees and recognizes that the intent of this rule is to protect the Board from increased liability if a personal check is worthless or a stop payment is issued.

However, this rule does make an exception and allows for the acceptance of a check as payment from a NM Horse Rescue. The reason for this is exception is that in order to be a NM Horse Rescue, you have to be registered by the NM Livestock Board, in accordance with NMSA 77-2-30. This particular horse rescue is currently registered and in good standing with the Livestock Board. In addition, the NM Livestock Board has maintained a great working relationship with the board member who issued the check. In the judgement of the NM Livestock Board, there was no increased liability by accepting a personal check from the board member from this registered horse rescue.

Responsible Party: Shawn Davis, Deputy Director

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019**

Section III – Status of Prior Year Findings

2018-001 Timely Deposits of Funds Collected by Field Agents – (Repeated and Modified)

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
EXIT CONFERENCE
JUNE 30, 2019**

The contents of this report were discussed at an exit conference held October 10, 2019.

The New Mexico Livestock Board, was represented by:

- Molly Manzanares, Board Member
- Shawn Davis, Deputy Director
- Andrew Silva, Chief Financial Officer

The firm of Kubiak Melton & Associates, LLC was represented by:

- Daniel O. Trujillo, Member – Director of Audit

The audited financial statements of the New Mexico Livestock Board, were prepared from the original books and records provided by and with the assistance of the management of the Board and Kubiak Melton and Associates, LLC.