

**STATE OF NEW MEXICO**  
**NEW MEXICO LIVESTOCK BOARD**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2010**



## **INTRODUCTORY SECTION**

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

FOR THE YEAR ENDED JUNE 30, 2010  
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**STATE OF NEW MEXICO  
NEW MEXICO LIVESTOCK BOARD**

OFFICIAL ROSTER  
JUNE 30, 2010

**Members**

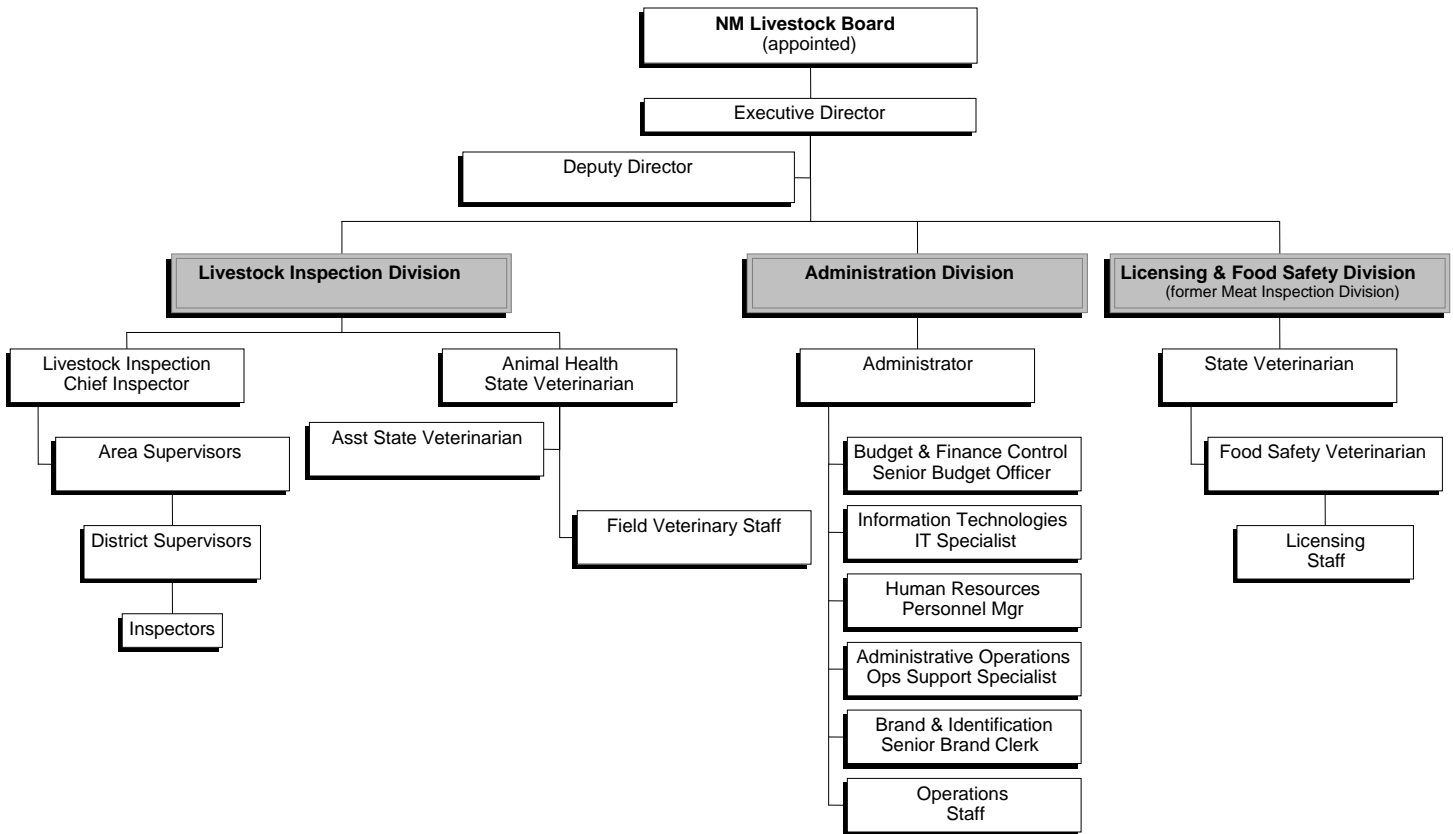
<b><u>Name</u></b>	<b><u>Title</u></b>
Bill King	Chairman
Bill Sauble	Vice-Chairman
Robert Garcia	Secretary/Treasurer
Joe Delk	Member
David Kincaid	Member
Palemon Martinez	Member
Don L. Lee	Member
Effie Walker	Member
Loren Horton	Member

**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
Mary McCoy	Chief Financial Officer (Resigned 09-16-2010)
Michael Sisneros	Chief Financial Officer (As of 02-21-2011)

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

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



**FINANCIAL SECTION**



# 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 were engaged to audit 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, 2010, which collectively comprise the Board's basic financial statements as listed in the table of contents. We were also engaged to audit 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, 2010, as listed in the table of contents. These financial statements are the responsibility of the Board's management.

Due to the lateness of the audit fieldwork and the turnover in key accounting personnel, we were not able to sufficiently satisfy ourselves with many balances on the financial statements.

Because we were not able to satisfy ourselves concerning the balances on the financial statements as explained in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements referred to in the first paragraph.

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, 2010 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 accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2011 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.

For the year ended June 30, 2010, the Board has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

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  
August 26, 2011



**BASIC  
FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
**NEW MEXICO LIVESTOCK BOARD**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2010**

Exhibit A-1

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Current Assets	
Cash and Investments	\$ 2,413,817
Receivables	
Livestock fees and charges	114,415
Intergovernmental receivables	958,880
Other receivables	24,606
Total Current Assets	3,511,718
Noncurrent Assets	
Capital assets	2,075,612
Less: accumulated depreciation	(1,743,322)
Total capital assets	332,290
Total assets	\$ 3,844,008
 <b>LIABILITIES AND NET ASSETS</b>	
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable	\$ 97,736
Accrued payroll, benefits, and taxes	214,609
Due to state general fund	77,400
Due from agency funds	80,476
Deferred Revenue	
Sale of estrays	145,670
Brand registration	632,680
Current portion of long-term liabilities	106,878
Total Current Liabilities:	1,355,449
Noncurrent liabilities	
Compensated absences payable - expected to be paid after one year	317,625
Total liabilities	1,673,074
 <b>NET ASSETS</b>	
Invested in capital assets	332,290
Unrestricted	1,838,644
Total net assets	2,170,934
Total liabilities and net assets	\$ 3,844,008

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
**NEW MEXICO LIVESTOCK BOARD**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2010**

Exhibit A-2

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net Revenues (Expenses) and Changes in Net Assets</u>
<b>Expenses</b>		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				
General Government				
Admin., livestock inspection, meat inspection	\$ 6,701,337	\$ 2,591,835	\$ 1,315,622	\$ (2,793,880)
Depreciation (unallocated)	219,070	-	-	(219,070)
Total governmental activities	<u>\$ 6,920,407</u>	<u>\$ 2,591,835</u>	<u>\$ 1,315,622</u>	<u>(3,012,950)</u>
 <b>General Revenues and other:</b>				
State General Fund appropriation				1,171,400
Livestock property taxes				1,853,222
Miscellaneous revenue				<u>162,015</u>
Total general revenues and other				<u>3,186,637</u>
Change in net assets				173,687
Beginning net assets				2,643,348
Prior period adjustment				<u>(646,101)</u>
Adjusted beginning net assets				1,997,247
Ending net assets				<u><u>\$ 2,170,934</u></u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
**NEW MEXICO LIVESTOCK BOARD**  
**BALANCE SHEET**  
**GOVERNMENTAL FUND**  
**JUNE 30, 2010**

Exhibit B-1  
(Page 1 of 2)

	General Fund	Special Revenue Fund	Total
<b>ASSETS</b>			
<i>Current:</i>			
Investments	\$ 2,412,817	\$ -	\$ 2,412,817
Change drawer cash	1,000	-	1,000
Receivables			
Livestock fees and charges	114,415	-	114,415
Intergovernmental receivables	958,880	-	958,880
Other receivables	24,606	-	24,606
	<u>\$ 3,511,718</u>	<u>\$ -</u>	<u>\$ 3,511,718</u>
<i>Total current assets</i>	<u>\$ 3,511,718</u>	<u>\$ -</u>	<u>\$ 3,511,718</u>
 <b>LIABILITIES AND FUND BALANCE</b>			
<i>Current Liabilities:</i>			
Accounts payable	\$ 97,736	\$ -	\$ 97,736
Accrued payroll, benefits, and taxes	214,609	-	214,609
Due to state general fund	77,400	-	77,400
Due to agency funds	80,476	-	80,476
Deferred Revenue			
Sale of estrays	145,670	-	145,670
Brand registration	632,680	-	632,680
	<u>1,248,571</u>	<u>-</u>	<u>1,248,571</u>
<i>Total liabilities</i>	<u>1,248,571</u>	<u>-</u>	<u>1,248,571</u>
 <i>Fund balance:</i>			
Reserved for change drawer cash	1,000	-	1,000
Unreserved			
Designated for subsequent fiscal year's expenditures	2,262,147	-	2,262,147
	<u>2,263,147</u>	<u>-</u>	<u>2,263,147</u>
<i>Total fund balance</i>	<u>2,263,147</u>	<u>-</u>	<u>2,263,147</u>
 <i>Total liabilities and fund balance</i>	 <u>\$ 3,511,718</u>	 <u>\$ -</u>	 <u>\$ 3,511,718</u>

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

**STATE OF NEW MEXICO**  
**NEW MEXICO LIVESTOCK BOARD**  
**GOVERNMENTAL FUND**  
**RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2010**

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	\$ 2,263,147
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>	
Machinery and equipment	2,075,612
Accumulated Depreciation	<u>(1,743,322)</u>
Total Capital Assets	332,290
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:</p>	
Compensated absences	<u>(424,503)</u>
Total Net Assets	<u><u>\$ 2,170,934</u></u>

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

**STATE OF NEW MEXICO**  
**NEW MEXICO LIVESTOCK BOARD**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2010**

Exhibit B-2  
(Page 1 of 2)

<i>Revenues:</i>	General Fund	Special Revenue Fund	Total
Federal grant funds	\$ 1,315,622	\$ -	\$ 1,315,622
Inspection fees	1,159,043	-	1,159,043
Personal property taxes on livestock	-	1,853,222	1,853,222
Brand recording fees and horse permits	857,114	-	857,114
Estray sales, net	33,221	-	33,221
Other licenses and permits	278,510	-	278,510
Miscellaneous	162,015	-	162,015
Service charges	263,947	-	263,947
<i>Total revenues</i>	4,069,472	1,853,222	5,922,694
 <i>Expenditures:</i>			
Current			
General Government			
Administration	652,067	-	652,067
Livestock inspection	4,754,639	-	4,754,639
Meat inspection	62,315	-	62,315
Federal Coop agreements	1,226,012	-	1,226,012
Capital outlay	62,454	-	62,454
<i>Total expenditures</i>	6,757,487	-	6,757,487
 <i>Excess (deficiency) of revenues over expenditures</i>	 (2,688,015)	 1,853,222	 (834,793)
 <i>Other financing sources (uses):</i>			
State General Fund Appropriation	1,171,400	-	1,171,400
Operating transfer - in	1,853,222	-	1,853,222
Operating transfer - out	-	(1,853,222)	(1,853,222)
<i>Total other financing sources (uses)</i>	3,024,622	(1,853,222)	1,171,400
 <i>Net change in fund balances</i>	 336,607	 -	 336,607
 <i>Fund balances - beginning of year</i>	 2,572,641	 -	 2,572,641
<i>Prior period adjustment</i>	(646,101)	-	(646,101)
<i>Adjusted fund balances - beginning of year</i>	1,926,540	-	1,926,540
 <i>Fund balances - end of year</i>	 \$ 2,263,147	 \$ -	 \$ 2,263,147

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

**STATE OF NEW MEXICO**  
**NEW MEXICO LIVESTOCK BOARD**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL**  
**FUND TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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	\$	336,607
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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:

		14,630
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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		41,520
Depreciation expense		<u>(219,070)</u>

Changes in Net Assets	\$	<u><u>173,687</u></u>
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The accompanying notes are an integral part of these financial statements.

**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, 2010

	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable )
	Original	Final		
<i>Revenues:</i>				
Federal sources	\$ 1,673,734	\$ 1,673,734	1,315,622	\$ (358,112)
Other	2,050,200	2,050,200	2,753,850	703,650
<i>Total revenues</i>	3,723,934	3,723,934	4,069,472	345,538
<i>Expenditures:</i>				
General Government				
Administration				
Personal Services & Benefits	574,900	574,900	475,879	99,021
Contractual services	37,400	37,400	33,927	3,473
Other Costs	208,800	208,800	142,261	66,539
Total administration	821,100	821,100	652,067	169,033
Livestock inspection				
Personal Services & Benefits	4,026,000	4,026,000	3,828,341	197,659
Contractual services	1,630,394	1,630,394	1,071,734	558,660
Other Costs	1,192,540	1,192,540	1,205,345	(12,805)
Total livestock inspection	6,848,934	6,848,934	6,105,420	743,514
<i>Total expenditures</i>	7,670,034	7,670,034	6,757,487	912,547
<i>Excess (deficiency) of revenues over expenditures</i>	(3,946,100)	(3,946,100)	(2,688,015)	(1,258,085)
<i>Other Financing Sources (Uses):</i>				
State general fund appropriations	1,171,400	1,171,400	1,171,400	-
Transfers in	2,100,000	2,100,000	1,853,222	246,778
Designated cash	674,700	674,700	-	674,700
<i>Total Other Financing Sources</i>	3,946,100	3,946,100	3,024,622	921,478
<i>Net change in fund balances</i>	\$ -	\$ -	\$ 336,607	\$ 336,607
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues			-	
Adjustments to expenditures			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			\$ 336,607	

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



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, 2010

	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable )
	Original	Final		
<i>Revenues:</i>				
Other	\$ 2,100,000	\$ 2,100,000	\$ 1,853,222	\$ (246,778)
<i>Total revenues</i>	<u>2,100,000</u>	<u>2,100,000</u>	<u>1,853,222</u>	<u>(246,778)</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	(2,100,000)	(2,100,000)	(1,853,222)	(246,778)
<i>Total Other Financing Sources</i>	<u>(2,100,000)</u>	<u>(2,100,000)</u>	<u>(1,853,222)</u>	<u>(246,778)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>2,100,000</u>	<u>2,100,000</u>	<u>1,853,222</u>	<u>246,778</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.

**STATE OF NEW MEXICO** Exhibit D-1  
**NEW MEXICO LIVESTOCK BOARD**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**YEAR ENDED JUNE 30, 2010**

	Agency Funds
<b>ASSETS</b>	
Cash	\$ -
Due to General Fund	80,476
Due from NM Beef Council	17,078
Due from NM Sheep and Goat Council	5,178
<i>Total assets</i>	\$ 102,732
 <b>LIABILITIES</b>	
Due to NM Beef Council	\$ 99,761
Due to NM Sheep & Goat Council	2,971
<i>Total liabilities</i>	\$ 102,732

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

**STATE OF NEW MEXICO**  
**NEW MEXICO LIVESTOCK BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**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, 2010.

**STATE OF NEW MEXICO**  
**NEW MEXICO LIVESTOCK BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**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, 2010, 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, 2010**

**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 cooperative agreement 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. During the year ended June 30, 2010, Executive Order 2009-044 created a mandatory reversion in the amount of \$77,400 in an attempt for the state to balance the budget.

*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, 2010**

**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 Board’s taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the Board’s general revenues.

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

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

E. *Budgetary Accounting*

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

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.

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**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. During the year ended June 30, 2010, Executive Order 2009-044 created a mandatory reversion in the amount of \$77,400 in an attempt for the state to balance the budget.

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

G. *Compensated Absences Payable*

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

**STATE OF NEW MEXICO**  
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**NOTES TO FINANCIAL STATEMENTS**  
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**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, 2010.

*Unrestricted Net Assets* – represent the unrestricted net assets of the Board as June 30, 2010.

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, 2010**

**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, 2010, 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	\$ 2,412,817	\$ 2,412,817

*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, 2010.

**Reconciliation of Cash and Interest in General Fund Investment Pool**

Governmental Funds – Balance Sheet	
Interest in General Fund Investment Pool per Exhibit A-1	\$ 2,413,817
Less petty cash	<u>(1,000)</u>
Total Interest in GFIP	<u>\$ 2,412,817</u>

**NOTE 3. Receivables**

As of June 30, 2010, receivables consist of the following:

General Fund:	
Livestock fees and charges	\$ 114,415
Intergovernmental receivables	958,880
Property taxes	<u>24,606</u>
Total	<u>\$ 1,097,901</u>

All receivables are considered 100% collectible.

**NOTE 4. Capital Assets**

	<u>Balance</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
Machinery & equipment	\$ 2,447,442	\$ 41,520	\$ 413,350	\$ 2,075,612
Accumulated depreciation	<u>1,937,602</u>	<u>219,070</u>	<u>413,350</u>	<u>1,743,322</u>
Total capital assets	<u>\$ 509,840</u>	<u>\$ (177,550)</u>	<u>\$ –</u>	<u>\$ 332,290</u>

Depreciation expense for the year ended June 30, 2010 was unallocated in the amount of \$219,070.

**STATE OF NEW MEXICO**  
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**JUNE 30, 2010**

**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, 2010 is \$145,670.

*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, 2010, \$632,680 is related to brand renewal and will be amortized into revenue over the next year.

**NOTE 6. Compensated Absences Payable**

A summary of changes in compensated absences payable for the year ended June 30, 2010 is as follows:

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
Accrued vacation and sick leave	\$ 439,133	\$ 92,248	\$ 106,878	\$ 424,503

The liability at June 30, 2010 of \$424,503 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 \$106,878 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	\$ -	\$ 1,853,222
Special Revenue Fund	1,853,222	-
	\$ 1,853,222	\$ 1,853,222

The special revenue fund transferred \$1,853,222 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	\$ 80,476
Agency Fund	-	80,476
	\$ 80,476	\$ 80,476

At June 30, 2010, the general fund owed the agency funds \$80,476 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, 2010**

**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](http://www.pera.state.nm.us).

*Funding Policy.* Plan members are required to contribute 8.92% of their gross salary. The Board is required to contribute 15.09% 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, 2010, 2009, and 2008 were \$455,768, \$540,781 and \$494,397, 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](http://www.nmrhca.state.nm.us).

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**NEW MEXICO LIVESTOCK BOARD**  
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**JUNE 30, 2010**

**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. During the fiscal year ended June 30, 2010, the statute required each participating employer to contribute 1.3% of each participating employee’s annual salary; each participating employee was required to contribute .65% of their salary. In the fiscal years ending June 30, 2011 through June 30, 2013 the contribution rates for employees and employers will rise as follows:

For employees who are not members of an enhanced retirement plan the contribution rates will be:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY11	1.666%	.833%
FY12	1.834%	.917%
FY13	2.000%	1.000%

Also, 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, 2010, 2009 and 2008 were \$38,479, \$40,812 and \$37,278, 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 cooperative agreement 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 2009, Chapter 142, Section 9C.

**NOTE 12. Commitments – Operating Leases**

Rental payments totaling \$126,066 were made during the year ended June 30, 2010 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:

2011	107,780
2012	89,894
2013	91,374
2014	94,113
2015	98,876
Thereafter	<u>419,718</u>
Total	<u><u>\$ 901,755</u></u>

**STATE OF NEW MEXICO**  
**NEW MEXICO LIVESTOCK BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**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, 2009 to June 30, 2010.

**NOTE 14. Concentrations of Credit and Other Risks**

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

**NOTE 15. Due to State General Fund**

The Due to State General Fund in the Statement of Net Assets includes \$77,400 in 2010 reversions that will be remitted to the State General Fund.

**NOTE 16. Prior Period Adjustment**

An adjustment of fund balance was necessary to correctly reflect prior year receivable balances that have since been determined to be uncollectible or significantly reduced, in the following amounts:

Federal Receivables	\$ 384,413
Due from Beef and Sheep Councils	<u>261,688</u>
Total	<u>\$ 646,101</u>

**SUPPLEMENTARY INFORMATION**

**SUPPORTING SCHEDULES**

**STATE OF NEW MEXICO**  
**NEW MEXICO LIVESTOCK BOARD**  
**COMBINING STATEMENT OF CHANGES IN ASSETS & LIABILITIES**  
**ALL AGENCY FUNDS**  
**JUNE 30, 2010**

Schedule I

	Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010
<b><u>New Mexico Beef Council</u></b>				
Assets				
Cash	\$ 77,896	\$ 666,009	\$ (743,905)	\$ -
Receivable- General Fund	-	82,683	-	82,683
Receivable- Beef Council	278,766	-	(261,688)	17,078
Total Assets	<u>\$ 356,662</u>	<u>\$ 748,692</u>	<u>\$ (1,005,593)</u>	<u>\$ 99,761</u>
Liabilities				
Due to General Fund	\$ 260,482	\$ (260,482)	\$ -	\$ -
Due to New Mexico Beef Council	96,180	99,762	(96,181)	99,761
	<u>\$ 356,662</u>	<u>\$ (160,720)</u>	<u>\$ (96,181)</u>	<u>\$ 99,761</u>
<b><u>New Mexico Sheep and Goat Council</u></b>				
Assets				
Cash	\$ 9,150	\$ 9,346	\$ (18,496)	\$ -
Receivable- General Fund	-	-	(2,207)	(2,207)
Receivable- Sheep Council	5,178	-	-	5,178
Total Assets	<u>\$ 14,328</u>	<u>\$ 9,346</u>	<u>\$ (20,703)</u>	<u>\$ 2,971</u>
Liabilities				
Due to General Fund	\$ 14,328	\$ -	\$ (14,328)	\$ -
Due to New Mexico Sheep & Goat Council	-	2,971	-	2,971
	<u>\$ 14,328</u>	<u>\$ 2,971</u>	<u>\$ (14,328)</u>	<u>\$ 2,971</u>
<b><u>Total all Agency Funds</u></b>				
Assets				
Cash	\$ 87,046	\$ 675,355	\$ (762,401)	\$ -
Receivable- General Fund	-	82,683	(2,207)	80,476
Receivable - Beef Council	278,766	-	(261,688)	17,078
Receivable- Sheep Council	5,178	-	-	5,178
Total Assets	<u>\$ 370,990</u>	<u>\$ 758,038</u>	<u>\$ (1,026,296)</u>	<u>\$ 102,732</u>
Liabilities				
Due to General Fund	\$ 274,810	\$ (260,482)	\$ (14,328)	\$ -
Due to New Mexico Beef Council	96,180	99,762	(96,181)	99,761
Due to New Mexico Sheep & Goat Council	-	2,971	-	2,971
	<u>\$ 370,990</u>	<u>\$ (157,749)</u>	<u>\$ (110,509)</u>	<u>\$ 102,732</u>

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



## **COMPLIANCE SECTION**

**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 were engaged to audit the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue fund and the supplemental information of the State of New Mexico, New Mexico Livestock Board (Board), as of and for the year ended June 30, 2010, and have issued our report thereon dated August 26, 2011. Because we were not able to satisfy ourselves concerning the balances on the financial statements, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements referred to above. Except as discussed in the preceding sentence, 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness (FS 10-01).

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies. (FS 07-04, FS 09-03, FS 10-01, FS 10-05, FS 10-06 and FS 10-08)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items FS 10-02, FS 10-03, FS 10-04 and FS 10-07.

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.

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

Albuquerque, New Mexico  
August 26, 2011



# 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, 2010. 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 and FA 10-01 through FA 10-04 in the accompanying schedule of findings and questioned costs, the New Mexico Livestock Board did not comply with requirements regarding reporting, equipment & real property management, and allowable costs that are applicable to its Plant & Animal Disease, Pest Control and Animal Care cooperative agreements. 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, because of the effects of the noncompliance described in the preceding paragraph, the New Mexico Livestock Board did not comply, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its Plant & Animal Disease, Pest Control and Animal Care cooperative agreements.

## 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item FS 10-03 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items FA 08-01 and FA 10-01 through FA 10-04 to be significant deficiencies.

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

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

*Grigo Professional Services, LLC*

Albuquerque, New Mexico  
August 26, 2011

**STATE OF NEW MEXICO**  
**NEWMEXICO LIVESTOCK BOARD**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

Schedule II

Federal Grantor/ Passthrough Grantor/ Program Title	Federal CFDA Number	Federal Expenditures
<b>U.S. Department of Agriculture</b>		
Plant and Animal Disease, Pest Control, and Animal Care	10.025	\$ 1,315,622
<b>Total U.S. Department of Agriculture</b>		<u>1,315,622</u>
<b>Total Federal Financial Assistance</b>		<u><u>\$ 1,315,622</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	\$ 1,315,622
Total expenditures funded by other sources	<u>5,441,865</u>
Total expenditures	<u><u>\$ 6,757,487</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, 2010**

**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 2010.

*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 concurs with the finding.

**FS 09-03 – Internal Controls Receipts-Repeated**

*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 pre-numbered 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. For fees collected by it inspectors, the monies should be remitted to the NMLB in not more than ten days, according to Section 77-2-10, NMSA 1978. 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 test-work of internal controls related to cash receipts, twenty of twenty-five cash receipts tested totaling \$14,585.39 were not deposited timely. Because of the state of the records it was not possible to precisely determine how long inspectors were holding fees before depositing them. Also, for one out of twenty-five cash receipts tested, the Board was unable to provide us with adequate supporting documentation (in the amount of \$592.18).

*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 ten days for fees collected by inspectors and by end of next business day for other fees), and implement some form of internal controls over the inspectors' receipt books.

*Management's Response:* Management concurs with the finding.



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**Schedule III**

**FS-10-01 – Funds Held In Suspense**

*Criteria:* Effective internal controls over cash receipts would include the posting of cash receipts to the proper revenue code on the general ledger in a timely manner.

*Condition:* Twenty-five of twenty-five randomly selected cash receipts (totaling \$ 17,054.39) could not be traced to a revenue account on the general ledger. The New Mexico Livestock Board posted cash receipts to the general ledger account “Funds Held in Suspense” during the fiscal year ended June 30, 2010, and did not prepare a journal entry reclassifying these amounts to revenue accounts until after the fiscal year had ended.

*Cause:* The position of Chief Financial Officer was vacant for most of the fiscal year ended June 30, 2010 resulting in some accounting functions not being performed as effectively as they should have been.

*Effect:* Improper recognition of revenue could impact budget and other managerial decisions necessary to effectively manage the financial affairs of the New Mexico Livestock Board.

*Auditor Recommendation:* We recommend that the “Funds Held in Suspense” account be reconciled at least quarterly, if not monthly, and that cash receipts be reclassified to the proper revenue account as a part of the reconciliation.

*Management’s Response:* Management concurs with the finding.

**FS 10-02 – Disposition of Capital Assets**

*Criteria:* The 2010 State Auditor Rule section 2.2.210 (V) and Sections 13-6-1 through 13-6-2 NMSA 1978 govern the disposition of obsolete, worn-out or unusable tangible personal property owned by state agencies, local public bodies, school districts, and state educational institutions. Written notification of the official finding and proposed disposition duly sworn and subscribed under oath by each member of the authority approving the action must be sent to the State Auditor at least thirty days prior to any disposition of property on the agency inventory list.

*Condition:* The New Mexico Livestock Board was unable to provide to the auditors evidence that the State Auditor’s Office had been properly notified of any dispositions of capital assets for the fiscal year ended June 30, 2010.

*Cause:* The Agency does not have internal controls related to the disposal of fixed assets in order to ensure compliance.

*Effect:* The Agency is not in compliance with state statutes regarding the disposition of capital assets.

*Auditors’ Recommendation:* Policies and procedures should be established for the disposal of capital assets. Proper supporting documentation should be retained and provided during the annual audit.

*Management’s Response:* Management concurs with the finding.

**STATE OF NEW MEXICO**  
**NEW MEXICO LIVESTOCK BOARD**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
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**Schedule III**

**FS 10-03 -- Capital Asset Inventory**

*Criteria:* State Auditor Rule 2.2.2.10, Subsection Y and Section 12-6-10(A) NMSA 1978 requires each agency to conduct an annual physical inventory count of all equipment listed on the agency's capital asset inventory listing as of year-end. The agency must then certify the correctness of the physical inventory count and the certification must be provided to the agency's auditors.

*Condition:* During our capital asset test-work, we noted that the New Mexico Livestock Board did not perform a year-end physical inventory count for all capital assets.

*Cause:* The New Mexico Livestock Board was without a Chief Financial Officer for most of the fiscal year ended June 30, 2010. Not all accounting functions were properly performed during this period of time.

*Effect:* The New Mexico Livestock Board was not in compliance with state statutes governing the inventory of capital assets.

*Auditors' Recommendation:* Management should establish controls and procedures necessary to ensure that a physical inventory of all equipment is performed. Additionally, we recommend that a reconciliation between the physical inventory results and the capital asset inventory listing be performed to identify any necessary adjustments.

*Management's Response:* Management concurs with the finding.

**FS 10-04 -- Audit Report Not Submitted Timely**

*Criteria:* The 2010 State Auditor Rule 2.2.2.9A(1)(f) established December 15, 2010 as the latest date an audit report for a state agency could be submitted to be considered as being filed timely.

*Condition:* The Agency's audit report for the year ended June 30, 2010 was not submitted to the State Auditor by the required due date, December 15, 2010. The report was submitted to the State Auditor's Office on October 10, 2011.

*Cause:* The New Mexico Livestock Board was without a Chief Financial Officer for most of the fiscal year ended June 30, 2010. The financial records of the New Mexico Livestock Board were not in a condition that would allow them to be audited until after the December 15, 2010 due date.

*Effect:* The audit report was not available on a timely basis for use by legislators and regulators.

*Auditors' Recommendations:* The Agency should reconcile items on the general ledger in a time frame that allows the audit to be completed and submitted by the established due date.

*Management's Response:* Management concurs with the finding.

**STATE OF NEW MEXICO**  
**NEW MEXICO LIVESTOCK BOARD**  
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**Schedule III**

**FS-10-05 – General Ledger Posting**

*Criteria:* Effective internal controls over cash receipts and cash disbursements would include the posting of accounting transactions to the correct fund, department, and object code.

*Condition:* During our test-work we noted that accounting transactions that should have been recorded in the general fund were recorded in the fiduciary fund. We also noted that posting to the department level was inconsistent throughout the fiscal year.

*Cause:* The position of Chief Financial Officer was vacant for most of the fiscal year ended June 30, 2010 resulting in some accounting functions not being performed as effectively as they should have been.

*Effect:* The uncertainty that accounting transactions were properly recorded; was a contributing factor in the auditor's issuing a disclaimer of opinion on the financial statements for the fiscal year ended June 30, 2010.

*Auditor Recommendation:* We recommend that the New Mexico Livestock Board develop procedures to ensure that accounting transactions are recorded in the correct fund, department, and object code.

*Management's Response:* Management concurs with the finding.

**FS-10-06 – Assessments**

*Criteria:* Under Section 77-2A-7.1 Assessments, NMSA 1978, at the request of the New Mexico Livestock Board (Board), the New Mexico Beef Council shall reimburse the Board for the responsible and necessary expenses incurred for such collections and information at not more than four cents per head on only those cattle involved in a transfer of ownership. Additionally, under section 77-8A-8. Assessments, NMSA 1978, at the request of the Board, the Sheep and Goat Council shall reimburse the Board for the reasonable and necessary expenses incurred for such collections and information not to exceed four percent of collections on those sheep and haired goats involved in a transfer of ownership.

*Condition:* During the fiscal year ended June 30, 2010, the New Mexico Livestock Board did not bill the New Mexico Beef Council nor the New Mexico Sheep and Goat Council for assessment fees.

*Cause:* The position of Chief Financial Officer was vacant for most of the fiscal year ended June 30, 2010 resulting in some accounting functions not being performed as effectively as they should have been.

*Effect:* The New Mexico Livestock Board did not receive monies that were properly due to it.

*Auditor Recommendation:* We recommend that the New Mexico Livestock Board develop procedures to ensure that assessments are billed on a monthly basis.

*Management's Response:* Management concurs with the finding.

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**FS 10-07 Personal Use of Public Vehicle**

*Criteria:* Personal use of a government agency vehicle is always taxable to the employee unless the vehicle is a qualified non-personal use vehicle, per the 2010 State Auditor Rule 2.2.2.10H.

*Condition:* Per inquiry of New Mexico Livestock Board personnel, it does not appear that employees' personal use of a public vehicle was included on their Form W-2.

*Cause:* The Board was not aware of this requirement.

*Effect:* Employee income in the form of fringe benefits may not be properly reported to the Internal Revenue Service.

*Auditors' Recommendation:* We recommend that the Board include personal use of a public vehicle on the Form W-2 when needed.

*Management's Response:* Management concurs with the finding.

**FS 10-08 Internal Controls -- Disbursements**

*Criteria:* Per the State of New Mexico Manual of Model Accounting Practices, Section FIN4.1 and Section 6-5-2, NMSA 1978, state agencies must use the Purchase Document form, approved by the State Purchasing Division, to order goods or services and to support encumbrances. This requires agencies to process through SHARE purchase requisitions, then purchase orders, then invoices, then payment vouchers for all purchases unless otherwise noted under special conditions.

*Condition:* During our test-work of twenty-five randomly selected disbursements and forty judgmentally selected federal disbursements we noted the following items:

- (a) Sixteen purchase orders were dated after the vendor's invoice.
- (b) One disbursement was coded to the incorrect general ledger account number.
- (c) Seven invoices had no written approval from a NMLB supervisor approving payment.
- (d) One contractor was reimbursed \$0.40 per mile and was reimbursed for actual gasoline costs for the same travel item.

*Cause:* The Board was not aware of these requirements.

*Effect:* The Board is not in compliance with State requirements for internal controls within State agencies. Not being in compliance with these requirements places the Board at risk for fraud or misuse of public funds.

*Auditor's Recommendation:* We recommend that the Board review the requirements for all internal controls and update their internal controls appropriately. Proper understanding of the SHARE system should be obtained in order to ensure that the Board is using the proper controls built into the SHARE system to protect against fraud. Disbursements should be properly approved and processed.

*Management's Response:* Management concurs with the finding.

**STATE OF NEW MEXICO**  
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**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 cooperative agreement received. The Board should be able to agree the amount reported to federal agencies 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 federal agencies to the general ledger. The Board is unable to easily substantiate amounts spent for federal cooperative agreements received.

*Auditor’s Recommendation:* The Board should further develop its procedures associated with its chart of accounts so that the Board can easily separate expenditures of federal funds from expenditures of other revenue sources.

*Management’s Response:* Management concurs with the finding.

**FA 10-01 Capital Assets**

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 Board should maintain an inventory control system of property purchased in whole or in part with Federal funds as required in its cooperative agreements with the U.S. Department of Agriculture.

*Condition:* Assets purchased with federal funding are not clearly identified on the Board’s listing of capital assets.

*Questioned Costs:* None.

*Cause:* The position of Chief Financial Officer was vacant for most of the fiscal year ended June 30, 2010 resulting in some accounting functions not being performed as effectively as they should have been.

*Effect:* The Board is not in compliance with the provisions regarding capital assets outlined in its cooperative agreements with the U.S. Department of Agriculture.

*Auditors’ Recommendation:* The Board should establish procedures to ensure that capital assets purchased with federal funding are properly tracked on the Board’s listing of capital assets.

*Management’s Response:* Management concurs with the finding.

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**FA 10-02 -- Submission of Reporting Package and Data Collection Form**

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 auditee is required to submit the data collection form and the reporting package within the earlier of 30 days after receipt of the auditor's reports or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for the audit.

*Condition:* The auditor certified the data collection form and reporting package for the fiscal year ended June 30, 2009, however the former Chief Financial Officer did not certify the data collection form or reporting package nor submit it timely. Additionally, the Livestock Board's June 30, 2010 data collection form and reporting package were not submitted by the March 31, 2011 deadline.

*Questioned Costs:* None.

*Cause:* For unknown reasons, the former Chief Financial Officer did not certify the 2009 data collection form and the reporting package. Additionally, the Board's 2010 audit was not completed in time to meet the March 31, 2011 deadline.

*Effect:* Future federal funding could be affected.

*Auditors' Recommendation:* The Board should certify the data collection forms and reporting packages for the fiscal years ended June 30, 2009 and 2010 and submit them as soon as possible.

*Management's Response:* Management concurs with the finding.

**FA 10-03 – Federal Financial Reports**

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 cooperative agreements with the U.S. Department of Agriculture specify that Federal Financial Reports are due on a quarterly basis within thirty days after the end of the quarter, or no later than ninety days after the agreement expires or terminates for final reports.

*Condition:* Seventeen of twenty-three Federal Financial Reports examined for the fiscal year ended June 30, 2010 were not filed timely.

*Questioned Costs:* None.

*Cause:* The position of Chief Financial Officer was vacant for most of the fiscal year ended June 30, 2010 resulting in some accounting functions not being performed as effectively as they should have been.

*Effect:* The New Mexico Livestock Board was not in compliance with the reporting requirements specified in its cooperative agreements with the U.S. Department of Agriculture. Future federal funding could be affected.

**STATE OF NEW MEXICO**  
**NEW MEXICO LIVESTOCK BOARD**  
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*Auditors' Recommendation:* The Board should prepare and file the Federal Financial Reports in accordance with the due dates outlined in the cooperative agreements with the U.S. Department of Agriculture.

*Management's Response:* Management concurs with the finding.

**FA 10-04 – Allocated Federal Expenditures**

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:* Effective internal controls over federal cash disbursements would include ensuring that all expenditures charged to the federal cooperative agreements are properly supported.

*Condition:* Two of forty federal expenditures selected for testing did not have enough supporting documentation to determine how fuel costs were being allocated to the federal cooperative agreements.

*Questioned Costs:* Unable to determine.

*Cause:* The position of Chief Financial Officer was vacant for most of the fiscal year ended June 30, 2010 resulting in some accounting functions not being performed as effectively as they should have been.

*Effect:* It cannot be determined if the fuel costs allocated to the federal cooperative agreements are proper.

*Auditors' Recommendation:* When expenditures are allocated to the federal cooperative agreements, the Board should attach documentation which supports the amount allocated and any calculations used to derive those amounts.

*Management's Response:* Management concurs with the finding.

**Section IV – Prior Year Audit Findings**

- FS 07-04 – Compensated Absences - Repeated
- FS 09-01 – Internal Controls Payroll - Resolved
- FS 09-02 – Lack of Supporting Documentation - Resolved
- FS 09-03 – Internal Controls Receipts - Repeated
- FS 09-04 – Lack of Supporting Documentation – Travel & Per Diem - Resolved
- FA 08-01 – Chart of Accounts for Federal Funds-Repeated

**STATE OF NEW MEXICO**  
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**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 August 26, 2011. The following individuals were in attendance.

New Mexico Livestock Board

Bill King, Board Chairman  
Myles Culbertson, Executive Director  
Bobby Pierce, Deputy Director  
Michael Sisneros, Chief Financial Officer  
Penny Sample, Administrator

Griego Professional Services, LLC

Monica Yapple, CPA  
David Baca