

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

FINANCIAL STATEMENTS

JUNE 30, 2016

**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
Bob Frost	Member
David Kincaid	Member
Effie Walker	Member
Donald Martinez	Member
Kevin Elfering	Member

Administration

William W. Bunce	Executive Director
Ray E. Baca	Deputy Director
Ralph Zimmerman, D.V.M.	State Veterinarian
Priscilla Pena-Johnson	Admin/Human Resources
Andrew Silva	Chief Financial Officer

New Mexico Livestock Board
Organization Chart by Function Title



Independent Auditor's Report

Board Members
State of New Mexico
New Mexico Livestock Board
and
Mr. Timothy Keller
New Mexico State Auditor
Santa Fe, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the fiduciary funds, the budgetary comparison for the general fund of the State of New Mexico New Mexico Livestock Board (Board) as of and for the year ended June 30, 2016, 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 Combining Schedule of Changes in Assets and Liabilities 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, 2016, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Board Members
State of New Mexico New Mexico Livestock Board
and
Mr. Timothy Keller, New Mexico State Auditor
Santa Fe, New Mexico

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Board as of June 30, 2016, and the respective changes in financial position, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the fiduciary fund of the Board as of June 30, 2016, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As discussed in Note 2, the financial statements of the Board are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, each major fund and the aggregate remaining fund information of the State of New Mexico that are attributable to the transactions of the Board. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2016, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6-15 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.

Board Members
State of New Mexico New Mexico Livestock Board
and
Mr. Timothy Keller, New Mexico State Auditor
Santa Fe, New Mexico

Supplemental Information

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

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

Other Information

The Schedule of Vendor Information as required by 2.2.2.10(A)(2)(g) 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 21, 2016 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 21, 2016

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2016
(Required Supplementary Information)**

Introduction

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

The New Mexico Livestock Board is governed by a Board comprised of nine members, appointed by the Governor of the State of New Mexico. Seven of the members represent New Mexico's livestock industry and two are public members.

The Mission of the New Mexico Livestock Board (NMLB) is to protect the livestock industry against loss of livestock by theft or straying, to help control the spread of dangerous diseases of livestock, and to prevent the introduction of foreign animal diseases, whether by natural occurrence or bioterrorism.

NMLB is the state regulatory agency which oversees the New Mexico livestock industry. The livestock inspection side of the agency is responsible to verify the ownership status of livestock being shipped into, out of, and within New Mexico. As a law enforcement agency, the NMLB's inspectors also perform such public safety functions as road stops of livestock shipments, investigations of animal cruelty, larceny, or other livestock-related complaints, as well as enforcement of quarantines and disposition of animals deemed estrays by statute and, assist other agencies such as the State Police and Sheriff Office's in providing Law Enforcement to rural communities. The agency is also the office of the State Veterinarian. That side of the agency works in close cooperation with the USDA, our counterparts in other states, veterinarians in New Mexico, and our state's livestock producers to protect the livestock industry from the threat of contagious diseases.

Financial Highlights

The three primary sources of revenue for the department are; Brand Re-Recording Fees, Inspection Fees, and Property Taxes on livestock.

The Board is responsible for recording brands in the State of New Mexico. The Board will research a new brand to ensure that there are no conflicts with any other brand in New Mexico. There are approximately thirty thousand brands in New Mexico. Every brand is re-recorded every three years at a cost of one hundred dollars. This generates about \$2.8 million in Brand Registration and Recording revenue that is recognized by the Board over a three year period. In FY2016, the Board recognized \$879,461.

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NEW MEXICO LIVESTOCK BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2016
(Required Supplementary Information)**

The Board performs inspections of livestock in the field for theft and health. When livestock enter or leave the state, or when livestock cross a district line an inspection is required. In FY2016, inspections fees generated \$994,252.

The Board receives a portion of money collected from property taxes on livestock. New Mexico applies property tax (Mill Levy) to all livestock in the state. Livestock owners are responsible for rendering their livestock for taxation purposes unless the Board performs an inspection on these animals. The Board receives about one-third of the total collected for property taxes by the counties. The remaining two-thirds go to the county, state, school district and water conservation districts. In FY2016, the Board received property tax transfers totaling \$2,331,439.

In addition, in FY2016, the Board received appropriated transfers from the General Fund totaling \$1,387,400 (22% of total annual funding) and Federal funding for cooperative agreements totaling \$124,418.

Overview of the Financial Statements

The New Mexico Livestock Board's (NMLB) Management's Discussion and Analysis is provided as an overview of the financial activities for the fiscal year ended June 30, 2015. The financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) statements.

The Basic Financial Statements

In compliance with requirements of accounting principles generally accepted in the United States of America (GAAP), the Administration's basic financial statements include the:

- A. Government-wide financial statements** – The government-wide financial statements are designed to provide readers with a broad overview of the NMLB's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the NMLB's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the NMLB is improving or deteriorating. Net assets legally limited to a particular use are reported restricted. Unrestricted net assets are assets that can be used to fund operating expenses in future years.

The Statement of Activities presents information showing how the NMLB's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing or related cash flows. Thus, revenues and expenses are reported in this statement for some items that

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NEW MEXICO LIVESTOCK BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2016
(Required Supplementary Information)**

will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

(The government-wide financial statements can be found on pages 16 to 17)

B. Fund financial statements

The fund financial statements that follow the government-wide financial statements report on the financial position and changes in financial position of the individual funds used by the NMLB. Funds are separate accounting entities used in government accounting to segregate transactions according to the sources of funding and to demonstrate legal compliance with the restrictions that may be imposed on those financial resources. The NMLB uses two types of funds to account for its financial activities: Government Funds and Fiduciary Funds.

Governmental Fund

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements.

The governmental funds use the modified accrual basis of accounting whereby revenues are recognized when they become available and measurable as net current assets. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statement. By doing so, readers may better understand the long-term impact of the NMLB's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2016
(Required Supplementary Information)**

Fiduciary Fund

Fiduciary funds are separate funds that are used to record assets held by an agency in a trustee capacity or as an agent for individuals, private organization, or other governmental agencies, and therefore the assets of fiduciary funds cannot be used to support the NMLB's own programs. Fiduciary funds are classified into four different types:

1. Pension trust funds
2. Investment trust funds
3. Private-purpose trust funds
4. Agency funds

Pursuant to Chapter 77, Section 2A.7.1 "Assessment" NMSA 1978. Fund 19600 was created as an Agency Fund to report resources held by the NMLB in a purely custodial capacity and involve only the receipt and remittance of the levy imposed upon all cattle involved in a transfer of ownership in this state. Per the statute the NMLB is to collect one dollar (\$1.00) per head. In accordance with the Beef Promotion and Research Act of 1985 this levy (fee) is to be remitted by the NMLB to the Beef Council at the end of each month.

C. Notes to the basic financial statements

The notes to the basic financial statements provide detailed information to support and explain key financial information presented in the government-wide and fund financial statements. The notes provide information on the activities of the NMLB on the basis of accounting method used, and on accounting policies reflected in the financial statements, in addition to clarifying key financial information. They are integral to understanding the financial statements (Notes are found on pages 24-38).

In compliance with 2.2.2 New Mexico Administrative Code (NMAC) Section 2.2.2.10A.(2)(b), the audit opinion also covers additional information consisting of:

- Individual fund budget comparison statements.

The Management's Discussion and Analysis (MD&A) is included as required supplementary information (RSI).

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2016
(Required Supplementary Information)**

The Budget Comparison Statements

The budget comparison statements present the original and final appropriated budget for the reporting period as well as actual inflows and outflows stated on the budgetary basis. A separate column reports the variance between the final budget and actual amounts. In compliance with 2.2.2 New Mexico Administrative Code (NMAC) Section 2.2.2.10 P (1) through (3) the *Statement of Revenues and Expenditures – Budget and Actual*:

- Include prior-year cash required to balance the budget;
- Has been included as part of the basic financial statements; and
- Has been included in the auditor's opinion.

The Department's budgeted funds consist of the individual Statewide Human Resources Accounting and Management Reporting System (SHARE) funds. Therefore, the individual fund budget comparison statements have been included in order to demonstrate budget compliance at the SHARE fund level, and to comply with the audit scope requirements of 2.2.2 (NMAC) Section 2.2.2.10 A(2)(e).

THE DEPARTMENT AS A WHOLE

Financial Analysis of the Department

The Department's combined net position was increased from a year ago, by \$944,186 or 22%, from \$4,204,161 to \$5,148,347.

Our analysis below focuses on the net position and changes in net position of the Department's governmental activities. Comparative information from the previous fiscal year is included for the reader's information.

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2016
(Required Supplementary Information)**

**Net Position
Governmental Activities**

	<u>FY 2016</u>	<u>FY 2015</u>	<u>Change</u>
Cash and investments	\$ 5,923,956	5,747,677	176,279
Livestock fees and charges receivable	114,275	224,103	(109,828)
Due from other state agency	200,384	213,434	(13,050)
Due from federal government	89,241	20,715	68,526
Capital assets, net of depreciation	<u>859,811</u>	<u>748,817</u>	<u>110,994</u>
 Total assets	 <u>7,187,667</u>	 <u>6,954,746</u>	 <u>232,921</u>
 Accounts payable	 57,017	 70,003	 (12,986)
Accrued payroll, benefits and taxes	133,393	104,604	28,789
Compensated absences – current	68,755	68,178	577
Compensated absences – long-term	<u>160,430</u>	<u>162,626</u>	<u>(2,196)</u>
 Total liabilities	 <u>419,595</u>	 <u>405,411</u>	 <u>14,184</u>
 Deferred inflows of resources	 <u>1,619,725</u>	 <u>2,345,174</u>	 <u>(725,449)</u>
 Net position, invested in capital assets	 859,811	 748,817	 110,994
Net position, restricted	<u>4,288,536</u>	<u>3,455,344</u>	<u>833,192</u>
 Total net position	 <u><u>\$ 5,148,347</u></u>	 <u><u>4,204,161</u></u>	 <u><u>944,186</u></u>

Total assets increased by \$232,921 or 3% from a year ago, and total liabilities increased by \$14,184 or 3% from a year ago.

Accounts payable decreased by \$12,986, from \$70,003 to \$57,017.

Total liabilities of \$419,595 constitute 6% of total assets.

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2016
(Required Supplementary Information)**

Statement of Activities – Changes in Net Assets

The statement below shows the components that increased, in the aggregate, the Department's net position by \$944,186 during the year.

	<u>FY 2016</u>	<u>FY 2015</u>	<u>Change</u>
Program revenues:			
Operating grants and contributions	\$ 124,418	126,400	(1,982)
Charges for services	2,505,089	2,746,652	(241,563)
Total program revenues	<u>2,629,507</u>	<u>2,873,052</u>	<u>(243,545)</u>
General revenues and other:			
State General Fund appropriations	1,387,400	1,376,200	11,200
Special legislative appropriation	-	45,800	(45,800)
Livestock property taxes	2,331,439	2,068,905	262,534
Gain on sale of assets	34,503	39,017	(4,514)
Miscellaneous	65,581	118,671	(53,090)
Total general revenues and other	<u>3,818,923</u>	<u>3,648,593</u>	<u>170,330</u>
Expenses			
General government	5,197,532	5,320,613	(123,081)
Depreciation	306,712	290,813	15,899
Total general expenses	<u>5,504,244</u>	<u>5,611,426</u>	<u>(107,182)</u>
Change in net position	944,186	910,219	33,967
Beginning net position	<u>4,204,161</u>	<u>3,293,942</u>	<u>910,219</u>
Ending net position	<u>\$ 5,148,347</u>	<u>4,204,161</u>	<u>944,186</u>

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2016
(Required Supplementary Information)**

The Department's governmental activities program revenue decreased by \$243,545, or 8%. This was the result of decreases in both charges for services and federal operating grant revenues.

The Department's governmental activities general revenue increased by \$170,330 or 5%. This was the result of increased livestock property taxes.

The cost of governmental activities this year was \$5,504,244 compared to \$5,611,426 last year, or an decrease of \$107,182 or 2%. This was the result of a general decrease in contractual and other costs to fund operations.

The Department's Funds

As noted earlier, the Department uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, providing useful information near-term inflows, outflows, and balances of available resources (modified accrual basis). SHARE Fund 39500 (General Fund), and SHARE Fund 12130 (Horse Rescue Fund) are non-reverting; therefore the restricted balance is available for future appropriation.

The composition of the fund balance reservations at the end of the current and prior fiscal years appears below:

	<u>FY 2016</u>	<u>FY 2015</u>	<u>Change</u>
Non-spendable	\$ 1,000	1,000	-
Restricted	4,516,721	3,685,148	831,573
 Total fund balance	 <u>\$4,517,721</u>	 <u>3,686,148</u>	 <u>831,573</u>

The governmental funds (as presented in the balance sheet on page 18) reported a fund balance of \$4,517,721 which is up from last year's total of \$3,686,148. The increase of \$831,573 or 22.6% is attributable to the excess of revenues over expenditures in the General Fund and the Horse Shelter Rescue Fund.

NMLB utilizes the fund balance to supplement the sources in each years operating budgets, however it should be noted that the agency will continue to closely monitor the availability of our fund balance in order to ensure the availability of additional resources to deal with the unpredictable forces of weather and market cycles, and to react to emergency situations.

Our fund balance plays two important and very necessary roles in the operations of the agency.

- (1) The two major drivers of NMLB's revenue, Mill Levy and Inspections, are highly susceptible to unpredictable forces such as weather and market values. The fund balance is utilized to offset the inherent unpredictability of the agency's revenue resources. This

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2016
(Required Supplementary Information)**

allows the agency to continue to perform its statutorily mandated services without interruption when revenue streams are negatively impacted by these forces.

- (2) The fund balance is also utilized to fund emergency services. In FY13 the agency responded to numerous situations where animals were in peril, including the seizure of over 1,500 head of cattle in the southeast section of the state. When this specific situation arose, the agency was ill prepared to deal with it due to a shortage in fund balance. The agency's ability to immediately respond to these situations, as required by law, is critical for the health and safety of not only the livestock but also of the citizens of New Mexico. The NMLB has 30 Certified Law Enforcement Officers who are bound by oath and state statute to enforce animal cruelty, health and any other issues under Chapters 77 and 30, NMSA 1978.

The expenses for the situations mentioned above were covered out of the NMLB's base budget. While the situation which occurred in the southeast portion of the state was quickly resolved, the agency was at risk of incurring well over \$1.0 million in expenditures for staff, equipment, care and feeding of animals, veterinary care and transportation costs. This example serves as an ongoing reminder of the necessity to maintain an adequate fund balance to ensure the agency has the immediate resources required to properly deal with livestock emergencies that could have a direct impact on New Mexico's economy.

General Fund Budgetary Highlights

The Department executed 5 Budget Adjustment Requests (BAR) during the year which increased the budget overall by \$321,276, decreasing personnel services by \$925, increasing the Contractual Services budget by \$43,133 and increasing the Other Costs budget by \$279,068.

Capital Assets

The Department's investment in capital assets, net of accumulated depreciation is \$859,811. There is no debt related to these capital assets. There were \$417,706 in additions and \$148,843 in deletions to capital assets for the year. Depreciation expense for the year totaled \$306,712. The investment in capital assets, net of accumulated depreciation changed from \$748,817 to \$859,811 for an increase of \$110,994.

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2016
(Required Supplementary Information)**

Long-Term Debt

The Department's long-term debt is made up entirely of the long-term portion of the compensated absence liability, which was \$160,430 at June 30, 2016.

Next Year's Budget

The FY2017 Operating Budget will decrease by 1% of the FY2016 Operating Budget. The budget will include a significant decrease in State General Funds. This decrease in funding will be off-set by an increase in the utilization of Fund Balance.

FY 2017 Operating Budget

General Fund 39500

Personal Services/Employee Benefits	\$ 4,495,500
Contractual Services	283,100
Other Operating Costs	<u>1,393,800</u>
Total General Fund 39500	<u>\$ 6,172,400</u>

Horse Rescue Fund 12130

Other Costs	<u>\$ -</u>
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The budgets for the FY 2017 are not expected to have a significant effect on financial position (net position) or results of operations of the Department for FY 2017.

Requests for Information

This financial report is designated to provide a general overview of the New Mexico Livestock Board's finances for all those interested in the Department finances. If you have questions about this report or need additional information please contact:

**The New Mexico Livestock Board
300 San Mateo, NE Suite 1000
Albuquerque, NM 87108**

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
STATEMENT OF NET POSITION
GOVERNMENT WIDE
June 30, 2016

	Governmental Activities
ASSETS	
Current Assets	
Cash and investments	\$ 5,923,956
Livestock fees and charges receivable	114,275
Due from other state agencies	200,384
Due from federal government	89,241
Total current assets	<u>6,327,856</u>
Noncurrent Assets	
Capital assets	2,546,668
Less accumulated depreciation	<u>(1,686,857)</u>
Total noncurrent assets	<u>859,811</u>
Total assets	<u>7,187,667</u>
LIABILITIES	
Current Liabilities	
Vouchers payable	57,017
Accrued payroll, benefits and taxes	133,393
Compensated absences - current portion	68,755
Total current liabilities	<u>259,165</u>
Noncurrent liabilities	
Compensated absences - noncurrent portion	<u>160,430</u>
Total liabilities	<u>419,595</u>
DEFERRED INFLOWS OF RESOURCES	
Brand recording fees and sales of estrays	<u>1,619,725</u>
NET POSITION	
Net investment in capital assets	859,811
Restricted - special revenue fund	29,733
Restricted - by statute	4,258,803
Total net position	<u>\$ 5,148,347</u>

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

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
STATEMENT OF ACTIVITIES
GOVERNMENT WIDE
Year Ended June 30, 2016

Functions/Programs	Program Revenues			Net Revenues (Expenses) and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
Expenses				
General government	\$ 5,197,532	2,505,089	124,418	(2,568,025)
Depreciation	306,712	-	-	(306,712)
Total governmental activities	<u>5,504,244</u>	<u>2,505,089</u>	<u>124,418</u>	<u>(2,874,737)</u>
General Revenues and Other:				
State General Fund appropriation				1,387,400
Livestock property taxes				2,331,439
Gain on sale of assets				34,503
Miscellaneous revenue				<u>65,581</u>
Total general revenues and other				<u>3,818,923</u>
Change in net position				944,186
Net position, beginning				<u>4,204,161</u>
Net position, ending				<u><u>\$ 5,148,347</u></u>

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

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	General Fund	Special Revenue Horse Shelter Rescue Fund	Total
ASSETS			
State General Fund Investment Pool	\$ 5,893,223	29,733	5,922,956
Petty cash	1,000	-	1,000
Receivables:			
Livestock fees and charges	114,275	-	114,275
Due from other state agencies	200,384	-	200,384
Due from federal government	89,241	-	89,241
Total assets	\$ 6,298,123	29,733	6,327,856
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Vouchers payable	\$ 57,017	-	57,017
Accrued payroll, benefits and taxes	133,393	-	133,393
Total liabilities	190,410	-	190,410
DEFERRED INFLOWS OF RESOURCES			
Brand recording fees/sale of estrays	1,619,725	-	1,619,725
FUND BALANCES			
Nonspendable - petty cash	1,000	-	1,000
Restricted - special revenue fund	-	29,733	29,733
Restricted - by statute	4,486,988	-	4,486,988
Total fund balances	4,487,988	29,733	4,517,721
Total liabilities, deferred inflows of resources, and fund balances	\$ 6,298,123	29,733	6,327,856

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

**STATE OF NEW MEXICO
 NEW MEXICO LIVESTOCK BOARD
 RECONCILIATION OF THE BALANCE SHEET
 GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION
 June 30, 2016**

Total fund balance for the governmental funds (Balance Sheet) \$ 4,517,721

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	\$ 2,546,668	
Less accumulated depreciation	<u>(1,686,857)</u>	
Total capital assets, net of depreciation		859,811

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

Compensated absences	<u>(229,185)</u>
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Net position of governmental activities (Statement of Net Position) \$ 5,148,347

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

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2016**

	General Fund	Special Revenue Horse Shelter Rescue Fund	Total
Revenues			
Intergovernmental revenues - federal grant funds	\$ 124,418	-	124,418
Personal property taxes on livestock	2,331,439	-	2,331,439
Charges for services:			
Inspection fees	994,252	-	994,252
Brand recording fees and horse permits	879,461	-	879,461
Estray sales, net	130,575	-	130,575
Licenses and permits	500,801	-	500,801
Miscellaneous	58,694	6,887	65,581
Total revenues	<u>5,019,640</u>	<u>6,887</u>	<u>5,026,527</u>
Expenditures			
Current:			
General government			
Personal services and employee benefits	3,955,686	-	3,955,686
Contractual services	224,398	-	224,398
Other expense	1,019,067	-	1,019,067
Capital outlay	417,706	-	417,706
Total expenditures	<u>5,616,857</u>	<u>-</u>	<u>5,616,857</u>
Excess (deficiency) of revenues over expenditures	<u>(597,217)</u>	<u>6,887</u>	<u>(590,330)</u>
Other Financing Sources (Uses)			
State General Fund appropriation	1,387,400	-	1,387,400
Gain on sale of assets	34,503	-	34,503
Total other financing sources (uses)	<u>1,421,903</u>	<u>-</u>	<u>1,421,903</u>
Net change in fund balances	824,686	6,887	831,573
Fund balances, beginning of year	<u>3,663,302</u>	<u>22,846</u>	<u>3,686,148</u>
Fund balances, end of year	<u>\$ 4,487,988</u>	<u>29,733</u>	<u>4,517,721</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, 2016**

Net change in fund balance - Governmental Funds
(Statement of Revenues, Expenditures and Changes in Fund Balance) \$ 831,573

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

In the Statement of Activities certain operating expenses-
compensated absences payable-are measured by the amounts
earned during the year. In the Governmental Funds, however,
expenditures are measured by the amount of financial
resources used (essentially the amount actually paid.) The
decrease in the liability for compensated absences payable
for the year was: 1,619

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	\$	417,706	
Depreciation expense		(306,712)	
		110,994	

Change in net position of governmental activities \$ 944,186

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

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL -
GENERAL FUND
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance Favorable (Unfavorable)
	Original	Final		
General Appropriation				
Revenues				
Federal sources	\$ -	129,676	124,418	(5,258)
Other	4,814,200	4,814,200	4,929,725	115,525
Total revenues	<u>4,814,200</u>	<u>4,943,876</u>	<u>5,054,143</u>	<u>110,267</u>
Expenditures				
General government:				
Personnel services	4,523,100	4,522,175	3,955,686	566,489
Contractual services	283,100	326,233	224,398	101,835
Other costs	1,403,800	1,682,868	1,386,773	296,095
Total expenditures	<u>6,210,000</u>	<u>6,531,276</u>	<u>5,566,857</u>	<u>964,419</u>
Excess (deficiency) of revenues over expenditures	<u>(1,395,800)</u>	<u>(1,587,400)</u>	<u>(512,714)</u>	<u>1,074,686</u>
Other Financing Sources (Uses)				
State General Fund appropriations	1,395,800	1,387,400	1,387,400	-
Fund balance budgeted	-	200,000	-	(200,000)
Total other financing sources	<u>1,395,800</u>	<u>1,587,400</u>	<u>1,387,400</u>	<u>(200,000)</u>
Special Appropriation				
Fund balance budgeted	50,000	50,000	-	(50,000)
Expenditures - other costs	(50,000)	(50,000)	(50,000)	-
	<u>-</u>	<u>-</u>	<u>(50,000)</u>	<u>(50,000)</u>
Net change in fund balances	<u>\$ -</u>	<u>-</u>	<u>824,686</u>	<u>824,686</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, 2016

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 76,059
Total assets	<u>\$ 76,059</u>
LIABILITIES	
Due to NM Beef Council	\$ 74,773
Due to NM Sheep & Goat Council	1,286
Total liabilities	<u>\$ 76,059</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, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

A. Financial Reporting Entity

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

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

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

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

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

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

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

The fund financial statements emphasize the major funds in either the governmental or business-type categories. Non-major funds (by category) or fund type are summarized into a single column. The Board had no nonmajor governmental funds during the year ended June 30, 2016.

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

C. Financial Statement Presentation

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

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, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Financial Statement Presentation (Continued)

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

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

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

In 2015, the Levy fund was presented as a special revenue fund. This fund did not have a corresponding fund in SHARE, the State's accounting system, but rather the activity was included in SHARE fund 39500. After evaluation, the Board determined the presentation of a separate special revenue fund was not required by GAAP. This fund has not been presented in the 2016 financial statements. There were no balance sheet amounts at June 30, 2015 to carry into 2016.

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

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting

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

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

Government fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to the compensated absences and claims and judgments, are recorded only when payment is due.

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

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

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting (Continued)

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

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

E. Budgetary Accounting

The State Legislature makes annual appropriations to the Board. Legal compliance is monitored through the establishment of an annual budget. Annual budgets are adopted each fiscal year for the General Fund and the Special Revenue Fund. However, the State Legislature did not adopt a budget for the Horse Shelter Rescue Fund for 2016 and therefore none is presented in the accompanying financial statements. Expenditures may not legally exceed appropriations at the object expenditure classification level. Amendments to the budget require approval by the State's Financial Control Division of the New Mexico Department of Finance and Administration (DFA). The budgets presented have been so amended during the fiscal year.

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

1. No later than September 1, the Board submits to the Legislative Finance Committee (LFC), and the Department of Finance and Administration (DFA) an appropriation request for the fiscal year commencing the following July 1. The appropriation request includes proposed expenditures and the means of financing them.
2. Appropriation request hearings are scheduled by the DFA. Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcomes of these hearings are incorporated into the General Appropriations Act. The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit.

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Accounting (Continued)

3. The Board submits to DFA, no later than May 1, an annual operating budget by category and line item based upon the appropriation made by the Legislature. The DFA-Budget Division reviews and approves the operating budget which becomes effective on July 1. All subsequent budget adjustments must be approved by the director of the DFA-Budget Division and the LFC.
4. Legal level of budgetary control for expenditures is at the program appropriation level. 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.

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

F. Capital Assets

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

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

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Compensated Absences Payable

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

H. Net Position / Fund Balances

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

Net investment in capital assets is intended to reflect the portion of net assets which are associated with non-liquid, capital assets less outstanding debt. The net related debt is the debt less outstanding liquid assets and any associated unamortized cost. The Board did not have any related debt during the year ended June 30, 2016.

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".

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Net Position / Fund Balances (Continued)

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

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

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

Committed: Consist of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts.

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

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

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

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

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Receivables

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

J. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

NOTE 2. STATE GENERAL FUND INVESTMENT POOL

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

For additional disclosure information regarding the investment in the State Treasurer’s SGFIP, the reader should see the separate audit report for the State Treasurer’s Office for the fiscal year ended June 30, 2015, review the State Treasurer’s Investment Policy at http://www.nmsto.gov/investment_policy_1 and review Sections 2.60.4.1 through 2.60.4.15 of the New Mexico Administrative Code, regarding Investment of Deposits of Public Funds Depository Bank Requirements, Collateral Level Requirements, and Custodial Bank Requirements.

At June 30, 2016, the Board had the following invested in the State General Fund Investment Pool:

Account Name	Agency Number	SHARE Fund	Balance per SHARE
NM Livestock Board – General Fund	50800	39500	\$ 5,893,223
Horse Shelter Rescue Fund	50800	12130	<u>29,733</u>
Total government funds			<u>5,922,956</u>
Agency Fund	50800	19600	<u>76,059</u>
Total investments in SGFIP			<u>\$ 5,999,015</u>

STATE OF NEW MEXICO
 NEW MEXICO LIVESTOCK BOARD
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE 3. CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2016</u>
Machinery and equipment	\$ 2,277,805	417,706	(148,843)	2,546,668
Accumulated depreciation	<u>(1,528,988)</u>	<u>(306,712)</u>	<u>148,843</u>	<u>(1,686,857)</u>
Totals	<u>\$ 748,817</u>	<u>110,994</u>	<u>-</u>	<u>859,811</u>

Depreciation expense of \$306,712 was unallocated.

NOTE 4. DEFERRED INFLOWS OF RESOURCES

Sale of Estrays. Deferred revenue from stray sales represents proceeds from the sale of livestock for which ownership cannot be verified. The rightful owners of unbranded livestock are determined by the Board through arbitration. Proceeds from sales of estrays revert to the Board if ownership is not resolved within two years from the date of sale. The amount deferred at June 30, 2016 is \$151,289.

Brand Recording Fees. The Board renews cattle brands every three, six, nine and twelve years at the election of the brand holder. The amount collected in the renewal year is amortized over a three, six, nine, or twelve-year period. The year ended June 30, 2015 was a renewal year. At June 30, 2016, \$1,468,436 related to brand renewal and will be amortized into revenue over the next two fiscal years.

NOTE 5. COMPENSATED ABSENCES PAYABLE

A summary of changes in compensated absences payable for the year ended June 30, 2015 is as follows:

	Balance 6/30/15	Increase	Decrease	Balance 6/30/16	Due in One Year
Accrued vacation and sick leave	<u>\$ 230,804</u>	<u>159,578</u>	<u>(161,197)</u>	<u>229,185</u>	<u>68,755</u>

The liability at June 30, 2016 of \$229,185 has been recorded in the government-wide financial statements and represents the Board's commitment to fund out of the General Fund the accrued vacation, sick leave, and comp time costs from future operations.

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

NOTE 6. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

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

Funding Policy. Plan members are required to contribute 8.92% of their gross salary. The Board is required to contribute 16.59% of the gross covered salary. The contribution requirements of plan members and the Board are established in State statute under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Board's contributions to PERA for the fiscal years ending June 30, 2016, 2015, and 2014 were \$443,670, \$426,950, and \$415,700, respectively, which equal the amount of the required contributions for each fiscal year.

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

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

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

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

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

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.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2016, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended

**STATE OF NEW MEXICO
 NEW MEXICO LIVESTOCK BOARD
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2016**

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

June 30, 2016, 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, 2016, 2015 and 2014 were \$52,227, \$50,276, and \$50,203, respectively, which equal the required contributions for each year.

NOTE 8. COMMITMENTS – OPERATING LEASES

The Board is committed under several leases for office space and various equipment. Rental payments totaling \$119,498 were made during the year ended June 30, 2016 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:

2017	\$ 115,063
2018	116,189
2018	108,836
2020	40,550
2021	<u>3,600</u>
Total	<u>\$ 384,238</u>

NOTE 9. 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.

**STATE OF NEW MEXICO
 NEW MEXICO LIVESTOCK BOARD
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2016**

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

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

	Transfer From	Transfer To
Department of Finance & Administration (Agency No. 34100, Fund 85300)	\$ 1,387,400	
Board's General Fund (Agency No. 50800, Fund 39500)		\$ 1,387,400
Purpose: General Fund appropriation FY 2016		
Department of Finance & Administration (Agency No. 34100, Fund 80000)	\$ 2,331,439	
Board's General Fund (Agency No. 50800, Fund 39500)		\$ 2,331,439
Purpose: Transfer of tax levy revenues		

As of June 30, 2016 The Board's General Fund (Agency No. 50800, Fund 39500) was due \$200,384 from the Department of Finance and Administration (Agency No. 34100, Fund 80000) for tax mill levy receivables.

NOTE 11. SCHEDULE OF SPECIAL APPROPRIATIONS

As part of the fiscal year 2015 General Appropriation Act, the Board was authorized a special appropriation out of fund balance for its General Fund, fund 39500, to train and equip livestock inspectors.

	Original Appropriation	Appropriation Period	Expenditures to Date	Outstanding Encumbrances	Unencumbered Balance
Special Appropriation LI5 IS C101 S005 I032	\$ <u>50,000</u>	July2014-June2016	\$ <u>50,000</u>	<u>-</u>	<u>-</u>

NOTE 12. 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, 2016**

NOTE 13. SUBSEQUENT EVENTS

Pursuant to Senate Bill 2 of the 2016 2nd Special Session of the New Mexico State Legislature, Section 3 A(38), \$500,000 is to be transferred from the Board's general (39500) fund to the State General Fund in fiscal year 2017. These funds may not be available to the Board for appropriation and expenditure.

The legislature's action would have caused the \$500,000 to be classified as committed, however, the fund balance is already classified as restricted by the enabling legislation and have been presented as such in the accompanying fund financial statements.

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2016

	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016
NEW MEXICO BEEF COUNCIL				
ASSETS				
Cash	\$ 56,920	\$ 1,007,789	\$ (989,936)	\$ 74,773
Receivable - General Fund	1,139	1,005,505	(1,006,644)	-
Total Assets	\$ 58,059	\$ 2,013,294	\$ (1,996,580)	\$ 74,773
LIABILITIES				
Due to NM Beef Council	58,059	1,006,638	(989,924)	74,773
Total liabilities	\$ 58,059	\$ 1,006,638	\$ (989,924)	\$ 74,773
NEW MEXICO SHEEP AND GOAT COUNCIL				
ASSETS				
Cash	\$ 326	\$ 12,616	\$ (11,656)	\$ 1,286
Receivable - General Fund	267	12,084	(12,351)	-
Total Assets	\$ 593	\$ 24,700	\$ (24,007)	\$ 1,286
LIABILITIES				
Due to NM Sheep and Goat Council	593	12,350	(11,657)	1,286
Total liabilities	\$ 593	\$ 12,350	\$ (11,657)	\$ 1,286
TOTAL ALL AGENCY FUNDS				
ASSETS				
Cash	\$ 57,246	\$ 1,020,405	\$ (1,001,592)	\$ 76,059
Receivable - General Fund	1,406	1,017,589	(1,018,995)	-
Total Assets	\$ 58,652	\$ 2,037,994	\$ (2,020,587)	\$ 76,059
LIABILITIES				
Due to NM Beef Council	58,059	1,006,638	(989,924)	74,773
Due to NM Sheep and Goat Council	593	12,350	(11,657)	1,286
Total liabilities	\$ 58,652	\$ 1,018,988	\$ (1,001,581)	\$ 76,059

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

STATE OF NEW MEXICO NEW MEXICO LIVESTOCK BOARD
 SCHEDULE OF VENDOR INFORMATION for Purchases Exceeding \$60,000 (excluding GRT)
 For the Year Ended June 30, 2016
 Prepared by Agency Staff Name: Andrew Silva Title: CEO Date: 10/01/2016

Agency Number Agency Name Agency Type
 50800 New Mexico Livestock State Agencies

<i>RFB#/RFP# (if applicable)</i>	<i>Type of Procurement</i>	<i>Vendor Name</i>	<i>Did Vendor Win Contract?</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Physical address of vendor (City, State)</i>	<i>Did the Vendor provide documentation of eligibility for In-state preference?</i>	<i>Did the Vendor provide documentation of eligibility for veterans' preference?</i>	<i>Brief Description of the Scope of Work</i>	<i>If the procurement is attributable to a Component Unit, Name of Component Unit</i>
No procurements										

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. Timothy Keller
New Mexico State Auditor
Santa Fe, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the budgetary comparisons of the general fund and major special revenue fund, of the State of New Mexico New Mexico Livestock Board (Board), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and the fiduciary fund of the Board, presented as supplementary information, and have issued our report thereon dated November 21, 2016.

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. Timothy Keller
New Mexico State Auditor
Santa Fe, New Mexico

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 21, 2016

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2016**

A. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None

B. FINDINGS AND RESPONSES

None

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
EXIT CONFERENCE
For the Year Ended June 30, 2016**

Exit Conference

An exit conference was held on November 8, 2016, to discuss the annual financial report. Attending were the following:

Representing the New Mexico Livestock Board:

Bill Sauble, Chairman
William W. Bunce, Executive Director
Andrew Silva, Chief Financial Officer

Representing the Independent Auditor:

Wayne Brown
Larry Carmony

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