

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2009



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INTRODUCTORY SECTION

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

FOR THE YEAR ENDED JUNE 30, 2009
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**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD**

OFFICIAL ROSTER
JUNE 30, 2009

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
Effie Walker	Member
Loren Horton	Member

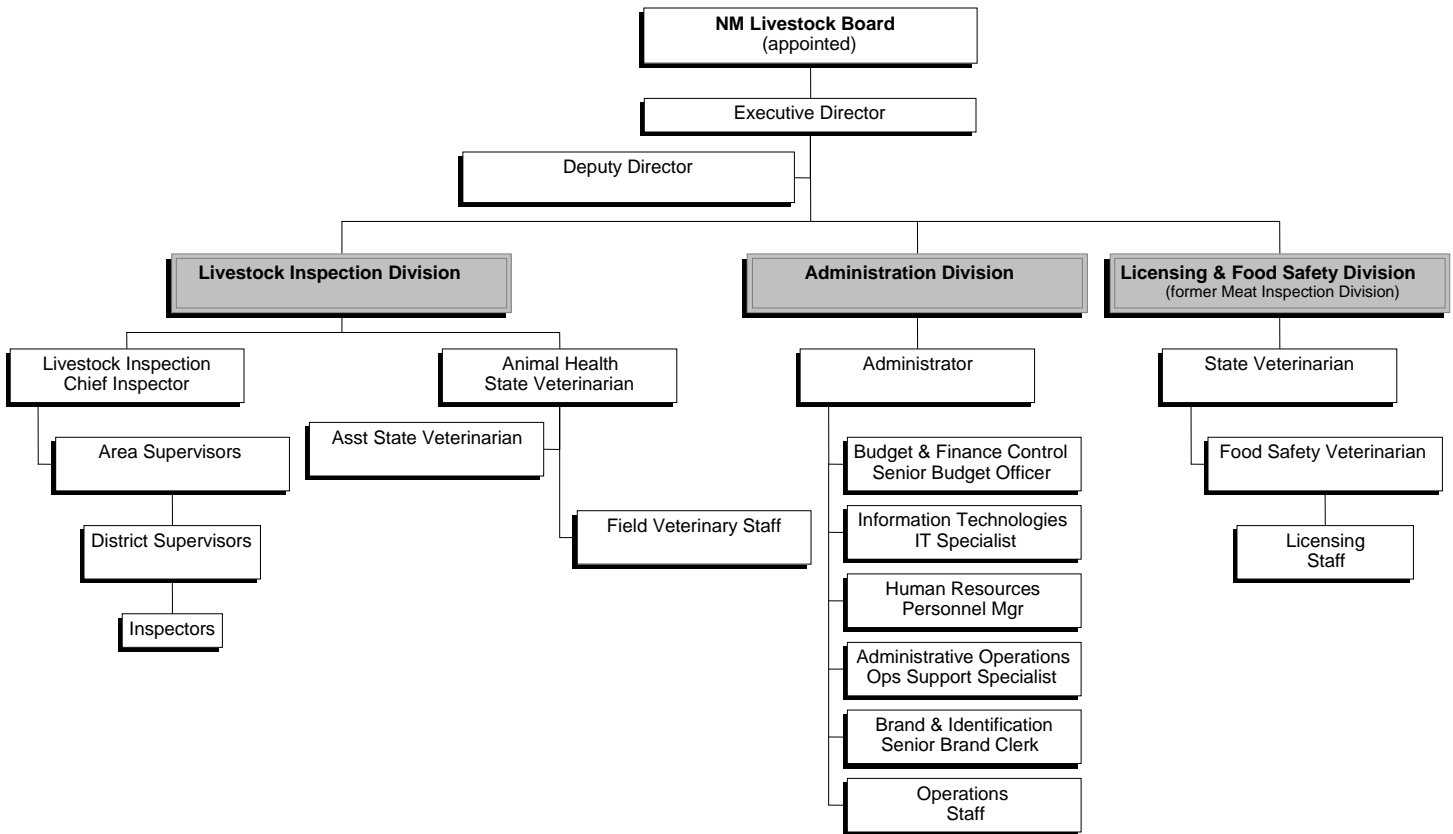
Administration

Myles Culbertson	Executive Director
Bobby Pierce	Deputy Director
Dave E. Fly, D.V.M.	State Veterinarian
Tim Hanosh, D.V.M.	Assistant State Veterinarian
Penny Sample	Administrator
Dorothy Martinez	Chief Financial Officer (Resigned 04-19-2009)
Mary McCoy	Chief Financial Officer (As of 09-21-2009)

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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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Griego Professional Services, LLC

Certified Public Accountants

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 the fiduciary fund column in the fund financial statements, of the State of New Mexico, New Mexico Livestock Board (the "Board"), as of and for the year ended June 30, 2009, which collectively comprise the Board's basic financial statements as listed in the table of contents. We have also audited the financial statements 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, 2009, 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 changes in financial position of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the Livestock 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, 2009 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, 2009, 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 the fiduciary fund of the Board as of June 30, 2009, 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 10, 2009 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* on pages vi-ix 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 10, 2009

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**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2009**

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, 2009. 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 and service charges, brand recording, stray sales, property taxes, federal cooperative agreements, other licenses and permits, and miscellaneous income on livestock totaled \$5,884,545 compared to \$6,226,597 for the prior year.

The Board receives approximately 18% of its funding from the General Fund appropriation. Appropriation revenues were \$1,307,008 for the current fiscal year.

Expenditures on an accrual basis were \$7,912,502 compared to \$7,356,644 the prior year.

In fiscal year 2009, the Board collected \$1,898,040 from brand renewal. The brand re-newal is for three years. Therefore, the revenue is deferred over the three-year period.

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, 2009**

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 eighteen 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 relating to the administration of the Federal Cooperative Agreements. 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 \$1.9 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 \$1,097,841 as compared to \$1,120,160 in the prior fiscal year.

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 \$1,870,650 as compared to \$2,083,405 in the prior fiscal year.

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2009**

The Board, being a state agency, receives an approved budget through the state legislature. The Board has flexibility in spending over about twenty six percent of their budget. The remaining seventy four 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.

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

	Governmental Activities	
	<u>2009</u>	<u>2008</u>
Current Assets	\$ 4,806,914	\$ 4,241,518
Capital and Non-Current Assets	<u>509,840</u>	<u>594,608</u>
Total Assets	<u>5,316,754</u>	<u>4,836,126</u>
Current Liabilities	2,620,618	1,266,927
Long-Term Liabilities	<u>52,788</u>	<u>204,902</u>
Total Liabilities	<u>2,673,406</u>	<u>1,471,829</u>
Net Assets		
Invested in Capital Assets	509,840	594,608
Unrestricted	<u>2,133,508</u>	<u>2,769,689</u>
Total Net Assets	<u>\$ 2,643,348</u>	<u>\$ 3,364,297</u>

As summarized in Table A-1, Net Assets of \$2,643,348 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>2009</u>	<u>2008</u>
Revenues		
General Fund Appropriations	\$ 1,307,008	\$ 1,851,500
Other Revenue	<u>5,884,545</u>	<u>6,226,597</u>
Total Revenues	7,191,553	8,078,097
Total Expenditures	<u>7,912,502</u>	<u>7,356,644</u>
Change in Net Assets	(720,949)	721,453
Restatement from prior years		500,582
Beginning Net Assets	<u>3,364,297</u>	<u>2,142,262</u>
Ending Net Assets	<u>\$ 2,643,348</u>	<u>\$ 3,364,297</u>

**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2009**

The decrease in net assets of \$720,949 reflects lower levels of other revenue collected than were appropriated for the current fiscal year. Government wide expenses are \$7,912,502 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 cooperatives over the previous year. Final actual revenue was less than budget primarily due reduced federal revenues received on a reimbursement basis as well as lower levels of other revenue collected than were appropriated for the current fiscal year. This occurred in the General Fund with a final revenue budget of \$5,169,350 and an actual amount of \$4,013,895. This resulted in an unfavorable variance of \$1,155,455. The General fund had no change between original and final budget during the year. The total final expenditure budget in the General fund was \$8,742,450, the actual amount was \$7,798,405, and this resulted in a favorable variance of \$944,045.

Significant Capital Asset Activity

During the year ended June 30, 2009, the Board purchased new trucks and other equipment for a total cost of \$180,198.

Significant Long-Term Debt Activity

During the year ended June 30, 2009, the Board maintained compensated absence balances for accrued vacation and sick leave. The beginning balance was \$409,804, additions totaled \$415,674, and deletions totaled \$386,345, resulting in an ending balance of \$439,133. Of this balance \$386,345 is considered current.

Financial Statement Information

Complete financial statements for the New Mexico Livestock Board can be obtained by submitting a request to Penny Sample, Administrator, 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, 2009

Exhibit A-1

	Governmental Activities
ASSETS	
Current Assets	
Cash and Investments	\$ 3,693,278
Receivables	
Livestock fees and charges	92,112
Intergovernmental receivables	722,746
Other receivables	23,968
Due from agency funds	274,810
Total Current Assets	4,806,914
Noncurrent Assets	
Capital assets	2,447,442
Less: accumulated depreciation	(1,937,602)
Total capital assets	509,840
Total assets	\$ 5,316,754
LIABILITIES AND NET ASSETS	
LIABILITIES	
Current Liabilities	
Accounts payable	\$ 571,585
Accrued payroll, benefits, and taxes	213,741
Deferred Revenue	
Sale of estrays	183,587
Brand registration	1,265,360
Current portion of long-term liabilities	386,345
Total Current Liabilities:	2,620,618
Noncurrent liabilities	
Compensates absences payable - expected to be paid after one year	52,788
Total liabilities	2,673,406
NET ASSETS	
Invested in capital assets	509,840
Unrestricted	2,133,508
Total net assets	2,643,348
Total liabilities and net assets	\$ 5,316,754

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, 2009

Exhibit A-2

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net Revenues (Expenses) and Changes in Net Assets</u>
Expenses		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				
General Government				
Admin., livestock inspection, meat inspection	\$ 7,647,536	\$ 2,368,547	\$ 1,645,339	\$ (3,633,650)
Depreciation (unallocated)	264,966	-	-	(264,966)
Total governmental activities	<u>\$ 7,912,502</u>	<u>\$ 2,368,547</u>	<u>\$ 1,645,339</u>	<u>(3,898,616)</u>
 General Revenues and other:				
State General Fund appropriation				1,307,008
Livestock property taxes				1,870,650
Miscellaneous revenue				<u>9</u>
Total general revenues and other				<u>3,177,667</u>
Change in net assets				(720,949)
Beginning net assets				<u>3,364,297</u>
Ending net assets				<u><u>\$ 2,643,348</u></u>

The accompanying notes are an integral part of these financial statements

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STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2009

Exhibit B-1
(Page 1 of 2)

	General Fund	Special Revenue Fund	Total
ASSETS			
<i>Current:</i>			
Investments	\$ 3,692,952	\$ -	\$ 3,692,952
Change drawer cash	326	-	326
Receivables			
Livestock fees and charges	92,112	-	92,112
Intergovernmental receivables	722,746	-	722,746
Other receivables	23,968	-	23,968
Due from agency funds	274,810	-	274,810
<i>Total current assets</i>	\$ 4,806,914	\$ -	\$ 4,806,914
 LIABILITIES AND FUND BALANCE			
<i>Current Liabilities:</i>			
Accounts payable	\$ 571,585	\$ -	\$ 571,585
Accrued payroll, benefits, and taxes	213,741	-	213,741
Deferred Revenue			
Sale of estrays	183,587	-	183,587
Brand registration	1,265,360	-	1,265,360
<i>Total liabilities</i>	2,234,273	-	2,234,273
<i>Fund balance:</i>			
Reserved for change drawer cash	326	-	326
Unreserved			
Designated for subsequent fiscal year's expenditures	2,572,315	-	2,572,315
<i>Total fund balance</i>	2,572,641	-	2,572,641
<i>Total liabilities and fund balance</i>	\$ 4,806,914	\$ -	\$ 4,806,914

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

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STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
GOVERNMENTAL FUND
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009

Exhibit B-1
(Page 2 of 2)

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

Fund balances - total governmental funds	<u>\$ 2,572,641</u>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Machinery and equipment	2,447,442
Accumulated Depreciation	<u>(1,937,602)</u>
Total Capital Assets	509,840
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>(439,133)</u>
Total Net Assets	<u><u>\$ 2,643,348</u></u>

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 REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2009

Exhibit B-2
(Page 1 of 2)

<i>Revenues:</i>	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
Federal grant funds	\$ 1,645,339	\$ -	\$ 1,645,339
Inspection fees	1,097,841	-	1,097,841
Personal property taxes on livestock	-	1,870,650	1,870,650
Brand recording fees and horse permits	632,680	-	632,680
Estray sales, net	102,472	-	102,472
Other licenses and permits	286,073	-	286,073
Miscellaneous	9	-	9
Service charges	249,481	-	249,481
	<hr/>	<hr/>	<hr/>
<i>Total revenues</i>	4,013,895	1,870,650	5,884,545
	<hr/>	<hr/>	<hr/>
<i>Expenditures:</i>			
Current			
General Government			
Administration	713,203	-	713,203
Livestock inspection	5,076,195	-	5,076,195
Meat inspection	378,845	-	378,845
Federal Coop agreements	1,485,401	-	1,485,401
Capital outlay	144,761	-	144,761
	<hr/>	<hr/>	<hr/>
<i>Total expenditures</i>	7,798,405	-	7,798,405
	<hr/>	<hr/>	<hr/>
<i>Excess (deficiency) of revenues over expenditures</i>	(3,784,510)	1,870,650	(1,913,860)
	<hr/>	<hr/>	<hr/>
<i>Other financing sources (uses):</i>			
State General Fund Appropriation	1,307,008	-	1,307,008
Operating transfer - in	1,870,650	-	1,870,650
Operating transfer - out	-	(1,870,650)	(1,870,650)
	<hr/>	<hr/>	<hr/>
<i>Total other financing sources (uses)</i>	3,177,658	(1,870,650)	1,307,008
	<hr/>	<hr/>	<hr/>
<i>Net change in fund balances</i>	(606,852)	-	(606,852)
	<hr/>	<hr/>	<hr/>
<i>Fund balances - beginning of year</i>	3,179,493	-	3,179,493
	<hr/>	<hr/>	<hr/>
<i>Fund balances - end of year</i>	\$ 2,572,641	\$ -	\$ 2,572,641
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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
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, 2009

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	\$	(606,852)
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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:

		(29,329)
--	--	----------

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		180,198
Depreciation expense		<u>(264,966)</u>

Changes in Net Assets	\$	<u><u>(720,949)</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, 2009

	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Federal sources	\$ 2,338,400	\$ 2,338,400	1,645,339	\$ (693,061)
Other	2,830,950	2,830,950	2,368,556	(462,394)
<i>Total revenues</i>	5,169,350	5,169,350	4,013,895	(1,155,455)
<i>Expenditures:</i>				
General Government				
Administration				
Personal Services & Benefits	577,100	577,100	558,853	18,247
Contractual services	70,995	70,995	35,211	35,784
Other Costs	128,000	128,000	119,139	8,861
Total administration	776,095	776,095	713,203	62,892
Livestock inspection				
Personal Services & Benefits	3,961,800	3,961,800	3,801,471	160,329
Contractual services	2,079,705	2,079,705	1,475,127	604,578
Other Costs	1,548,417	1,548,417	1,429,759	118,658
Total livestock inspection	7,589,922	7,589,922	6,706,357	883,565
Meat inspection				
Personal Services & Benefits	335,297	335,297	338,409	(3,112)
Contractual services	700	700	-	700
Other Costs	40,436	40,436	40,436	-
Total meat inspection	376,433	376,433	378,845	(2,412)
<i>Total expenditures</i>	8,742,450	8,742,450	7,798,405	944,045
<i>Excess (deficiency) of revenues over expenditures</i>	(3,573,100)	(3,573,100)	(3,784,510)	211,410
<i>Other Financing Sources (Uses):</i>				
State general fund appropriations	1,304,700	1,304,700	1,307,008	(2,308)
Transfers in	1,870,650	1,870,650	1,870,650	-
Designated cash	397,750	397,750	-	397,750
<i>Total Other Financing Sources</i>	3,573,100	3,573,100	3,177,658	395,442
<i>Net change in fund balances</i>	\$ -	\$ -	\$ (606,852)	\$ (606,852)
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues			-	
Adjustments to expenditures			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			\$ (606,852)	

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, 2009

	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Other	\$ 1,870,650	\$ 1,870,650	\$ 1,870,650	\$ -
<i>Total revenues</i>	<u>1,870,650</u>	<u>1,870,650</u>	<u>1,870,650</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	(1,870,650)	(1,870,650)	(1,870,650)	-
<i>Total Other Financing Sources</i>	<u>(1,870,650)</u>	<u>(1,870,650)</u>	<u>(1,870,650)</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>1,870,650</u>	<u>1,870,650</u>	<u>1,870,650</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, 2009

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 87,046
Due from NM Beef Council	278,766
Due from NM Sheep and Goat Council	<u>5,178</u>
<i>Total assets</i>	<u><u>\$ 370,990</u></u>
 LIABILITIES	
Due to General Fund	\$ 274,810
Due to NM Beef Council	<u>96,180</u>
<i>Total liabilities</i>	<u><u>\$ 370,990</u></u>

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, 2009

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, 2009.

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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, 2009, 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, 2009

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, 2009.

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

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

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

D. *Basis of Accounting*

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

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

Modified Accrual. All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the 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, 2009

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, 2009

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

E. *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, 2009.

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

F. *Capital Assets*

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

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

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

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

G. *Compensated Absences Payable*

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

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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

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.

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, 2009.

Unrestricted Net Assets – represent the unrestricted net assets of the Board as June 30, 2009.

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

K. *Use of Estimates*

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

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 2. Investments

Investments – SHARE Fund 38500

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

As of June 30, 2009, the Board had the following in pooled cash:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> <u>Less than 1 Year</u>
Interest in the State Treasurer General Fund Investment Pool	\$ 3,779,998	\$ 3,779,998

Interest rate risk is the risk that interest rate variations may adversely affect an investment’s fair value. The Board does not have an investment policy that limits investment interest rate risk.

Credit risk is that risk that an issuer or other counterparty to an investment will not fulfill its obligations. The General Fund Investment Pool is not rated for credit risk.

For additional GASB disclosure information regarding cash held by the State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer’s Office for the year ended June 30, 2009.

Reconciliation of Cash and Interest in General Fund Investment Pool

Governmental Funds – Balance Sheet	
Interest in General Fund Investment Pool per Exhibit A-1	\$ 3,693,278
Interest in General Fund Investment Pool per Exhibit D-1	87,046
Less petty cash	<u>(326)</u>
Total Interest in GFIP	<u>\$ 3,779,998</u>

NOTE 3. Receivables

As of June 30, 2009, receivables consist of the following:

General Fund:	
Livestock fees and charges	\$ 92,112
Intergovernmental receivables	722,746
Property taxes	<u>23,968</u>
Total	<u>\$ 838,826</u>

All receivables are considered 100% collectible.

NOTE 4. Capital Assets

	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2009</u>
Machinery & equipment	\$ 2,267,244	\$ 180,198	\$ –	\$ 2,447,442
Accumulated depreciation	<u>1,672,636</u>	<u>264,966</u>	<u>–</u>	<u>1,937,602</u>
Total capital assets	<u>\$ 594,608</u>	<u>\$ (84,768)</u>	<u>\$ –</u>	<u>\$ 509,840</u>

Depreciation expense for the year ended June 30, 2009 was unallocated in the amount of \$264,966.

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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, 2009 is \$183,587.

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, 2009 was a renewal year. At June 30, 2009, \$1,265,360 is related to brand renewal and will be amortized into revenue over the next two years.

NOTE 6. Compensated Absences Payable

A summary of changes in compensated absences payable for the year ended June 30, 2009 is as follows:

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
Accrued vacation and sick leave	\$ 409,804	\$ 415,674	\$ 386,345	\$ 439,133

The liability at June 30, 2009 of \$439,133 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 \$386,345 is expected to be paid in the next year.

NOTE 7. Operating Transfers

Operating transfers during the year consisted of the following:

	Transfers	
	From	To
General Fund	\$ -	\$ 1,870,650
Special Revenue Fund	1,870,650	-
	\$ 1,870,650	\$ 1,870,650

The special revenue fund transferred \$1,870,650 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	\$ -	\$ 274,810
Agency Fund	274,810	-
	\$ 274,810	\$ 274,810

At June 30, 2009, the agency funds owed the general fund \$274,810 for payments made in excess of amounts actually owed during the fiscal year. This receivable is liquidated each year.

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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, 2009, 2008, and 2007 were \$540,781, \$494,397 and \$448,494, respectively, which equal the amount of the required contributions for each fiscal year.

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

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

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

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

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

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. 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, 2009, 2008 and 2007 were \$40,812, \$37,278, and \$34,266, 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 Laws of 2008, Chapter 3.

NOTE 12. Commitments – Operating Leases

Rental payments totaling \$161,196 were made during the year ended June 30, 2009 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:

2010	105,899
2011	107,780
2012	89,894
2013	91,374
2014	94,113
Thereafter	<u>582,572</u>
Total	<u>\$ 1,071,632</u>

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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, 2008 to June 30, 2009.

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.

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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, 2009

Schedule I

	Balance June 30, 2008	Additions	Deductions	Balance June 30, 2009
<u>New Mexico Beef Council</u>				
Assets				
Cash	\$ -	\$ 1,136,925	\$ (1,059,029)	\$ 77,896
Receivable- General Fund	77,329	-	(77,329)	-
Receivable- Beef Council	261,687	17,079	-	278,766
Total Assets	<u>\$ 339,016</u>	<u>\$ 1,154,004</u>	<u>\$ (1,136,358)</u>	<u>\$ 356,662</u>
Liabilities				
Due to General Fund	\$ 261,687	\$ -	\$ (1,205)	\$ 260,482
Due to New Mexico Beef Council	77,329	18,851	-	96,180
	<u>\$ 339,016</u>	<u>\$ 18,851</u>	<u>\$ (1,205)</u>	<u>\$ 356,662</u>
<u>New Mexico Sheep and Goat Council</u>				
Assets				
Cash	\$ -	\$ 9,150	\$ -	\$ 9,150
Receivable- General Fund	-	-	-	-
Receivable- Sheep Council	14,054	-	(8,876)	5,178
Total Assets	<u>\$ 14,054</u>	<u>\$ 9,150</u>	<u>\$ (8,876)</u>	<u>\$ 14,328</u>
Liabilities				
Due to General Fund	\$ 14,054	\$ 274	\$ -	\$ 14,328
Due to New Mexico Sheep & Goat Council	-	-	-	-
	<u>\$ 14,054</u>	<u>\$ 274</u>	<u>\$ -</u>	<u>\$ 14,328</u>
<u>Total all Agency Funds</u>				
Assets				
Cash	\$ -	\$ 1,146,075	\$ (1,059,029)	\$ 87,046
Receivable- General Fund	77,329	-	(77,329)	-
Receivable - Beef Council	261,687	17,079	-	278,766
Receivable- Sheep Council	14,054	-	(8,876)	5,178
Total Assets	<u>\$ 353,070</u>	<u>\$ 1,163,154</u>	<u>\$ (1,145,234)</u>	<u>\$ 370,990</u>
Liabilities				
Due to General Fund	\$ 275,741	\$ 274	\$ (1,205)	\$ 274,810
Due to New Mexico Beef Council	77,329	18,851	-	96,180
Due to New Mexico Sheep & Goat Council	-	-	-	-
	<u>\$ 353,070</u>	<u>\$ 19,125</u>	<u>\$ (1,205)</u>	<u>\$ 370,990</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, 2009, which collectively comprise the Board's basic financial statements as listed in the table of contents, and have issued our report thereon dated December 10, 2009. We have also audited the financial statements 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, 2009. 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 07-04, FS 09-01 through FS 09-04).

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

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 10, 2009

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Griego Professional Services, LLC

Certified Public Accountants

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 its major federal program for the year ended June 30, 2009. The Board's major federal program is 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 its major federal program 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 item FA 08-01 in the accompanying schedule of findings and questioned costs, the New Mexico Livestock Board did not comply with requirements regarding reporting that are applicable to its 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, 2009.

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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item FA 08-01 to be a significant deficiency.

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 the significant deficiency described above is not a material weakness.

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

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 10, 2009

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STATE OF NEW MEXICO
NEWMEXICO LIVESTOCK BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009

Schedule II

Federal Grantor/ Passthrough Grantor/ Program Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Agriculture		
Plant and Animal Disease, Pest Control, and Animal Care	10.025	\$ 1,645,339
Total U.S. Department of Agriculture		<u>1,645,339</u>
Total Federal Financial Assistance		<u><u>\$ 1,645,339</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	\$ 1,645,339
Total expenditures funded by other sources	<u>6,153,066</u>
Total expenditures	<u><u>\$ 7,798,405</u></u>

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

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2009

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
10.025	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 |

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2009

Schedule III

Section II – Financial Statement Findings

FS: 07-04 Compensated Absences - Repeated

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 2009.

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: Management is aware of the situation and NMLB personnel have notified the State Personnel Office and the Department of Finance of the problems. The Agency personnel will continue to offer SPO and DFA assistance so that these oversight and monitoring agencies can remedy the problem in SHARE. Internally the Board maintains track of compensated balances for all employees. Training has been provided in the HCM module of SHARE so that once the prior year's situation is resolved the above condition will not recur.

FS 09-01 – Internal Controls Payroll

Criteria: : Immigration Reform & Control Act of 1986 requires all employees hired after November 6, 1986 to complete a form I-9 within 3 days of hire. This form is to be retained for either three years after the date of hire or one year after the date of termination, which ever is later.

Condition: During our test work of personnel files, GPS noted the following:

- Four out of twelve employees tested did not have complete I-9 documentation. I-9s were not certified that documentation was reviewed and they did not list the documents that were examined.

Cause: The Board was unaware that the employees had incomplete I-9s on file.

Effect: Not keeping completed I-9s on file is a failure of internal control procedures and could result in possible legal complications and liabilities in the event of noncompliance with state and federal laws.

Auditor's Recommendation: We recommend that the Board periodically reviews employees' files to make sure that I-9s are filled out correctly and that they have the required supporting documentation attached.

Management's Response: Management is now aware of the situation and the NMLB will review employees' personnel files to ensure that all employees have complete I-9s on file.

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2009

Schedule III

FS 09-02 — Lack of Supporting Documentation

Criteria: NMAC 6.20 2.14: Protection of records requires that the administrator and every other custodian of public records shall carefully protect and preserve such records from deterioration, mutilation, loss or destruction and, whenever advisable, shall cause them to be properly repaired and renovated. All paper, ink and other materials used in public offices for the purposes of permanent records shall be of durable quality.

Condition: During our test of internal controls related to cash disbursements, GPS noted the following:

- One out of twenty vouchers tested had an invoice attached that was not clerically correct. The invoice understated the mileage by 379 miles and the hours worked by 38 hours. The Board paid the voucher at the invoice rate which was not correct.
- Two out of twenty vouchers tested had invoices attached that had incorrect GRT rates.
- One out of twenty vouchers tested had actual amounts paid out instead of per diem amounts. These actual amount did not have prior approval.
- One out of twenty vouchers tested did not have the proper approval. Travel expenses for tuberculosis clinics should be approved by the State Veterinarian.
- One out of twenty vouchers tested was paid out of the wrong account. The voucher was for medical services and was paid out of the professional services account. Other vouchers for these same services were paid out of the medical services account.

Cause: The NM Livestock Board did not verify that invoices were accurate and correct. They also did not get approval of vouchers that required in-house approval before paying them out.

Effect: Records were not properly completed and maintained resulting in a violation of NMAC 6 20 2.14. The failure to maintain records properly and completely may result in the Board providing overpayment to vendors, create unallowable costs as well as create non-compliance with State Statutes.

Auditor's Recommendation: We recommend that personnel in charge of documents review the proper procedures for maintaining documents, and seek to establish better controls over the handling of these documents. We recommend that the approval is attached to the voucher.

Management's Response: The Department of Finance and Administration- Financial Control Division is diligent in their responsibility to ensure accurate and correct vouchers and invoices prior to payment. The NMLB will provide additional training to the agency personnel responsible for reviewing documents.

FS 09-03 – Internal Controls Receipts

Criteria: Per the State of New Mexico Manual of Model Accounting Practices, Section FIN2.1-8 and Sections 6-10-2, 3, 13, NMSA 1978, State agencies must log or receipt all monies received at the time received, and shall document all monies received either with a prenumbered receipt, or by entering them in a cash receipt log, that specifies the amount and date of the receipt, the source of revenue, and complete account coding information. Additionally, state agencies must deposit all monies received with the STO or with the authorized banking institution by the close of the next business day after receipt. Also, the amount deposited must be verified by an individual independent of the personnel who had access to the monies and/or deposit. Finally all monies collected by state agencies should be adequately safeguarded to ensure that they are deposited with the STO or with an authorized banking institution.

Condition: During our testwork of internal controls related to cash receipts, GPS noted the following:

- One out of ten receipts tested included eleven working days of receipts. The receipts were deposited three days after the last working day. The total amount was \$378.50.
- One out of ten receipts tested was deposited two months after collected. The total amount was \$4,949.50.
- One out of ten receipts tested was deposited over a month after the money was collected. The total amount was \$630.00.
- One out of ten receipts tested was deposited three months after collected. The total amount was \$1,129.38.

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2009

Schedule III

Cause: The Livestock Board has several different inspectors that are assigned to different areas of the state. The inspectors are responsible for depositing money collected. Inspectors in rural areas are not often close enough to the bank to deposit the receipts. Each inspector has multiple receipt books that are not reviewed to make sure that they are used sequentially.

Effect: Not having the receipts deposited within a reasonable time period is a violation of New Mexico State Statutes. This also allows the Board to be vulnerable to risk of fraud and misuse of public funds. Receipts could be issued without the Board's knowledge and cash could not be deposited.

Auditor's Recommendation: We recommend that the Board make deposits in a timely manner (within a week of receipt), and implement some form of internal controls over the inspectors' receipt books.

Management's Response: Management is aware of the situation and the Board is developing policies to ensure all deposits are made in a timely manner to assure accuracy of deposits by field personnel using a strong internal data control system.

FS-09-04 – Lack of Supporting Documentation – Travel & Per Diem

Criteria: NMAC 6.2.2.24 (c) Other Administrative Standards states that state agencies' records shall be in accordance with the Public Records Act, Section 14-3-1, NMSA 1978 and should be available for review by auditors.

Condition: During our testwork we found two instances of the five travel related disbursements tested that did not have enough supporting documentation attached, for example no location or purpose was stated on travel reimbursement documentation. We also noted that five out of five travel disbursements were not approved by the employees' supervisors as required by Board policy.

Cause: Employees are being reimbursed for travel without prior approval by the employees' supervisors and without attaching the appropriate documentation.

Effect: Not having supporting documentation and not obtaining the proper approval could make the Board more vulnerable to incidents of fraud within travel related expenditures,

Auditor Recommendation: We recommend that personnel in charge of documents review the proper procedures for maintaining documents, seek to establish better controls over the handling of these documents, and monitor supporting documentation for accuracy in order to safeguard against fraud.

Management Response: The Department of Finance and Administration- Financial Control Division is diligent in their responsibility to ensure adequate supporting documentation prior to payment. Management believes the above condition was caused by a misfiling of records subsequent to payment. Management has implemented controls over Accounts Payable to limit access of Accounts Payable records so that only those individuals working in Accounting and Finance Office of the NMLB. All requests for documentation will go through the Accounting and Finance Office. The NMLB will provide additional training to the personnel responsible for processing the travel and per diem reimbursement requests. The training will be regarding the NMLB's policy requiring prior approval by the employees' supervisors for travel reimbursements and proper supporting documentation for travel reimbursements.

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2009

Schedule III

Section III – Federal Award Findings

FA 08-01: Chart of Accounts for Federal Funds-Repeated

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 chart of accounts should be maintained in such a way for the Livestock Board to accurately report the amount of expenditures spent for each federal grant received. The Board should be able to agree the amount reported to grantors to the general ledger.

Condition: The Board's chart of accounts is not currently capable of separating the federal expenditures from expenditures of other revenue sources.

Questioned Costs: None.

Cause: The Board has not modified their chart of accounts to allow for separation of expenditures into "departments."

Effect: There is no way to agree federal expenditures reported to grantors to the general ledger. The Board is unable to easily substantiate amounts spent for federal grants received.

Auditor's Recommendation: The Board should work with the State to modify their chart of accounts so that the Board can easily separate expenditures of federal funds from expenditures of other revenue sources.

Management's Response: Management is aware of the situation and NMLB' personnel have been working diligently with the Department of Finance and Administration to remedy the situation. A request to the Department of Finance and Administration will be made to establish department level budgeting to ensure the agency is able to track federal cooperative funding separately beginning with fiscal year end 2011. In the interim, Management has established a department 4000000000 for federal funds tracking in fiscal year 2010.

Section IV – Prior Year Audit Findings

FS 07-04 Compensated Absences - *Repeated*

FS 07-09 Timely Submission of Audit Report - *Resolved*

FS 08-01 Cash Disbursements - *Resolved*

FA 07-01 Unable to Provide Appropriate Documentation - *Resolved*

FA 07-02 Documentation of Employee Time and Effort - *Resolved*

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

FA 08-01 Chart of Accounts for Federal Funds - *Repeated*

FA 08-02 Cash Requests - *Resolved*

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2009

Schedule III

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 10, 2009. The following individuals were in attendance.

New Mexico Livestock Board

Bill King, Board Chairman
Dave E. Fly, D.V.M., State Veterinarian
Myles Culbertson, Executive Director
Bobby Pierce, Deputy Director
Mary McCoy, Chief Financial Officer
Penny Sample, Administrator

Griego Professional Services, LLC

Monica Yaple, CPA
Rebekah Runyan
Eric Onsurez