

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

FINANCIAL STATEMENTS

JUNE 30, 2014

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

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

Official Roster

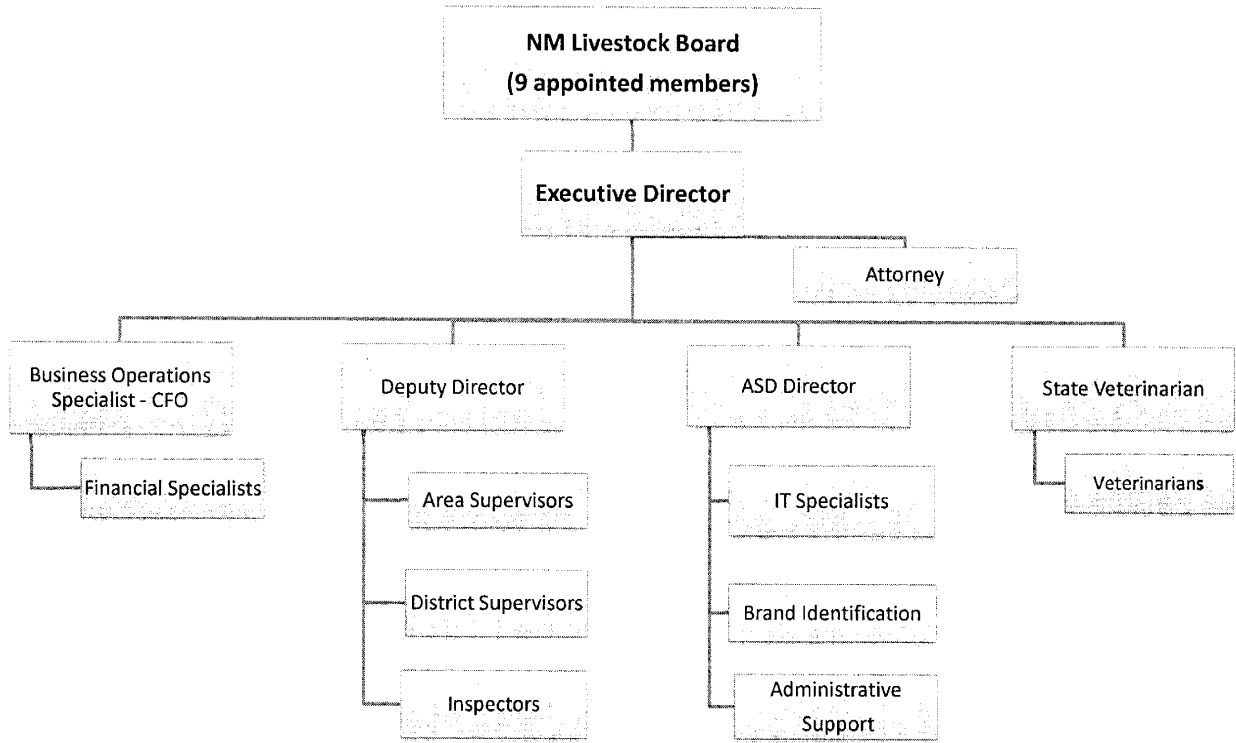
Board Members

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

Administration

Ray E. Baca	Executive Director
Ellen Wilson, D.V.M.	State Veterinarian

New Mexico Livestock Board Organization by Function & Title



Independent Auditor's Report

Board Members
State of New Mexico
New Mexico Livestock Board
and
Mr. Hector Balderas
New Mexico State Auditor
Santa Fe, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds, of the State of New Mexico New Mexico Livestock Board (Board) as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the Board's basic financial statements as listed in the table of contents. We also have audited the financial statements of the Board's fiduciary fund and the budgetary comparisons for the non-major fund presented as supplementary information, as defined by the Governmental Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2014, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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, 2014, and the respective changes in financial position thereof and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the fiduciary fund of the Board as of June 30, 2014, and the respective changes in financial position and the respective budgetary comparisons for the nonmajor 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.

The other schedule required by 2.2.2 NMAC has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2014 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

Ricci & Company, LLC

Albuquerque, New Mexico
November 24, 2014

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
STATEMENT OF NET POSITION
June 30, 2014**

	Governmental Activities
ASSETS	
Current Assets	
Cash and investments	\$ 4,093,667
Livestock fees and charges receivable	66,826
Mill levy receivable	264,217
Total current assets	<u>4,424,710</u>
Noncurrent Assets	
Capital Assets	2,270,864
Less accumulated depreciation	<u>(1,644,020)</u>
Total noncurrent assets	<u>626,844</u>
Total assets	<u>5,051,554</u>
LIABILITIES	
Current Liabilities	
Accounts payable	94,852
Accrued payroll	81,993
Compensated absences - current portion	69,254
Total current liabilities	<u>246,099</u>
Noncurrent liabilities	
Compensated absences - noncurrent portion	<u>161,593</u>
Total liabilities	<u>407,692</u>
DEFERRED INFLOWS OF RESOURCES	
Brand recording fees and sales of estrays	<u>1,349,920</u>
NET POSITION	
Net investment in capital assets	626,844
Restricted	260,477
Unrestricted	2,406,621
Total net position	<u>\$ 3,293,942</u>

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

STATE OF NEW MEXICO
 NEW MEXICO LIVESTOCK BOARD
 STATEMENT OF ACTIVITIES
 Year Ended June 30, 2014

Functions/Programs	Program Revenues			Net Revenues (Expenses) and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
Expenses				
General government	\$ 4,985,055	2,665,860	9,644	(2,309,551)
Depreciation	217,574	-	-	(217,574)
Total governmental activities	5,202,629	2,665,860	9,644	(2,527,125)
General Revenues and Other:				
State General Fund appropriation				1,215,000
Special legislative appropriation				256,200
Livestock property taxes				1,918,960
Gain on sale of assets				80,105
Miscellaneous revenue				126,521
Total general revenues and other				3,596,786
Change in net position				1,069,661
Net position, beginning				2,224,281
Net position, ending				\$ 3,293,942

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

STATE OF NEW MEXICO
 NEW MEXICO LIVESTOCK BOARD
 BALANCE SHEET
 GOVERNMENTAL FUND
 June 30, 2014

	General Fund	Major Special Revenue Levy Fund	Non-major Special Revenue Horse Shelter Rescue Fund	Total
ASSETS				
Cash and investments	\$ 3,832,190	-	260,477	4,092,667
Petty cash	1,000	-	-	1,000
Receivables:				
Livestock fees and charges	66,826	-	-	66,826
Mill levy receivable	264,217	-	-	264,217
Total assets	\$ 4,164,233	-	260,477	4,424,710
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 94,852	-	-	94,852
Accrued payroll, benefits, and taxes	81,993	-	-	81,993
Total liabilities	176,845	-	-	176,845
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue				
Brand recording fees/sale of estrays	1,349,920	-	-	1,349,920
FUND BALANCES				
Nonspendable	1,000	-	-	1,000
Restricted	-	-	260,477	260,477
Unassigned	2,636,468	-	-	2,636,468
Total fund balances	2,637,468	-	260,477	2,897,945
Total liabilities, deferred inflows of resources, and fund balances	\$ 4,164,233	-	260,477	4,424,710

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

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2014**

Total fund balance for the governmental funds (balance sheet) \$ 2,897,945

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

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

These consist of:

Machinery and equipment	\$ 2,270,864	
Less accumulated depreciation	<u>(1,644,020)</u>	
Total capital assets, net of depreciation		626,844

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>(230,847)</u>
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Net position of governmental activities (Statement of Net Position) \$ 3,293,942

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

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
Year Ended June 30, 2014

	General Fund	Major Special Revenue Levy Fund	Non-major Special Revenue Horse Shelter Rescue Fund	Total
Revenues				
Federal grant funds	\$ 9,644	-	-	9,644
Inspection fees	995,907	-	-	995,907
Personal property taxes on livestock	-	1,918,960	-	1,918,960
Brand recording fees and horse permits	1,103,638	-	-	1,103,638
Estray sales, net	81,174	-	-	81,174
Other licenses and permits	485,141	-	-	485,141
Miscellaneous	116,044	-	10,477	126,521
Gain on sale of assets	80,105	-	-	80,105
Total revenues	<u>2,871,653</u>	<u>1,918,960</u>	<u>10,477</u>	<u>4,801,090</u>
Expenditures				
Current:				
General government				
Personal services and employee benefits	3,886,349	-	-	3,886,349
Contractual services	266,079	-	-	266,079
Other expense	955,165	-	-	955,165
Capital outlay	342,786	-	-	342,786
Total expenditures	<u>5,450,379</u>	<u>-</u>	<u>-</u>	<u>5,450,379</u>
Excess (deficiency) of revenues over expenditures	<u>(2,578,726)</u>	<u>1,918,960</u>	<u>10,477</u>	<u>(649,289)</u>
Other Financing Sources (Uses)				
State General Fund appropriation	1,215,000	-	-	1,215,000
Special legislative appropriation	6,200	-	250,000	256,200
Operating transfer in	1,918,960	-	-	1,918,960
Operating transfer out	-	(1,918,960)	-	(1,918,960)
Total other financing sources (uses)	<u>3,140,160</u>	<u>(1,918,960)</u>	<u>250,000</u>	<u>1,471,200</u>
Net change in fund balances	561,434	-	260,477	821,911
Fund balances, beginning of year	2,076,034	-	-	2,076,034
Fund balances, end of year	<u>\$ 2,637,468</u>	<u>-</u>	<u>260,477</u>	<u>2,897,945</u>

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

STATE OF NEW MEXICO
 NEW MEXICO LIVESTOCK BOARD
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 Year Ended June 30, 2014

Net change in fund balance - Governmental Funds
 (Statement of Revenues, Expenditures and Changes in Fund Balance) \$ 821,911

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

In the Statement of Activities certain operating expenses- compensated absences payable-are measured by the amounts earned during the year. In the Governmental 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: 122,538

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	342,786	
Depreciation expense	(217,574)	
		125,212

Change in net position of governmental activities \$ 1,069,661

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

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL -
GENERAL FUND
Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Federal sources	\$ -	35,333	9,644	(25,689)
Other	2,811,200	2,811,200	2,862,009	50,809
Total revenues	<u>2,811,200</u>	<u>2,846,533</u>	<u>2,871,653</u>	<u>25,120</u>
Expenditures				
General government:				
Personnel services	4,503,000	4,423,000	3,886,349	536,651
Contractual services	283,100	370,028	266,079	103,949
Other costs	1,110,400	1,138,805	924,097	214,708
Capital outlay	-	-	-	-
Total expenditures	<u>5,896,500</u>	<u>5,931,833</u>	<u>5,076,525</u>	<u>855,308</u>
Excess (deficiency) of revenues over expenditures	<u>(3,085,300)</u>	<u>(3,085,300)</u>	<u>(2,204,872)</u>	<u>(830,188)</u>
Other Financing Sources (Uses)				
State General Fund appropriations	975,000	975,000	1,215,000	(240,000)
Special legislative appropriations	6,200	6,200	6,200	-
Transfers in	1,450,500	1,450,500	1,918,960	(468,460)
Designated cash	653,600	653,600	-	653,600
Total other financing sources	<u>3,085,300</u>	<u>3,085,300</u>	<u>3,140,160</u>	<u>(54,860)</u>
Net change in fund balances	<u>\$ -</u>	<u>-</u>	<u>935,288</u>	<u>(885,048)</u>
Reconciliation to GAAP Basis				
Revenues, budgetary basis			\$ 2,871,653	
Change in accounts receivable			-	
Revenues, GAAP basis			<u>\$ 2,871,653</u>	
Expenses, budgetary basis			\$ 5,076,525	
Change in accrued expenses			31,068	
Capital outlay, budgeted separate from general fund			342,786	
Expenses, GAAP basis			<u>\$ 5,450,379</u>	

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

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL -
SPECIAL LEVY FUND
Year Ended June 30, 2014**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Personal property taxes on livestock	\$ 1,450,500	1,450,500	1,918,960	468,460
Miscellaneous	-	-	-	-
Total revenues	<u>1,450,500</u>	<u>1,450,500</u>	<u>1,918,960</u>	<u>468,460</u>
Expenditures				
General government:				
Personnel services	-	-	-	-
Contractual services	-	-	-	-
Other costs	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>1,450,500</u>	<u>1,450,500</u>	<u>1,918,960</u>	<u>468,460</u>
Other Financing Sources (Uses)				
State General Fund appropriation	-	-	-	-
Special legislative appropriation	-	-	-	-
Operating transfer in	-	-	-	-
Operating transfer out	(1,450,500)	(1,450,500)	(1,918,960)	(468,460)
Total other financing sources	<u>(1,450,500)</u>	<u>(1,450,500)</u>	<u>(1,918,960)</u>	<u>(468,460)</u>
Net change in fund balances	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

STATE OF NEW MEXICO
 NEW MEXICO LIVESTOCK BOARD
 STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 June 30, 2014

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 63,630
Due from general fund	<u>-</u>
Total assets	<u><u>\$ 63,630</u></u>
LIABILITIES	
Due to NM Beef Council	\$ 62,900
Due to NM Sheep & Goat Council	<u>730</u>
Total liabilities	<u><u>\$ 63,630</u></u>

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

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

A. Financial Reporting Entity

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

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

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

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the Board as a whole) and fund financial statements. The new reporting model focus is on either the Board as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type activities. In the government-wide Statement of Net Position, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reflected on a full accrual, economic resources basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. The Board did not have any business-type activities during the year ended June 30, 2014.

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, 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.

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The net cost (by function or business-type activity) is normally covered by general revenues (taxes, intergovernmental revenues, interest income, etc.). 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 one nonmajor governmental fund during the year ended June 30, 2014, thus combining financial statements are not presented. Both the General Fund and the Special Levy 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 government-wide presentation.

C. Financial Statement Presentation

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

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.

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Financial Statement Presentation (Continued)

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 Levy 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). The Horse Shelter Rescue Fund is used to account for the receipt of an appropriation to support horse rescues and homeless horses.

Fiduciary Fund. 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 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.

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.

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting (Continued)

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange transactions are recognized when the exchange takes place. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

In applying the "susceptible to accrual" concept to intergovernmental revenues 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.

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting (Continued)

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the Board's taxpayer or citizenry, 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.

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Accounting (Continued)

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

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

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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
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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.

H. Fund Balances

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.

STATE OF NEW MEXICO
 NEW MEXICO LIVESTOCK BOARD
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Fund Balances (Continued)

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.

At June 30, 2014, net position of the primary government consisted of the following of which \$250,000 of the \$260,477 restricted balance is restricted by enabling legislation:

	General Fund	Special Revenue Levy Fund	Special Revenue Horse Shelter Rescue Fund	Total Funds
Fund Balances:				
Nonspendable:				
Petty cash	\$ 1,000	-	-	1,000
Restricted for:				
Special revenue projects	-	-	260,477	260,477
Unassigned	2,636,468	-	-	2,636,468
Total fund balances	\$ 2,637,468	-	260,477	2,897,945

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2014.

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

Unrestricted net assets are all other net assets that do not meet the definition of “restricted” or “net investment in capital assets”.

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.

**STATE OF NEW MEXICO
 NEW MEXICO LIVESTOCK BOARD
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2014**

NOTE 2. INVESTMENTS

State law requires the Board cash be managed by the New Mexico State Treasurer’s Office. As of June 30, 2014, the Board had the following in pooled cash:

<u>Investment Type</u>	Fair Value	Investment Maturities Less than 1 Year
Interest in the State Treasurer General Fund Investment Pool	\$ 4,092,667	\$ 4,092,667

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 its 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, 2014. 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, 2014, the Board’s investment of New MexiGROW LGIP had a credit risk rating of AAAM with a 49-day WAM (R) and 116 day WAM (F).

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, 2014.

**STATE OF NEW MEXICO
 NEW MEXICO LIVESTOCK BOARD
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2014**

NOTE 2. INVESTMENTS (CONTINUED)

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 unreconciled 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, 2014.

Reconciliation of Cash and Interest in General Fund Investment Pool

Governmental Funds – Balance Sheet	
Cash and investments per Statement of Net Position	\$ 4,093,667
Less petty cash	<u>(1,000)</u>
Total interest in General Fund Investment Pool	<u>\$ 4,092,667</u>

NOTE 3. RECEIVABLES

Receivables consist of the following at June 30, 2014:

General Fund:	
Mill levy	\$ 264,217
Livestock fees and charges	<u>66,826</u>
Total	<u>\$ 331,043</u>

All receivables are considered 100% collectible.

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 4. CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2014</u>
Machinery and equipment	\$ 2,545,963	342,786	(617,885)	2,270,864
Accumulated depreciation	<u>(2,044,331)</u>	<u>(217,574)</u>	<u>617,885</u>	<u>(1,644,020)</u>
Totals	\$ <u>501,632</u>	<u>125,212</u>	<u>-</u>	<u>626,844</u>

Depreciation expense was unallocated in the amount of \$217,574.

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, 2014 is \$240,020.

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. The year ended June 30, 2014 was the final year of a three year cycle. The brand renewal period was opened in February 2014. At June 30, 2014, \$1,109,900 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, 2014 is as follows:

	Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2014</u>
Accrued vacation and sick leave	\$ 353,385	141,636	(264,174)	230,847

The liability at June 30, 2014 of \$230,847 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, \$69,254 is expected to be paid in the next year.

**STATE OF NEW MEXICO
 NEW MEXICO LIVESTOCK BOARD
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2014**

NOTE 7. OPERATING TRANSFERS

Operating transfers during the year consisted of the following:

	<u>Transfers</u>	
	From	To
General Fund	\$ -	1,918,960
Special Revenue Levy Fund	<u>1,918,960</u>	<u>-</u>
	<u>\$ 1,918,960</u>	<u>1,918,960</u>

The Special Revenue Fund transferred \$1,918,960 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. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

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

Funding Policy. Plan members are required to contribute 8.92% of their gross salary. The Board is required to contribute 16.59% of the gross covered salary. The contribution requirements of plan members and the Board are established in State statute under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Board’s contributions to PERA for the fiscal years ending June 30, 2014, 2013, and 2012 were \$415,700, \$424,227, and \$381,603, respectively, which equal the amount of the required contributions for each fiscal year.

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 9. 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 post-employment health care plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque NM 87107.

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premiums to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

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

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

**NOTE 9. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN
(CONTINUED)**

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, 2014, 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, 2014, 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, 2014, 2013 and 2012 were \$50,203, \$56,264 and \$52,202, respectively, which equal the required contributions for each year.

NOTE 10. 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 2013.

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 11. COMMITMENTS – OPERATING LEASES

Rental payments totaling \$117,953 were made during the year ended June 30, 2014 for office facilities and office equipment.

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

2015	\$ 100,779
2016	91,663
2017	94,413
2018	97,245
2019	100,163
2020	<u>68,097</u>
Total	<u>\$ 552,360</u>

NOTE 12. 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.

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, 2013 to June 30, 2014.

NOTE 13. CONCENTRATIONS OF CREDIT AND OTHER RISKS

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

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 14. SUBSEQUENT ACCOUNTING STANDARD PRONOUNCEMENTS

GASB No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27*, was approved in June 2012 and is effective for fiscal years starting after June 15, 2014. This Statement requires the liability of employers and nonemployer contributing entities to employees for defined benefit pensions (net pension liability) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position. As a result, the June 30, 2015 financial statements are expected to include a material net pension liability.

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2014

	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014
NEW MEXICO BEEF COUNCIL				
ASSETS				
Cash	\$ -	1,144,029	(1,081,129)	62,900
Receivable - General Fund	105,360	1,038,669	(1,144,029)	-
Receivable - Beef Council	-	-	-	-
Total Assets	<u>105,360</u>	<u>2,182,698</u>	<u>(2,225,158)</u>	<u>62,900</u>
LIABILITIES				
Due to General Fund	\$ -	-	-	-
Due to NM Beef Council	105,360	1,038,669	(1,081,129)	62,900
Total liabilities	<u>\$ 105,360</u>	<u>1,038,669</u>	<u>(1,081,129)</u>	<u>62,900</u>
NEW MEXICO SHEEP AND GOAT COUNCIL				
ASSETS				
Cash	\$ -	9,178	(8,448)	730
Receivable - General Fund	670	8,508	(9,178)	-
Receivable - Sheep Council	-	-	-	-
Total Assets	<u>670</u>	<u>17,686</u>	<u>(17,626)</u>	<u>730</u>
LIABILITIES				
Due to General Fund	\$ -	-	-	-
Due to NM Sheep and Goat Council	670	8,508	(8,448)	730
Total liabilities	<u>\$ 670</u>	<u>8,508</u>	<u>(8,448)</u>	<u>730</u>
TOTAL ALL AGENCY FUNDS				
ASSETS				
Cash	\$ -	1,153,207	(1,089,577)	63,630
Receivable - General Fund	106,030	1,047,177	(1,153,207)	-
Receivable - Beef Council	-	-	-	-
Receivable - Sheep Council	-	-	-	-
Total Assets	<u>106,030</u>	<u>2,200,384</u>	<u>(2,242,784)</u>	<u>63,630</u>
LIABILITIES				
Due to General Fund	\$ -	-	-	-
Due to NM Beef Council	105,360	1,038,669	(1,081,129)	62,900
Due to NM Sheep and Goat Council	670	8,508	(8,448)	730
Total liabilities	<u>\$ 106,030</u>	<u>1,047,177</u>	<u>(1,089,577)</u>	<u>63,630</u>

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

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL -
HORSE SHELTER RESCUE FUND
Year Ended June 30, 2014**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Miscellaneous	-	-	\$ 10,477	10,477
Total revenues	<u>-</u>	<u>-</u>	<u>10,477</u>	<u>10,477</u>
Expenditures				
General government:				
Personnel services	-	-	-	-
Contractual services	100,000	100,000	-	100,000
Other costs	150,000	150,000	-	150,000
Total expenditures	<u>250,000</u>	<u>250,000</u>	<u>-</u>	<u>250,000</u>
Excess (deficiency) of revenues over expenditures	<u>(250,000)</u>	<u>(250,000)</u>	<u>10,477</u>	<u>(239,523)</u>
Other Financing Sources (Uses)				
State General Fund appropriation	-	-	-	-
Special legislative appropriation	250,000	250,000	250,000	-
Operating transfer in	-	-	-	-
Operating transfer out	-	-	-	-
Total other financing sources	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>-</u>	<u>260,477</u>	<u>(239,523)</u>

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

Ricci & Company LLC

CERTIFIED PUBLIC ACCOUNTANTS
6200 UPTOWN BLVD. NE - SUITE 400
ALBUQUERQUE, NM 87110

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

Board Members
State of New Mexico New Mexico Livestock Board
and
Mr. Hector Balderas
New Mexico State Auditor
Santa Fe, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information the budgetary comparisons of the general fund and major special revenue funds, of the State of New Mexico New Mexico Livestock Board (Board), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and the fiduciary fund and the individual fund related budgetary comparisons of the Board, presented as supplementary information, and have issued our report thereon dated November 24, 2014.

Internal Control Over Financial Reporting

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

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

Board Members
State of New Mexico New Mexico Livestock Board
and
Mr. Hector Balderas
New Mexico State Auditor
Santa Fe, New Mexico

Our consideration of internal control over financial reporting 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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses that we consider to be a significant deficiency. See Finding 2014-001.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Board's Response to Findings

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

Purpose of this Report

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

Ricci & Company, LLC

Albuquerque, New Mexico
November 24, 2014

**STATE OF NEW MEXICO
BOARD OF VETERINARY MEDICINE
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2014**

A. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding	Status
FS 10-07 Personal Use of Public Vehicle	Resolved
FS 10-08 Internal Controls – Disbursements	Resolved
FS 13-01 Capital Assets Inventory	Resolved
FS 13-2 Internal Controls – Maintenance of Contracts	Resolved
FA10-03 Federal Financial Reports	Resolved

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2014**

B. FINDINGS AND RESPONSES

2014-001 COMPLIANCE WITH NM PROCUREMENT CODE – SIGNIFICANT DEFICIENCY

CRITERIA

The New Mexico Procurement Code requires that purchases of goods and services over \$10,000 should be procured through invitation for bid (13-1-103 NMSA 1978, 1.4.1.16 NMAC). The Procurement Code further states that purchases over \$10,000 and up to \$20,000 should have three written quotes documented.

CONDITION

During our testwork over compliance with the NM Procurement Code, we noted that the New Mexico Livestock Board (NMLB) made a purchase of printing supplies (with a value of \$10,168) without obtaining three written quotes from different vendors prior to the purchase.

CAUSE

The NMLB did not adequately review the requirement of the NM Procurement Code prior to purchasing the printing supplies.

EFFECT

The NMLB did not comply with the NM Procurement Code requirement and may have paid more than necessary in order to obtain the printing services.

RECOMMENDATION

We recommend that the NMLB review the requirements of the NM Procurement Code and determine that proper purchasing procedures are followed.

MANAGEMENT RESPONSE

NMLB obtained three quotes for the purchase referenced in this finding, however, the quotes were not documented or retained in the vendor file. NMLB will not approve any future purchases for goods over \$10,000, unless 3 quotes are documented and attached to purchase request. This will ensure compliance with the NM Procurement Code

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
EXIT CONFERENCE
For the Year Ended June 30, 2014**

Exit Conference

An exit conference was held on November 21, 2014, to discuss the annual financial report. Attending were the following:

Representing the New Mexico Livestock Board:

Bill Sauble, Chairman
Ray E. Baca, Executive Director
Andrew Silva, Chief Financial Officer

Representing the Independent Auditor:

Shawn Mortensen, CPA

Note: Ricci & Company, LLC substantially 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.