

STATE OF NEW MEXICO
NEW MEXICO BEEF COUNCIL
FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

STATE OF NEW MEXICO
NEW MEXICO BEEF COUNCIL
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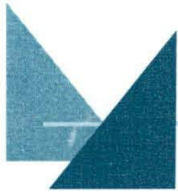
STATE OF NEW MEXICO
NEW MEXICO BEEF COUNCIL
Official Roster
June 30, 2018

COUNCIL

Tamara Hurt	Chairman
Milford Denetclaw	Vice-Chairman
Zita Lopez	Secretary
Dan Bell	Member
James Hill	Member
Susie Jones	Member
Kenneth McKenzie	Member
Matt Ferguson	Member
John Heckendorn	Member
Bill King	Ex-officio Member

ADMINISTRATIVE OFFICIAL

Dina C. Reitzel	Executive Director
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REPORT OF INDEPENDENT AUDITOR

To the Council Members of the
New Mexico Beef Council
and
Mr. Wayne Johnson, State Auditor

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the budgetary comparison schedules of the New Mexico Beef Council, State of New Mexico (Council), as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Council'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 misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 and the major fund of the Council, as of June 30, 2018 and 2017, and the respective changes in financial position and the budgetary comparison schedules for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Council's basic financial statements. The accompanying financial information on page 21 listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of cash accounts and pledged collateral is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2018, on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Council's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.


Mackie, Reid & Company, P.A.
Certified Public Accountants

Albuquerque, New Mexico
September 11, 2018

STATE OF NEW MEXICO
NEW MEXICO BEEF COUNCIL
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2018

This discussion and analysis of the New Mexico Beef Council (NMBC) provides an overview of financial activities for the fiscal year ended June 30, 2018. It should be read in conjunction with financial statements on page 8 to 20.

This document will:

- Highlight significant financial issues;
- Provide an overview of the Beef Council's financial activity. Identify changes in the Council's financial position;
- Identify any material deviation from the approved budget; and identify issues or concerns.

BASIC FINANCIAL STATEMENTS

Government-Wide Statements

The government-wide statements report information about the New Mexico Beef Council (NMBC) as a whole using accounting methods and disclosures similar to those used by private-sector companies. The Statement of Net Position includes all of the NMBC's assets and liabilities. All of the current year revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. This statement also reports the NMBC's net position and how they have changed. Net position, the difference between NMBC's assets and liabilities, is one way to measure NMBC's financial health and position.

Prior period unrestricted net position was increased in the current year. \$9,620 was added to the unrestricted assets in fiscal year ended June 30, 2018.

Fund Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities. The Council uses one fund to ensure and demonstrate compliance with finance related laws and regulations. The focus of fund statements is on short term fiscal accountability reflecting use of spendable resources during the year and the balance of spendable resources available at end of year. The government wide statements include long term assets while the fund statements do not. Both the fund statement balance sheet and the fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to the government wide statements to assist in understanding the differences between the two perspectives. A budgetary statement is included to demonstrate compliance with the Council adopted and final revised budgets.

STATE OF NEW MEXICO
 NEW MEXICO BEEF COUNCIL
 MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)
 FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL HIGHLIGHTS

The NMBC is a designated Qualified State Beef Council. NMBC collects and administers the federally mandated Beef Check-off in New Mexico. The Beef Check-off is a self-help beef marketing program instituted by United States beef producers and is funded entirely by the producers. One dollar per head is assessed the producer on each bovine animal sold in the U.S. As per the federal law, fifty cents of each dollar collected in New Mexico remains in the state. The NMBC oversees the collection and investment of the producer's check-off dollars in marketing programs meant to increase the demand for beef products and enhance the image of the beef industry. The sole purpose of the Beef Check-off program is to increase profit opportunities for beef producers.

The federal law that established the beef check-off also mandates the beef marketing programs to include Promotion, Consumer Information, Research, Producer Communications and Industry Information Programs.

The Beef Check-off is the sole source of funding for this marketing program. The amount of check-off dollars collected is entirely dependent on the number of cattle sold annually in the state. There are many factors that affect the number of cattle marketed and total cattle inventory in New Mexico.

The following table reflects the Councils summary of the Statement of Net Position as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and Other	\$ 701,756	\$ 689,442
Capital assets, net of depreciation	<u>7,500</u>	<u>9,267</u>
Total assets	<u>709,256</u>	<u>698,709</u>
LIABILITIES		
Current Liabilities	72,530	63,049
Long Term Liabilities	<u>30,909</u>	<u>39,463</u>
Total liabilities	<u>103,439</u>	<u>102,512</u>
NET POSITION		
Invested in Capital Assets	7,500	9,267
Unrestricted	<u>598,317</u>	<u>586,930</u>
Total Net Position	<u>605,817</u>	<u>596,197</u>
Total Liabilities and Net Position	\$ <u>709,256</u>	\$ <u>698,709</u>

STATE OF NEW MEXICO
 NEW MEXICO BEEF COUNCIL
 MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)
 FOR THE YEAR ENDED JUNE 30, 2018

The following table presents a condensed summary of data from the Council's Statement of Activities.

	<u>2018</u>	<u>2017</u>
Gross assessment Received	\$ 1,256,860	\$ 1,163,890
Less amounts remitted to other entities	(<u>645,056</u>)	(<u>596,668</u>)
Total program revenues	611,804	567,222
Program expenses	(602,398)	(587,024)
Investment revenues and other	<u>214</u>	<u>162</u>
Change in net position	\$ <u>9,620</u>	\$ (<u>19,640</u>)

Operating Assets

Operating assets of the NMBC include cash and receivables which may vary significantly during the year because of timing, operations and weather conditions. Cash and receivables amounted to \$687,921 at year end compared to \$682,321 for the prior year.

Capital Assets

With the implementation of GASB 34, NMBC adopted a policy of not capitalizing assets which cost less than \$5,000. There were no acquisitions in current year. Current year depreciation amounted to \$1,767.

Liabilities

The majority of 2018 accounts payables were paid with the July FY 2018-2019 check run. Balances at year end amounted to \$52,262 compared to \$51,306 in the prior year. Accrued expense representing the liability for employee sick and vacation leave was at \$47,581 and \$47,582, respectively, on the Statement of Net Position. Employees are entitled to be paid 100% for vacation and unused sick leave.

Net Position

Net Position is presented in categories. The category labeled net investment in capital assets represents the net amount invested in the capital asset which amounted to \$7,500 at June 30, 2018. There are no liabilities connected to capital assets. The remaining balance is available for investment in Promotion, Consumer Information, Producer Communications and Industry Information Programs. Total net position per the statement of net position is \$605,817, up 0.16% from total net position of \$596,197 in the prior year.

Revenue

The NMBC's sole source of revenue is beef check-off dollars. NMBC is fortunate, in that these producer funds are required by state statute to be collected by the New Mexico Livestock Board (NMLB). All revenue reported in this fiscal year is a reflection of actual funds received by NMLB. The reason for the 7.9% increase in actual revenue from the prior year is because more cattle are being sold. Due to a partial recovery from the drought in the state, producers have been slow to increase their herd size (retain heifers). However, there are many factors that affect the number of cattle marketed and total cattle inventory in New Mexico.

The amount collected that stays in the state of \$611,804 is up 7.9% from the prior year actual of \$567,222. Interest earned is more than the original budget by 7%, and is up 32% from last year actual.

STATE OF NEW MEXICO
NEW MEXICO BEEF COUNCIL
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2018

Expenditures

No significant or material deviation from the amounts budgeted occurred in FYE June 30, 2018, other than noted below. There were no unusual or infrequent items that had a material effect on the results of operations. Budgeted expenditures equaled actual amounts.

PROGRAM EXPENSES BY FUNCTION

National Program

The NMBC participates in the Federation of State Beef Councils, National Cattlemen's Beef Association (NCBA) and the United States Meat Export Federation (USMEF) by purchasing board seats. Each board seat purchased entitles the NMBC to representation on the respective boards. This participation is important to the New Mexico producers as these organizations are involved with major beef check-off program contractors. Representation in the organizations allows producers to give input on marketing programs paid for with beef check-off dollars. The New Mexico representatives on the two latter boards are responsible for providing feedback to the state's producers on the business conducted at the NCBA and USMEF meetings. Expenditures amounted to \$51,699 in the current year versus \$44,584 in the prior year.

Promotion Programs

Promotion Programs include advertising, retail, foodservice and school foodservice promotions. Current year's expenditures were up from the prior year's expenditures for Promotion Programs by .3%. Expenditures amounted to \$173,003 in the current year versus \$172,572 in the prior year. Current expenditures in the amount of \$175,392 had originally been budgeted.

Consumer Information Programs

Consumer Information Programs include Public Relations, Health Education, Education and Cowbelle Education Partnerships. Expenses for Consumer Information Programs were up 16% from the prior year and down 15% from original budget. Expenditures amounted to \$130,979 in the current year versus \$112,910 in the prior year. Current expenditures in the amount of \$154,240 had originally been budgeted.

Research

Beef check-off dollars are often used to fund research in the areas of Market, Product, Beef Safety, Nutrition, and Product Technology. Extensive research in this area is being conducted at the national level.

Producer Communications

Producer Communications projects are aimed at keeping beef producers informed about the beef check-off program and the results of the program. Expenses for Producer Communications programs were up 6.5% from prior year and up 1.9% from budgeted amounts. Current expenditures amounted to \$92,279 in the current year versus \$86,618 in the prior year. Expenditures in the amount of \$90,570 had originally been budgeted.

STATE OF NEW MEXICO
NEW MEXICO BEEF COUNCIL
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2018

Industry Information Programs

Industry Information Programs are education programs for beef producers. The education programs focus on teaching producers about management practices that affect the quality of the end product and informing producers about their product's acceptance.

Collections

New Mexico State Statute designates the New Mexico Livestock Board (NMLB) as the collecting point for beef check-off dollars in the state. The NMLB is compensated 4% for each dollar it collects. Collections expense includes this fee as well as an education program for the livestock inspectors on check-off compliance and programs. Collection expenses go up or down with amount of revenue collected. Current expenditures amounted to \$89,845 in the current year versus \$84,812 in the prior year. NMBC had originally budgeted \$86,456 in the current fiscal year.

Administrative Expenses

This year's actual budget basis administrative expenses before allocation were down .3% from the prior year costs. The actual amount expended was 99.7% of the original budget. Administrative expenditures after allocation amounted to \$62,226 in the current year versus \$82,302 in the prior year. NMBC had budgeted \$66,860 for the current fiscal year.

Total Expenditures

Actual total expenditures on the budgetary basis of \$600,632 were down 4.98% from the original budget, and were up from the prior year actual of \$581,011.

Conclusion

Due to continuing efforts to promote beef and inform consumers and producers about the livestock industry in New Mexico, the Council has been aggressive in compiling the budget for the 2018/2019 year. For the year ending June 30, 2019, the Council has approved a budget with projected revenues of \$489,600 and expenditures of \$630,261.

Requests for Information

The financial report is designed to provide a general overview of the New Mexico Beef Council's finances for all of those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to New Mexico Beef Council, 1209 Mountain Road Place N.E. Ste C, Albuquerque, New Mexico 87110; 505-841-9707.

STATE OF NEW MEXICO
 NEW MEXICO BEEF COUNCIL
 STATEMENTS OF NET POSITION
 JUNE 30, 2018 AND 2017

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	\$ 604,828	\$ 609,012
Receivable from New Mexico Livestock Board and other state councils	79,071	73,309
Other receivables	3,445	-
Due from employee	577	-
Prepaid expenses	13,835	7,121
Capital assets, net of accumulated depreciation	7,500	9,267
Total assets	709,256	698,709
 LIABILITIES		
Accounts payable	52,262	51,306
Payroll liabilities	3,596	3,624
Accrued compensated absences		
Payable within one year	16,672	8,119
Payable after one year	30,909	39,463
Total liabilities	103,439	102,512
 NET POSITION		
Net investment in capital assets	7,500	9,267
Unrestricted	598,317	586,930
Total net position	\$ 605,817	\$ 596,197

See accompanying notes to the financial statements.

STATE OF NEW MEXICO
 NEW MEXICO BEEF COUNCIL
 STATEMENTS OF ACTIVITIES
 YEARS ENDED JUNE 30, 2018 AND 2017

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
EXPENSES		
National program	\$ 51,699	\$ 44,584
Promotion	173,003	172,572
Consumer information	130,979	112,910
Producer communications	92,279	86,618
Industry information	600	1,353
Collections	89,845	84,812
Administrative	62,226	82,302
Depreciation	<u>1,767</u>	<u>1,873</u>
Total expenses	<u>602,398</u>	<u>587,024</u>
PROGRAM REVENUES		
Gross assessment revenue collected	1,256,860	1,163,890
Less assessment revenue remitted to other states	(33,252)	(29,446)
Less assessment revenue remitted to Cattlemen's Beef Board	(611,804)	(567,222)
Total program revenues	<u>611,804</u>	<u>567,222</u>
NET PROGRAM EXPENSE	9,406	(19,802)
GENERAL REVENUE		
Investment income	<u>214</u>	<u>162</u>
Change in net position	9,620	(19,640)
NET POSITION		
Beginning of year	<u>596,197</u>	<u>615,837</u>
End of year	\$ <u>605,817</u>	\$ <u>596,197</u>

See accompanying notes to the financial statements.

STATE OF NEW MEXICO
NEW MEXICO BEEF COUNCIL
BALANCE SHEETS
GOVERNMENTAL FUND - GENERAL FUND
JUNE 30, 2018 AND 2017

	Governmental Fund	
	2018	2017
ASSETS		
Cash	\$ 604,828	\$ 609,012
Receivable from New Mexico Livestock Board and other state councils	79,071	73,309
Other receivables	3,445	-
Due from employee	577	-
Prepaid expenses	13,835	7,121
 Total assets	 \$ 701,756	 \$ 689,442
LIABILITIES		
Accounts payable	\$ 52,262	\$ 51,306
Payroll liabilities and related benefits payable	3,596	3,624
 Total liabilities	 55,858	 54,930
FUND BALANCES		
Nonspendable		
Prepaid expenses	13,835	7,121
Committed		
Pre \$1 check off	49,595	49,557
Assigned	140,661	131,418
Unassigned	441,807	446,416
 Total fund balances	 645,898	 634,512
 Total liabilities and fund balances	 \$ 701,756	 \$ 689,442
RECONCILIATION OF THE BALANCE SHEETS OF GOVERNMENTAL FUNDS TO THE STATEMENTS OF NET POSITION		
Total fund balances	\$ 645,898	\$ 634,512
 Amounts reported for governmental activities in the statements of net position are different because:		
Capital assets used in government activities are not financial resources and therefore are not reported in the funds	7,500	9,267
Certain accrued compensated absences are not due and payable in the current period and therefore not reported in the funds	(47,581)	(47,582)
 Total net position (statements of net position)	 \$ 605,817	 \$ 596,197

See accompanying notes to the financial statements.

STATE OF NEW MEXICO
NEW MEXICO BEEF COUNCIL
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES
GOVERNMENTAL FUND - GENERAL FUND
YEARS ENDED JUNE 30, 2018 AND 2017

	<u>Governmental Fund</u>	
	<u>2018</u>	<u>2017</u>
REVENUES		
Gross assessment revenue collected	\$ 1,256,860	\$ 1,163,890
Less assessment revenue remitted to other states	(33,252)	(29,446)
Less assessment revenue remitted to Cattlemen's Beef Board	(611,804)	(567,222)
Investment income	<u>214</u>	<u>162</u>
Total revenues	<u>612,018</u>	<u>567,384</u>
EXPENDITURES		
Current		
National program	51,699	44,584
Promotion	173,003	172,572
Consumer information	130,979	112,910
Producer communications	92,279	86,618
Industry information	600	1,353
Collections	89,845	84,812
Administrative	<u>62,227</u>	<u>78,162</u>
Total current expenditures	<u>600,632</u>	<u>581,011</u>
NET CHANGE IN FUND BALANCES	11,386	(13,627)
FUND BALANCES – beginning of year	<u>634,512</u>	<u>648,139</u>
FUND BALANCES – end of year	\$ <u>645,898</u>	\$ <u>634,512</u>
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENTS OF ACTIVITIES		
Amounts reported for governmental activities in the statements of activities are different because:		
Change in fund balances reported above	\$ 11,386	\$ (13,627)
Governmental funds report capital outlays as expenditures while in the statements of activities the cost of these assets is capitalized	-	-
Governmental funds do not report depreciation expense which is recorded in the statements of activities	(1,767)	(1,873)
Governmental funds do not report net change in certain accrued compensated absences	<u>1</u>	<u>(4,140)</u>
Change in net position (statements of activities)	\$ <u>9,620</u>	\$ <u>(19,640)</u>

See accompanying notes to the financial statements.

STATE OF NEW MEXICO
 NEW MEXICO BEEF COUNCIL
 BUDGETARY COMPARISON SCHEDULE
 BUDGET AND ACTUAL - GENERAL FUND
 YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable)
REVENUES				
Gross assessment revenue collected	\$ 1,023,000	\$ 1,256,860	\$ 1,256,860	\$ -
Less assessment revenue remitted to other states	(22,000)	(33,252)	(33,252)	-
Less assessment revenue remitted to Cattlemen's Beef Board	(500,500)	(611,804)	(611,804)	-
Other	<u>200</u>	<u>214</u>	<u>214</u>	-
Total revenues	<u>500,700</u>	<u>612,018</u>	<u>612,018</u>	-
EXPENDITURES				
Current				
National program	45,600	51,699	51,699	-
Promotion	175,392	173,003	173,003	-
Consumer information	154,240	130,979	130,979	-
Producer communications	90,570	92,279	92,279	-
Industry information	3,000	600	600	-
Collections	86,456	89,845	89,845	-
Administrative				
Director salary	87,314	88,126	88,126	-
Administrative assistant salary	36,200	36,200	36,200	-
Rent and utilities	34,260	34,260	34,260	-
Payroll burden	44,205	39,557	39,557	-
Insurance	26,000	22,122	22,122	-
Contract services	11,700	11,700	11,700	-
Office and postage	12,000	16,106	16,106	-
Staff travel	12,000	11,009	11,009	-
Auto and travel, council	14,000	16,766	16,766	-
Telephone	6,000	5,414	5,414	-
Audit and legal	10,719	10,750	10,750	-
Staff salary	6,500	4,184	4,184	-
Auto, director and staff	5,000	5,774	5,774	-
Council meetings	5,000	4,841	4,841	-
Stationery and supplies	2,000	1,030	1,030	-
Theft loss	-	4,268	4,268	-
Amount allocated	(246,038)	(249,880)	(249,880)	-
Capital outlay	<u>10,000</u>	<u>-</u>	<u>-</u>	-
Total expenditures	<u>632,118</u>	<u>600,632</u>	<u>600,632</u>	-
Excess (deficiency) of revenues over expenditures	\$ (131,418)	\$ 11,386	\$ 11,386	\$ -
Fund balance at beginning of year	\$ 634,512			

See accompanying notes to the financial statements.

STATE OF NEW MEXICO
 NEW MEXICO BEEF COUNCIL
 BUDGETARY COMPARISON SCHEDULE
 BUDGET AND ACTUAL - GENERAL FUND
 YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final		
REVENUES				
Gross assessment revenue collected	\$ 1,028,970	\$ 1,163,890	\$ 1,163,890	\$ -
Less assessment revenue remitted to other states	(22,000)	(29,446)	(29,446)	-
Less assessment revenue remitted to Cattlemen's Beef Board	(503,485)	(567,222)	(567,222)	-
Other	<u>400</u>	<u>162</u>	<u>162</u>	<u>-</u>
Total revenues	<u>503,885</u>	<u>567,384</u>	<u>567,384</u>	<u>-</u>
EXPENDITURES				
Current				
National program	45,600	44,584	44,584	-
Promotion	134,853	172,572	172,572	-
Consumer information	144,464	112,910	112,910	-
Producer communications	82,642	86,618	86,618	-
Industry information	3,000	1,353	1,353	-
Collections	82,391	84,812	84,812	-
Administrative				
Director salary	87,314	88,126	88,126	-
Administrative assistant salary	36,200	36,201	36,201	-
Rent and utilities	34,260	34,260	34,260	-
Payroll burden	40,760	42,514	42,514	-
Insurance	24,000	25,166	25,166	-
Contract services	11,700	11,700	11,700	-
Office and postage	12,000	16,300	16,300	-
Staff travel	12,000	13,432	13,432	-
Auto and travel, council	14,000	12,561	12,561	-
Telephone	6,000	5,431	5,431	-
Audit and legal	10,500	10,451	10,451	-
Staff salary	6,500	3,728	3,728	-
Auto, director and staff	5,500	3,796	3,796	-
Council meetings	5,000	7,078	7,078	-
Stationery and supplies	1,800	2,587	2,587	-
Amount allocated	(229,291)	(235,169)	(235,169)	-
Capital outlay	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>581,193</u>	<u>581,011</u>	<u>581,011</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	\$ (<u>77,308</u>)	\$ (<u>13,627</u>)	\$ (<u>13,627</u>)	\$ <u>-</u>
Fund balance at beginning of year	\$ <u>648,139</u>			

See accompanying notes to the financial statements.

STATE OF NEW MEXICO
NEW MEXICO BEEF COUNCIL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

1. ORGANIZATION

The New Mexico Beef Council (Council) was created to promote the beef industry in New Mexico through public relations, research, education, and market development programs. The mission of the Council is to protect and increase demand for beef and beef products in New Mexico through national and state developed consumer marketing programs, thereby enhancing profit opportunities for beef producers in New Mexico.

The Council was created in 1979, pursuant to the New Mexico Beef Council Act, Article 2A, Section 77, NMSA 1978 Compilation, as amended. The Council comes under the auspices of the Director of the New Mexico Department of Agriculture. The Director appoints nine Council members with the approval of the Governor for terms of three years or less so that the terms of three members expire each June 30. All members of the Council shall be engaged in the business of raising, breeding, feeding, or growing cattle or calves for beef production or for dairy production. Appointments of Council members are to be made from lists of individuals recommended by farm organizations, producer associations and individual producers. The Director appoints one member to represent fluid milk producers, five to represent beef producers, one to represent breeders of registered purebreds and two to represent commercial cattle feeders. The Director serves as a non-voting ex-officio member of the Council.

The Council is a quasi agency of the State of New Mexico. The New Mexico Beef Council Act creates the Council as a separate entity with a special source of funds separate and apart from the State of New Mexico general fund. The Council fund balance is non-reverting. The financial statements present the financial position and results of operations of only those funds over which the New Mexico Beef Council has oversight responsibility.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Council's financial statements are prepared in accordance with accounting principles generally accepted in the United States as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is responsible for establishing standards for accounting principles for state and local governments. Certain of the significant elements of those standards include:

- A management discussion and analysis (MD&A) section providing an analysis of the Council's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all Council activities including presentation of capital assets and related depreciation.

Other significant accounting policies established and used by the Council are discussed below.

A. Reporting Entity

The Council's basic financial statements include the accounts of all Council operations which are financially accountable to the Council members. There are no component units included in the reporting entity.

B. Government-Wide and Individual Fund Financial Statements

The Council's basic financial statements include both government-wide (reporting the Council as a whole) and fund financial statements (reporting the Council's only and major fund). Both the government-wide and individual fund financial statements report general government governmental type activities which include the classification of activities as national program, promotion, consumer information, producer communications, industry information, collections and administrative expenditures/expense.

STATE OF NEW MEXICO
NEW MEXICO BEEF COUNCIL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The government-wide financial statements are reported using the economic resource measurement focus and the accrual basis of accounting. Therefore, in the statements of net position, all long term assets and receivables and deferred outflows of resources are recognized as well as all long term debt and obligations and deferred inflows of resources. The Council's net position is reported in three parts – net investment in capital assets; restricted (none held at June 30, 2018 and 2017); and unrestricted. The statements of activities report the gross/net cost of the Council's beef promotion program. The Council is also supported by general investment income. The Council allocates a certain portion of administrative costs to the classifications of activities described above using a percentage cost allocation approach. The government-wide focus is more on the sustainability of the Council as an entity and the changes in the Council's net position resulting from current year's activities.

The financial transactions of the Council are reported in individual funds in the fund financial statements. The Council maintains one governmental fund being the general fund. The general fund accounts for all financial resources of the Council. This fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures/expenses. The focus of the governmental general fund measurement is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The fund statements are presented on a current financial resources measurement focus and modified accrual basis of accounting. This presentation demonstrates legal compliance and the source and use of liquid resources. The Council reports the budget under this presentation. Reconciliations are presented to explain the differences between the fund financial statements and the government-wide financial statements.

C. Basis of Accounting

Basis of accounting refers to the timing 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.

1. Accrual - All governmental activities in the government-wide financial statements are presented on the accrual basis of accounting using the economic resources measurement focus. Revenues are recognized when earned and expenses are recognized as incurred.
2. Modified Accrual - The governmental general fund financial statements are presented on the modified accrual basis of accounting using the current financial resources measurement focus. Under this method, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. 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 obligation long-term debt, if any, is recognized when due and employees' compensated absences are recorded when paid.

The one-dollar assessment revenue is considered measurable and available when held by the collecting entity, the New Mexico Livestock Board.

STATE OF NEW MEXICO
NEW MEXICO BEEF COUNCIL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Budgets and Budgetary Accounting

The Council follows these procedures in establishing the budgetary data reflected in the budgetary comparison schedules:

1. The Executive Director presents the budget to the Council for approval no later than April 25 for the fiscal year beginning July 1.
2. The proposed budget is submitted to the Director of the New Mexico Department of Agriculture by May 1 for the fiscal year beginning July 1. The Director also submits the budget to the New Mexico Department of Finance and Administration.
3. The budget for the general fund is adopted on a modified accrual basis of accounting.
4. Budget control is exercised at the fund level and may not be exceeded.
5. Budget information has been revised and the revision was made pursuant to Council approval.

E. Prepaid Expenses

These amounts represent expenses which have benefit to the Council beyond the years June 30, 2018 and 2017, respectively. Prepaid expenses are expensed when consumed and allocated to the fiscal year in which they are used.

F. Capital Assets

Capital assets purchased or acquired for governmental activities with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. The Council has no capitalized computer software costs. Other costs incurred for repairs and maintenance are expensed as incurred. All capital assets of the Council are in the furniture and equipment class, for which depreciation is provided on the straight line basis over useful lives ranging from five to sixteen years. Depreciation expense is not allocated to program functions of the Council.

G. Compensated Absences

The Council accrues accumulated vacation and sick leave and associated employee related costs when earned by full time employees in support of governmental activities. Vacation leave accrues per month of service ranging from seven days to twenty seven days per year based on years of service. Unused vacation time at year end is lost, with the exception of the Executive Director who may carry over 15 days of unused vacation. Sick leave accrues per month of service aggregating not more than seventeen days per year based on years of service. Employees may carry over unused sick leave at the end of a fiscal year subject to a 720 hour limitation. Upon termination with notice, the Council will compensate an employee for one hundred percent of accrued and unused sick leave at current employee pay rates. Compensated absences have been liquidated in the general fund.

STATE OF NEW MEXICO
NEW MEXICO BEEF COUNCIL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Compensated Absences (Continued)

Changes in compensated absences for the years ending June 30, 2018 and 2017 are as follows:

	<u>June 30, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2018</u>	<u>Current portion</u>
Balances	\$ <u>47,582</u>	\$ <u>15,583</u>	\$ <u>15,584</u>	\$ <u>47,581</u>	\$ <u>16,672</u>
	<u>June 30, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2017</u>	<u>Current portion</u>
Balances	\$ <u>43,442</u>	\$ <u>16,660</u>	\$ <u>12,520</u>	\$ <u>47,582</u>	\$ <u>8,119</u>

H. 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 at the date of the financial statements and the reported amounts of revenue and expenditures/expenses during the reporting period. Accordingly, actual results could differ from those estimates.

I. Risk Management

The Council is exposed to various risks of loss for which the Council carries insurance (Auto, Employee Fidelity Bond, General Liability and Workers Compensation) with the State of New Mexico Risk Management Division. There have been no settled claims which have exceeded insurance coverage in any of the past three fiscal years.

J. Fund Balances/Net Position

The Council reports fund balances in the following categories:

- Nonspendable – amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.
- Restricted – amounts that are restricted to specific purposes either externally imposed by creditors, grantors or laws or regulations or imposed by law through constitutional provisions or enabling legislation.
- Committed – amounts that can only be used for specific purposes pursuant to formal action of the government’s highest decision making authority.
- Assigned – amounts that are intended to be used for specific purposes, but are neither restricted not committed.
- Unassigned – remaining general funds balances not restricted, committed, or assigned.

The Council board is its highest level of decision making authority. To establish committed fund balances, the Council is required to take formal action. Prior actions have established the Pre \$1 check off collections as committed funds.

As of June 30, 2018, and 2017, pursuant to Council action, the general fund assigned fund balance includes the amount necessary to balance the budget, \$140,661 for the year ended June 30, 2019 and \$131,418 for the year ended June 30, 2018, respectively.

The Council’s policy is to apply restricted resources first when an expense is incurred for which both restricted and unrestricted net position or fund balances are available. Net position represents the excess of assets over liabilities of the Council at June 30, 2018 and 2017.

STATE OF NEW MEXICO
NEW MEXICO BEEF COUNCIL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Stewardship, Compliance, and Accountability

For the years ended June 30, 2018 and 2017, respectively, the general fund budgeted expenditures exceeded budgeted revenues by \$131,418 and \$77,308. Fund balance at the beginning of the year was used to complete the budget process.

L. Reclassifications

Certain amounts in 2017 have been reclassified to conform with the 2018 presentation.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent a bank operating checking account, a bank money market account and a petty cash fund.

The Council is authorized to deposit its money in banks, savings and loan associations or credit unions whose accounts are insured by an agency of the United States Government.

Excess funds may be invested in securities which are issued by the United States Government, or by their departments or agencies, and which are either direct obligations of the United States or are backed by the full faith and credit of the United States. Pursuant to federal statute and defined by the United States Department of Agriculture, investments must be short term, high quality and interest bearing instruments. No excess funds were invested in securities during the years ended June 30, 2018 and 2017, respectively.

At June 30, 2018 and 2017, respectively, the Council's cash amounted to \$604,828 and \$609,012 (including petty cash of \$300). The total bank balance at June 30, 2018 of \$714,314 is comprised of the operating checking account \$435,582 and money market account \$278,732. The total bank balance at June 30, 2017 of \$690,819 was comprised of the operating checking account \$412,321 and money market account \$278,498.

Pursuant to New Mexico state statute, deposits of public monies are required to be collateralized in amounts equal to one half of the amount on deposit in excess of insured public money in each financial institution. The Beef Promotion and Research Board investment policy for Qualified State Beef Councils requires 100% collateral for deposits in excess of the FDIC insurance amount. The Council has met these requirements.

Custodial credit risk is the risk that in the event of bank failure the Council's deposits may not be returned. Deposits are exposed to credit risk if they are not covered by deposit insurance and the deposits are uncollateralized, collateralized by securities held by the pledging financial institutions, or collateralized with securities held by the pledging financial institution's trust department or agency but not in the name of the Council. Funds in the amount of \$464,314 and \$440,819 as of June 30, 2018 and 2017, respectively, were exposed to custodial risk due to being uninsured and collateralized with securities held by the bank's agent but not in the Council's name.

STATE OF NEW MEXICO
NEW MEXICO BEEF COUNCIL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 is as follows:

	<u>June 30, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2018</u>
Furniture and equipment	\$ 134,089	\$ -	\$ -	\$ 134,089
Less accumulated depreciation	<u>124,822</u>	<u>1,767</u>	<u>-</u>	<u>126,589</u>
Capital assets, net	\$ <u>9,267</u>	\$ <u>1,767</u>	\$ <u>-</u>	\$ <u>7,500</u>

Capital asset activity for the year ended June 30, 2017 is as follows:

	<u>June 30, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2017</u>
Furniture and equipment	\$ 134,089	\$ -	\$ -	\$ 134,089
Less accumulated depreciation	<u>122,949</u>	<u>1,873</u>	<u>-</u>	<u>124,822</u>
Capital assets, net	\$ <u>11,140</u>	\$ <u>1,873</u>	\$ <u>-</u>	\$ <u>9,267</u>

5. ASSESSMENT REVENUE/RECEIVABLE FROM NEW MEXICO LIVESTOCK BOARD

The Council is mandated by Federal statute to levy and impose an assessment (check-off dollars) to be fixed at a rate of one dollar per head on all cattle involved in a transfer of ownership within the state. Fifty percent of collections for cattle originating in New Mexico is forwarded to the Cattlemen's Beef Promotion and Research Board. 100% of collections for cattle not originating in New Mexico are forwarded to the state in which they originated. The assessments retained by the Council are used to accomplish the purpose of the Council, which is the promotion of the beef industry.

The New Mexico Livestock Board (NMLB), a New Mexico State Agency, collects on behalf of the Council the assessment described above with respect to cattle transactions that are subject to the oversight and jurisdictional powers of the NMLB. Monthly, the NMLB is required to remit to the Council the assessment collections from the previous month.

The NMLB is authorized to receive a collection fee for their role in collecting assessments upon cattle involved in a transfer of ownership at the same time a state brand inspection required for movement of cattle is performed pursuant to New Mexico state statute. The Statute allows that the NMLB be reimbursed for collection expenses of not more than four cents (\$.04) per head on those cattle involved in a transfer of ownership. During the years ended June 30, 2018 and 2017, the NMLB has billed the Council \$48,322 and \$44,645, respectively.

6. RETIREMENT PLAN

All of the Council's employees participate in the New Mexico Beef Council Simplified Employee Pension (SEP) Plan. The SEP is a defined contribution plan established in accordance with Section 408(k) of the Internal Revenue Code.

STATE OF NEW MEXICO
NEW MEXICO BEEF COUNCIL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

6. RETIREMENT PLAN (CONTINUED)

The SEP is not administered through a trust. Each eligible employee creates an individual retirement account with Capital Guardian Trust Company (a third party financial institution trustee) titled for the benefit of the employee. Contributions vest 100% with the employee when made by the Council. Investment of account assets and distributions of account assets are under the direction of the respective employee. Council contributions are made for each employee who has reached age 21, and has been employed by the Council for one year. Council contributions are discretionary. Annual discretionary contributions are limited to the lesser of 25% of employee compensation or \$54,000. The pension benefit that the employee will receive depends on contribution made and actual earnings from investments.

Contribution amounts paid by the Council amounted to \$34,695 and \$28,302 during the years ended June 30, 2018 and 2017, respectively. Council contribution expense for the years ended June 31, 2018 and 2017 amounted to \$29,813 and \$33,184, respectively, computed at 25% of employee compensation.

7. OPERATING LEASE

The Council leases office space under an agreement renewed April 1, 2018 which expires March 31, 2021 with required monthly payments of \$2,855. The lease is subject to a clause which commits the Council only for each fiscal year. Expenditures under this lease amounted to \$34,260 in each of the years ended June 30, 2018 and 2017, respectively. Minimum lease payments under this lease through March 2021 amounts to \$34,260 for the years ending June 30, 2019 and 2020 and \$25,695 for the year ending June 30, 2021, respectively.

8. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 11, 2018 the date which the financial statements were available to be issued.

STATE OF NEW MEXICO
NEW MEXICO BEEF COUNCIL
SCHEDULE OF CASH ACCOUNTS AND PLEDGED COLLATERAL
JUNE 30, 2018

<u>New Mexico Bank & Trust</u>	<u>Checking</u>	<u>Money Market</u>	<u>Total</u>
Balance per books	\$ <u>325,796</u>	\$ <u>278,732</u>	\$ <u>604,528</u>
Balance per bank	\$ <u>435,582</u>	\$ <u>278,732</u>	\$ 714,314
Less: FDIC coverage			(<u>250,000</u>)
Total uninsured public funds			\$ <u>464,314</u>
Beef Promotion and Research Board Qualified State Beef Council Investment Policy collateral requirement at 100%			\$ <u>464,314</u>
New Mexico state statute collateral requirement at 50%			\$ <u>232,157</u>
Pledged collateral:			
FNMA Pool AY1366 3.5% 4/1/2045, par value \$1,011,659 CUSIP # 3138YEQ4			\$ 1,010,909
FNMA Pool AY3543 3.5% 5/1/2045, par value \$471,130 CUSIP # 3138YGZT2			469,465
FNMA Pool AY3455 3.0% 5/1/2045, par value \$319,931 CUSIP # 3138YGZV7			<u>310,238</u>
Collateral held by agent of New Mexico Bank & Trust, Heartland Financial USA Inc.			\$ <u>1,790,612</u>



REPORT OF INDEPENDENT AUDITOR ON COMPLIANCE WITH
THE BEEF PROMOTION AND RESEARCH BOARD
INVESTMENT POLICY FOR QUALIFIED STATE BEEF COUNCILS

To the Council Members of the
New Mexico Beef Council

We have audited 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 the financial statements of the governmental activities, the major fund and the budgetary comparison schedule of the New Mexico Beef Council, State of New Mexico as of June 30, 2018 and for the year then ended. These financial statements are the responsibility of the Council's management.

In connection with our audit, nothing came to our attention that caused us to believe the Council was not in compliance with the provisions of the Beef Promotion and Research Board Investment Policy for Qualified State Beef Councils dated March 14, 2016 which describes the type of instruments in which the Council may invest. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

This report is intended solely for the information and use of the Members of the Council, the Beef Promotion and Research Board and the United States Department of Agriculture and should not be used for any other purpose.


Mackie, Reid & Company, P.A.
Certified Public Accountants

Albuquerque, New Mexico
September 11, 2018



REPORT OF INDEPENDENT AUDITOR ON COMPLIANCE WITH
THE BEEF PROMOTION AND RESEARCH ACT OF 1985 AND
THE BEEF PROMOTION AND RESEARCH ORDER

To the Council Members of the
New Mexico Beef Council

We have audited 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 the financial statements of the governmental activities, the major fund and the budgetary comparison schedule of the New Mexico Beef Council, State of New Mexico as of June 30, 2018 and for the year then ended. These financial statements are the responsibility of the Council's management.

In connection with our audit, nothing came to our attention that caused us to believe the Council was not in compliance with the provisions of the Beef Promotion and Research Act of 1985 and Section 1260.181 (b) (7) of the Beef Promotion and Research Order relative to the use of funds collected by the Council insofar as they relate to accounting matters and that the Council failed to accurately allocate expenses that it shared with any other entity or funding source in manner that complies with the act and order. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

This report is intended solely for the information and use of the Members of the Council, the Beef Promotion and Research Board and the United States Department of Agriculture and should not be used for any other purpose.

Mackie, Reid & Company

Mackie, Reid & Company, P.A.
Certified Public Accountants

Albuquerque, New Mexico
September 11, 2018



REPORT OF INDEPENDENT AUDITOR 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

To the Council Members of the
New Mexico Beef Council
and
Mr. Wayne Johnson, 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 in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the budgetary comparison schedules of the New Mexico Beef Council, State of New Mexico (Council) as of and for the years ended June 30, 2018 and 2017 and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated September 11, 2018

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Council'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 Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. 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 2018-001 and 2018-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

New Mexico Beef Council's Response to Findings

The Council's response to the findings identified in our audit is described in the accompany schedule of findings and responses. The Council's responses were not subjected to 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 results 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.



Mackie, Reid & Company, PA
Certified Public Accountants

Albuquerque, New Mexico
September 11, 2018

STATE OF NEW MEXICO
NEW MEXICO BEEF COUNCIL
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018

Current Year Findings

2018-001 Employee Theft/Fraud (significant deficiency)

2018-002 Cash disbursement documentation (significant deficiency)

STATE OF NEW MEXICO
NEW MEXICO BEEF COUNCIL
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018

Current year findings

2018-001 Employee Theft/Fraud (significant deficiency)

Criteria

Council resources should only be used for approved Council activity.

Condition

The New Mexico Beef Council (Council) had in place an available but inactive credit card. In June 2018, the Council identified that an employee (since terminated) had gained access to the card and charged personal expenses on the credit card during the time period July 2017 to June 2018. Monthly card statements were set to be electronically accessible. In addition, this employee stole other staff's financial information making unauthorized bank account transfers to pay down the noted credit card balance. In addition, the Council has identified other employee personal expense fraud. As of September 11, 2018 the aggregate identified theft amounts to \$4,268. The Council has reported to law enforcement and to the State Auditors Office.

Effect

Council resources were improperly spent.

Cause

The existing Council control of secure physical access to the credit card was not sufficient. Council controls did not address internet access and mail considerations.

Recommendation

We recommend that the Council ensures that all credit cards are used in some manner subjecting the credit card to the daily disbursement oversight process. Alternatively, if the credit card is not necessary that it be cancelled.

Response and Planned Corrective Actions

Access to the credit card has been inactivated in June 2018 and the card will be cancelled upon the conclusion of the case by the executive director. All credit cards will require paper statements and be subjected to Council procurement procedures.

STATE OF NEW MEXICO
NEW MEXICO BEEF COUNCIL
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018

Current year findings

2018-002 Cash disbursement documentation (significant deficiency)

Criteria

All Council expenditures are to be supported by receipt documentation that clearly identifies the item purchased, dollar amount, and the business purpose.

Condition

During cash disbursement testing procedures performed it was noted that two out of forty three cash disbursements aggregating \$677 tested did not include the proper documentation. Vendor charges were paid with a vendor statement noting total amounts due or vendor receipts without purchased item detail or business purpose notations.

Effect

Documentation lacking the above criteria will not substantiate proper use of Council resources.

Cause

Even though receipts or a statement from the vendor were used for the payment process, the existing format does not allow for full item description and business purpose identification.

Recommendation

We recommend the Council ensures complete disbursement documentation exists to support the item purchased, dollar amount and business purpose. It may be necessary to supplement the vendor receipt with additional written details.

Response and Planned Corrective Actions

The executive director, program assistant and administrative assistant will delineate items purchased and appropriate business purpose on receipts upon purchases made.

STATE OF NEW MEXICO
NEW MEXICO BEEF COUNCIL
JUNE 30, 2018

An exit conference was held on September 14, 2018 and the contents of this report were discussed. Present at the conference were:

Susie Jones	Audit Committee, Chairperson/Current Member
Dina C. Reitzel	Executive Director
Don Umbrage, CPA	Contract Accountant
Jim Van Der Geest, CPA	Independent Accountant

Financial Statement Preparation

The New Mexico Beef Council contracts with an outside independent public accountant to prepare the financial statements.