

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2013



INTRODUCTORY SECTION

FOR THE YEAR ENDED JUNE 30, 2013
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OFFICIAL ROSTER
JUNE 30, 2013

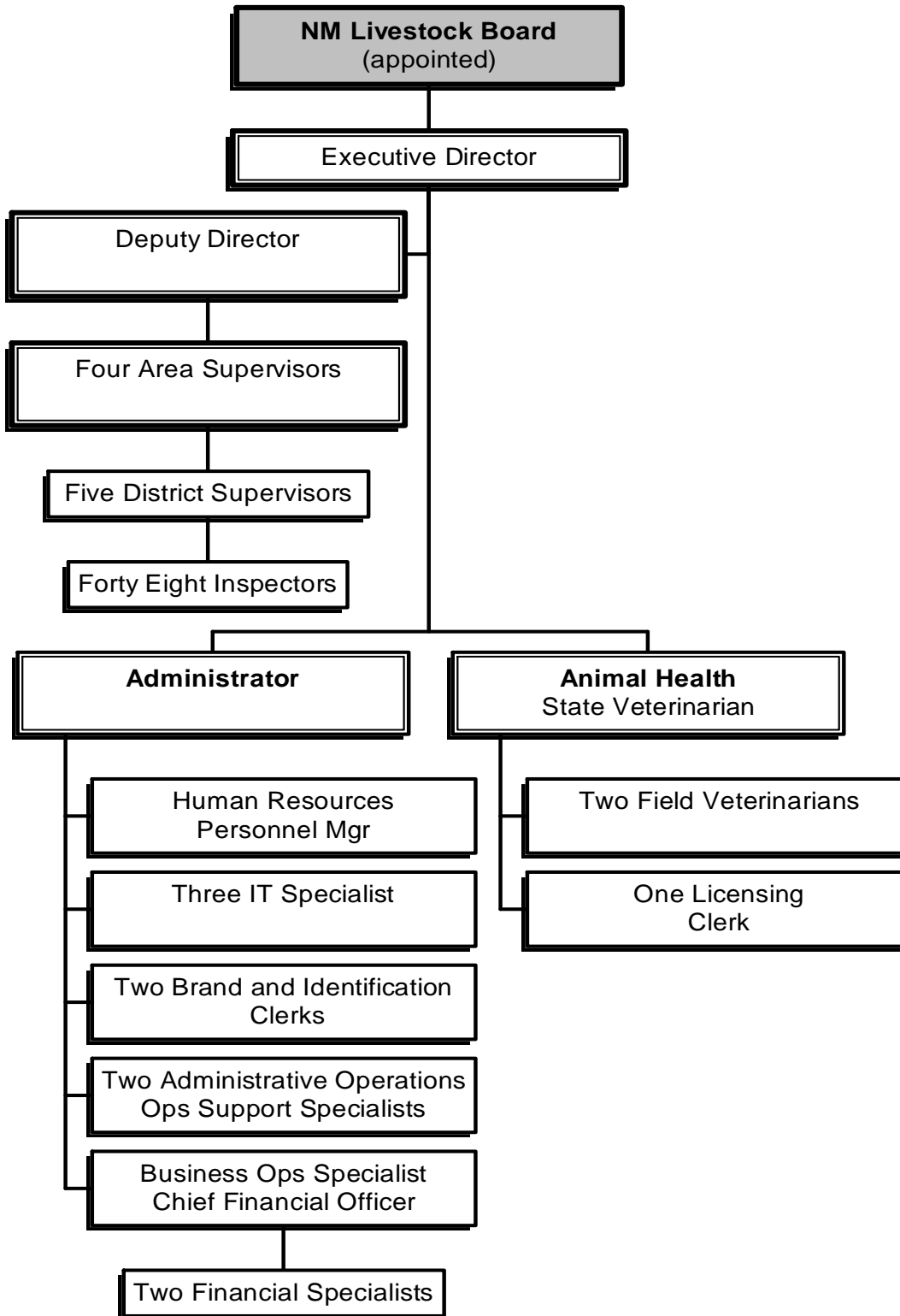
Members

| <u>Name</u> | <u>Title</u> |
|--------------------|---------------------|
| Bill Sauble | Chairman |
| Don "Bebo" Lee | Vice-Chairman |
| Loren Horton | Secretary/Treasurer |
| David Kincaid | Member |
| Effie Walker | Member |
| Bob Frost | Member |
| Donald Martinez | Member |
| Jerrod Harral | Member |
| Kevin Elfering | Member |

Administration

| | |
|---------------------|--------------------|
| Ray E. Baca | Executive Director |
| Bobby Pierce | Deputy Director |
| Dave E. Fly, D.V.M. | State Veterinarian |

New Mexico Livestock Board Organization by Function & Title



FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Board of Directors
State of New Mexico
New Mexico Livestock Board
And
Mr. Hector H. Balderas, New Mexico State Auditor

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue fund, and the statement of assets and liabilities –fiduciary funds, of the State of New Mexico Livestock Board (the “Board”), as of and for the year ended June 30, 2013, 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 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 with 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 misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity’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, each major fund, fiduciary fund, and the aggregate remaining fund information of the Board, as of June 30, 2013, and the respective changes in financial position thereof 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.

Other Matters

Required Supplementary Information

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the Board's financial statements and budgetary comparisons. 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 other schedules required by 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 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 other schedules required by 2.2.2 NMAC are 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 December 14, 2013 on our consideration of the Commission'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards in considering the Board's internal control over financial reporting and compliance.

GRIEGO PROFESSIONAL SERVICES, LLC



Albuquerque, New Mexico
December 14, 2013

**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
STATEMENT OF NET POSITION
JUNE 30, 2013

Exhibit A-1

| | Governmental Activities |
|-------------------------------------------|------------------------------------|
| ASSETS | |
| Cash and investments | \$ 3,036,882 |
| Livestock fees and charges receivable | 106,932 |
| Intergovernmental receivables | 95,961 |
| Other receivables | 2,270 |
| Mill levy receivable | 348,151 |
| Capital assets, net (Note 4) | 501,632 |
| Total Assets | 4,091,828 |
| LIABILITIES | |
| Accounts payable | 161,184 |
| Accrued payroll | 113,061 |
| Due to state general fund | 2,816 |
| Due to fiduciary fund | 106,030 |
| Noncurrent liabilities (Note 6): | |
| Due within one year | 104,584 |
| Due in more than one year | 248,801 |
| Total Liabilities: | 736,476 |
| DEFERRED INFLOWS OF RESOURCES | |
| Brand recording fees and sales of estrays | 1,131,071 |
| NET POSITION | |
| Net investment in capital assets | 501,632 |
| Unrestricted | 1,722,649 |
| Total Net Position | \$ 2,224,281 |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Exhibit A-2

| <u>Functions/Programs</u> | Program Revenues | | | Net Revenues |
|--------------------------------------------------|-------------------------|----------------------|-----------------------|---------------------|
| Expenses | Charges for | Operating | Grants and | (Expenses) |
| Expenses | Services | Contributions | and Changes in | Net Position |
| Expenses | Services | Contributions | and Changes in | Net Position |
| Governmental activities: | | | | |
| General Government | | | | |
| Admin., livestock inspection, meat inspection | \$ 5,473,141 | \$ 2,759,854 | \$ 243,696 | \$ (2,469,591) |
| Depreciation (unallocated) | 155,747 | - | - | (155,747) |
| | \$ 5,628,888 | \$ 2,759,854 | \$ 243,696 | (2,625,338) |
| General Revenues and other: | | | | |
| State General Fund appropriation | | | | 459,400 |
| Special Legislative appropriation | | | | 350,000 |
| Livestock property taxes | | | | 1,962,422 |
| Miscellaneous revenue | | | | 45,288 |
| | | | | 2,817,110 |
| Total general revenues and other | | | | 191,772 |
| Change in net position | | | | 2,032,509 |
| Net position - beginning of year | | | | \$ 2,224,281 |
| Net position - end of year | | | | |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2013

Exhibit B-1
(Page 1 of 2)

| | General Fund | Special Revenue Fund | Total |
|----------------------------------------------------------------------------|---------------------|-------------------------|---------------------|
| ASSETS | | | |
| <i>Current assets:</i> | | | |
| Cash and investments | \$ 3,035,882 | \$ - | \$ 3,035,882 |
| Petty cash | 1,000 | - | 1,000 |
| Receivables | | | |
| Livestock fees and charges | 102,518 | - | 102,518 |
| Intergovernmental receivables | 95,961 | - | 95,961 |
| Other fees receivable | 6,684 | - | 6,684 |
| Mill levy receivable | 348,151 | - | 348,151 |
| | <u>\$ 3,590,196</u> | <u>\$ -</u> | <u>\$ 3,590,196</u> |
| <i>Total current assets</i> | | | |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | |
| LIABILITIES | | | |
| <i>Current liabilities:</i> | | | |
| Accounts payable | \$ 161,184 | \$ - | \$ 161,184 |
| Accrued payroll, benefits, and taxes | 113,061 | - | 113,061 |
| Due to state general fund | 2,816 | - | 2,816 |
| Due to agency fund | 106,030 | - | 106,030 |
| | <u>383,091</u> | <u>-</u> | <u>383,091</u> |
| <i>Total liabilities</i> | | | |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unearned revenue | | | |
| Brand recording fees/sale of estrays | 1,131,071 | - | 1,131,071 |
| | <u>1,131,071</u> | <u>-</u> | <u>1,131,071</u> |
| FUND BALANCES | | | |
| Nonspendable | 1,000 | - | 1,000 |
| Unassigned | 2,075,034 | - | 2,075,034 |
| | <u>2,076,034</u> | <u>-</u> | <u>2,076,034</u> |
| <i>Total fund balances</i> | | | |
| <i>Total liabilities, deferred inflows of resources, and fund balances</i> | <u>\$ 3,590,196</u> | <u>\$ -</u> | <u>\$ 3,590,196</u> |

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

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
GOVERNMENTAL FUND

Exhibit B-1
(Page 2 of 2)

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

Amounts reported for governmental activities in the statement of net assets are different because:

| | |
|--------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|
| Fund balances - total governmental funds | \$ 2,076,034 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | |
| Machinery and equipment | 2,545,961 |
| Accumulated Depreciation | <u>(2,044,329)</u> |
| Total Capital Assets | 501,632 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds: | |
| Compensated absences | <u>(353,385)</u> |
| Total Net Position | <u><u>\$ 2,224,281</u></u> |

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

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

Exhibit B-2
(Page 1 of 2)

| <i>Revenues:</i> | <u>General Fund</u> | <u>Special Revenue Fund</u> | <u>Total</u> |
|----------------------------------------------------------|-------------------------|---------------------------------|-------------------------|
| Federal grant funds | \$ 243,696 | \$ - | \$ 243,696 |
| Inspection fees | 1,076,110 | - | 1,076,110 |
| Personal property taxes on livestock | - | 1,962,422 | 1,962,422 |
| Brand recording fees and horse permits | 821,796 | - | 821,796 |
| Estray sales, net | 358,627 | - | 358,627 |
| Other licenses and permits | 163,159 | - | 163,159 |
| Miscellaneous | 45,288 | - | 45,288 |
| Service charges | 340,162 | - | 340,162 |
| <i>Total revenues</i> | <u>3,048,838</u> | <u>1,962,422</u> | <u>5,011,260</u> |
| <i>Expenditures:</i> | | | |
| Current | | | |
| General Government | | | |
| Administration | - | - | - |
| Livestock inspection | 5,247,435 | - | 5,247,435 |
| Federal Coop agreements | 243,691 | - | 243,691 |
| Capital outlay | 39,772 | - | 39,772 |
| <i>Total expenditures</i> | <u>5,530,898</u> | <u>-</u> | <u>5,530,898</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>(2,482,060)</u> | <u>1,962,422</u> | <u>(519,638)</u> |
| <i>Other financing sources (uses):</i> | | | |
| State General Fund Appropriation | 459,400 | - | 459,400 |
| Special Legislative Appropriation | 350,000 | - | 350,000 |
| Operating transfer - in | 1,962,422 | - | 1,962,422 |
| Operating transfer - out | - | (1,962,422) | (1,962,422) |
| <i>Total other financing sources (uses)</i> | <u>2,771,822</u> | <u>(1,962,422)</u> | <u>809,400</u> |
| <i>Net change in fund balances</i> | 289,762 | - | 289,762 |
| <i>Fund balances - beginning of year</i> | 1,786,272 | - | 1,786,272 |
| <i>Prior period adjustment</i> | - | - | - |
| <i>Adjusted fund balances - beginning of year</i> | <u>1,786,272</u> | <u>-</u> | <u>1,786,272</u> |
| <i>Fund balances - end of year</i> | <u>\$ 2,076,034</u> | <u>\$ -</u> | <u>\$ 2,076,034</u> |

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

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUND TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Exhibit B-2
 (Page 2 of 2)

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

| | | |
|--------------------------------------------------------|----|---------|
| Net change in fund balances - total governmental funds | \$ | 289,762 |
|--------------------------------------------------------|----|---------|

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

| | | |
|--|--|--------|
| | | 32,732 |
|--|--|--------|

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 | | 25,025 |
| Depreciation expense | | <u>(155,747)</u> |

| | | |
|-----------------------|----|-----------------------|
| Changes in Net Assets | \$ | <u><u>191,772</u></u> |
|-----------------------|----|-----------------------|

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

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
GENERAL FUND

Exhibit C-1

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

| | Budgeted Amounts | | YTD Actual | Variance Final vs Actual |
|--------------------------------------------------------------------------------------------|--------------------|--------------------|--------------------|-----------------------------|
| | Original | Final | | Favorable (Unfavorable) |
| <i>Revenues:</i> | | | | |
| Federal sources | \$ - | \$ 287,745 | 243,696 | \$ (44,049) |
| Other | 1,347,900 | 1,347,900 | 2,805,142 | 1,457,242 |
| <i>Total revenues</i> | <u>1,347,900</u> | <u>1,635,645</u> | <u>3,048,838</u> | <u>1,413,193</u> |
| <i>Expenditures:</i> | | | | |
| General government: | | | | |
| Livestock inspection: | | | | |
| Personnel services | 4,347,500 | 4,440,021 | 4,225,610 | 214,411 |
| Contractual services | 220,100 | 257,226 | 191,462 | 65,764 |
| Other costs | 1,014,200 | 1,140,673 | 870,135 | 270,538 |
| Total livestock inspection | <u>5,581,800</u> | <u>5,837,920</u> | <u>5,287,207</u> | <u>550,713</u> |
| Federal Cooperative Agreements | | | | |
| Contractual services | - | 106,793 | 99,592 | 7,201 |
| Other costs | - | 180,952 | 144,099 | 36,853 |
| Total federal cooperative agreements | <u>-</u> | <u>287,745</u> | <u>243,691</u> | <u>44,054</u> |
| <i>Total expenditures</i> | <u>5,581,800</u> | <u>6,125,665</u> | <u>5,530,898</u> | <u>594,767</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>(4,233,900)</u> | <u>(4,490,020)</u> | <u>(2,482,060)</u> | <u>(2,007,960)</u> |
| <i>Other financing sources (uses):</i> | | | | |
| State general fund appropriations | 459,400 | 459,400 | 459,400 | - |
| Special legislative appropriations | 350,000 | 350,000 | 350,000 | - |
| Transfers in | - | - | 1,962,422 | (1,962,422) |
| Designated cash | 3,424,500 | 3,680,620 | - | 3,680,620 |
| <i>Total other financing sources</i> | <u>4,233,900</u> | <u>4,490,020</u> | <u>2,771,822</u> | <u>1,718,198</u> |
| <i>Net change in fund balances</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 289,762</u> | <u>\$ 289,762</u> |
| Reconciliation to GAAP Basis: | | | | |
| Net change in fund balances | | | \$ 289,762 | |
| Adjustments to revenues | | | - | |
| Adjustments to expenditures | | | - | |
| Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis) | | | <u>\$ 289,762</u> | |

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

STATE OF NEW MEXICO

Exhibit C-2

NEW MEXICO LIVESTOCK BOARD

SPECIAL REVENUE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

| | Budgeted Amounts | | YTD Actual | Variance Final vs Actual Favorable (Unfavorable) |
|--------------------------------------------------------------------------------------------|--------------------|--------------------|--------------------|------------------------------------------------------------|
| | Original | Final | | |
| <i>Revenues:</i> | | | | |
| Other | \$ 2,792,800 | \$ 2,792,800 | \$ 1,962,422 | \$ (830,378) |
| <i>Total revenues</i> | <u>2,792,800</u> | <u>2,792,800</u> | <u>1,962,422</u> | <u>(830,378)</u> |
| <i>Expenditures:</i> | | | | |
| General government: | | | | |
| Personnel services | - | - | - | - |
| Contractual services | - | - | - | - |
| Operating costs | - | - | - | - |
| <i>Total expenditures</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>2,792,800</u> | <u>2,792,800</u> | <u>1,962,422</u> | <u>830,378</u> |
| <i>Other financing sources (uses):</i> | | | | |
| Designated cash | - | - | - | - |
| State general fund appropriations | - | - | - | - |
| Transfers out | (2,792,800) | (2,792,800) | (1,962,422) | (830,378) |
| <i>Total other financing sources</i> | <u>(2,792,800)</u> | <u>(2,792,800)</u> | <u>(1,962,422)</u> | <u>(830,378)</u> |
| <i>Net change in fund balances</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Reconciliation to GAAP Basis: | | | | |
| Net change in fund balances | | | \$ - | |
| Adjustments to revenues | | | - | |
| Adjustments to expenditures | | | - | |
| Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis) | | | <u>\$ -</u> | |

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

STATE OF NEW MEXICO Exhibit D-1
 NEW MEXICO LIVESTOCK BOARD
 STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 YEAR ENDED JUNE 30, 2013

| | Agency Funds |
|--------------------------------|-----------------|
| ASSETS | |
| Cash | \$ - |
| Due from general fund | 106,030 |
| <i>Total assets</i> | \$ 106,030 |
| LIABILITIES | |
| Due to NM Beef Council | \$ 105,360 |
| Due to NM Sheep & Goat Council | 670 |
| <i>Total liabilities</i> | \$ 106,030 |

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

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1. **Organization and 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 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, and its financial data should be included with the financial data of the State. However, New Mexico does not at present issue an audited Comprehensive Annual Financial Report inclusive of all agencies of the primary government.

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. No entities were specifically excluded from the Board because no entities were noted as meeting any of the criteria for potential inclusion.

B. *Basic Financial Statements – GASB Statements No. 34, No. 63, and No.65*

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 did not have any business-type activities during the year ended June 30, 2013.

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1. Organization and Summary of Significant Accounting Policies - (Continued)

B. Basic Financial Statements (Continued)

GASB No. 63 amends GASB 34 to incorporate 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 (education, etc.), 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 or a business-type activity. 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. Full ten-year property tax accruals have not been made because this information is not available from all counties which collect livestock property taxes.

The net cost (by function or business-type activity) is normally covered by general revenues (taxes, intergovernmental revenues, interest income, etc.). Historically, the previous model did not summarize or present net cost by function or activity. 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 are similar to the financial statements presented in the previous accounting model. Emphasis here is on 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 only had major governmental funds during the year ended June 30, 2013, as both the General Fund and the Special Revenue Fund were classified as major funds.

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. Basis of 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

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NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1. **Organization and Summary of Significant Accounting Policies -(Continued)**

activities are controlled. The various funds are summarized by type in the accompanying financial statements.

The financial reporting model sets forth minimum criteria for the determination of major funds based on a percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category or governmental and enterprise combined. Due to the fund structure of the Board, both governmental funds, the General Fund and the Special Revenue Fund, have been classified as major funds. Only individual governmental or individual enterprise funds can be considered for major fund status.

Governmental Fund Types. The focus of Governmental Fund measurement (in the Fund Financial Statements) is based upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the Governmental Funds of the Board.

General Fund. The General Fund 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 funded primarily from appropriations for the State of New Mexico General Fund, a cooperative agreement from the U.S. Department of Agriculture, inspection fees and brand fees. The current year expenditures in the general fund exceeded the current year state appropriation. The state appropriation is reverting, but the other sources of revenue in the fund are not.

Special Revenue Funds. The Special Revenue Fund is used to account for the receipt of property taxes which is required to be accounted for in a special fund by Section 77-2-25 NMSA 1978. This fund includes all money received from tax levies authorized for the Board and which are transferred to the General Fund to pay necessary expenses and obligations of the Board. (Fund is non-reverting.)

Fiduciary Funds. The Agency Funds' financial statements are not part of the government-wide financial statements because the Agency Funds are custodial in nature (assets equal liabilities) and do not belong to the Board. They also do not involve measurement of the results of operations. The Agency Funds of the Board are 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.

Non-Current Governmental Assets/Liabilities. GASB Statement #34 eliminated the presentation of Account Groups, but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the Government-wide Statement of Net Assets.

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 and the fiduciary funds are presented on an accrual basis of accounting. The governmental funds in the fund financial statements are presented on a modified accrual basis.

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

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
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NOTE 1. Organization and Summary of Significant Accounting Policies -(Continued)

D. *Basis of Accounting (continued)*

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 pursuant to GASB Statement #33 by the Board, 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.

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Board has elected not to follow subsequent private-sector guidance.

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

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1. Organization and Summary of Significant Accounting Policies - (Continued)

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 budget control for expenditures is by category of line item. Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund.

Budgets are prepared in accordance with accounting principles generally accepted in the United States of America. The unexpended State matching funds revert to the State (lapse) and are determined at the federal fiscal year-end, September 30, of each year. Revenue from other sources is non-reverting.

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, i.e., the dollar value above which asset acquisitions are added to the capital accounts, is \$5,000. However, all capital outlay purchases may not necessarily be capitalized. The Board does not capitalize any interest in regards to its capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives with no salvage value. The Board utilizes Internal Revenue Service guidelines to estimate the useful lives on capital assets as follows:

| | |
|-------------------------|---------------|
| Furniture and Equipment | 3 to 10 years |
|-------------------------|---------------|

GASB Statement #34 requires the recording and depreciation of infrastructure assets. Infrastructure assets include roads, bridges, traffic signals, etc. The Board does not own any infrastructure assets.

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.

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1. Organization and Summary of Significant Accounting Policies - (Continued)

H. *Fund Balances*

Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The detail of these classifications is presented in Note 17.

I. *Revenues, Expenditures, and Expenses*

Substantially all governmental fund revenues are accrued. Expenditures are recognized when the related fund liability is incurred.

J. *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.

1. **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, 2013.
2. **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.
3. **Unrestricted net assets** are all other net assets that do not meet the definition of “restricted” or “net investment in capital assets”.

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

K. *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.

NOTE 2. Investments

State law requires the Board cash be managed by the New Mexico State Treasurer’s Office.

As of June 30, 2013, the Board had the following in pooled cash:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Investment Maturities Less than 1 Year</u> |
|-----------------------------------------------------------------|-------------------|---------------------------------------------------|
| Interest in the State Treasurer General Fund Investment Pool | \$ 3,035,882 | \$ 3,035,882 |

The State Treasurer Local Government Investment Pool is not SEC Registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment funds in the securities that are issued by the United States government or by it’s

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 2. Investments- (Continued)

departments or agencies and are either backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The pool does not have unit shares; at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in the amounts of the fund were invested. Any realized gain or loss on the portfolio is distributed through the investment yield on distribution dates. The carrying amount of the portfolio approximates the fair value of all investments at June 30, 2013. The State of New Mexico is regulatory oversight entity and participation in the pool is voluntary.

Interest rate risk is the risk that interest rate variations may adversely affect an investment's fair value. The prices of securities fluctuate with market interest rate and the securities held in a portfolio will decline if market interest rates rise. The portfolio's weighted average maturity (WAM) is a key determinant of the tolerance of a fund's investments to rising interest rates. At June 30, 2013, the Board's investment of New MexiGROW LGIP had a credit risk rating of AAAm and a 59-day WAM.

For additional GASB disclosure information regarding cash held by the State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the year ended June 30, 2013.

The State of New Mexico deployed the Statewide Human Resource, Accounting and Management Reporting System (SHARE) on July 1, 2006. The goal of the SHARE implementation was to provide the State of New Mexico with a single integrated system to streamline, enhance, and provide data integrity for financial reporting. In June 2012, the New Mexico State Controller commissioned a Diagnostic report with the purpose of assessing the state of cash reconciliations and determining recommendations for remediating the remaining system and business process issues pertaining to the book to bank process. This Diagnostic report indicates that the SHARE book to bank reconciliation contains a significant number of un-reconciled items. The Diagnostic report is available in the Resources section of the Cash Control page of the New Mexico Department of Finance & Administration's website.

The Board adheres to the standards established in the Cash Management Function section of the Manual of Model Accounting Practices which was issued by the New Mexico Department of Finance and Administration - Financial Control Division. As part of this process, the Board performs a monthly reconciliation between the data collected in the field with monies deposited into the bank and the amounts posted into SHARE. The Board has taken every reasonable measure within its control to ensure that its cash balances in SHARE are correct. The Diagnostic report referred to above is not anticipated to have an impact on the SHARE cash balances of the Board. The Board's cash balances in SHARE appear to be fairly stated at June 30, 2013.

Reconciliation of Cash and Interest in General Fund Investment Pool

| | |
|------------------------------------------------|---------------------------|
| Governmental Funds – Balance Sheet | |
| Cash and investments per Exhibit A-1 | \$3,036,882 |
| Less petty cash | <u>1,000</u> |
| Total Interest in General Fund Investment Pool | <u><u>\$3,035,882</u></u> |

NOTE 3. Receivables

As of June 30, 2013, receivables consist of the following:

| | |
|-------------------------------|--------------------------|
| General Fund: | |
| Mill Levy | \$ 348,151 |
| Intergovernmental receivables | 95,961 |
| Livestock fees and charges | 106,932 |
| Other receivables | <u>2,270</u> |
| Total | <u><u>\$ 553,314</u></u> |

All receivables are considered 100% collectible.

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 4. Capital Assets

| | Balance June 30, 2012 | Additions | Deletions | Balance June 30, 2013 |
|--------------------------|--------------------------|---------------------|-------------|--------------------------|
| Machinery & equipment | \$ 2,520,936 | \$ 25,027 | \$ | \$ 2,545,963 |
| Accumulated depreciation | <u>(1,888,582)</u> | <u>(155,749)</u> | <u></u> | <u>(2,044,331)</u> |
| Total capital assets | <u>\$ 632,354</u> | <u>\$ (130,722)</u> | <u>\$ -</u> | <u>\$ 501,632</u> |

Depreciation expense for the year ended June 30, 2013 was unallocated in the amount of \$ 155,747.

NOTE 5. Unearned Revenue

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, 2013 is \$179,231.

Brand Recording Fees. The Board renews cattle brands every three years. The amount collected in the renewal year is amortized over a three-year period. The year ended June 30, 2012 was a renewal year. At June 30, 2013, \$951,840 is related to brand renewal and will be amortized into revenue over the next two fiscal years.

NOTE 6. Compensated Absences Payable

A summary of changes in compensated absences payable for the year ended June 30, 2013 is as follows:

| | Balance June 30, 2012 | Additions | Deletions | Balance June 30, 2013 |
|---------------------------------|--------------------------|-----------|--------------|--------------------------|
| Accrued vacation and sick leave | \$ 386,117 | \$ 98,139 | \$ (130,871) | \$ 353,385 |

The liability at June 30, 2013 of \$353,385 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. Of this amount \$104,584 is expected to be paid in the next year.

NOTE 7. Operating Transfers

Operating transfers during the year consisted of the following:

| | Transfers | |
|----------------------|---------------------|---------------------|
| | From | To |
| General Fund | \$ - | \$ 1,962,422 |
| Special Revenue Fund | <u>1,962,422</u> | <u>-</u> |
| | <u>\$ 1,962,422</u> | <u>\$ 1,962,422</u> |

The special revenue fund transferred \$1,962,422 to the general fund for livestock property tax revenue. The transfer is recurring each year in an amount based on property taxes collected during that year.

NOTE 8. Due To/From Other Funds

At June 30, 2013, the general fund owed the agency fund \$106,030.

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
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JUNE 30, 2013

NOTE 9. 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 10.67% (ranges from 3.83% to 16.65% depending upon the plan – i.e., state general, state hazardous duty, state police and a dult correctional officers, municipal general, municipal police, of their gross salary. The Board is required to contribute 13.34% 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, 2013, 2012, and 2011 were \$424,227, \$381,603, and \$452,172, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 10. 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 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. 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

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 10. Post-Employment Benefits – State Retiree Health Care Plan (continued)

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, 2013, 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, 2013**, 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, 2013, 2012 and 2011 were \$56,264, \$52,202 and \$46,636, respectively, which equal the required contributions for each year.

NOTE 11. Revenues

The major funding for the Board comes from the livestock industry in the form of inspection fees, personal property taxes on livestock, and brand recording fees. These are the major charges for services as shown in the Statement of Activities.

The Board also receives an appropriation from the State General Fund and a federal cooperative agreement from the U.S. Department of Agriculture to help defray the costs of administering the Board’s programs.

The Board’s General Appropriation was authorized in the General Appropriation Act of 2012.

NOTE 12. Commitments – Operating Leases

Rental payments totaling \$117,036 were made during the year ended June 30, 2013 for office facilities and office equipment.

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:

| | |
|------------|-------------------|
| 2014 | 102,472 |
| 2015 | 105,388 |
| 2016 | 108,392 |
| 2017 | 111,486 |
| 2018 | 114,672 |
| Thereafter | <u>88,992</u> |
| Total | <u>\$ 631,402</u> |

NOTE 13. Insurance Coverage

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.

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 13. Insurance Coverage (continued)

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. All employees of the Board are covered by a blanket fidelity bond up to \$5,000,000 with a \$1,000 deductible per occurrence by the State of New Mexico for the period July 1, 2012 to June 30, 2013.

NOTE 14. 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.

NOTE 15. Due to State General Fund

The Due to State General Fund in the Statement of Net Assets includes \$2,816 in stale dated warrants that will be remitted to the State General Fund.

NOTE 16. Subsequent Accounting Standard Pronouncements

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, which is effective for financial statement periods beginning after June 15, 2012. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. This Statement modifies certain requirements for inclusion of component units in the financial reporting entity and amends the criteria for reporting component units as if they were part of the primary government in certain circumstances.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is effective for financial statement for periods beginning after December 15, 2011. The objective of this Statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. While these elements were introduced and defined by Concepts Statement No. 4, *Elements of Financial Statements*, as a consumption and acquisition of net assets by the government that is applicable to a future reporting period, respectively, these elements have not been included in previous reporting guidance.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is effective for financial statement for periods beginning after December 15, 2012. The Commission has decided to implement this Statement early. The objective of this Statement is to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These determinations are based on the definitions of those elements in Concepts Statement No. 4, *Elements of Financial Statements*.

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 17. Governmental Fund Balance

Fund Balance: In the fund financial statements, governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Some governments may not have policies or procedures that are comparable to those policies that underlie the classifications and therefore would not report amounts in all possible fund balance classifications.

In the governmental financial statements, fund balance is classified and is displayed in five components:

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.

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.

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

| | General Fund | Special Revenue Fund | Total Funds |
|------------------------|-----------------|----------------------------|----------------|
| Fund Balances: | | | |
| Nonspendable: | | | |
| Petty cash | \$ 1,000 | \$ - | \$ 1,000 |
| Restricted for: | | | |
| General fund | | - | - |
| Capital projects | - | - | - |
| Assigned to: | | | |
| Other capital projects | - | - | - |
| Other purposes | - | - | - |
| Unassigned: | | | |
| | 2,075,034 | - | 2,075,034 |
| Total fund balances | \$ 2,076,034 | \$ - | \$ 2,076,034 |

SUPPLEMENTARY INFORMATION

SUPPORTING SCHEDULES

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
COMBINING STATEMENT OF CHANGES IN ASSETS & LIABILITIES
ALL AGENCY FUNDS
JUNE 30, 2013

Schedule I

| | Balance June 30, 2012 | Additions | Deductions | Balance June 30, 2013 |
|-------------------------------------------------|--------------------------|---------------------|-----------------------|--------------------------|
| <u>New Mexico Beef Council</u> | | | | |
| Assets | | | | |
| Cash | \$ 74,008 | \$ 1,066,308 | \$ (1,140,316) | \$ - |
| Receivable- General Fund | - | 1,254,338 | (1,148,978) | \$ 105,360 |
| Receivable- Beef Council | - | - | - | \$ - |
| Total Assets | <u>\$ 74,008</u> | <u>\$ 2,320,646</u> | <u>\$ (2,289,294)</u> | <u>\$ 105,360</u> |
| Liabilities | | | | |
| Due to General Fund | \$ - | \$ - | \$ - | \$ - |
| Due to New Mexico Beef Council | 74,008 | 1,140,316 | (1,108,964) | \$ 105,360 |
| | <u>\$ 74,008</u> | <u>\$ 1,140,316</u> | <u>\$ (1,108,964)</u> | <u>\$ 105,360</u> |
| <u>New Mexico Sheep and Goat Council</u> | | | | |
| Assets | | | | |
| Cash | \$ 442 | \$ 7,680 | \$ (8,122) | \$ - |
| Receivable- General Fund | - | 8,608 | (7,938) | 670 |
| Receivable- Sheep Council | - | - | - | - |
| Total Assets | <u>\$ 442</u> | <u>\$ 16,288</u> | <u>\$ (16,060)</u> | <u>\$ 670</u> |
| Liabilities | | | | |
| Due to General Fund | \$ - | \$ - | \$ - | - |
| Due to New Mexico Sheep & Goat Council | 442 | 8,122 | (7,894) | 670 |
| | <u>\$ 442</u> | <u>\$ 8,122</u> | <u>\$ (7,894)</u> | <u>\$ 670</u> |
| <u>Total all Agency Funds</u> | | | | |
| Assets | | | | |
| Cash | \$ 74,450 | \$ 1,073,988 | \$ (1,148,438) | - |
| Receivable- General Fund | - | 1,262,946 | (1,156,916) | 106,030 |
| Receivable - Beef Council | - | - | - | - |
| Receivable- Sheep Council | - | - | - | - |
| Total Assets | <u>\$ 74,450</u> | <u>\$ 2,336,934</u> | <u>\$ (2,305,354)</u> | <u>\$ 106,030</u> |
| Liabilities | | | | |
| Due to General Fund | \$ - | \$ - | \$ - | - |
| Due to New Mexico Beef Council | 74,008 | 1,140,316 | (1,108,964) | 105,360 |
| Due to New Mexico Sheep & Goat Council | 442 | 8,122 | (7,894) | 670 |
| | <u>\$ 74,450</u> | <u>\$ 1,148,438</u> | <u>\$ (1,116,858)</u> | <u>\$ 106,030</u> |

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

COMPLIANCE SECTION

**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 of Directors, New Mexico Livestock Board and
Mr. Hector H. Balderas, New Mexico State Auditor

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 *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the remaining fund information, the budgetary comparison of the general fund, major special revenue funds, and the statement of fiduciary assets and liabilities of the State of New Mexico, New Mexico Livestock Board (the Board) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and the combining and individual funds and related budgetary comparison of the Board, presented as supplemental information, and have issued our report thereon dated December 14, 2013.

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 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 over financial reporting.

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 over financial reporting 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. However, we did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies as items FS 10-08, FS 13-01, FS 13-02, and FA 10-03.

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 items FS 10-07 and FS 13-01.

The Board's Responses to Findings

The Board's responses to the findings 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 the financial statements and, accordingly, we express no 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 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.

Grigo Professional Services, LLC

Albuquerque, New Mexico
December 14, 2013

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2013

Section I – Summary of Audit Results

Financial Statements:

| | |
|-----------------------------------------------------------------------------------|------------|
| 1. Type of auditors' report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| c. Control deficiencies identified not considered to be significant deficiencies? | No |
| d. Noncompliance material to financial statements noted? | No |

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2013

Schedule II

Section II – Financial Statement Findings

FS 10-07 Personal Use of Public Vehicle – Repeated – Other Matter

Criteria: Personal use of a government agency vehicle is always taxable to the employee unless the vehicle is a qualified non-personal use vehicle, per the 2013 State Auditor Rule 2.2.2.10H.

Condition: Per inquiry of New Mexico Livestock Board personnel, it does not appear that employees' personal use of a public vehicle was included on their Form W-2.

Cause: The Board is aware of this matter and is in the process of establishing procedures to correct it.

Effect: Employee income in the form of fringe benefits may not be properly reported to the Internal Revenue Service.

Auditors' Recommendation: We recommend that the Board include personal use of a public vehicle on the Form W-2 when needed.

Management's Response: Management concurs with this finding. The NMLB is in the process of developing policy that will reflect both Title I Chapter 5 Part 3 1.5.3.20 and Internal Revenue Service requirements.

FS 10-08 Internal Controls – Disbursements – Repeated and Revised – Significant Deficiency

Criteria: Per the State of New Mexico Manual of Model Accounting Practices, Section FIN4.1 and Section 6-5-2, NMSA 1978, state agencies must use the Purchase Document form, approved by the State Purchasing Division, to order goods or services and to support encumbrances. This requires agencies to process through SHARE purchase requisitions, then purchase orders, then invoices, then payment vouchers for all purchases unless otherwise noted under special conditions.

Condition: In a sample of twenty-five random disbursements, we noted one disbursement (\$36) where the purchase order was dated after the vendor's invoice.

Cause: Board personnel are not following established procedures.

Effect: The Board is not in compliance with State requirements for internal controls within State agencies. Not being in compliance with these requirements places the Board at risk for fraud or misuse of public funds.

Auditor's Recommendation: We recommend that the Board review the requirements for all internal controls and update their internal controls appropriately. Proper understanding of the SHARE system should be obtained in order to ensure that the Board is using the proper controls built into the SHARE system to protect against fraud. Disbursements should be properly approved and processed.

Management's Response: Management concurs with this finding. The NMLB has implemented a process to ensure that all purchases are made in accordance with section FIN4 of MAP and Section 6-5-2, NMSA 1978.

FS 13-01 -- Capital Asset Inventory - Significant Deficiency and Other Matter

Condition: During our capital asset test-work, we noted that the New Mexico Livestock Board did not perform a year-end physical inventory count for all capital assets.

Criteria: State Auditor Rule 2.2.2.10, Subsection Y and Section 12-6-10(A) NMSA 1978 requires each agency to conduct an annual physical inventory count of all equipment listed on the agency's capital asset inventory listing as of year-end. The agency must then certify the correctness of the physical inventory count and the certification must be provided to the agency's auditors.

Effect: The New Mexico Livestock Board was not in compliance with state statutes governing the inventory of capital assets.

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2013

Schedule II

Cause: The New Mexico Livestock Board was without a Chief Financial Officer for the last few months of the fiscal year ended June 30, 2013. Not all accounting functions were properly performed during this period of time.

Auditors' Recommendation: Management should establish controls and procedures necessary to ensure that a physical inventory of all equipment is performed. Additionally, we recommend that a reconciliation between the physical inventory results and the capital asset inventory listing be performed to identify any necessary adjustments.

Management's Response: The New Mexico Livestock Board will set in place procedures to ensure that an annual inventory is performed in the current fiscal year.

FS 13-2 Internal Controls – Maintenance of Contracts – Significant Deficiency

Criteria: Good internal controls include maintaining copies of all properly authorized contracts.

Condition: In a sample of twenty-five random disbursements, we noted two disbursements to contractors where a signed contract was not available for inspection.

Cause: Turnover of key personnel in fiscal year 2013 was a contributing factor in contracts not being properly maintained.

Effect: Litigation is a possibility, if there is a disagreement about the terms of any contracts, especially if a signed copy is not available. Also, without a proper contract in place, the Board could inadvertently over pay a contractor.

Auditor's Recommendation: We recommend that the Board maintain signed copies of all contracts entered into.

Management's Response: Management concurs with this finding. The NMLB will maintain signed copies of all contracts entered into.

Section III – Federal Award Findings

FA 10-03 – Federal Financial Reports –Repeated and Revised – Significant Deficiency

Federal program information:

| | |
|-----------------|--------------------------------------------------------|
| Funding agency: | U.S. Department of Agriculture |
| Title: | Plant and Animal Disease, Pest Control and Animal Care |
| CFDA number: | 10.025 |

Criteria: The Cooperative agreements with the U.S. Department of Agriculture specify that Federal Financial Reports are due on a quarterly basis within thirty days after the end of the quarter, or no later than ninety days after the agreement expires or terminates for final reports.

Condition: The Board did not maintain copies of the signed and dated Federal Financial Reports for fiscal year 2013. It was not possible to determine if the Reports were filed timely.

Questioned Costs: None.

Cause: During fiscal year 20 13, the Board was diligently working to establish procedures to ensure federal expenditures were properly reported. As this process was being fine-tuned, reports were not always filed timely.

Effect: The New Mexico Livestock Board was not in compliance with the reporting requirements specified in its Cooperative agreements with the U.S. Department of Agriculture. Future federal funding could be affected.

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2013

Schedule II

Auditors' Recommendation: The Board should prepare and file the Federal Financial Reports in accordance with the due dates outlined in the Cooperative agreements with the U.S. Department of Agriculture. The Board should maintain signed and dated copies of the reports.

Management's Response: The NMLB is developing standard operating procedures to address the affective management of federal cooperative agreements.

Section IV – Prior Year Audit Findings

FS 10-07 - Personal Use of Public Vehicle – Other Matter *-Repeated.*

FS 10-08 - Internal Controls -- Disbursements – Significant Deficiency *-Repeated and Revised.*

FA 10-03 - Federal Financial Reports – Significant Deficiency *-Repeated and Revised.*

Section V – Other Disclosures

Auditor Prepared Financials

Griego Professional Services, 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.

Exit Conference

The contents of this report were discussed on December 16, 2013. The following individuals were in attendance.

New Mexico Livestock Board _____
Bill Sauble, Chairman
Ray E. Baca, Executive Director
Andrew Silva, Chief Financial Officer

Griego Professional Services, LLC
J.J. Griego, CPA
David Baca