

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2007

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INTRODUCTORY SECTION

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

FOR THE YEAR ENDED JUNE 30, 2007
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**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD**

OFFICIAL ROSTER
JUNE 30, 2007

Members

<u>Name</u>	<u>Title</u>
Bill King	Chairman
Bill Sauble	Vice-Chairman
Robert Garcia	Secretary/Treasurer
Joe Delk	Member
David Kincaid	Member
Palemon Martinez	Member
Don L. Lee	Member
James Turner	Member
Effie Walker	Member

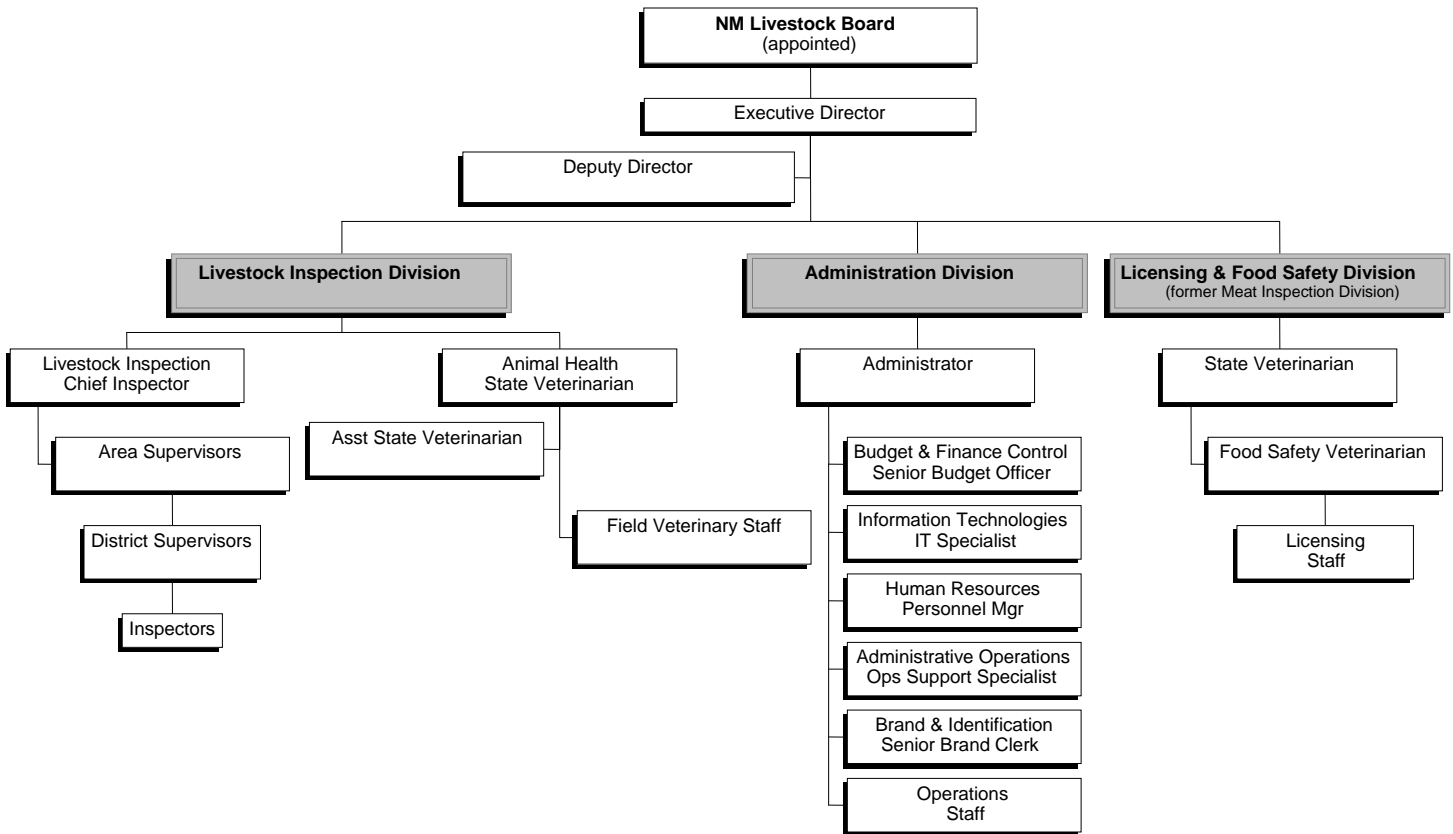
Administration

Myles Culbertson	Executive Director
Bobby Pierce	Deputy Director
Dave E. Fly, D.V.M.	State Veterinarian
Tim Hanosh	Assistant State Veterinarian
Penny Sample	Office Manager
Dorothy Martinez	Chief Financial Officer

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

**ORGANIZATIONAL CHART
New Mexico Livestock Board
Organization by Function & Title**



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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Board of Directors
State of New Mexico
New Mexico Livestock Board

And

Mr. Hector H. Balderas
New Mexico State Auditor

We have audited the accompanying basic financial statements of the governmental activities, each major fund, budgetary comparisons for the general fund and major special revenue fund, the aggregate remaining fund information consisting of each fiduciary fund column in the fund financial statements, of the State of New Mexico, New Mexico Livestock Board (Board), as of and for the year ended June 30, 2007, which collectively comprise the Board's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the Board's fiduciary funds presented as supplementary information in the accompanying Schedule of Changes in Fiduciary Assets and Liabilities as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the Board's management. 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 basic financial statements and the individual fund financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of the Board are intended to present the financial position and results of operations of only that portion of the financial reporting entity of the State of New Mexico that is attributable to the transactions of the Board. They do not purport to, and do not, present fairly the financial position of the entire State of New Mexico as of June 30, 2007 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.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Board, as of June 30, 2007, and the respective changes in financial position thereof and the respective budgetary comparisons for the general fund and major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each fiduciary fund of the Board as of June 30, 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2008 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* and should be considered in assessing the results of our audit.

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The *Management's Discussion and Analysis* is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the Board's basic financial statements and on the Schedule of Changes in Fiduciary Assets and Liabilities, which is presented as supplemental information. Also, the accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Not-for-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Grigo Professional Services, LLC

Albuquerque, New Mexico

December 22, 2008

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**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2007**

Management's Discussion and Analysis

This discussion and analysis of the New Mexico Livestock Board (Board) provides an overview of financial activities for the fiscal year ended June 30, 2007. It should be read in conjunction with the financial statements. This document will assist the reader in the following:

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

Financial Highlights

Board revenues generated as a result of Board activities including inspection fees, brand recording, stray sales, interest income, property taxes, federal grants, gain on disposal of capital assets, and miscellaneous income on livestock totaled \$5,711,426.

The Board receives approximately 17% of its funding from the General Fund appropriation. Appropriation revenues were \$1,204,100 for the current fiscal year.

Expenditures on an accrual basis were \$6,652,607 compared to \$7,024,909 the prior year.

In fiscal year 2006, the Board collected \$1,969,397 from brand renewal. The brand re-newal is for three years. Therefore, the revenue is deferred over the three-year period. At June 30, 2007, \$656,466 of this revenue is deferred for fiscal year 2008. These revenues are collected by the Board and deposited into the Board's bank account.

Using This Audit Report

Financial data presented in these financial statements is for the activities of the New Mexico Livestock Board as a single agency. It does not purport to represent the State of New Mexico as a whole.

Government-Wide Financial Statements

The government-wide financial statements include the Statement of Net Assets and the Statement of Activities. These statements report all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All current year revenues and expenses are reported regardless of when cash is received or paid. These financial statements do not include fiduciary activities. Fiduciary resources are not available to finance the government's programs and are excluded from the government-wide statements.

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2007**

The government-wide financial statements include all activities of the New Mexico Livestock Board with the exception of the fiduciary funds which arise from fees. Capital assets, formerly reported as a separate account group, are included in these financial statements. State general fund appropriations finance about seventeen percent of these activities. The general fund and the special revenue fund are included in the government-wide financial statements.

Financial Analysis of the Board as a Whole

Highlights

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, brand recording, and meat inspection.

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 New Mexico Livestock Board is a state agency comprised of three divisions, Administration, Livestock Inspection, and Meat Inspection. The Board is not completely funded by General Fund monies like other state agencies. The Meat Inspection Division is funded By General and Federal Fund monies. Administration receives some General and Federal Fund monies as an indirect cost for administering the Meat Inspection Division. The Livestock Inspection Division and the rest of the Administration Division are paid for by the Livestock Industry. The three primary sources of revenue for these two divisions 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 seventy-five dollars. This brings in about \$2 million to the Board. The revenue is recognized over the three-year period.

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. The current fees are: fifty cents per head for cattle, horses, and bison; sixteen cents for sheep and goats; and a service charge of five dollars on an inspection of one to ten head and a service charge of ten dollars on an inspection of eleven or more head; and a one time fee of thirty dollars for permanent papers on a horse. Revenue from inspections this fiscal year is \$1,547,607.

The Board receives a portion of money collected from property taxes on livestock. New Mexico applies property tax 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 goes to the county, state, school districts and water conservation districts. Revenue from property tax this fiscal year is \$1,646,626.

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2007**

The Board, being a state agency, receives an approved budget through the state legislature. The Board has flexibility in spending over about twenty percent of their budget. The remaining eighty percent which is salaries and benefits is mandated by the state legislature. There are several other mandates from the state that the Board must comply with such as rules for purchasing, leasing property, and hiring. Since 1986, Board expenses have risen an average of 3.5 percent.

**Table A-1
Condensed Statement of Net Assets**

	Governmental Activities	
	<u>2007</u>	<u>2006</u>
Current Assets	\$ 3,506,957	\$ 3,533,672
Capital and Non-Current Assets	<u>681,307</u>	<u>807,769</u>
Total Assets	<u>4,188,264</u>	<u>4,341,441</u>
Current Liabilities	1,830,596	2,098,286
Long-Term Liabilities	<u>215,406</u>	<u>363,810</u>
Total Liabilities	<u>2,046,002</u>	<u>2,462,096</u>
Net Assets		
Invested in Capital Assets	681,307	807,769
Unrestricted	<u>1,460,955</u>	<u>1,071,576</u>
Total Net Assets	<u>\$ 2,142,262</u>	<u>\$ 1,879,345</u>

As summarized in Table A-1, Net Assets of \$2,142,262 represents the difference between assets and liabilities of the Board. One portion of net assets represents the Board's capital assets. The remaining balance of net assets is unrestricted.

**Table A-2
Condensed Statement of Activity**

	Governmental Activities	
	<u>2007</u>	<u>2006</u>
Revenues		
General Fund Appropriations	\$ 1,204,100	\$ 1,297,570
Other Revenue	<u>5,711,426</u>	<u>5,654,275</u>
Total Revenues	6,915,526	6,951,845
Total Expenditures	<u>6,652,607</u>	<u>7,024,909</u>
Change in Net Assets	262,919	(73,064)
Beginning Net Assets	<u>1,879,343</u>	<u>1,952,409</u>
Ending Net Assets	<u>\$ 2,142,262</u>	<u>\$ 1,879,345</u>

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2007**

The increase in net assets of \$262,919 reflects the reporting differences from a budgetary basis of accounting to full accrual method of accounting that more closely resembles for profit businesses. Government wide expenses are \$6,652,607 and include depreciation and an accrual for compensated absences. The recognition of depreciation is an attempt to match the usage of capital assets to the revenues of the agency by year. This amount does not necessarily reflect the amount of capital assets purchased during the year.

Analysis of Variations between Original and Final Budget and Resulting Actual

During the fiscal year, budget adjustments were approved to recognize anticipated changes in expenditures due to additional federal grants over the previous year and additional training and the use of certain outside contractors in the Meat Inspection Division. The final expenditure budget for each division and in total exceeded actual expenditures. The favorable actual variances from final budget were due to conservative spending on each of the three Board divisions. Final actual revenue was less than budget primarily due to timing of receipts, particularly with federal funding.

Significant Capital Asset Activity

During the year ended June 30, 2007, the Board purchased thirteen new trucks for a cost of \$208,251 as well as computer equipment costing \$12,428. The Board also disposed of eleven fully depreciated trucks with an cost of \$150,289.

Complete financial statements for the New Mexico Livestock Board can be obtained by submitting a request to Dorothy Martinez, CFO, New Mexico Livestock Board, 300 San Mateo NE, Suite 1000, Albuquerque, New Mexico, 87108.

**BASIC
FINANCIAL STATEMENTS**

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STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
STATEMENT OF NET ASSETS
JUNE 30, 2007

Exhibit A-1

	Governmental Activities
ASSETS	
Current Assets	
Cash and Investments	\$ 2,717,599
Receivables	
Livestock fees and charges	101,198
Intergovernmental revenues	528,468
Other receivables	23,135
Prepaid expenses	8,995
Due from agency funds	127,562
Total Current Assets	3,506,957
Noncurrent Assets	
Capital assets	2,039,376
Less: accumulated depreciation	(1,358,069)
Total capital assets	681,307
Total assets	\$ 4,188,264
 LIABILITIES AND NET ASSETS	
LIABILITIES	
Current Liabilities	
Accounts payable	\$ 440,695
Accrued payroll, benefits, and taxes	295,726
Deferred Revenue	
Sale of estrays	222,303
Brand renewal	656,466
Current portion of long-term liabilities	215,406
Total Current Liabilities:	1,830,596
Noncurrent liabilities	
Compensates absences payable - expected to be paid after one year	215,406
Total liabilities	2,046,002
 NET ASSETS	
Invested in capital assets	681,307
Unrestricted	1,460,955
Total net assets	2,142,262
Total liabilities and net assets	\$ 4,188,264

The accompanying notes are an integral part of these financial statements

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STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

Exhibit A-2

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net Revenues (Expenses) and Changes in Net Assets</u>
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		
Governmental activities:				
General Government				
Admin., livestock inspection, meat inspection	\$ 6,305,468	\$ 2,839,884	\$ 1,187,706	\$ (2,277,878)
Depreciation (unallocated)	347,139	-	-	(347,139)
Total governmental activities	<u>\$ 6,652,607</u>	<u>\$ 2,839,884</u>	<u>\$ 1,187,706</u>	<u>(2,625,017)</u>
General Revenues and other:				
State General Fund appropriation				1,204,100
Livestock property taxes				1,646,626
Gain on disposal of capital assets				37,210
Total general revenues and other				<u>2,887,936</u>
Change in net assets				262,919
Beginning net assets				<u>1,879,343</u>
Ending net assets				<u><u>\$ 2,142,262</u></u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2007

Exhibit B-1
(Page 1 of 2)

	General Fund	Special Revenue Fund	Total
ASSETS			
<i>Current:</i>			
Cash and Investments	\$ 2,717,274	\$ -	2,717,274
Change drawer cash	325	-	325
Receivables			
Livestock fees and charges	101,198	-	101,198
Intergovernmental revenues	528,468	-	528,468
Other receivables	23,135	-	23,135
Prepaid expenses	8,995	-	8,995
Due from agency funds	127,562	-	127,562
<i>Total current assets</i>	\$ 3,506,957	\$ -	\$ 3,506,957
 LIABILITIES AND FUND BALANCE			
<i>Current Liabilities:</i>			
Accounts payable	\$ 440,695	\$ -	\$ 440,695
Accrued payroll, benefits, and taxes	295,726	-	295,726
Deferred Revenue			
Sale of estrays	222,303	-	222,303
Branding renewal	656,466	-	656,466
<i>Total liabilities</i>	1,615,190	-	1,615,190
 <i>Fund balance:</i>			
Reserved for change drawer cash	325	-	325
Unreserved			
Designated for subsequent fiscal year's expenditures	1,891,442	-	1,891,442
<i>Total fund balance</i>	1,891,767	-	1,891,767
<i>Total liabilities and fund balance</i>	\$ 3,506,957	\$ -	\$ 3,506,957

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

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
GOVERNMENTAL FUND

Exhibit B-1
(Page 2 of 2)

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007

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

Fund balances - total governmental funds	<u>\$ 1,891,767</u>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Machinery and equipment	2,039,376
Accumulated Depreciation	<u>(1,358,069)</u>
Total Capital Assets	681,307
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences	<u>(430,812)</u>
Total Net Assets	<u><u>\$ 2,142,262</u></u>

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

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

Exhibit B-2
(Page 1 of 2)

<i>Revenues:</i>	General Fund	Special Revenue Fund	Total
Federal grant funds	\$ 1,187,706	\$ -	\$ 1,187,706
Inspection fees	1,547,607	-	1,547,607
Personal property taxes on livestock	-	1,646,626	1,646,626
Brand recording fees and horse permits	794,966	-	794,966
Estray sales, net	33,055	-	33,055
Other licenses and permits	226,301	-	226,301
Gain on disposal of capital assets	37,210	-	37,210
Miscellaneous	45,715	-	45,715
Service charges	192,240	-	192,240
<i>Total revenues</i>	4,064,800	1,646,626	5,711,426
<i>Expenditures:</i>			
Current			
General Government			
Administration	688,853	-	688,853
Livestock inspection	3,896,920	-	3,896,920
Meat inspection	1,058,328	-	1,058,328
Federal Coop agreements	577,073	-	577,073
Capital outlay	297,106	-	297,106
<i>Total expenditures</i>	6,518,280	-	6,518,280
<i>Excess (deficiency) of revenues over expenditures</i>	(2,453,480)	1,646,626	(806,854)
<i>Other financing sources (uses):</i>			
State General Fund Appropriation	1,204,100	-	1,204,100
Operating transfer - in	1,646,626	-	1,646,626
Operating transfer - out	-	(1,646,626)	(1,646,626)
<i>Total other financing sources (uses)</i>	2,850,726	(1,646,626)	1,204,100
<i>Net change in fund balances</i>	397,246	-	397,246
<i>Fund balances - beginning of year</i>	1,494,521	-	1,494,521
<i>Fund balances - end of year</i>	\$ 1,891,767	\$ -	\$ 1,891,767

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

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUND TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

Exhibit B-2
 (Page 2 of 2)

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

Net change in fund balances - total governmental funds	\$	397,246
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In the Statement of Activities, certain operating expenses - compensated absences payable - are measured by the amounts earned during the year. In the Governmental Fund, however, expenditures are measured by the amount of financial resources used (essentially the amount actually paid.) The increase in the liability for compensated absences payable for the year was:

		(7,867)
--	--	---------

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:

Net Capital Assets Acquired		220,679
Depreciation expense		<u>(347,139)</u>

Changes in Net Assets	\$	<u><u>262,919</u></u>
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The accompanying notes are an integral part of these financial statements.

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STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
GENERAL FUND

Exhibit C-1

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Federal sources	\$ 857,700	\$ 1,873,416	1,187,706	\$ (685,710)
Other	2,943,974	3,095,358	2,877,094	(218,264)
<i>Total revenues</i>	<u>3,801,674</u>	<u>4,968,774</u>	<u>4,064,800</u>	<u>(903,974)</u>
<i>Expenditures:</i>				
Current				
General Government				
Administration				
Personal Services & Benefits	519,600	546,400	524,058	22,342
Contractual services	33,100	33,100	23,693	9,407
Other Costs	162,200	162,200	143,459	18,741
Total administration	<u>714,900</u>	<u>741,700</u>	<u>691,210</u>	<u>50,490</u>
Livestock inspection				
Personal Services & Benefits	3,081,200	3,081,200	2,740,282	340,918
Contractual services	252,100	1,257,416	924,721	332,695
Other Costs	1,088,700	1,373,684	1,073,095	300,589
Total livestock inspection	<u>4,422,000</u>	<u>5,712,300</u>	<u>4,738,098</u>	<u>974,202</u>
Meat inspection				
Personal Services & Benefits	1,131,800	1,131,800	871,061	260,739
Contractual services	8,800	18,400	12,250	6,150
Other Costs	215,300	215,300	205,661	9,639
Total meat inspection	<u>1,355,900</u>	<u>1,365,500</u>	<u>1,088,972</u>	<u>276,528</u>
<i>Total expenditures</i>	<u>6,492,800</u>	<u>7,819,500</u>	<u>6,518,280</u>	<u>1,301,220</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(2,691,126)</u>	<u>(2,850,726)</u>	<u>(2,453,480)</u>	<u>(397,246)</u>
<i>Other Financing Sources (Uses):</i>				
State general fund appropriations	1,044,500	1,204,100	1,204,100	-
Transfers in	1,646,626	1,646,626	1,646,626	-
<i>Total Other Financing Sources</i>	<u>2,691,126</u>	<u>2,850,726</u>	<u>2,850,726</u>	<u>-</u>
<i>Net change in fund balances</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 397,246</u>	<u>\$ 397,246</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues			-	
Adjustments to expenditures			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ -</u>	

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

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STATE OF NEW MEXICO

Exhibit C-2

NEW MEXICO LIVESTOCK BOARD

SPECIAL REVENUE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Other	\$ 1,646,626	\$ 1,646,626	\$ 1,646,626	\$ -
<i>Total revenues</i>	<u>1,646,626</u>	<u>1,646,626</u>	<u>1,646,626</u>	<u>-</u>
<i>Expenditures:</i>				
Personal Services & Benefits	-	-	-	-
Contractual services	-	-	-	-
Operating Costs	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other Financing Sources (Uses):</i>				
State general fund appropriations	-	-	-	-
Transfers out	(1,646,626)	(1,646,626)	(1,646,626)	-
<i>Total Other Financing Sources</i>	<u>(1,646,626)</u>	<u>(1,646,626)</u>	<u>(1,646,626)</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>1,646,626</u>	<u>1,646,626</u>	<u>1,646,626</u>	<u>-</u>
<i>Net change in fund balances</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues			-	
Adjustments to expenditures			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ -</u>	

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

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STATE OF NEW MEXICO Exhibit D-1
NEW MEXICO LIVESTOCK BOARD
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2007

	Agency Funds
ASSETS	
Cash in Banks	\$ 93,738
Due from NM Beef Council	28,880
Due from NM Sheep and Goat Council	4,944
<i>Total assets</i>	\$ 127,562
 LIABILITIES	
Due to general fund	\$ 127,562
<i>Total liabilities</i>	\$ 127,562

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

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STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1. **Organization and Summary of Significant Accounting Policies**

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

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

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

A. Financial Reporting Entity

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

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

A primary government is any state government or general-purpose local government, consisting of all the organizations that make up its legal entity. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are, for financial reporting purposes, part of the primary government. The Board, therefore, is part of the primary government of the State of New Mexico, and its financial data should be included with the financial data of the State. However, New Mexico does not at present issue an audited Comprehensive Annual Financial Report inclusive of all agencies of the primary government.

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

No entities were noted that should be considered component units of the Board. No entities were specifically excluded from the Board because no entities were noted as meeting any of the criteria for potential inclusion.

B. Basic Financial Statements

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 Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column, and are reflected on a full accrual, economic resources basis, which incorporates long-term assets and receivables as well as long term debt and obligations. The Board did not have any business-type activities during the year ended June 30, 2007.

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

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

B. *Basic Financial Statements (Continued)*

The government-wide Statement of Activities reflects both the gross and net cost per functional category general governments (education, etc.), which are otherwise being supported by general governmental revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function or a business-type activity. The Board includes only one function (general governments). When an expense is incurred when both restricted and unrestricted resources are available, the Board utilizes the restricted resources first. All internal activity is eliminated, and transactions of the agency funds are reported separately. Full ten-year property tax accruals have not been made because this information is not available from all counties which collect livestock property taxes.

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

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

The fund financial statements are similar to the financial statements presented in the previous accounting model. Emphasis here is on the major funds in either the governmental or business-type categories. Non-major funds (by category) or fund type are summarized into a single column. The Board only had major governmental funds during the year ended June 30, 2007, as both the General Fund and the Special Revenue Fund were classified as major funds.

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

C. *Basis of Presentation*

The financial transactions of the Board are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, expenditures or expenses and other financing sources or uses. Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending 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, 2007

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

C. *Basis of Presentation (continued)*

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

General Fund. The General Fund is the general operating fund of the Board. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is funded primarily from appropriations for the State of New Mexico General Fund, a grant from the U.S. Department of Agriculture, inspection fees, brand fees, and meat licenses. The state appropriation is used to pay for expenditures in the meat inspection division. The current year expenditures in the meat inspection division exceeded the current year state appropriation. The state appropriation is reverting, but the other sources of revenue in the fund are not. There were no reversions during the year ended June 30, 2007.

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

Fiduciary Funds. The Agency Funds' financial statements are not part of the government-wide financial statements because the Agency Funds are custodial in nature (assets equal liabilities) and do not belong to the Board. They also do not involve measurement of the results of operations. The Agency Funds of the Board are used to account for assets held and receipts collected by the Board as an agent for the New Mexico Beef Council and the New Mexico Sheep and Goat Council.

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

D. *Basis of Accounting*

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

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

Modified Accrual. All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. 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.

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

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

D. *Basis of Accounting (continued)*

In applying the “susceptible to accrual” concept to intergovernmental revenues pursuant to GASB Statement #33 by the Board, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements including time requirements, are met. Resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and deferred revenue by the recipient. The livestock property taxes levied by the various counties are recognized as income when they are levied.

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

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

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

E. *Budgetary Accounting*

The State Legislature makes annual appropriations to the Board. Legal compliance is monitored through the establishment of an annual budget. Annual budgets are adopted each fiscal year for the General Fund and the Special Revenue Fund. Expenditures may not legally exceed appropriations at the object expenditure classification level. Amendments to the budget require approval by the State’s Financial Control Division of the New Mexico Department of Finance and Administration (DFA). The budgets presented have been so amended during the fiscal year.

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

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

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

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

F. *Budgetary Accounting (continued)*

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

Budgets are prepared in accordance with accounting principles generally accepted in the United States of America. The unexpended State matching funds for the meat inspection program revert to the State (lapse) and are determined at the federal fiscal year-end, September 30, of each year. Revenue from other sources is non-reverting. There were no reversions for the year ending June 30, 2007.

F. *Capital Assets*

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. Computer software is included in equipment. The Board does not have any internally developed software. Contributed assets are recorded at the fair market values as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The State's capitalization policy, i.e., the dollar value above which asset acquisitions are added to the capital accounts, is \$5,000. However, all capital outlay purchases may not necessarily be capitalized. The Board does not capitalize any interest in regards to its capital assets.

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

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

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

G. *Compensated Absences Payable*

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

H. *Reservations of Fund Balances*

Reservations of fund balances on the Governmental funds are created to either (1) satisfy legal covenants that require a portion of the fund balance to be segregated or (2) identify the portion of the fund balance that is not appropriated for future expenditures. Specific reservations of fund balance accounts are summarized below:

Reserved for Change Drawer Cash – This reserve was created to represent the portion of fund balance that is used in an imprest cash change fund.

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

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

I. *Revenues, Expenditures, and Expenses*

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

J. *Net Assets*

The government-wide financial statements utilize a net asset presentation. Net Assets are categorized as investment in capital assets (net of related debt), restricted and unrestricted.

Investment in Capital Assets – is intended to reflect the portion of net assets which are associated with the non-liquid, capital assets less outstanding capital asset related debt. The Board did not have any related debt during the year ended June 30, 2007.

Unrestricted Net Assets – represent the unrestricted net assets of the Board as June 30, 2007.

K. *Use of Estimates*

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

NOTE 2. Cash and Investments

State statutes authorize the investment of Board funds in a wide variety of instruments including certificates of deposit and other similar obligations, State Treasurer General Fund Investment Pool, money market accounts, and United States Government obligations. All invested funds of the Board properly followed State investment requirements as of June 30, 2007.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the Board. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$100,000 in aggregate and separate from the \$100,000 coverage for public unit demand deposits at the same institution.

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 2. Cash and Investments (continued)

Deposits

NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the entities for a least one half of the amount on deposit with the institution. The schedule listed below will meet the State of New Mexico, Office of the State Auditor's requirements in reporting the insured portion of the deposits. At June 30, 2007, the carrying amount of these deposits was \$(9,491).

		<u>Bank of America</u>
Total amounts of deposits	\$	612
FDIC coverage		<u>612</u>
Total uninsured public funds	\$	<u><u>—</u></u>

Investments – SHARE Fund 38500

As of June 30, 2007, the Board had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities Less than 1 Year</u>
Interest in the State Treasurer General Fund Investment Pool	\$ 2,820,503	\$ 2,820,503

The State Treasurer Local Government Investment Pool is not SEC Registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment funds in the securities that are issued by the United States government or by its departments or agencies and are either backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The pool does not have unit shares; at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in the amounts of the fund were invested. Any realized gain or loss on the portfolio is distributed through the investment yield on distribution dates. The carrying amount of the portfolio approximates the fair value of all investments at June 30, 2007. The State of New Mexico is regulatory oversight entity and participation in the pool in voluntary.

Interest rate risk is the risk that interest rate variations may adversely affect an investment's fair value. The prices of securities fluctuate with market interest rate and the securities held in a portfolio will decline if market interest rates rise. The portfolio's weighted average maturity (WAM) is a key determinant of the tolerance of a fund's investments to rising interest rates. At June 30, 2007, the Board's investment of New MexiGROW LGIP had a credit risk rating of AAAM and a 46-day WAM.

Reconciliation of Cash and Interest in General Fund Investment Pool

Governmental Funds – Balance Sheet	
Cash and Interest in General Fund Investment Pool per Exhibit A-1	\$ 2,717,599
Statement of Fiduciary Assets and Liabilities –	
Agency Funds – cash per Exhibit D-1	<u>93,738</u>
	2,811,337
Add outstanding checks and other reconciling items	<u>10,103</u>
Subtotal	2,821,440
Less petty cash	<u>(325)</u>
Total Interest in GFIP and Deposits	<u><u>\$ 2,821,115</u></u>

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 3. Receivables

As of June 30, 2007, receivables consist of the following:

General Fund:	
Livestock fees and charges	\$ 101,198
Intergovernmental revenues	528,468
Other revenues	<u>23,135</u>
Total	<u>\$ 652,801</u>

Other revenues consist of receivables related to auto sales. All receivables are considered 100% collectible.

NOTE 4. Capital Assets

	Balance <u>June 30, 2006</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2007</u>
Machinery & equipment	\$ 1,968,986	\$ 220,679	\$ 150,289	\$ 2,039,376
Accumulated depreciation	<u>(1,161,219)</u>	<u>(347,139)</u>	<u>150,289</u>	<u>1,358,069</u>
Total capital assets, net of accumulated depreciation	<u>\$ 807,767</u>	<u>\$ (126,460)</u>	<u>\$ -</u>	<u>\$ 681,307</u>

NOTE 5. Deferred Revenue

Sale of Estrays. Deferred revenue from estray 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, 2007 is \$222,303.

Brand Recording Fees. The Board renews cattle brands every three years. The amount collected in the renewal year is amortized over a three-year period. The year ended June 30, 2006 was the last renewal year. At June 30, 2007, \$656,466 is related to brand renewal and will be amortized into revenue in the next year.

NOTE 6. Compensated Absences Payable

A summary of changes in compensated absences payable for the year ended June 30, 2007 is as follows:

	Balance <u>June 30, 2006</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2007</u>
Accrued vacation and sick leave	\$ 422,945	\$ 285,072	\$ 277,205	\$ 430,812

The liability at June 30, 2007 of \$430,812 has been recorded in the Government-wide financial statements, and represents the Board's commitment to fund out of the General Fund the accrued vacation, sick leave, and comp time costs from future operations. Of this amount \$215,406 is expected to be paid in the next year.

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 7. Operating Transfers

Operating transfers during the year consisted of the following:

	Transfers	
	From	To
General Fund	\$ -	\$ 1,646,626
Special Revenue Fund	1,646,626	-
	\$ 1,646,626	\$ 1,646,626

The special revenue fund transferred \$1,646,626 to the general fund for livestock property tax revenue. The transfer is recurring each year.

NOTE 8. Due To/From Other Funds

	From	To
General Fund	\$ -	\$ 127,562
Agency Fund	127,562	-
	\$ 127,562	\$ 127,562

At June 30, 2007, the agency funds owed the general fund \$127,562 for payments made in excess of amounts actually owed during the fiscal year. This receivable is liquidated each year.

NOTE 9. Pension Plan – Public Employees Retirement Association

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

Funding Policy. Plan members are required to contribute 7.42% 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, 2007, 2006 and 2005 were \$448,494, \$461,868 and \$420,141, respectively, which equal the amount of the required contributions for each fiscal year.

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

Plan Description. The Board contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and / or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

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

Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; (2) retirees defined by the Act who retired prior to July 1, 1990; (3) former legislators who served at least two years; and (4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque NM 87107.

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

The 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. The statute requires each participating employer contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of each salary. Employers joining the program after 1/1/98 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The Board's contributions to the RHCA for the years ended June 30, 2007 and 2006 were \$34,266 and \$34,623, respectively, which equal the required contributions for each year.

NOTE 11. Revenues

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

The Board also receives an appropriation from the State General Fund and a federal grant from the U.S. Department of Agriculture to help defray the costs of administering its meat inspection program.

The Board's General Appropriation was authorized in the General Appropriation Laws of 2006, Chapter 109, Section 8.

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 12. Commitments – Operating Leases

Rental payments totaling \$100,764 were made during the year ended June 30, 2007 for office facilities and office equipment.

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

2008	\$	100,303
2009		96,552
2010		98,975
2011		100,857
2012		86,148
Thereafter		<u>770,652</u>
Total	\$	<u>1,253,487</u>

NOTE 13. Insurance Coverage

New Mexico Statutes (Section 15-7-2 NMSA 1978) require Risk Management Division (RMD) to be responsible “for the acquisition and administration of all insurance purchased by the State”. Various Statutes allow RMD to insure, self-insure, or use a combination of both for all risks administered by it. RMD operates under the supervision of the Secretary of the State of New Mexico, General Services Department.

The Board is exposed to various risks of loss related to: general, automobile, and aircraft liabilities, including those related to law enforcement and civil rights (torts); theft of, damage to, and destruction of state property assets; errors and omissions; injuries to employees; group insurance; and, natural disasters, all of which are insured against by participation in the public entity risk pool described above subject to the limits of coverage set by RMD. All employees of the Board are covered by a blanket fidelity bond up to \$5,000,000 with a \$1,000 deductible per occurrence by the State of New Mexico for the period July 1, 2006 to June 30, 2007.

NOTE 14. Concentrations of Credit and Other Risks

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

NOTE 15. Cooperative Agreements

The Board has entered into a cooperative agreement with the United States Department of Agriculture (USDA), Food Safety and Inspection Service, Field Automation, and Information Management Division to provide meat inspectors to be trained equal to federal inspectors. The Board incurs costs for training, computer equipment, and travel which are provided by the USDA.

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SUPPLEMENTARY INFORMATION

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SUPPORTING SCHEDULES

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STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
COMBINING STATEMENT OF CHANGES IN ASSETS & LIABILITIES
ALL AGENCY FUNDS
JUNE 30, 2007

Schedule I

	Balance June 30, 2006	Additions	Deductions	Balance June 30, 2007
<u>New Mexico Beef Council</u>				
Assets				
Cash	\$ 93,291	\$ 1,148,117	\$ (1,148,117)	\$ 93,291
Receivable- General Fund	94,224	-	(94,224)	-
Receivable- Beef Council	-	28,880	-	28,880
Total Assets	<u>\$ 187,515</u>	<u>\$ 1,176,997</u>	<u>\$ (1,242,341)</u>	<u>\$ 122,171</u>
Liabilities				
Due to General Fund	\$ -	\$ 122,171	\$ -	\$ 122,171
Due to New Mexico Beef Council	187,515	-	(187,515)	-
	<u>\$ 187,515</u>	<u>\$ 122,171</u>	<u>\$ (187,515)</u>	<u>\$ 122,171</u>
<u>New Mexico Sheep and Goat Council</u>				
Assets				
Cash	\$ 447	\$ 16,898	\$ (16,898)	\$ 447
Receivable- General Fund	476	-	(476)	-
Receivable- Sheep Council	-	4,944	-	4,944
Total Assets	<u>\$ 923</u>	<u>\$ 21,842</u>	<u>\$ (17,374)</u>	<u>\$ 5,391</u>
Liabilities				
Due to General Fund	\$ -	\$ 5,391	\$ -	\$ 5,391
Due to New Mexico Sheep & Goat Council	923	-	(923)	-
	<u>\$ 923</u>	<u>\$ 5,391</u>	<u>\$ (923)</u>	<u>\$ 5,391</u>
<u>Total all Agency Funds</u>				
Assets				
Cash	\$ 93,738	\$ 1,165,015	\$ (1,165,015)	\$ 93,738
Receivable- General Fund	94,700	-	(94,700)	-
Receivable - Beef Council	-	28,880	-	28,880
Receivable- Sheep Council	-	4,944	-	4,944
Total Assets	<u>\$ 188,438</u>	<u>\$ 1,198,839</u>	<u>\$ (1,259,715)</u>	<u>\$ 127,562</u>
Liabilities				
Due to General Fund	\$ -	\$ 127,562	\$ -	\$ 127,562
Due to New Mexico Beef Council	187,515	-	(187,515)	-
Due to New Mexico Sheep & Goat Council	923	-	(923)	-
	<u>\$ 188,438</u>	<u>\$ 127,562</u>	<u>\$ (188,438)</u>	<u>\$ 127,562</u>

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

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STATE OF NEW MEXICO
NEWMEXICO LIVESTOCK BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Schedule II

Federal Grantor/ Passthrough Grantor/ Program Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Agriculture		
Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	10.475	\$ 610,633
Plant and Animal Disease, Pest Control, and Animal Care	10.025	<u>577,073</u>
Total U.S. Department of Agriculture		<u>1,187,706</u>
Total Federal Financial Assistance		<u><u>\$ 1,187,706</u></u>

Notes to Schedule of Expenditures of Federal Awards

1 Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the New Mexico Livestock Board and is presented on the modified accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements:

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$ 1,187,706
Total expenditures funded by other sources	<u>5,330,574</u>
Total expenditures	<u><u>\$ 6,518,280</u></u>

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

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COMPLIANCE SECTION

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**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***

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

We have audited the financial statements of the governmental activities, each major fund, budgetary comparisons for the general fund and major special revenue fund and the aggregate remaining fund information of the State of New Mexico, New Mexico Livestock Board (Board), as of and for the year ended June 30, 2007, which collectively comprise the Board's basic financial statements as listed in the table of contents, and have issued our report thereon dated December 22, 2008. We have also audited the financial statements of each of the Board's fiduciary funds presented as supplementary information in the accompanying Schedule of Changes in Fiduciary Assets and Liabilities as of and for the year ended June 30, 2007. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the agency's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting (FS 07-02 through FS 07-09).

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the agency's internal control.

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Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items FS 07-01 and FS 07-09.

The agency's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the agency's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Directors, federal awarding agencies, audit committee, management, others within the organization, the Office of the State Auditor, and the Department of Finance and Administration and is not intended to be and should not be used by anyone other than these specified parties.

Grigo Professional Services, LLC

Albuquerque, New Mexico
December 22, 2008

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the State of New Mexico Livestock Board (Board), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The Board's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Board's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Board's compliance with those requirements.

As described in items FA 07-01 through FA 07-03 in the accompanying schedule of findings and questioned costs, the New Mexico Livestock Board did not comply with requirements regarding reporting and special tests and provisions that are applicable to its Cooperative Agreements with States for Intrastate Meat and Poultry Inspection and Plant & Animal Disease, Pest Control and Animal Care Grants. Compliance with such requirements is necessary, in our opinion, for the New Mexico Livestock Board to comply with the requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the Board complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the Board is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Board's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

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Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Board's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Board's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items FS 07-01 through FS 07-03 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Board's internal control. However, we believe that none of the significant deficiencies described above is a material weakness

The Board's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Board's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Directors, federal awarding agencies, audit committee, management, others within the organization, the Office of the State Auditor, and the Department of Finance and Administration and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Grigo Professional Services, LLC".

Albuquerque, New Mexico
December 22, 2008

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STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2007

Section I – Summary of Audit Results

Financial Statements:

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

Federal Awards:

- | | |
|---|-----------|
| 1. Internal control over major programs: | |
| a. Material weakness identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| c. Control deficiencies identified not considered to be significant deficiencies? | No |
| 2. Type of auditors' report issued on compliance for major programs | Qualified |
| 3. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? | No |
| 4. Identification of major programs: | |

CFDA Number	Federal Program
10.475 10.025	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection Plant and Animal Disease, Pest Control and Animal Care

- | | |
|---|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 6. Auditee qualified as low-risk auditee? | No |

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STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2007

Schedule III

Section II – Financial Statement Findings

FS: 07-01 State Agency Deposit Accounts – Reporting Procedures

Criteria: Provisions of Section 6-1-13, NMSA 1978 provide for the authorization of state agency deposit accounts by the State Treasurer and that established procedures require each agency to, except for good cause shown, submit one of the following reports for each state agency deposit account on or before the 20th day of each month following the reporting period: 1) a State Fund Balance Report (Form CMD-3), with a copy of the corresponding monthly bank statement, for each non-interest bearing account; or 2) an Interest Earnings Activity Report (Form CMD-4), with a copy of the monthly savings or earnings statement, for each interest bearing account.

Condition: During fiscal year 2007, the Livestock Board did not timely provide the required reports to the State Treasurer's Office.

Cause: The Livestock Board was not timely providing the required reports to the State Treasurer's Office.

Effect: The Board was in violation of the established reporting procedures for state agency deposit accounts. Failure to comply with the established reporting procedures may result in the revocation of the account's authorization, and is brought to the attention of the Governor and the State Board of Finance.

Auditor's Recommendation: To ensure compliance and a status of good standing, the Board must submit the required reports to the State Treasurer within the required time frame.

Management's Response: The Board will submit required reports in a timely manner to the State Treasurer to ensure compliance and to maintain a status of good standing.

FS: 07-02 Prepaid Account

Criteria: Good internal controls over the general ledger include posting transactions to the proper accounts as well as regularly reconciling accounts to ensure balances are accurate.

Condition: During fiscal year 2007, the Livestock Board's prepaid account included items that were posted to the incorrect account (should have been posted to expense accounts) and items that should have been adjusted out of that account throughout the year as employees were reimbursed for travel expenditures.

Cause: The Board was new to the State's SHARE system and was experiencing difficulties in recording transactions and reconciling accounts. They were unaware that problems were occurring within the prepaid account until that account was tested through audit procedures.

Effect: The Board's reported prepaid account and corresponding expenditures accounts were not accurately reported throughout the fiscal year.

Auditor's Recommendation: We recommend the Board perform regular reviews and reconciliations of accounts to verify amounts are accurately reported throughout the year not just at year-end.

Management's Response: The Board will review and reconcile accounts to assure accurate postings throughout the year.

FS: 07-03 Payments to Beef & Sheep Council

Criteria: The Board collects revenues for the Beef & Sheep Council and is required to pass these revenues along on a monthly basis, less the Board's administrative fee of 4%.

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2007

Schedule III

Condition: During fiscal year 2007, the Board's revenue was not all being accurately recorded in the general ledger. The Board was unable to determine exactly how much revenue had been collected on behalf of the Beef & Sheep Council and so monthly payments were made based on prior year collections as an estimate.

Cause: The Board's revenue was not all being accurately recorded in the general ledger.

Effect: The result is that the monthly Beef & Sheep Council payments were made based on prior year collections. At the end of the year, the Board had overpaid the Council and had not withheld their 4% administrative fee.

Auditor's Recommendation: We recommend the Board ensure all revenue is accurately recorded in the general ledger so that the correct amount can be passed to the Council monthly, less the 4% administrative fee.

Management's Response: The Board will ensure all Beef & Sheep revenue is accurately recorded in the general ledger on a monthly basis, to assure timely distribution to the Council, less the 4% administrative fee.

FS: 07-04 Compensated Absences

Criteria: Employee pay stubs report the amount of leave the employee has earned, used and has available. These amounts should accurately reflect the true balances of the employee's leave.

Condition: Due to trouble with the new SHARE system, the Board's employee paychecks reflected hours of leave in incorrect amounts during fiscal year 2007.

Cause: The SHARE system was not accurately recording and reporting employee leave balances.

Effect: Employees were provided with pay stubs that did not accurately reflect the amount of leave they were earning, using and had available at the end of each pay period.

Auditor's Recommendation: We recommend the Board and the State work together to determine the cause of the differences and to resolve the issue so that employee's pay stubs accurately report leave amounts.

Management's Response: The Board maintains a running balance of compensated balances for all employees. The Board will continue to work with the State Personnel to resolve the compensated balances differences in the Human Capital system to assure pay stubs are reported accurately.

FS: 07-05 Recording Transactions

Criteria: Good internal controls indicate that transactions be recorded in the correct fund.

Condition: During 2007, transactions were posted to fund 196 rather than fund 395.

Cause: The Board's funds and account transactions were not initially appropriately set up in the State's SHARE system.

Effect: Transactions relating to fund 395 were posted to fund 196. The result was that amounts were not accurately reported during the fiscal year.

Auditor's Recommendation: This issue was resolved during the fiscal year. We recommend the Board perform regular reviews of accounts and transactions throughout the year to ensure items are being recorded correctly.

Management's Response: The Board will review fund account transactions to assure accurate and timely reporting.

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2007

Schedule III

FS: 07-06 Payroll Liabilities

Criteria: Good internal controls indicate that transactions be recorded timely and that accounts be reconciled regularly.

Condition: During 2007, some payroll transactions were not appropriately recorded. DFA performed a reconciliation of the payroll liability accounts and determined that two journal entries needed to be reversed and an additional journal entry needed to be posted.

Cause: The Board was unable to reconcile the payroll liabilities throughout fiscal year 2007.

Effect: Payroll liabilities were not accurately reported during the fiscal year as journal entries were not all made as needed. This also affected expenditure and cash accounts once these entries were recorded.

Auditor's Recommendation: We recommend that the Board reconcile accounts regularly to ensure amounts are accurately reported.

Management's Response: The Board will review and reconcile payroll liability accounts to assure accurate and timely reporting.

FS: 07-07 Revenue Recording

Criteria: Good internal controls indicate that transactions be recorded timely and that accounts be reconciled regularly.

Condition: During 2007, revenue was not recorded accurately or timely.

Cause: The Board had a difficult time incorporating their revenue data into the SHARE system they were using for the first time.

Effect: The result was that revenue transactions were not being recorded accurately or timely. Revenue had to be recorded and allocated to the correct accounts during the audit process.

Auditor's Recommendation: This issue has since been resolved, but we recommend the Board ensure all transactions are accurately and timely recorded. Also, the Board should perform regular reviews and reconciliations of accounts to ensure amounts are recorded accurately.

Management's Response: The Board will review and reconcile revenue accounts to assure accurate and timely reporting.

FS: 07-08 Cash Receipts

Criteria: Good internal controls over cash indicate that receipts be issued for all money received and that copies be maintained of any supporting documentation received and that supporting documentation of receipts matches amounts deposited.

Condition: During our testwork of cash receipts, we noted the following out of 20 receipts tested:

- a. For two deposits, no receipt was issued
- b. For four deposits, no supporting documentation was provided for GPS to review
- c. For one deposit, the amount deposited was \$154 more than the deposit slip

Cause: The Board's internal controls over cash receipts did not ensure that receipts were issued and supporting documentation was maintained.

Effect: Without adequate internal controls, the Board's funds are subject to misappropriation.

Auditor's Recommendation: The Board must ensure all cash receipts are processed through a strong internal control system, which includes issuing receipts and maintaining adequate supporting documentation.

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2007

Schedule III

Management's Response: The Board will ensure all cash receipts are processed and reconciled daily to assure accuracy of deposits by field personnel using a strong internal data control system.

FS 07-09: Timely Submission of Audit Report

Criteria: Per 2.2.2.9 A (1) (f) NMAC, a state agency is required to deliver the annual financial audit report to the state auditor on or before the date specified in the audit contract, or December 15 for the New Mexico Livestock Board.

Condition: The audit report was submitted to the State Auditor's Office on December 22, 2008, after the due date of December 15, 2007.

Cause: The auditor was not contracted until January 2008, and the Board's trial balance required many adjustments, which was a very lengthy process for both the Board and the auditor. Difficulty was also experienced in obtaining assistance from the Department of Finance and Administration in reconciling accounts.

Effect: Noncompliance with section 2.2.2.9 A (1) (f) NMAC. Additionally, the users of the financial statements such as legislators, creditors, bondholders as well as federal and state grantors do not have timely audit reports and financial statements for their review. Late audit reports could have an effect on local, state and federal funding.

Auditor's Recommendation: Fiscal year 2007 was the first year for the Livestock Board to process transactions through the State, and the first year for the State to be using the new SHARE system, which created a lot of difficulty in recording transactions and reconciling accounts. 2008 should be a lot smoother as everyone involved should be more familiar with SHARE.

Management's Response: The Board will continue to train and learn the Share Financial System to assure audits are in compliance with the state audit rule, 2.2.2.9 A (1) (f) NMAC.

Section III – Federal Award Findings

FA: 07-01: Unable to Provide Appropriate Documentation

Federal program information:

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

Criteria: The grant agreements for the 10.025 Plant and Animal Disease cooperative agreements state that the grantee shall submit various reports to the Animal and Plant Health Inspection Service (APHIS).

Condition: The client was unable to provide proof of submission of these reports.

Questioned Costs: None.

Cause: It appears that appropriate documentation is not being maintained.

Effect: Without appropriate documentation, the Board is unable to demonstrate compliance with grant requirements.

Auditor's Recommendation: We recommend that proof of submission and/or the actual reports be maintained for several audit periods.

Management's Response: The Board challenges this finding. The Board maintains expenditure reports and submits quarterly Standard Form 269 and Standard Form 270 to APHIS.

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2007

Schedule III

FA: 07-02 Documentation of Employee Time and Effort

Federal program information:

Funding agency:	U.S. Department of Agriculture
Title:	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection
CFDA number:	10.475

Criteria: OMB Circular A-133 states that an employee who works solely on a single cost objective (i.e., a single Federal program whose administrative funds have not been consolidated) must furnish a semi-annual certification that he/she has been engaged solely in activities supported by the applicable source in accordance with OMB Circular A-87, Attachment B, paragraph 8.h(3).

Condition: Upon review of employees paid out of the Meat and Poultry Inspection Fund, it was noted that there are employees paid solely by this cost function and employees that only spend a percentage of their time in this cost function. The client was unable to provide certification and stated that no such certifications are being maintained.

Questioned Costs: None.

Cause: It appears that appropriate documentation is not being maintained.

Effect: Without appropriate documentation, the Board is unable to demonstrate compliance with grant requirements.

Auditor's Recommendation: We recommend that documentation of employee time and effort be maintained in accordance with federal regulations.

Management's Response: The Board did not keep semi-annual certification for employees stating that he/she had been engaged solely in activities sponsored by the applicable source in accordance with OMB Circular A-87, Attachment B, paragraph 8.h(3).

FA 07-03: Audit Report Submission of Data Collection Form and Reporting Package

Federal program information:

Funding agency:	All
Title:	All
CFDA number:	All

Criteria: OMB Circular A-133 requires that the audit shall be completed and the data collection form and reporting package shall be submitted to the Federal Audit Clearinghouse within the earlier of 30 days after receipt of the auditor's report(s) , or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

Condition: The June 30, 2007 data collection form and reporting package were not submitted to the Federal Audit Clearinghouse by the required date.

Questioned Costs: None.

Cause: The auditor was not contracted until January 2008, and the Board's trial balance required many adjustments, which was a very lengthy process for both the Board and the auditor. Difficulty was also experienced in obtaining assistance from the Department of Finance and Administration in reconciling accounts..

Effect: The result was the late submission of the Board's audit report for the year ended June 30, 2007, and the Board is not in compliance with Federal and State requirements.

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2007

Schedule III

Auditor's Recommendation: Fiscal year 2007 was the first year for the Livestock Board to process transactions through the State, and the first year for the State to be using the new SHARE system, which created a lot of difficulty in recording transactions and reconciling accounts. 2008 should be a lot smoother as everyone involved should be more familiar with SHARE.

Management's Response: The Board will continue to train and learn the Share Financial System to assure audits are in compliance with the state audit rule, 2.2.2.9 A (1) (f) NMAC.

Section IV – Prior Year Audit Findings

05-03 Actual Expenditures Exceeded Budgeted Amounts - Resolved

06-01 Approval to Use Comp Time - Resolved

06-02 Timesheet Approval - Resolved

06-03 Submission of Timesheets – Resolved

06-04 Processing of Invoices – Resolved

Section V – Other Disclosures

Auditor Prepared Financials

The financial statements presented in this report were prepared by the auditors, Griego Professional Services, LLC.

Exit Conference

The contents of this report were discussed on December 22, 2008. The following individuals were in attendance.

New Mexico Livestock Board

Bill King, Board Chairman
Bill Sauble, Board Vice-Chairman
Myles Culbertson, Executive Director
Bobby Pierce, Deputy Director
Dave E. Fly, D.V.M., State Veterinarian
Penny Sample, Office Manager

Griego Professional Services, LLC

Monica Yapple, CPA