

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2011



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INTRODUCTORY SECTION

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

FOR THE YEAR ENDED JUNE 30, 2011
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**STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD**

OFFICIAL ROSTER
JUNE 30, 2011

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

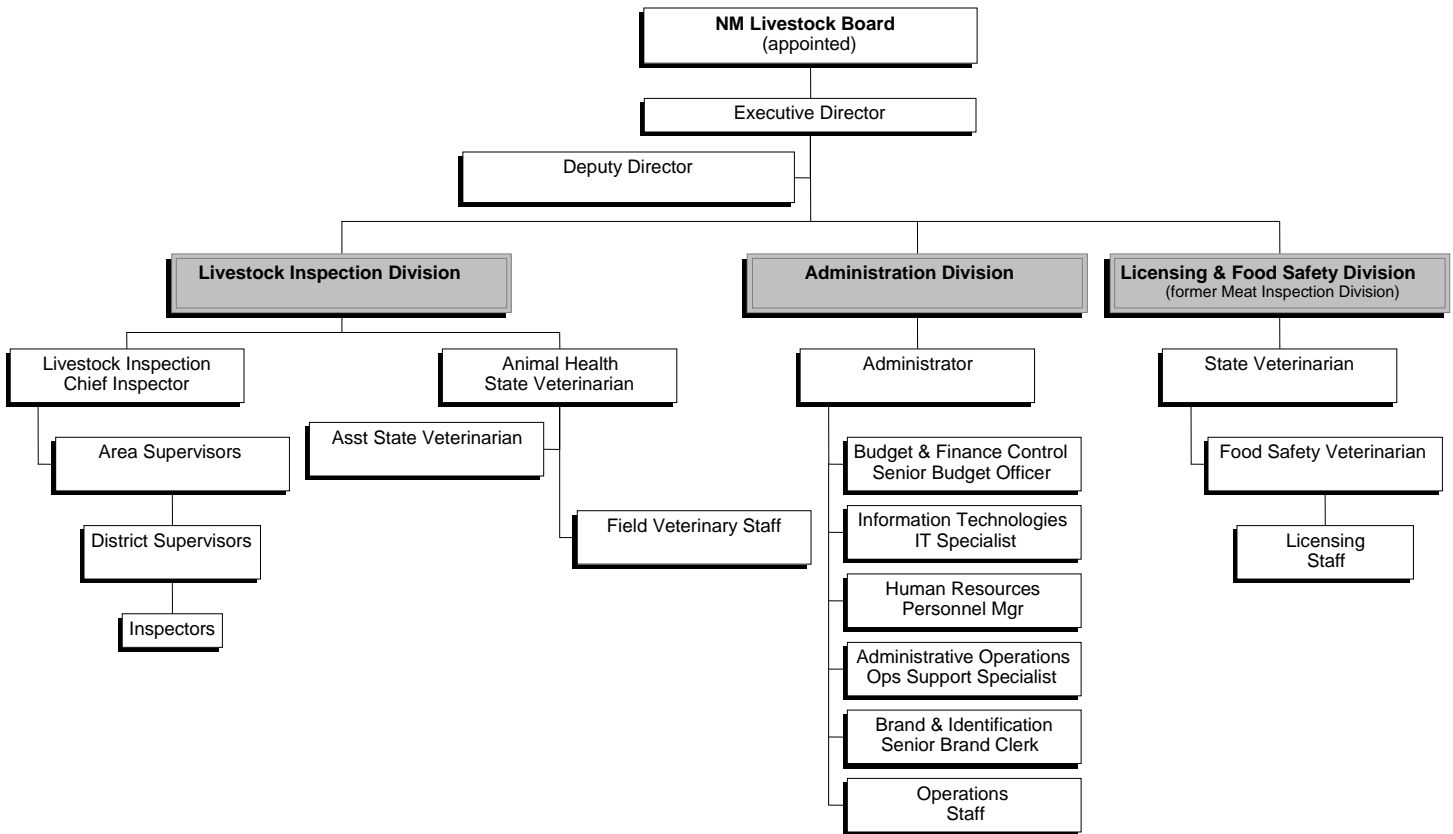
Administration

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
Michael Sisneros	Chief Financial Officer

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

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



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FINANCIAL SECTION

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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, 2011, 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, 2011, as listed in the table of contents. These financial statements are the responsibility of the Board's management.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 estimated made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The New Mexico Livestock Board did not reconcile its funds held in suspense until the end of the fiscal year and there was not sufficient evidence supporting the classification of revenues. We were unable to validate revenue classifications by alternate procedures. The effect of the Statement of Activities related to revenue classification is not readily determinable.

Except for the items noted in the previous paragraph, 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, 2011, 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, 2011, 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.

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, 2011 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 March 8, 2012 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

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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.

The management's discussion and analysis on pages 3 through 11 are not a required part of the basic financial statements but are supplementary information required by the 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
March 8, 2012

NEW MEXICO LIVESTOCK BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2011

Introduction

As management of the New Mexico Livestock Board (NMLB), we offer the reader of the financial statements this introduction to the basic financial statements and provide an analytical overview of the NMLB's financial condition and results of operations as of and for the year ending June 30, 2011 (FY11). Additionally, the Management's Discussion and Analysis (MD&A) provides a discussion of significant changes in the account categories presented in the government-wide Statement of Net Assets and Statement of Activity. Please read this discussion and analysis in conjunction with the NMLB's basic financial statements, which are presented immediately following this section.

Financial Highlights

- The assets of the NMLB exceeded its liabilities at the close of the most recent fiscal year by \$1,868,091 (*Net Assets*). Of this amount \$1,608,163 (*unrestricted*) may be used to meet the NMLB's ongoing obligations.
- The NMLB's total net assets decreased by -\$302,824. The decrease is attributable to both a decrease of -83% in state general fund appropriations and a -17% decrease in property taxes on livestock when compared to prior fiscal year,
- As of the close of the current fiscal year, the NMLB's governmental funds reported combined ending fund balance of \$2,008,593 which represented a decrease of -\$254,554 in comparison with prior year.
- At the end of current fiscal year unreserved, undesignated fund balance for the general fund was \$2,008,593 or 34% of total general fund expenditures.
- General revenues (*Non State and Federal*) accounted for \$4,354,325 in revenue or 79% of all revenues. State general fund appropriation amounted to \$640,600 or 12% of the total revenue. With federal cooperative funding accounting for the remaining 9% or \$514,274
- Overall revenues, for the NMLB have decreased by -\$1,584,895 compared to prior year. Representing a decrease in state appropriated fund of -\$530,800 or a decrease of -83%. In addition there was a decrease of -22% or -\$1,054,095 in all other revenues. The net impact was an overall decrease in revenue of -29%.
- *At the end of the current fiscal year, the NMLB's governmental activity funds showed current assets of \$3,041,112 (including \$2,200,049 in cash and cash equivalents). This represents a decrease of -\$213,768 in the year-end cash position of the NMLB when compared to prior year.*
- As of the close of the fiscal year ended June 30, 2011, the NMLB's Accounts receivable was \$581,135 or a decrease of -89% when compared to the prior year amount of \$1,097,901.

Overview of the Financial Statements

The MD&A is provided at the beginning to the annual report and is intended to serve as an introduction to the NMLB's basic financial statements. The financial section of this annual report consists of three parts (1) Independent Auditor's Report; (2) Required supplementary information which includes the MD&A (this sections; and (3) The basic financial statements comprising of three components: A.) government-wide

NEW MEXICO LIVESTOCK BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2011

financial statements, B) fund financial statements, and C) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

The *Statement of Activities* presents information showing how the NMLB's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing or related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

(The government-wide financial statements can be found on pages 12 to 13.)

B. Fund financial statements

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

Governmental Fund

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

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

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

NEW MEXICO LIVESTOCK BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2011

provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Fiduciary Fund

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

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

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

C. Notes to the basic financial statements

The notes to the basic financial statements provide detailed information to support and explain key financial information presented in the government-wide and fund financial statements. The notes provide information on the activities of the NMLB on the basis of accounting method used, and on accounting policies reflected in the financial statements, in addition to clarifying key financial information. They are integral to understanding the financial statements (*Notes are found on pages 21-33*).

Budgetary Comparison

GASB 34 requires budgetary comparison schedules for the general fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedules present both the original and the final approved budgets for the reporting period as well as the actual inflows, outflows and balances, stated on the NMLB's budgetary basis. A separate column reports the variance between the final budget and actual amounts. In compliance with the New Mexico Administrative Code (NMAC) Section 2.2.2.10.(O). (1) through (3) the *Statement of Revenues, Expenditures and Changes in Fund Balance- Budget (GAAP Budgetary Basis) and Actual*:

- Budgetary information is provided at the approved budget level to demonstrate compliance with legal requirements;
- Includes prior-year fund balance required to balance the budget;
- Has been included as part of the basic financial statements; and
- Has been included in the auditor's opinion.

The *General Fund Statement of Revenues, Expenditures and Changes in Fund Balance-Budget (GAAP Budgetary Basis) and Actual* can be found on page 18.

NEW MEXICO LIVESTOCK BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2011

Other Information

The statement of fiduciary assets and liabilities can be found just before the notes on page 9. The combining statements of changes in assets and liabilities presented immediately following the Notes of the Financial Statements on page 21.

Government-wide Financial Analysis

The NMLB has presented its financial statements under the reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements- and Management's Discussion and Analysis – for State and Local Governments.*

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the NMLB, assets exceeded liabilities by \$1,890,317 at the close of the most recent fiscal year. Of the NMLB's assets cash represented 72% of the total, and accounts receivable accounting for 19%. When compared to June 30, 2010 cash represented 63% of the total and accounts receivable accounted for 29%.

Government-wide condensed financial information is displayed in the tables below. Comparative information from the previous fiscal year is included for the reader's information. **Table 1** summarizes the statement of net assets of the NMLB for fiscal year ending June 30, 2011, with comparative balances for the fiscal years ended June 30, 2010 and June 30, 2009

Table 1: Condensed Statement of Net Assets
Audited Fiscal Year Ending June30

	Fiscal Year	Fiscal Year	Fiscal Year	2011 vs 2010	
	6/30/2011	6/30/2010	6/30/2009	Change	% Change
Current Assets	2,781,184	3,511,718	4,806,914	(730,534)	-26%
Capital and Non-Current Assets	259,928	332,290	509,840	(72,362)	-28%
Total Assets	3,041,112	3,844,008	5,316,754	(802,896)	-26%
Current Liabilities	890,465	1,355,449	2,620,618	(464,984)	-52%
Long-Term Liabilities	282,556	317,625	52,788	(35,069)	-12%
Total Liabilities	1,173,021	1,673,074	2,673,406	(500,053)	-43%
Net Assets					
Invested in Capital Asset	259,928	332,290	509,840	(72,362)	-28%
Unrestricted	1,608,163	1,838,644	2,133,508	(230,481)	-14%
Total Net Assets	1,868,091	2,170,934	2,643,348	(302,843)	-16%
Total Liabilities and Net Assets	3,041,112	3,844,008	5,316,754	(802,896)	-26%

(See page 12 of this report)

**NEW MEXICO LIVESTOCK BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2011**

Government-wide Financial Analysis-(Continued)

Table 2 summarizes the statement of activities of the NMLB for fiscal year ending June 30, 2011, with comparative balances for the fiscal years ended June 30, 2010 and June 30, 2009.

Table 2: Condensed Statement of Net Assets

	<i>Audited Fiscal Year Ending June30</i>			2011 vs 2010	
	Fiscal Year	Fiscal Year	Fiscal Year	Change	% Change
	6/30/2011	6/30/2010	6/30/2009		
Revenues					
General Fund Appropriations	640,600	1,171,400	1,307,008	(530,800)	-83%
Other Revenue	4,868,599	5,922,694	5,884,545	(1,054,095)	-22%
Total Revenues	5,509,199	7,094,094	7,191,553	(1,584,895)	-29%
Total Expenditures	5,948,927	6,920,407	7,912,502	(971,480)	-16%
Change in Net Assets	(439,728)	173,687	(720,949)	(613,415)	1
Restatement from prior year	136,885	(646,101)	-	782,986	6
Beginning Net Assets	2,170,934	2,643,348	3,364,297	(472,414)	(0)
Ending Net Assets	1,868,091	2,170,934	2,643,348	(302,843)	-16%

(See page 13 of this report)

Significant factors impacting the NMLB's financial position and results of operations during the year ending June 30, 2011 are as follows:

- For several years the general fund appropriations level has been decreasing. For the current year ending June 30, 2011 there was a -\$530,800 or a -83% reduction. When compared to June 30, 2010. The adverse impact of this is that the NMLB has had to use its unrestricted fund balance to offset this reduction;
- For the past two fiscal years the livestock industry in New Mexico has experienced major drought conditions. The impact has been a reduction in revenue, with a further erosion of the NMLB fund balance which is used to offset the overall revenue reductions;
- As drought conditions persist many livestock owners are forced to liquidate, resulting in a reduction of personal property taxes on livestock. For the current fiscal year ending June 30, 2011 this decrease amounted to -\$271,897 or a -17% decrease.

NEW MEXICO LIVESTOCK BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2011

Government-wide Financial Analysis-(Continued)

Table 3: Statement of Revenues, Expenditures and Changes in Fund Balance

Revenues	<i>Fiscal 2011</i>	<i>Fiscal 2010</i>	<i>Fiscal 2009</i>	<i>\$ Change</i>	<i>% Change</i>
State General Fund Appropriation	640,600	1,171,400	1,307,008	(530,800)	-83%
Personal Property Taxes on Livestock	1,581,325	1,853,222	1,870,650	(271,897)	-17%
Brand Recording Fee and Horse Permits	752,190	857,114	632,680	(104,924)	-14%
Estray Sales Net	180,824	33,221	102,472	147,603	82%
Licenses, Permits and Service Charges	1,839,986	1,863,515	1,633,404	(23,529)	-1%
Federal Cooperatives	514,274	1,315,622	1,645,339	(801,348)	-156%
Total Revenue	5,509,199	7,094,094	7,191,553	(1,584,895)	-29%
Expenditures					
Administraion	728,403	652,067	713,203	76,336	10%
Livestock Inspection	4,613,898	4,754,639	5,076,195	(140,741)	-3%
Meat Inspection	-	62,315	378,845	(62,315)	
Federal Coopertives	514,075	1,226,012	1,485,401	(711,937)	-138%
Capital Outlay	44,262	62,454	144,761	(18,192)	-41%
Total Expenditures	5,900,638	6,757,487	7,798,405	(856,849)	-15%
Net Change in Fund Balance	(391,439)	336,607	(606,852)		
Beginning Fund Balance	2,263,147	2,572,641	3,179,493		
Prior Year Adjustments	136,885	(646,101)	-		
Adjusted Fund Balance	2,400,032	1,926,540	3,179,493		
Ending Fund Balance	2,008,593	2,263,147	2,572,641		

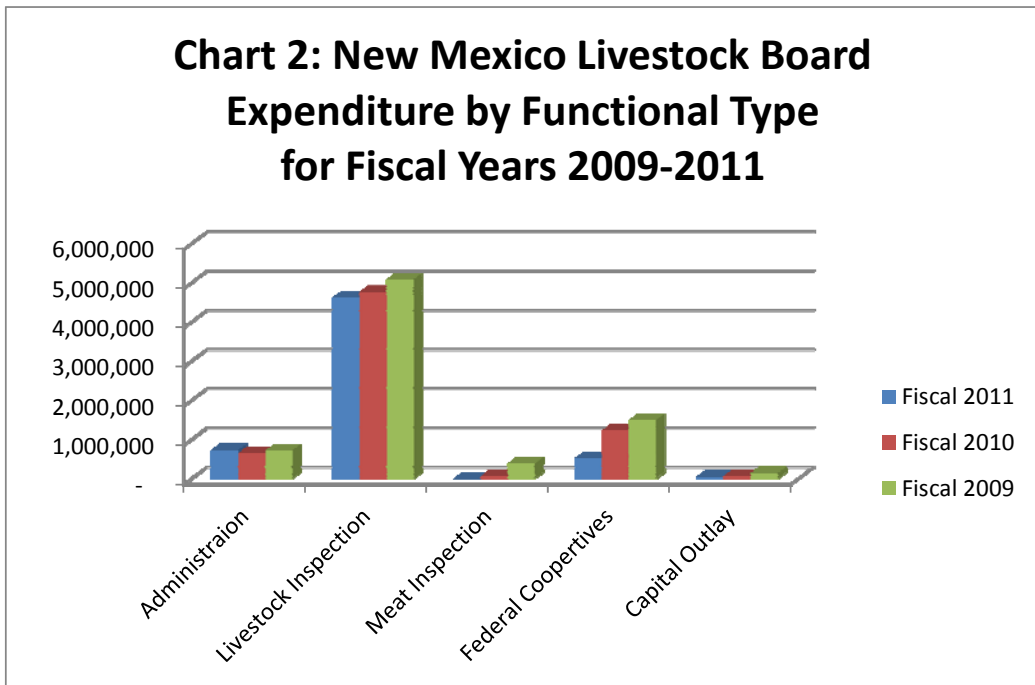
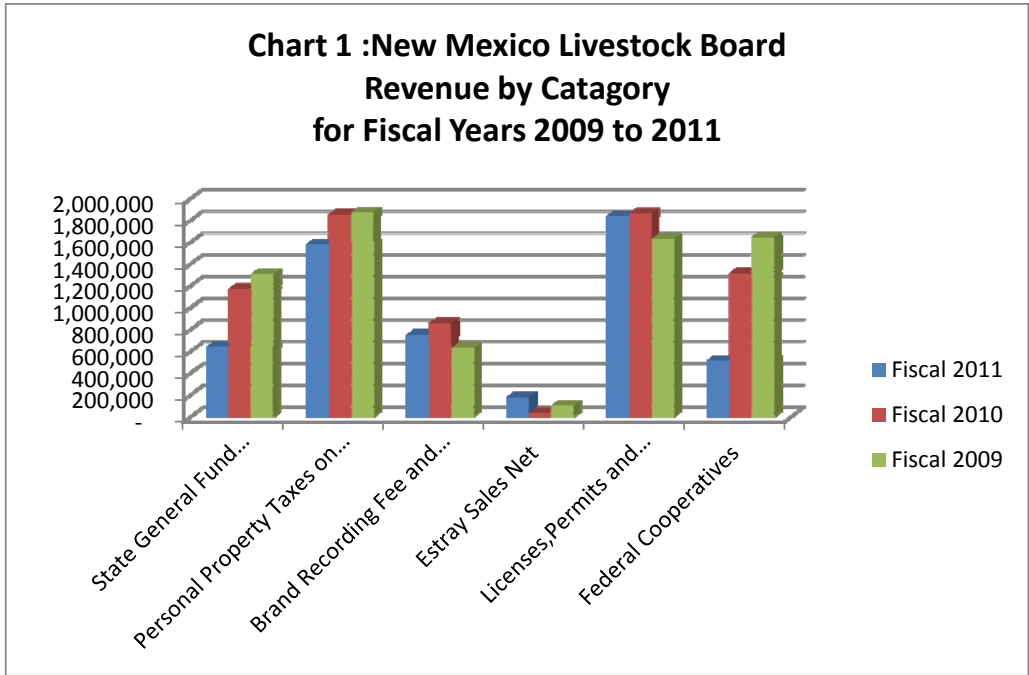
(See page 16 of this report)

- When the NMLB was created there was a provision in statute that prevented non-state appropriation funding and federal funds from reverting back to the general fund. This mechanism created the ability to increase unrestricted fund balance over time. The reason for this design was to create a process to deal with market cycles in the livestock industry. Over the past several fiscal years, due to budget constraints, at the state level, the state legislature has reduced the general fund appropriation of the NMLB. The reduction over time has amounted to -\$1,200,000. For the most current fiscal year ending, the decrease when compared to prior year ending June 30, 2010 amounted to -\$530,800. Total revenue has decreased by -\$1,584,895 this decrease can be attributed to both the severe drought and an economic down turn.
- To operate at optimum efficiency in meeting the statutory requirements as defined in Chapter 77, NMSA 1978. The NMLB should be a \$6.5 million dollar operation. The impacts of maintaining an operational capacity with dwindling resources is having a dramatic negative impact on field personnel.

**NEW MEXICO LIVESTOCK BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2011**

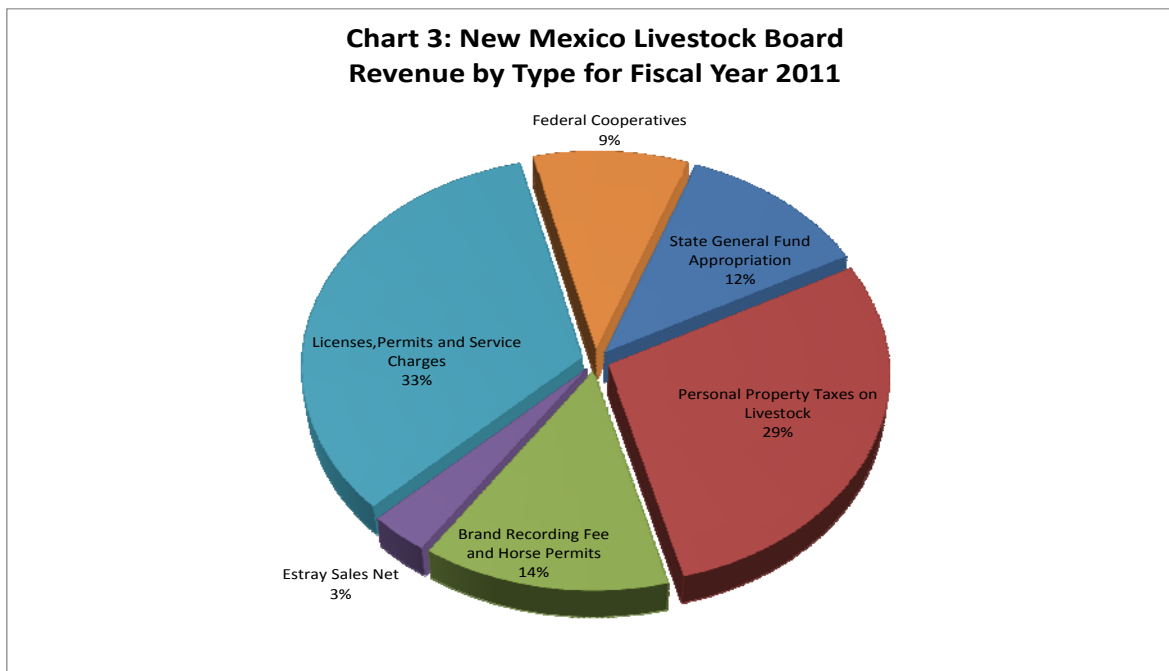
Government-wide Financial Analysis-(Continued)

The following chart 1 displays a three year comparison of operating revenue by type. Chart 2 displays a three year comparison of operating expenditures by functional type. And chart 3 displays the revenues by source for the current fiscal year ending June 30, 2011.



**NEW MEXICO LIVESTOCK BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2011**

Government-wide Financial Analysis-(Continued)



General Fund Budgetary Highlights

Table 4: Statement of Revenue, Expenditures and Changes in Fund Balance Budget (GAAP Budgetary Basis) and Actual for June 30, 2011

<i>Revenue</i>	FY 2011 Original	FY 2011 Final	FY 2011 Actual	FY 2011 Variance
Federal	400,000	946,113	514,274	(431,839)
Other	2,306,000	2,306,000	2,773,000	467,000
Total Revenue	2,706,000	3,252,113	3,287,274	35,161
Expenditures				
Personal Services & Benefits	4,586,100	4,378,987	4,182,980	196,007
Contractual Services	508,760	876,860	503,203	373,657
Other Costs	1,046,940	1,432,066	1,214,455	217,611
Total Expenditures	6,141,800	6,687,913	5,900,638	787,275
+/- Revenue to Expenditures	(3,435,800)	(3,435,800)	(2,613,364)	(822,436)
Other Financing Sources				
State general fund	640,600	640,600	640,600	-
Transfers in	1,706,000	1,706,000	1,581,325	124,675
Designated cash	1,089,200	1,089,200	-	1,089,200
Total Other Financing Sources	3,435,800	3,435,800	2,221,925	1,213,875
Net change in fund balances	-	-	(391,439)	-

**NEW MEXICO LIVESTOCK BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2011**

The original budget operating budget was not amended in total and amounted to \$5,741,800. At the category level the following adjustment were made to operational budget:

- Personal Service & Benefits were decreased by- \$207,113;
- Contractual Services were increased by \$98,236;
- Other Cost were decreased by-\$108,877
-

During fiscal year 2011 there was a hiring freeze and the NMLB track the entire fiscal year with eight position vacancies. The net impact was that a majority of the positive variance between final budget and actual expenditures can be attributed directly to the vacancy saving.

Changes in Cooperative Capital Assets

The NMLB's investment in capital assets as of June 30, 2011 amounted to \$259,928 (net of accumulated depreciation). The NMLB did not have any debt. The investment in capital assets is almost exclusively an investment in vehicles. The changes to capital during the year ending June 30, 20011 are summarized below:

Two-Year Comparative of Changes in Capital Assets

NEW MEXICO LIVESTOCK BOARD

Financial statements in U.S. dollars	Balance as June 30, 2010	Additions	Deletions	Balance as June 30, 2011
Capital Assets				
Capital Assets, being depreciated:				
Machinery & equipment	2,075,612	93,434	-	2,169,046
Less Accumulated Depreciation for:				
Machinery & equipment	(1,743,322)	(165,796)	-	(1,909,118)
Governmental activities capital assets, net:	<u>\$ 332,290</u>	<u>\$ (72,362)</u>	<u>\$ -</u>	<u>\$ 259,928</u>

See note 4 on page 28

Request for Information

This financial report is designed to provide a general overview of the NMLB's finances. Questions concerning any of the information provided in this report or request of additional financial information should be address to the Executive Director, New Mexico Livestock Board, 300 San Mateo, Blvd. NE, Suite 1000, Albuquerque, NM 87108

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**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
STATEMENT OF NET ASSETS
JUNE 30, 2011

Exhibit A-1

	Governmental Activities
ASSETS	
Current Assets	
Cash and Investments	\$ 2,200,049
Receivables	
Livestock fees and charges	102,518
Intergovernmental receivables	98,810
Other receivables	186,983
Mill levy receivable	192,824
Total Current Assets	2,781,184
Noncurrent Assets	
Capital assets	2,169,046
Less: accumulated depreciation	(1,909,118)
Total capital assets	259,928
Total assets	\$ 3,041,112
LIABILITIES AND NET ASSETS	
LIABILITIES	
Current Liabilities	
Accounts payable	\$ 291,327
Accrued payroll, benefits, and taxes	143,639
Due to state general fund	1,958
Due to agency funds	101,424
Deferred Revenue	
Sale of estrays	234,243
Current portion of long-term liabilities	117,874
Total Current Liabilities:	890,465
Noncurrent liabilities	
Compensated absences payable - expected to be paid after one year	282,556
Total liabilities	1,173,021
NET ASSETS	
Invested in capital assets	259,928
Unrestricted	1,608,163
Total net assets	1,868,091
Total liabilities and net assets	\$ 3,041,112

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, 2011

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	\$ 5,783,131	\$ 2,669,422	\$ 514,274	\$ (2,599,435)
Depreciation (unallocated)	165,796	-	-	(165,796)
Total governmental activities	<u>\$ 5,948,927</u>	<u>\$ 2,669,422</u>	<u>\$ 514,274</u>	<u>(2,765,231)</u>
 General Revenues and other:				
State General Fund appropriation				640,600
Livestock property taxes				1,581,325
Miscellaneous revenue				<u>103,578</u>
Total general revenues and other				<u>2,325,503</u>
Change in net assets				(439,728)
Beginning net assets				2,170,934
Prior period adjustment				136,885
Adjusted beginning net assets				<u>2,307,819</u>
Ending net assets				<u><u>\$ 1,868,091</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, 2011

Exhibit B-1
(Page 1 of 2)

	General Fund	Special Revenue Fund	Total
ASSETS			
<i>Current:</i>			
Investments	\$ 2,199,049	\$ -	\$ 2,199,049
Change drawer cash	1,000	-	1,000
Receivables			
Inspection fees and charges	102,518	-	102,518
Intergovernmental receivables	98,810	-	98,810
Other fees receivable	186,983	-	186,983
Mill levy receivable	192,824	-	192,824
<i>Total current assets</i>	\$ 2,781,184	\$ -	\$ 2,781,184
 LIABILITIES AND FUND BALANCE			
<i>Current Liabilities:</i>			
Accounts payable	\$ 291,327	\$ -	\$ 291,327
Accrued payroll, benefits, and taxes	143,639	-	143,639
Due to state general fund	1,958	-	1,958
Due to agency funds	101,424	-	101,424
Deferred Revenue			
Sale of estrays	234,243	-	234,243
<i>Total liabilities</i>	772,591	-	772,591
 <i>Fund balance:</i>			
Nonspendable	1,000	-	1,000
Unassigned	2,007,593	-	2,007,593
<i>Total fund balance</i>	2,008,593	-	2,008,593
<i>Total liabilities and fund balance</i>	\$ 2,781,184	\$ -	\$ 2,781,184

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, 2011

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>2,008,593</u>
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>	
Machinery and equipment	2,169,046
Accumulated Depreciation	<u>(1,909,118)</u>
Total Capital Assets	259,928
<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>(400,430)</u>
Total Net Assets	<u><u>\$ 1,868,091</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, 2011

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	\$ 514,274	\$ -	\$ 514,274
Inspection fees	1,162,272	-	1,162,272
Personal property taxes on livestock	-	1,581,325	1,581,325
Brand recording fees and horse permits	752,190	-	752,190
Estray sales, net	180,824	-	180,824
Other licenses and permits	255,309	-	255,309
Miscellaneous	103,578	-	103,578
Service charges	318,827	-	318,827
	<hr/>	<hr/>	<hr/>
<i>Total revenues</i>	3,287,274	1,581,325	4,868,599
	<hr/>	<hr/>	<hr/>
<i>Expenditures:</i>			
Current			
General Government			
Administration	728,403	-	728,403
Livestock inspection	4,613,898	-	4,613,898
Federal Coop agreements	514,075	-	514,075
Capital outlay	44,262	-	44,262
	<hr/>	<hr/>	<hr/>
<i>Total expenditures</i>	5,900,638	-	5,900,638
	<hr/>	<hr/>	<hr/>
<i>Excess (deficiency) of revenues over expenditures</i>	(2,613,364)	1,581,325	(1,032,039)
	<hr/>	<hr/>	<hr/>
<i>Other financing sources (uses):</i>			
State General Fund Appropriation	640,600	-	640,600
Operating transfer - in	1,581,325	-	1,581,325
Operating transfer - out	-	(1,581,325)	(1,581,325)
	<hr/>	<hr/>	<hr/>
<i>Total other financing sources (uses)</i>	2,221,925	(1,581,325)	640,600
	<hr/>	<hr/>	<hr/>
<i>Net change in fund balances</i>	(391,439)	-	(391,439)
	<hr/>	<hr/>	<hr/>
<i>Fund balances - beginning of year</i>	2,263,147	-	2,263,147
<i>Prior period adjustment</i>	136,885	-	136,885
	<hr/>	<hr/>	<hr/>
<i>Adjusted fund balances - beginning of year</i>	2,400,032	-	2,400,032
	<hr/>	<hr/>	<hr/>
<i>Fund balances - end of year</i>	\$ 2,008,593	\$ -	\$ 2,008,593
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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, 2011

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	\$ (391,439)
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<p>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:</p>	24,073
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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	93,434
Depreciation expense	<u>(165,796)</u>

Changes in Net Assets	<u><u>\$ (439,728)</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, 2011

	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Federal sources	\$ 400,000	\$ 946,113	514,274	\$ (431,839)
Other	2,306,000	2,306,000	2,773,000	467,000
<i>Total revenues</i>	<u>2,706,000</u>	<u>3,252,113</u>	<u>3,287,274</u>	<u>35,161</u>
<i>Expenditures:</i>				
General Government				
Administration				
Personal Services & Benefits	611,500	606,387	589,532	16,855
Contractual services	37,400	51,513	30,389	21,124
Other Costs	106,000	97,000	108,482	(11,482)
Total administration	<u>754,900</u>	<u>754,900</u>	<u>728,403</u>	<u>26,497</u>
Livestock inspection				
Personal Services & Benefits	3,974,600	3,772,600	3,593,448	179,152
Contractual services	151,700	235,823	189,701	46,122
Other Costs	860,600	978,477	875,011	103,466
Total livestock inspection	<u>4,986,900</u>	<u>4,986,900</u>	<u>4,658,160</u>	<u>328,740</u>
Federal Cooperative Agreements				
Contractual services	319,660	589,524	283,113	306,411
Other Costs	80,340	356,589	230,962	125,627
Total federal cooperative agreements	<u>400,000</u>	<u>946,113</u>	<u>514,075</u>	<u>432,038</u>
<i>Total expenditures</i>	<u>6,141,800</u>	<u>6,687,913</u>	<u>5,900,638</u>	<u>787,275</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(3,435,800)</u>	<u>(3,435,800)</u>	<u>(2,613,364)</u>	<u>(822,436)</u>
<i>Other Financing Sources (Uses):</i>				
State general fund appropriations	640,600	640,600	640,600	-
Transfers in	1,706,000	1,706,000	1,581,325	124,675
Designated cash	1,089,200	1,089,200	-	1,089,200
<i>Total Other Financing Sources</i>	<u>3,435,800</u>	<u>3,435,800</u>	<u>2,221,925</u>	<u>1,213,875</u>
<i>Net change in fund balances</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (391,439)</u>	<u>\$ (391,439)</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>\$ (391,439)</u>	

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, 2011

	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Other	\$ 1,706,000	\$ 1,706,000	\$ 1,581,325	\$ (124,675)
<i>Total revenues</i>	<u>1,706,000</u>	<u>1,706,000</u>	<u>1,581,325</u>	<u>(124,675)</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	(1,706,000)	(1,706,000)	(1,581,325)	(124,675)
<i>Total Other Financing Sources</i>	<u>(1,706,000)</u>	<u>(1,706,000)</u>	<u>(1,581,325)</u>	<u>(124,675)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>1,706,000</u>	<u>1,706,000</u>	<u>1,581,325</u>	<u>124,675</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, 2011

	Agency Funds
ASSETS	
Cash	\$ -
Due from General Fund	101,424
Due from NM Beef Council	-
Due from NM Sheep and Goat Council	-
<i>Total assets</i>	\$ 101,424
 LIABILITIES	
Due to General Fund	\$ -
Due to NM Beef Council	100,474
Due to NM Sheep & Goat Council	950
<i>Total liabilities</i>	\$ 101,424

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, 2011

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 and brand recording.

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

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

A. *Financial Reporting Entity*

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

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

A primary government is any state government or general-purpose local government, consisting of all the organizations that make up its legal entity. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are, for financial reporting purposes, part of the primary government. The Board, therefore, is part of the primary government of the State of New Mexico, 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, 2011.

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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, 2011, 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, 2011

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 and brand fees. The current year expenditures in the general fund exceeded the current year state appropriation. The state appropriation is reverting, but the other sources of revenue in the fund are not.

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, 2011

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.

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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 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.

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
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

H. *Fund Balances*

Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The detail of these classifications is presented in Note 18.

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*

In the government-wide financial statements, fund equity is classified as net assets and is displayed in three components:

1. Invested in capital assets, net of related debt, consists of capital assets net of accumulated depreciation and reduced by any outstanding debt. The Board has no outstanding debt relating to capital assets.
2. Restricted net assets, consists of net asset with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets are all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net or related debt”.

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, 2011

NOTE 2. Investments

Investments – Agency 50800, Funds 19600 and 39500

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

As of June 30, 2011, 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	\$ 2,199,049	\$ 2,199,049

The State Treasurer Local Government Investment Pool is not SEC Registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment funds in the securities that are issued by the United States government or by its departments or agencies and are either backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The pool does not have unit shares; at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in the amounts of the fund were invested. Any realized gain or loss on the portfolio is distributed through the investment yield on distribution dates. The carrying amount of the portfolio approximates the fair value of all investments at June 30, 2011. The State of New Mexico is regulatory oversight entity and participation in the pool in voluntary.

Interest rate risk is the risk that interest rate variations may adversely affect an investment’s fair value. The prices of securities fluctuate with market interest rate and the securities held in a portfolio will decline if market interest rates rise. The portfolio’s weighted average maturity (WAM) is a key determinant of the tolerance of a fund’s investments to rising interest rates. At June 30, 2011, the Board’s investment of New MexiGROW LGIP had a credit risk rating of AAAM and a 36-day WAM.

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, 2011.

Reconciliation of Cash and Interest in General Fund Investment Pool

Governmental Funds – Balance Sheet	
Interest in General Fund Investment Pool per Exhibit A-1	\$ 2,200,049
Interest in General Fund Investment Pool per Exhibit D-1	-0-
Less petty cash	(1,000)
Total Interest in GFIP	<u>\$ 2,199,049</u>

NOTE 3. Receivables

As of June 30, 2011, receivables consist of the following:

General Fund:	
Livestock fees and charges	\$ 102,518
Intergovernmental receivables	98,810
Beef and Sheep council admin fee	186,983
Property taxes	192,824
Total	<u>\$ 581,135</u>

All receivables are considered 100% collectible.

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 4. Capital Assets

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
Machinery & equipment	\$ 2,075,612	\$ 93,434	\$ -	\$ 2,169,046
Accumulated depreciation	<u>1,743,322</u>	<u>165,796</u>	<u>-</u>	<u>1,909,118</u>
Total capital assets	<u>\$ 332,290</u>	<u>\$ (72,362)</u>	<u>\$ -</u>	<u>\$ 259,928</u>

Depreciation expense for the year ended June 30, 2011 was unallocated in the amount of \$165,796.

NOTE 5. Deferred Revenue

Sale of Estrays. Deferred revenue from stray sales represents proceeds from the sale of livestock for which ownership cannot be verified. The rightful owners of unbranded livestock are determined by the Board through arbitration. Proceeds from sales of estrays revert to the Board if Ownership is not resolved within two years from the date of sale. The amount deferred at June 30, 2011 is \$234,243.

NOTE 6. Compensated Absences Payable

A summary of changes in compensated absences payable for the year ended June 30, 2011 is as follows:

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
Accrued vacation and sick leave	\$ 424,503	\$ 93,801	\$ 117,874	\$ 400,430

The liability at June 30, 2011 of \$400,430 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 \$117,874 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	\$ -	\$ 1,581,325
Special Revenue Fund	<u>1,581,325</u>	<u>-</u>
	<u>\$ 1,581,325</u>	<u>\$ 1,581,325</u>

The special revenue fund transferred \$1,581,325 to the general fund for livestock property tax revenue. The transfer is recurring each year in an amount based on property taxes collected during that year.

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 8. Due To/From Other Funds

	From	To
General Fund	\$ 101,424	\$ -
Agency Fund	-	101,424
	\$ 101,424	\$ 101,424

At June 30, 2011, the general fund owed the agency funds \$101,424 for payments made in excess of amounts actually owed during the fiscal year. This receivable is liquidated each year.

NOTE 9. Pension Plan – Public Employees Retirement Association

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

Funding Policy. Plan members are required to contribute 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, 2011, 2010, and 2009 were \$452,172, \$455,768 and \$540,781, 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.

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2011, the statute required each participating employer to contribute 1.666% of each participating employee’s annual salary; each participating employee was required to contribute .833% of their salary. In the fiscal years ending June 30, 2012 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>
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, 2011, 2010 and 2009 were \$46,636, \$38,479 and \$40,812, 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 the Board’s programs.

The Board’s General Appropriation was authorized in the Laws of 2010, 2nd Special Session, Chapter 6, Section 9C.

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 12. Commitments – Operating Leases

Rental payments totaling \$116,026 were made during the year ended June 30, 2011 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:

2012	100,713
2013	103,522
2014	104,914
2015	107,890
2016	110,951
Thereafter	<u>201,317</u>
Total	<u>\$ 729,307</u>

NOTE 13. Insurance Coverage

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

The Board is exposed to various risks of loss related to: general, automobile, and aircraft liabilities, including those related to law enforcement and civil rights (torts); theft of, damage to, and destruction of state property assets; errors and omissions; injuries to employees; group insurance; and, natural disasters, all of which are insured against by participation in the public entity risk pool described above subject to the limits of coverage set by RMD. All employees of the Board are covered by a blanket fidelity bond up to \$5,000,000 with a \$1,000 deductible per occurrence by the State of New Mexico for the period July 1, 2010 to June 30, 2011.

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 \$1,958 in stale dated warrants that will be remitted to the State General Fund.

NOTE 16. Prior Period Adjustment

During fiscal year 2011, the New Mexico Department of Finance and Administration recorded an adjustment of \$159,141 to the Board’s books to replenish cash and fund balance from fiscal year 2007, as a result of the state’s CAFR unit performing an in-depth analysis of the Board’s accounts for the state cash reconciliation. Additionally, a prior period adjustment reducing fund balance by \$22,256 was made to correct a receivable which was improperly recorded in prior years.

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 17. Subsequent Accounting Standard Pronouncements

In December 2009, the GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plan*, which is effective for financial statement periods beginning after June 15, 2011. The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers).

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, which is effective for financial statement periods beginning after June 15, 2012. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. This Statement modifies certain requirements for inclusion of component units in the financial reporting entity and amends the criteria for reporting component units as if they were part of the primary government in certain circumstances.

In December of 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is effective for financial statements for periods beginning after December 15, 2011. The objective of this Statement is to incorporate into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants’ (AICPA) Committee on Accounting Procedure.

The requirements in this Statement will improve financial reporting by contributing to the GASB’s efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source.

NOTE 18. Governmental Fund Balance

Fund Balance: In the fund financial statements, governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Some governments may not have policies or procedures that are comparable to those policies that underlie the classifications and therefore would not report amounts in all possible fund balance classifications.

In the governmental financial statements, fund balance is classified and is displayed in five components:

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

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

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 18. Governmental Fund Balance (continued)

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

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

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

Detail relating to the fund balance classifications is displayed below:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Funds</u>
Fund Balances:			
Nonspendable:			
Petty cash	\$ 1,000	\$ -	\$ 1,000
Restricted for:			
General fund		-	-
Capital projects	-	-	-
Assigned to:			
Other capital projects	-	-	-
Other purposes	-	-	-
Unassigned:	<u>2,007,593</u>	<u>-</u>	<u>2,007,593</u>
Total fund balances	<u><u>\$ 2,008,593</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,008,593</u></u>

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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, 2011

Schedule I

	Balance June 30, 2010	Additions	Deductions	Balance June 30, 2011
<u>New Mexico Beef Council</u>				
Assets				
Cash	\$ -	\$ 1,111,333	\$ (1,111,333)	\$ -
Receivable- General Fund	82,683	100,474	(82,683)	\$ 100,474
Receivable- Beef Council	17,078		(17,078)	\$ -
Total Assets	<u>\$ 99,761</u>	<u>\$ 1,211,807</u>	<u>\$ (1,211,094)</u>	<u>\$ 100,474</u>
Liabilities				
Due to General Fund	\$ -		\$ -	\$ -
Due to New Mexico Beef Council	99,761	100,474	(99,761)	\$ 100,474
	<u>\$ 99,761</u>	<u>\$ 100,474</u>	<u>\$ (99,761)</u>	<u>\$ 100,474</u>
<u>New Mexico Sheep and Goat Council</u>				
Assets				
Cash	\$ -	\$ 9,179	\$ (9,179)	\$ -
Receivable- General Fund	(2,207)	3,157	-	950
Receivable- Sheep Council	5,178	-	(5,178)	-
Total Assets	<u>\$ 2,971</u>	<u>\$ 12,336</u>	<u>\$ (14,357)</u>	<u>\$ 950</u>
Liabilities				
Due to General Fund	\$ -	\$ -	\$ -	-
Due to New Mexico Sheep & Goat Council	2,971	950	(2,971)	950
	<u>\$ 2,971</u>	<u>\$ 950</u>	<u>\$ (2,971)</u>	<u>\$ 950</u>
<u>Total all Agency Funds</u>				
Assets				
Cash	\$ -	\$ 1,120,512	\$ (1,120,512)	-
Receivable- General Fund	80,476	103,631	(82,683)	101,424
Receivable - Beef Council	17,078	-	(17,078)	-
Receivable- Sheep Council	5,178	-	(5,178)	-
Total Assets	<u>\$ 102,732</u>	<u>\$ 1,224,143</u>	<u>\$ (1,225,451)</u>	<u>\$ 101,424</u>
Liabilities				
Due to General Fund	\$ -	\$ -	\$ -	-
Due to New Mexico Beef Council	99,761	100,474	(99,761)	100,474
Due to New Mexico Sheep & Goat Council	2,971	950	(2,971)	950
	<u>\$ 102,732</u>	<u>\$ 101,424</u>	<u>\$ (102,732)</u>	<u>\$ 101,424</u>

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

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COMPLIANCE SECTION



Griego Professional Services, LLC

Certified Public Accountants

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, 2011, and have issued our report thereon dated March 8, 2012. We expressed a qualified 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 deficiencies described in the accompanying schedule of findings and questioned costs as (FS 10-01) and (FS 10-03) to be material weaknesses.

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 10-05 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 item FS 10-03.

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We noted certain other matters that are required to be reported pursuant to *Government Auditing Standards paragraphs 5.14 and 5.16* and pursuant to Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and questioned costs as findings 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.

Grigo Professional Services, LLC

Albuquerque, New Mexico
March 8, 2012



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, 2011. 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 items FA 10-01, FA 10-02, FA-10-03, and FA 11-01 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.

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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 FA 11-01 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 10-01, FA 10-02, and FA 10-03 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
March 8, 2012

STATE OF NEW MEXICO
NEWMEXICO LIVESTOCK BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

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	514,075
Total U.S. Department of Agriculture		<u>514,075</u>
Total Federal Financial Assistance		<u><u>\$ 514,075</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	\$ 514,075
Total expenditures funded by other sources	<u>5,386,563</u>
Total expenditures	<u><u>\$ 5,900,638</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, 2011

Section I – Summary of Audit Results

Financial Statements:

- | | |
|---|-----------|
| 1. Type of auditors’ report issued | Qualified |
| 2. Internal control over financial reporting: | |
| a. Material weakness identified? | Yes |
| 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? | Yes |
| 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, 2011

Schedule III

Section II – Financial Statement Findings

FS-10-01 – Funds Held In Suspense – Repeated and Revised – Material Weakness

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 \$34,916.98) could be traced to revenue accounts on the general ledger. However, there is not a report or worksheet available to the New Mexico Livestock Board accounting department or external auditors which allows verification that revenues are being posted to the correct revenue code 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, 2011, and did not prepare a journal entry reclassifying these amounts to revenue accounts until the end of 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 in both fiscal year 2010 and 2011.

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. We also recommend that a report or worksheet be generated that would allow for the verification that revenues are being coded to the proper revenue code on the general ledger.

Management’s Response: Management concurs with this finding. For several years, the receipts held in suspense (account 290900), has not been reconciled until year end. The NMLB has implemented a month end reconciliation process.

Corrective Action: The NMLB is developing standard operating procedures to address the monthly reconciliation of this account.

Responsible Party: Chief Financial Officer.

Implementation Date: May 30, 2012

FS 10-03 -- Capital Asset Inventory -- Repeated and Revised – Material Weakness

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 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 in both fiscal year 2010 and 2011.

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 this finding. The NMLB has implemented a year-end physical inventory of all equipment on the agency’s capital assets inventory.

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011

Schedule III

Corrective Action: The NMLB is developing standard operating procedures to address both the annual inventory count and the monthly reconciliation of the master inventory list.

Responsible Party: Chief Financial Officer.

Implementation Date: April 30, 2012

FS 10-04 -- Audit Report Not Submitted Timely -- Repeated and Revised -- Other Matter

Criteria: The 2011 State Auditor Rule 2.2.2.9A(1)(f) established December 15, 2011 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, 2011 was not submitted to the State Auditor by the required due date, December 15, 2011. The report was submitted to the State Auditor's Office on March 23, 2012.

Cause: The New Mexico Livestock Board was without a Chief Financial Officer for most of the fiscal year ended June 30, 2010, which resulted in the audit for June 30, 2010 being filed late. The lateness of the audit for the year ended June 30, 2010 created many reconciling issues for the audit for the fiscal year ended June 30, 2011 and the audit report was not available for filing until after December 15, 2011.

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 this finding. The NMLB has submitted late audits for the past two fiscal years. The NMLB is on track to submit the fiscal year 2012 audit on time, in accordance with State Audit Rule 2.2.2.9A(1)(f).

Corrective Action: The NMLB is developing standard operating procedures to address year end closing of the general ledger and year end reconciliation of all accounts.

Responsible Party: Chief Financial Officer.

Implementation Date: June 30, 2012

FS-10-05 -- General Ledger Posting -- Repeated and Revised -- Significant Deficiency

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 in both fiscal year 2010 and 2011.

Effect: The uncertainty that accounting transactions were properly recorded; was a contributing factor in the auditor's issuing a qualified opinion on the financial statements for the fiscal year ended June 30, 2011.

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.

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011

Schedule III

Management's Response: Management concurs with this finding. The NMLB has submitted late audits for the past two fiscal years. This has resulted in year-end adjusting entries not being posted to SHARE. The NMLB will work with DFA to clean up the general ledger.

Corrective Action: The NMLB is developing standard operating procedures to address year end closing of the general ledger and year end reconciliation of all accounts.

Responsible Party: Chief Financial Officer.

Implementation Date: June 30, 2012

FS 10-07 Personal Use of Public Vehicle -- Repeated -- Other Matter

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 2011 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 this finding. The NMLB is in the process of developing a policy that will reflect both Title I Chapter 5 part 3 1.5.3.20 and Internal Revenue Service requirements.

Corrective Action: The NMLB is developing standard operating procedures to address the personal use of employer provided vehicles.

Responsible Party: Chief Financial Officer.

Implementation Date: June 30, 2012

FS 10-08 Internal Controls -- Disbursements -- Repeated and Revised -- Significant Deficiency

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. Additionally, Section 2.20.5.8 [c] [8] of the New Mexico Administrative Code includes a provision indicating that all vendors are to be paid timely.

Condition: During our test-work of twenty-five randomly selected disbursements, forty random federal disbursements, and forty individually significant disbursements we noted the following items:

- (a) Twenty-eight purchase orders (totaling \$375,496.03) were dated after the vendor's invoice.
- (b) One disbursement (\$17,361.00) was coded to the incorrect general ledger account number.
- (c) Fifteen invoices (totaling \$452,908.42) were paid after the vendor due date.
- (d) One purchase voucher (\$32,548.53) had the incorrect supporting documentation attached to it.
- (e) One disbursement (\$781.83) was paid without a Purchase Order being prepared.
- (f) One Per Diem reimbursement was for \$579.73 when there was only \$559.73 requested; and another Per Diem reimbursement was for \$352.00 when only \$340.00 was requested.

Cause: Board personnel are not following established procedures.

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.

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011

Schedule III

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 this finding. The NMLB did implement an informal process on July 1, 2011 to ensure that all purchases are made in accordance with section FIN 4 MAP and Section 6-5-2, NMSA 1978.

Corrective Action: The NMLB is developing standard operating procedures to address the internal controls of all disbursements. In addition, the NMLB will continue with improving its internal procurement training.

Responsible Party: Chief Financial Officer.

Implementation Date: June 30, 2012

Section III – Federal Award Findings

FA 10-01 Capital Assets – Repeated – Significant Deficiency

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 in both fiscal year 2010 and 2011.

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 this finding. The NMLB will improve its tracking of assets to ensure that all assets purchases with federal cooperative funds are clearly identified as federal assets.

Corrective Action: The NMLB is developing standard operating procedures to address both the annual physical inventory count and the monthly reconciliation of the master inventory list.

Responsible Party: Chief Financial Officer.

Implementation Date: April 30, 2012

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011

Schedule III

FA 10-02 -- Submission of Reporting Package and Data Collection Form – Repeated and Revised – Significant Deficiency

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 data collection form and the reporting package for the fiscal years ended June 30, 2009 and 2010 have not been submitted to the Federal Audit Clearinghouse.

Questioned Costs: None.

Cause: For unknown reasons, the former Chief Financial Officer did not certify the 2009 data collection form and the reporting package. 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 this finding. The NMLB will improve its reporting procedures to ensure that the NMLB is in compliance with the federal reporting requirements.

Corrective Action: The NMLB is developing standard operating procedures to address the effective management of federal cooperative agreements.

Responsible Party: Chief Financial Officer.

Implementation Date: April 30, 2012

FA 10-03 – Federal Financial Reports – Repeated and Revised – Significant Deficiency

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: Sixteen of eighteen Federal Financial Reports examined for the fiscal year ended June 30, 2011 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 in both fiscal year 2010 and 2011.

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011

Schedule III

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.

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 this finding. The NMLB will improve its reporting procedures to ensure that the NMLB is in compliance with the federal reporting requirements.

Corrective Action: The NMLB is developing standard operating procedures to address the effective management of federal cooperative agreements.

Responsible Party: Chief Financial Officer.

Implementation Date: April 30, 2012

FA 11-01 – Draw-Down of Federal Funds – Material Weakness

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 the amount reported on the Federal Form SF-270 reflect actual cash disbursements for goods and services incurred for the reporting period.

Condition: For the Form SF-270 filed for the quarter ended December 31, 2010, for Cooperative Agreement #09-9735-1799-CA, it appears that approximately \$150,000 of the expenditures reported had not actually occurred yet. While the cooperative agreement does allow for some advance funding, the \$150,000 appears to be excessive in comparison to the actual amounts needed for immediate use by the New Mexico Livestock Board.

Questioned Costs: None.

Cause: The Form SF-270 was filed without being reviewed by the Chief Financial Officer.

Effect: The New Mexico Livestock Board could be liable to the federal government for any costs not properly associated with its federal cooperative agreements.

Auditors' Recommendation: The Board should ensure that all Forms SF-270 are properly supported and are reviewed by the Chief Financial Officer prior to filing.

Management's Response: Management concurs with this finding. The NMLB will improve its reporting procedures to ensure that the NMLB is in compliance with the federal reporting requirements.

Corrective Action: The NMLB is developing standard operating procedures to address the effective management of federal cooperative agreements.

Responsible Party: Chief Financial Officer.

Implementation Date: April 30, 2012

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011

Schedule III

Section IV – Prior Year Audit Findings

- FS 07-04 - Compensated Absences – *Resolved.*
- FS 09-03 - Internal Controls Receipts -- *Resolved.*
- FS-10-01- Funds Held In Suspense – *Repeated and Revised.*
- FS 10-02 - Disposition of Capital Assets – *Resolved.*
- FS 10-03 - Capital Asset Inventory – *Repeated and Revised.*
- FS 10-04 - Audit Report Not Submitted Timely – *Repeated and Revised.*
- FS-10-05 - General Ledger Posting – *Repeated and Revised.*
- FS-10-06 - Assessments – *Resolved.*
- FS 10-07 - Personal Use of Public Vehicle – *Repeated.*
- FS 10-08 - Internal Controls -- Disbursements – *Repeated and Revised.*
- FA 08-01 - Chart of Accounts for Federal Funds-*Resolved.*
- FA 10-01 - Capital Assets – *Repeated.*
- FA 10-02 - Submission of Reporting Package and Data Collection Form – *Repeated and Revised.*
- FA 10-03 - Federal Financial Reports – *Repeated and Revised.*
- FA 10-04 - Allocated Federal Expenditures – *Resolved.*

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011

Schedule III

Section V – Other Disclosures

Auditor Prepared Financials

Griego Professional Services, LLC assisted in the preparation of the financial statements presented in this report. The Board's management has reviewed and approved the financial statements and related notes and they believe that their records adequately support the financial statements.

Exit Conference

The contents of this report were discussed on March 14, 2012. The following individuals were in attendance.

New Mexico Livestock Board

Bill Sauble, Chairman
Myles Culbertson, Executive Director
Bobby Pierce, Deputy Director
Tammy Burton, DVM, Consumer Safety Veterinarian
Penny Sample, Administrator
Michael Sisneros, Financial Coordinator
Sharon L. Nelson, Advanced Operational Financial Specialist
Mary Ann Marquez, Operational Financial Specialist

Griego Professional Services, LLC

J.J. Griego, CPA
David Baca