

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2012



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INTRODUCTORY SECTION

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FOR THE YEAR ENDED JUNE 30, 2012
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OFFICIAL ROSTER
JUNE 30, 2012

Members

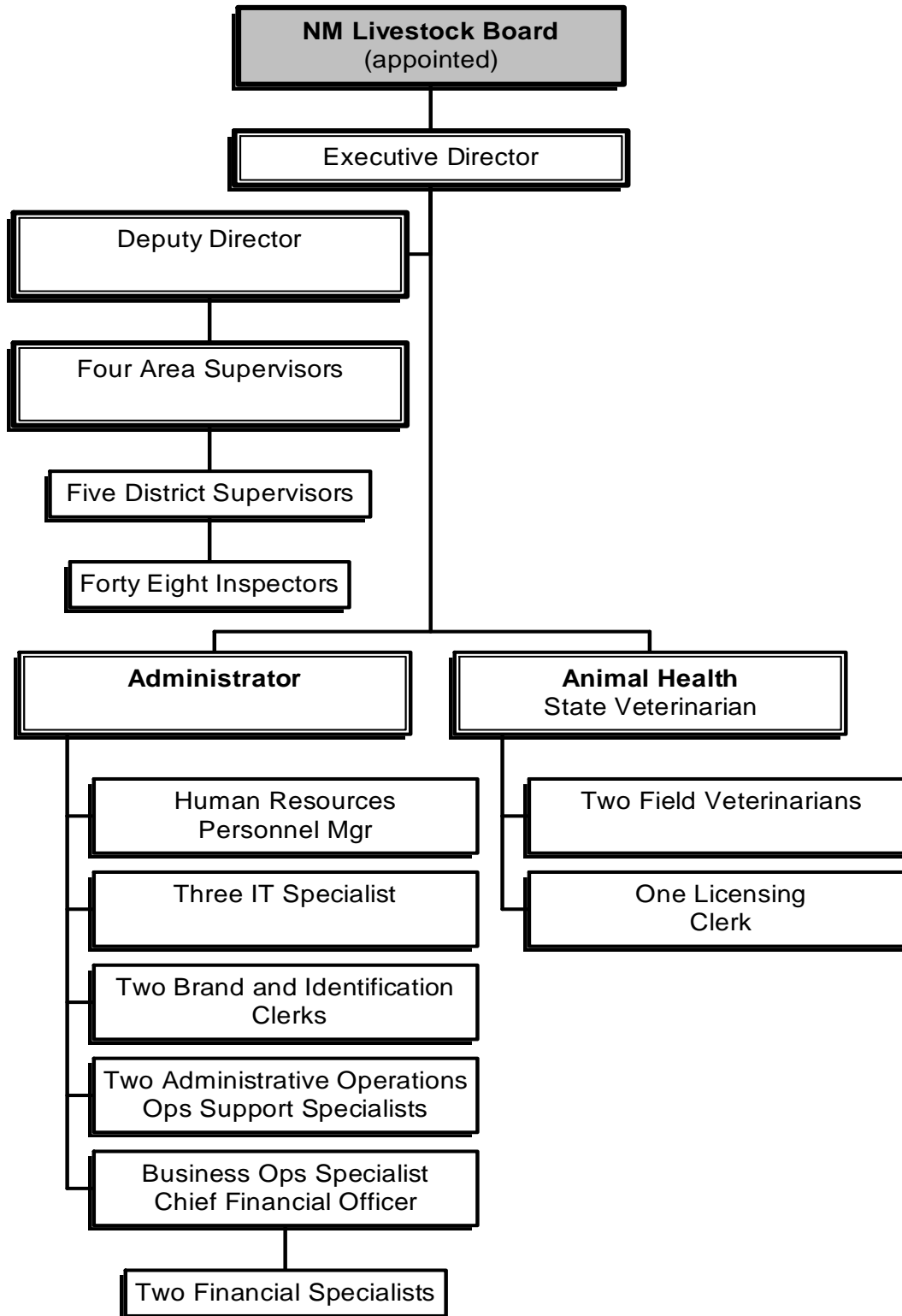
<u>Name</u>	<u>Title</u>
Bill Sauble	Chairman
Don "Bebo" Lee	Vice-Chairman
Loren Horton	Secretary/Treasurer
David Kincaid	Member
Effie Walker	Member
Bob Frost	Member
Billy Dictson	Member
Donald Martinez	Member
Jarod Harral	Member

Administration

Myles Culbertson	Executive Director
Bobby Pierce	Deputy Director
Dave E. Fly, D.V.M.	State Veterinarian
Penny Sample	Administrator
Michael Sisneros	Financial Coordinator

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New Mexico Livestock Board Organization by Function & Title



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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue fund of the State of New Mexico, New Mexico Livestock Board (the "Board"), as of and for the year ended June 30, 2012, which collectively comprise the Board's basic financial statements as listed in the table of contents. We have also audited the financial statements of the Board's fiduciary funds presented as supplementary information in the accompanying Schedule of Changes in Fiduciary Assets and Liabilities as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly we express no opinion. 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.

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, 2012 and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the 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, 2012, 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, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 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 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedure to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because of the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The additional schedules listed as "other supplemental information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Diago Professional Services, LLC

Albuquerque, New Mexico
October 5, 2012

NEW MEXICO LIVESTOCK BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2012

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, 2012 (FY12). 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 Activities*. This summary is intended to be a supplement to and should be read 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 \$2,032,509 (*Net Assets*). Of this amount \$1,400,155 (*unrestricted*) may be used to meet the NMLB's ongoing obligations.
- The NMLB's total net assets increased by \$164,415. When compared to a decreased of -\$439,728 in the prior fiscal year,
- As of the close of the current fiscal year, the NMLB's governmental funds reported combined ending fund balance of \$1,786,272 which represented a decrease of -\$222,321 in comparison with prior year.
- At the end of current fiscal year unreserved, undesignated fund balance for the general fund was \$1,786,272 or 30% of total general fund expenditures.
- General revenues (*Non State and Federal*) accounted for \$4,484,229 in revenue or 77% of all revenues. State general fund appropriation amounted to \$454,400 or 8% of the total revenue. With federal cooperative funding accounting for 6% or \$362,935 and the remaining 9% or \$500,000 resulting from special appropriation.
- Overall revenues, for the NMLB have increased by \$292,365 compared to prior year. Representing a decrease in state appropriated fund of -\$186,200 or a decrease of -29%. In addition there was a decrease of -29% or -\$151,339 in federal cooperative revenue. There was an increase of \$129,904 in other state funds. There was a special appropriation of \$500,000 earmarked to vehicle replacement
- *At the end of the current fiscal year, the net assets of \$4,938,872 (including \$3,906,700 in cash and cash equivalents). This represents a increase of \$1,706,762 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, 2012, the NMLB's Accounts receivable was \$399,748 or a decrease of -69% when compared to the prior year amount of \$581,135.

NEW MEXICO LIVESTOCK BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2012

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 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 13 to 14.)

- 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.

NEW MEXICO LIVESTOCK BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2012

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 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 22-34*).

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;

NEW MEXICO LIVESTOCK BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2012

- 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 19.

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 35.

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 \$2,032,509 at the close of the most recent fiscal year. Of the NMLB's assets cash represented 79% of the total, and accounts receivable accounting for 8%. When compared to June 30, 2011 cash represented 72% of the total and accounts receivable accounted for 19%.

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, 2012, with comparative balances for the fiscal years ended June 30, 2011.

Table 1: Condensed Statement of Net Assets
Audited Fiscal Year Ending June 30

	<i>Fiscal Year</i> 6/30/2012	<i>Fiscal Year</i> 6/30/2011	<i>2012 vs 2011</i>	
			<i>\$ Change</i>	<i>% Change</i>
Current Assets	4,306,518	2,781,184	1,525,334	35%
Capital and Non-Current Assets	632,354	259,928	372,426	59%
Total Assets	4,938,872	3,041,112	1,897,760	38%
Current Liabilities	2,622,538	890,465	1,732,073	66%
Long-Term Liabilities	283,825	282,556	1,269	0%
Total Liabilities	2,906,363	1,173,021	1,733,342	60%
Net Assets				
Invested in Capital Asset	632,354	259,928	372,426	59%
Unrestricted	1,400,155	1,608,163	(208,008)	-15%
Total Net Assets	2,032,509	1,868,091	164,418	8%
Total Liabilities and Net Assets	4,938,872	3,041,112	1,897,760	38%

Financial statements in U.S. dollars

(See page 13 of this report)

**NEW MEXICO LIVESTOCK BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2012**

Government-wide Financial Analysis-(Continued)

Table 2 summarizes the statement of activities of the NMLB for fiscal year ending June 30, 2012, with comparative balances for the fiscal years ended June 30, 2011.

Table 2: Condensed Statement of Activities
Audited Fiscal Year Ending June30

	<i>Fiscal Year</i>	<i>Fiscal Year</i>	<i>2012 vs 2011</i>	
	<i>6/30/2012</i>	<i>6/30/2011</i>	<i>\$ Change</i>	<i>% Change</i>
Revenues				
General Fund Appropriations	454,400	640,600	(186,200)	-41%
General Fund Special	500,000	-	500,000	
Other Revenue	4,847,164	4,868,599	(21,435)	0%
Total Revenues	5,801,564	5,509,199	292,365	5%
Total Expenditures	5,637,146	5,948,927	(311,781)	-6%
Change in Net Assets	164,418	(439,728)	(275,310)	-167%
Restatement from prior year	-	136,885	(136,885)	
Beginning Net Assets	1,868,091	2,170,934	(302,843)	-16%
Ending Net Assets	2,032,509	1,868,091	(715,038)	-35%

Financial statements in U.S. dollars

(See page 14 of this report)

Significant factors impacting the NMLB's financial position and results of operations during the year ending June 30, 2012 are as follows:

- For several years the general fund appropriations level has been decreasing. For the current year ending June 30, 2012 there was a -\$186,200 or a -29% reduction. When compared to June 30, 2011. 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 an overall increase of other state revenue by \$129,904. The liquidation of livestock has a short-term impact of increasing revenues. However, in the long-term there will be a decrease in revenue.

NEW MEXICO LIVESTOCK BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2012

Government-wide Financial Analysis-(Continued)

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

	FY12 vs FY 11			
	<i>Fiscal 2012</i>	<i>Fiscal 2011</i>	<i>\$ Change</i>	<i>% Change</i>
Revenues				
State General Fund Appropriation	454,400	640,600	(186,200)	-29%
State General Fund Special	500,000	-	500,000	
Personal Property Taxes on Livestock	1,579,229	1,581,325	(2,096)	0%
Brand Recording Fee and Horse Permits	901,915	752,190	149,725	20%
Estray Sales Net	61,437	180,824	(119,387)	-66%
Licenses, Permits and Service Charges	1,941,648	1,839,986	101,662	6%
Federal Cooperatives	362,935	514,274	(151,339)	-29%
Total Revenue	5,801,564	5,509,199	292,365	5%
Expenditures				
Administraion	786,551	728,403	58,148	8%
Livestock Inspection	4,397,959	4,613,898	(215,939)	-5%
Federal Coopertives	362,935	514,075	(151,140)	-29%
Capital Outlay	476,440	44,262	432,178	976%
Total Expenditures	6,023,885	5,900,638	123,247	2%
Net Change in Fund Balance	(222,321)	(391,439)		
Beginning Fund Balance	2,008,593	2,263,147		
Prior Year Adjustments		136,885		
Adjusted Fund Balance	2,008,593	2,400,032		
Ending Fund Balance	1,786,272	2,008,593		

Financial statements in U.S. dollars

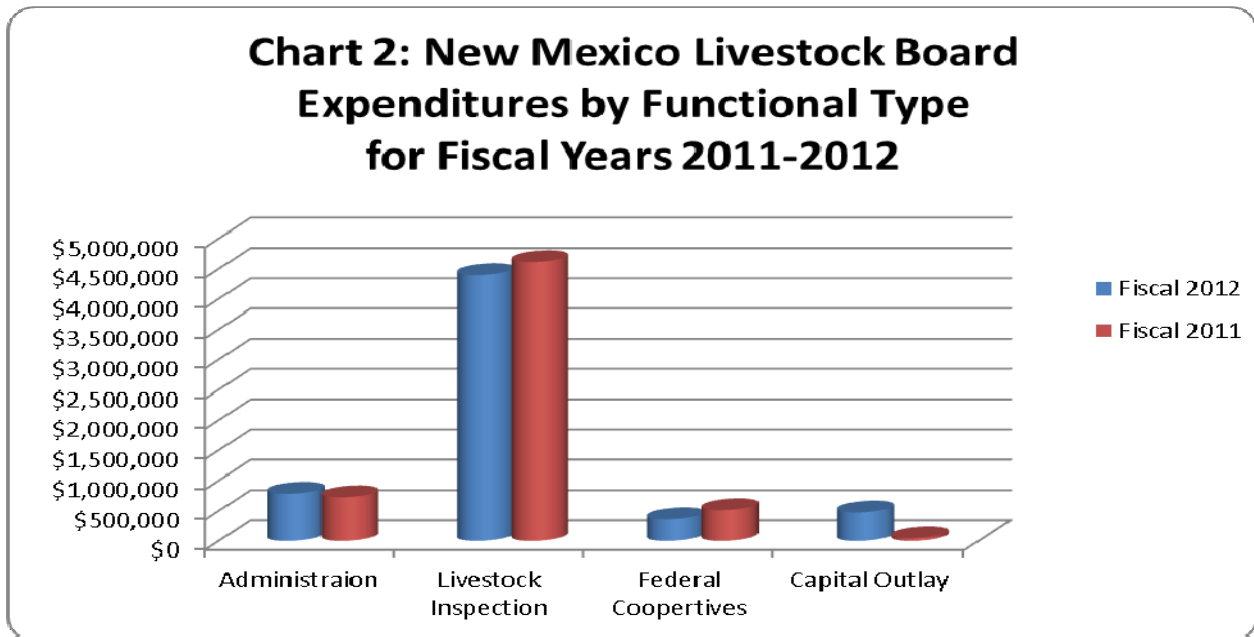
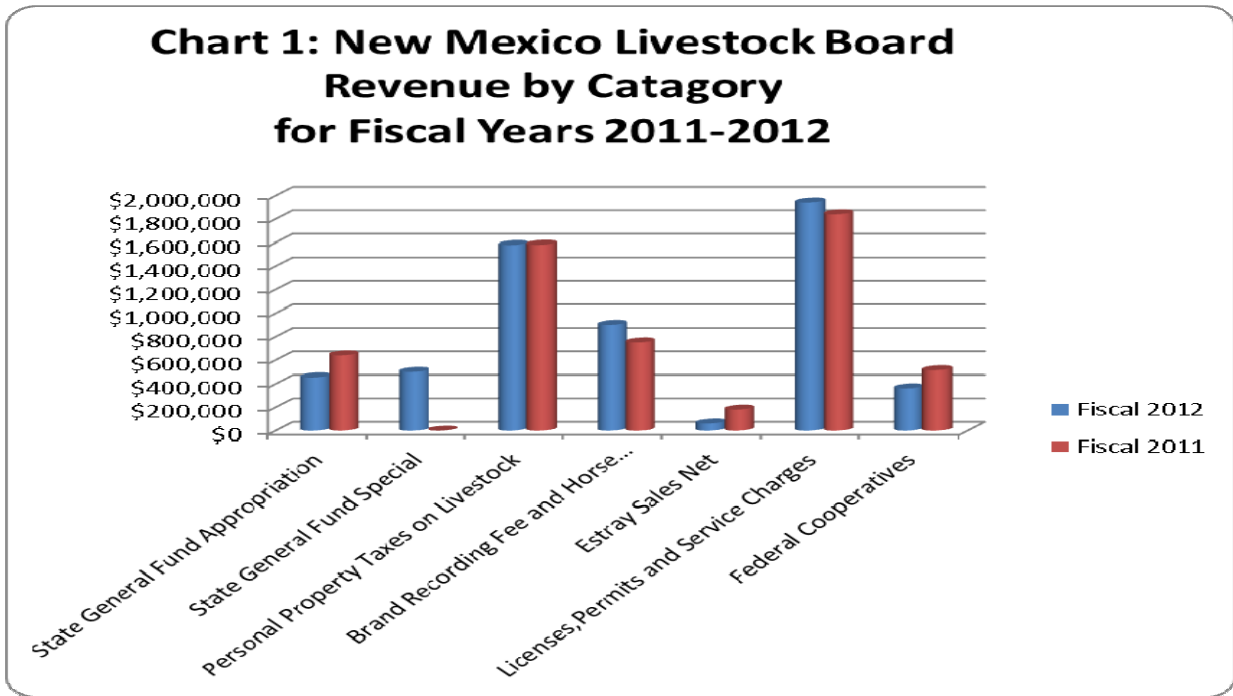
(See page 15 of this report)

- 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, 2011 amounted to -\$186,200.
- 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, 2012**

Government-wide Financial Analysis-(Continued)

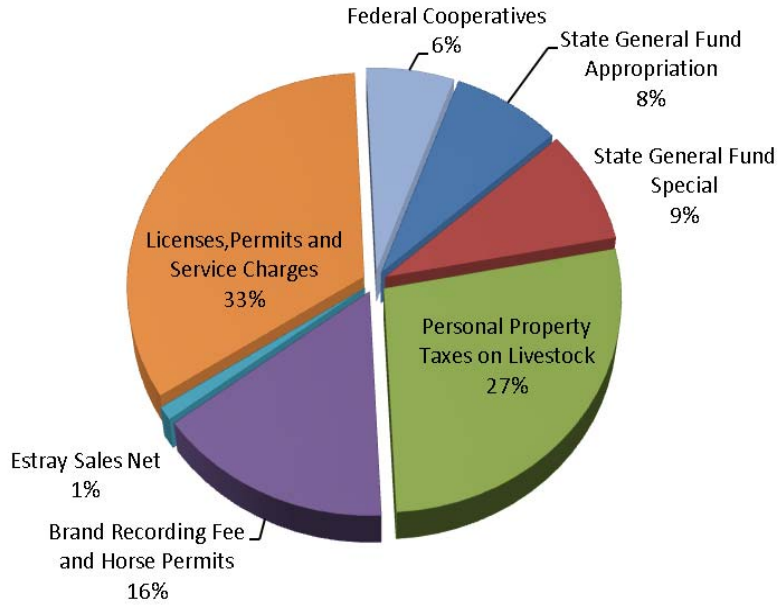
The following chart 1 displays a two year comparison of operating revenue by type. Chart 2 displays a three year comparison of operating expenditures by functional type. And chart 3 displays the revenues by source for the current fiscal year ending June 30, 2012.



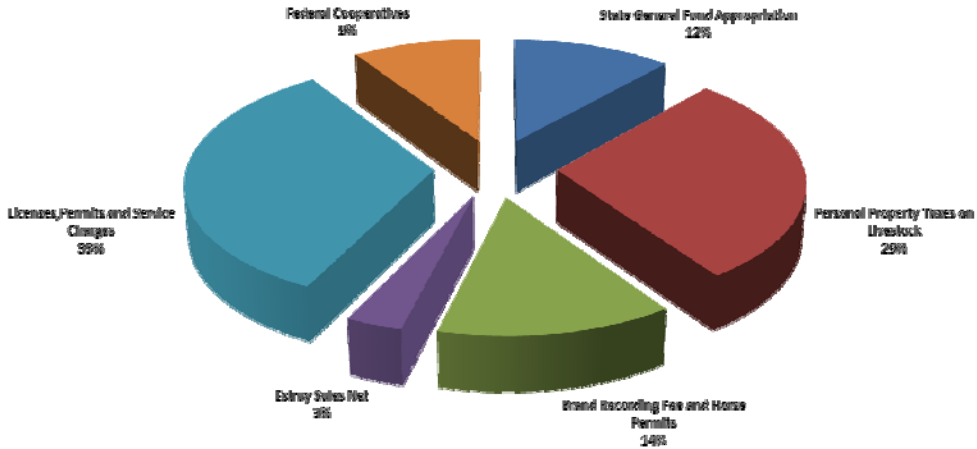
**NEW MEXICO LIVESTOCK BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2012**

Government-wide Financial Analysis-(Continued)

**Chart 3: New Mexico Livestock Board
Revenue by Type for Fiscal Year 2012**



**New Mexico Livestock Board
Revenue by Type for Fiscal Year 2011**



**NEW MEXICO LIVESTOCK BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2012**

General Fund Budgetary Highlights

**Table 4: Statement of Revenue, Expenditures and Changes in Fund Balance
Budget (GAAP Budgetary Basis) and Actual for June 30, 2012**

	<i>FY 2012 Original</i>	<i>FY 2012 Final</i>	<i>FY 2012 Actual</i>
<i>Revenue</i>			
Federal	-	662,380	362,935
Other	2,743,000	2,743,000	2,905,000
Total Revenue	2,743,000	3,405,380	3,267,935
<i>Expenditures</i>			
Personal Services & Benefits	4,448,200	4,471,006	4,212,388
Contractual Services	188,200	501,838	362,631
Other Costs	1,188,900	2,013,656	1,448,866
Total Expenditures	5,825,300	6,986,500	6,023,885
+/- Revenue to Expenditures	(3,082,300)	(3,581,120)	(2,755,950)
<i>Other Financing Sources</i>			
State general fund	454,500	454,400	454,400
State general fund special	-	500,000	500,000
Transfers in	1,863,900	1,863,900	1,579,229
Designated cash			
Total Other Financing Sources	2,318,400	2,818,300	2,533,629
Net change in fund balances			(222,321)

Financial statements in U.S. dollars

The original budget operating budget was not amended in total and amounted to \$5,824,300. At the category level the following adjustment were made to operational budget:

- Personal Service & Benefits were increased by \$22,899;
- Contractual Services were increased by \$83,695;
- Other Cost were decreased by-\$106,501
-

Changes in Cooperative Capital Assets

The NMLB's investment in capital assets as of June 30, 2012 amounted to \$632,351 (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, 20012 are summarized below:

**NEW MEXICO LIVESTOCK BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2012**

**Two-Year Comparative of Changes in Capital Assets
NEW MEXICO LIVESTOCK BOARD**

Table 5: Capital Assets

Financial statements in U.S. dollars

Capital Assets

Capital Assets, being depreciated:

Machinery & equipment

2,169,046

488,351

(136,461)

2,520,936

-

Less Accumulated Depreciation for:

Machinery & equipment

(1,909,121)

(115,925)

136,461

(1,888,585)

Governmental activities capital assets, net:

\$ 259,925

\$ 372,426

\$ -

\$ 632,351

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, and Albuquerque, NM 87108

**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
STATEMENT OF NET ASSETS
JUNE 30, 2012

Exhibit A-1

	Governmental Activities
ASSETS	
Current Assets	
Cash and Investments	\$ 3,906,770
Receivables	
Livestock fees and charges	119,940
Intergovernmental receivables	126,808
Other receivables	2,270
Mill levy receivable	150,730
Total Current Assets	4,306,518
Noncurrent Assets	
Capital assets	2,520,936
Less: accumulated depreciation	(1,888,582)
Total capital assets	632,354
Total assets	\$ 4,938,872
 LIABILITIES AND NET ASSETS	
LIABILITIES	
Current Liabilities	
Accounts payable	\$ 563,558
Accrued payroll, benefits, and taxes	123,791
Due to state general fund	2,817
Deferred Revenue	
Brand recording fees	1,601,842
Sale of estrays	228,238
Current portion of long-term liabilities	102,292
Total Current Liabilities:	2,622,538
Noncurrent liabilities	
Compensated absences payable - expected to be paid after one year	283,825
Total liabilities	2,906,363
 NET ASSETS	
Invested in capital assets	632,354
Unrestricted	1,400,155
Total net assets	2,032,509
Total liabilities and net assets	\$ 4,938,872

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, 2012

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		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
General Government				
Admin., livestock inspection, meat inspection	\$ 5,521,221	\$ 2,788,668	\$ 362,935	\$ (2,369,618)
Depreciation (unallocated)	115,925	-	-	(115,925)
Total governmental activities	<u>\$ 5,637,146</u>	<u>\$ 2,788,668</u>	<u>\$ 362,935</u>	<u>(2,485,543)</u>
General Revenues and other:				
State General Fund appropriation				454,400
Special Legislative appropriation				500,000
Livestock property taxes				1,579,229
Miscellaneous revenue				<u>116,332</u>
Total general revenues and other				<u>2,649,961</u>
Change in net assets				164,418
Beginning net assets				<u>1,868,091</u>
Ending net assets				<u><u>\$ 2,032,509</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, 2012

Exhibit B-1
(Page 1 of 2)

	General Fund	Special Revenue Fund	Total
ASSETS			
<i>Current:</i>			
Cash and investments	\$ 3,905,770	\$ -	\$ 3,905,770
Petty cash	1,000	-	1,000
Receivables			
Livestock fees and charges	119,940	-	119,940
Intergovernmental receivables	126,808	-	126,808
Other fees receivable	2,270	-	2,270
Mill levy receivable	150,730	-	150,730
	<u>\$ 4,306,518</u>	<u>\$ -</u>	<u>\$ 4,306,518</u>
<i>Total current assets</i>	<u>\$ 4,306,518</u>	<u>\$ -</u>	<u>\$ 4,306,518</u>
 LIABILITIES AND FUND BALANCE			
<i>Current Liabilities:</i>			
Accounts payable	\$ 563,558	\$ -	\$ 563,558
Accrued payroll, benefits, and taxes	123,791	-	123,791
Due to state general fund	2,817	-	2,817
Deferred Revenue			
Brand recording fees	1,601,842	-	1,601,842
Sale of estrays	228,238	-	228,238
	<u>2,520,246</u>	<u>-</u>	<u>918,404</u>
<i>Total liabilities</i>	<u>2,520,246</u>	<u>-</u>	<u>918,404</u>
 <i>Fund balance:</i>			
Nonspendable	1,000	-	1,000
Unassigned	1,785,272	-	1,785,272
	<u>1,786,272</u>	<u>-</u>	<u>1,786,272</u>
<i>Total fund balance</i>	<u>1,786,272</u>	<u>-</u>	<u>1,786,272</u>
<i>Total liabilities and fund balance</i>	<u>\$ 4,306,518</u>	<u>\$ -</u>	<u>\$ 2,704,676</u>

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

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
GOVERNMENTAL FUND
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012

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	\$	1,786,272
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
Machinery and equipment		2,520,936
Accumulated Depreciation		<u>(1,888,582)</u>
Total Capital Assets		632,354
<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>(386,117)</u>
Total Net Assets	\$	<u><u>2,032,509</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, 2012

Exhibit B-2
(Page 1 of 2)

<i>Revenues:</i>	General Fund	Special Revenue Fund	Total
Federal grant funds	\$ 362,935	\$ -	\$ 362,935
Inspection fees	1,222,455	-	1,222,455
Personal property taxes on livestock	-	1,579,229	1,579,229
Brand recording fees and horse permits	901,915	-	901,915
Estray sales, net	61,437	-	61,437
Other licenses and permits	253,419	-	253,419
Miscellaneous	116,332	-	116,332
Service charges	349,442	-	349,442
<i>Total revenues</i>	<u>3,267,935</u>	<u>1,579,229</u>	<u>4,847,164</u>
<i>Expenditures:</i>			
Current			
General Government			
Administration	786,551	-	786,551
Livestock inspection	4,397,959	-	4,397,959
Federal Coop agreements	362,935	-	362,935
Capital outlay	476,440	-	476,440
<i>Total expenditures</i>	<u>6,023,885</u>	<u>-</u>	<u>6,023,885</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(2,755,950)</u>	<u>1,579,229</u>	<u>(1,176,721)</u>
<i>Other financing sources (uses):</i>			
State General Fund Appropriation	454,400	-	454,400
Special Legislative Appropriation	500,000	-	500,000
Operating transfer - in	1,579,229	-	1,579,229
Operating transfer - out	-	(1,579,229)	(1,579,229)
<i>Total other financing sources (uses)</i>	<u>2,533,629</u>	<u>(1,579,229)</u>	<u>954,400</u>
<i>Net change in fund balances</i>	(222,321)	-	(222,321)
<i>Fund balances - beginning of year</i>	2,008,593	-	2,008,593
<i>Prior period adjustment</i>	-	-	-
<i>Adjusted fund balances - beginning of year</i>	<u>2,008,593</u>	<u>-</u>	<u>2,008,593</u>
<i>Fund balances - end of year</i>	<u>\$ 1,786,272</u>	<u>\$ -</u>	<u>\$ 1,786,272</u>

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, 2012

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	\$ (222,321)
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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 decrease in the liability for compensated absences payable for the year was:</p>	14,313
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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:

Capital Assets Acquired	488,351
Depreciation expense	<u>(115,925)</u>

Changes in Net Assets	<u><u>\$ 164,418</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, 2012

	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Federal sources	\$ -	\$ 662,380	362,935	\$ (299,445)
Other	2,107,620	2,606,440	2,905,000	298,560
<i>Total revenues</i>	<u>2,107,620</u>	<u>3,268,820</u>	<u>3,267,935</u>	<u>(885)</u>
<i>Expenditures:</i>				
General Government				
Administration				
Personal Services & Benefits	626,700	635,854	628,549	7,305
Contractual services	60,500	55,200	53,618	1,582
Other Costs	108,500	104,646	104,384	262
<i>Total administration</i>	<u>795,700</u>	<u>795,700</u>	<u>786,551</u>	<u>9,149</u>
Livestock inspection				
Personal Services & Benefits	3,821,500	3,835,152	3,583,839	251,313
Contractual services	127,700	215,695	161,630	54,065
Other Costs	1,080,400	977,573	652,490	325,083
<i>Total livestock inspection</i>	<u>5,029,600</u>	<u>5,028,420</u>	<u>4,397,959</u>	<u>630,461</u>
Federal Cooperative Agreements				
Contractual services	-	431,437	215,548	215,889
Other Costs	-	230,943	147,387	83,556
<i>Total federal cooperative agreements</i>	<u>-</u>	<u>662,380</u>	<u>362,935</u>	<u>299,445</u>
Special legislative appropriation	-	500,000	476,440	23,560
<i>Total expenditures</i>	<u>5,825,300</u>	<u>6,986,500</u>	<u>6,023,885</u>	<u>962,615</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(3,717,680)</u>	<u>(3,717,680)</u>	<u>(2,755,950)</u>	<u>(961,730)</u>
<i>Other Financing Sources (Uses):</i>				
State general fund appropriations	454,400	454,400	454,400	-
Special legislative appropriations	500,000	500,000	500,000	-
Transfers in	1,863,900	1,863,900	1,579,229	284,671
Designated cash	899,380	899,380	-	899,380
<i>Total Other Financing Sources</i>	<u>3,717,680</u>	<u>3,717,680</u>	<u>2,533,629</u>	<u>1,184,051</u>
<i>Net change in fund balances</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (222,321)</u>	<u>\$ (222,321)</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>\$ (222,321)</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, 2012

	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Other	\$ 1,863,900	\$ 1,863,900	\$ 1,579,229	\$ (284,671)
<i>Total revenues</i>	<u>1,863,900</u>	<u>1,863,900</u>	<u>1,579,229</u>	<u>(284,671)</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	(1,863,900)	(1,863,900)	(1,579,229)	(284,671)
<i>Total Other Financing Sources</i>	<u>(1,863,900)</u>	<u>(1,863,900)</u>	<u>(1,579,229)</u>	<u>(284,671)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>1,863,900</u>	<u>1,863,900</u>	<u>1,579,229</u>	<u>284,671</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, 2012

	Agency Funds
ASSETS	
Cash	\$ 74,450
<i>Total assets</i>	\$ 74,450
 LIABILITIES	
Due to NM Beef Council	\$ 74,008
Due to NM Sheep & Goat Council	442
<i>Total liabilities</i>	\$ 74,450

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, 2012

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, 2012.

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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, 2012, 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, 2012

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, 2012

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, 2012

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, 2012

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 17.

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.

NOTE 2. Investments

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

As of June 30, 2012, the Board had the following in pooled cash:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities Less than 1 Year</u>
Interest in the State Treasurer General Fund Investment Pool	\$ 3,905,770	\$ 3,905,770

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 it’s 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

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 2. Investments- (Continued)

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, 2012. 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, 2012, the Board's investment of New MexiGROW LGIP had a credit risk rating of AAAm and a 60-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, 2012.

The State of New Mexico deployed the Statewide Human Resource, Accounting and Management Reporting System (SHARE) on July 1, 2006. The goal of the SHARE implementation was to provide the State of New Mexico with a single integrated system to streamline, enhance, and provide data integrity for financial reporting. In June 2012, the New Mexico State Controller commissioned a Diagnostic report with the purpose of assessing the state of cash reconciliations and determining recommendations for remediating the remaining system and business process issues pertaining to the book to bank process. This Diagnostic report indicates that the SHARE book to bank reconciliation contains a significant number of un-reconciled items. The Diagnostic report is available in the Resources section of the Cash Control page of the New Mexico Department of Finance & Administration's website.

The Board adheres to the standards established in the Cash Management Function section of the Manual of Model Accounting Practices which was issued by the New Mexico Department of Finance and Administration - Financial Control Division. As part of this process, the Board performs a monthly reconciliation between the data collected in the field with monies deposited into the bank and the amounts posted into SHARE. The Board has taken every reasonable measure within its control to ensure that its cash balances in SHARE are correct. The Diagnostic report referred to above is not anticipated to have an impact on the SHARE cash balances of the Board. The Board's cash balances in SHARE appear to be fairly stated at June 30, 2012.

Reconciliation of Cash and Interest in General Fund Investment Pool

Governmental Funds – Balance Sheet	
Interest in General Fund Investment Pool per Exhibit A-1	\$ 3,906,770
Less petty cash	<u>(1,000)</u>
Total Interest in GFIP	<u>\$ 3,905,770</u>

NOTE 3. Receivables

As of June 30, 2012, receivables consist of the following:

General Fund:	
Property taxes	\$ 150,730
Intergovernmental receivables	126,808
Livestock fees and charges	119,940
Other receivables	<u>2,270</u>
Total	<u>\$ 399,748</u>

All receivables are considered 100% collectible.

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 4. Capital Assets

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
Machinery & equipment	\$ 2,169,046	\$ 488,351	\$ (136,461)	\$ 2,520,936
Accumulated depreciation	<u>(1,909,118)</u>	<u>(115,925)</u>	<u>136,461</u>	<u>(1,888,582)</u>
Total capital assets	<u>\$ 259,928</u>	<u>\$ 372,426</u>	<u>\$ -</u>	<u>\$ 632,354</u>

Depreciation expense for the year ended June 30, 2012 was unallocated in the amount of \$115,925.

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, 2012 is \$228,238.

Brand Recording Fees. The Board renews cattle brands every three years. The amount collected in the renewal year is amortized over a three-year period. The year ended June 30, 2012 was a renewal year. At June 30, 2012, \$1,601,842 is related to brand renewal and will be amortized into revenue over the next two fiscal years.

NOTE 6. Compensated Absences Payable

A summary of changes in compensated absences payable for the year ended June 30, 2012 is as follows:

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
Accrued vacation and sick leave	\$ 400,430	\$ 87,979	\$ (102,292)	\$ 386,117

The liability at June 30, 2012 of \$386,117 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 \$102,292 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	\$ -	\$ 1,579,229
Special Revenue Fund	<u>1,579,229</u>	<u>-</u>
	<u>\$ 1,579,229</u>	<u>\$ 1,579,229</u>

The special revenue fund transferred \$1,579,229 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.

NOTE 8. Due To/From Other Funds

At June 30, 2012, the general fund and the agency funds did not owe one another any monies. This receivable is liquidated each year, when there is a balance.

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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 10.67% of their gross salary. The Board is required to contribute 13.34% 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, 2012, 2011, and 2010 were \$381,603, \$452,172 and \$455,768, respectively, which equal the amount of the required contributions for each fiscal year.

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

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

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

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

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

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, 2012, the

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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

statute required each participating employer to contribute 1.834% of each participating employee’s annual salary; each participating employee was required to contribute .917% of their salary. In the fiscal years ending 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>
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, 2012, 2011 and 2010 were \$52,202, \$46,636 and \$38,749, 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 General Appropriation Act of 2011.

NOTE 12. Commitments – Operating Leases

Rental payments totaling \$112,592 were made during the year ended June 30, 2012 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:

2013	103,522
2014	104,914
2015	107,980
2016	110,951
2017	112,794
Thereafter	<u>177,983</u>
Total	<u>\$ 718,144</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.

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 13. Insurance Coverage (continued)

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, 2011 to June 30, 2012.

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 \$2,817 in stale dated warrants that will be remitted to the State General Fund.

NOTE 16. 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.

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 16. Subsequent Accounting Standard Pronouncements (continued)

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 17. 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.

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.

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 17. Governmental Fund Balance (continued)

Detail relating to the fund balance classifications is displayed below:

	General Fund	Special Revenue Fund	Total Funds
Fund Balances:			
Nonspendable:			
Petty cash	\$ 1,000	\$ -	\$ 1,000
Restricted for:			
General fund		-	-
Capital projects	-	-	-
Assigned to:			
Other capital projects	-	-	-
Other purposes	-	-	-
Unassigned:			
	1,785,272	-	1,785,272
Total fund balances	\$ 1,786,272	\$ -	\$ 1,786,272

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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, 2012

Schedule I

	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012
<u>New Mexico Beef Council</u>				
Assets				
Cash	\$ -	\$ 1,283,983	\$ (1,209,975)	\$ 74,008
Receivable- General Fund	100,474		(100,474)	-
Receivable- Beef Council				-
Total Assets	<u>\$ 100,474</u>	<u>\$ 1,283,983</u>	<u>\$ (1,310,449)</u>	<u>\$ 74,008</u>
Liabilities				
Due to General Fund	\$ -	\$ -	\$ -	\$ -
Due to New Mexico Beef Council	100,474	74,008	(100,474)	74,008
	<u>\$ 100,474</u>	<u>\$ 74,008</u>	<u>\$ (100,474)</u>	<u>\$ 74,008</u>
<u>New Mexico Sheep and Goat Council</u>				
Assets				
Cash	\$ -	\$ 7,597	\$ (7,155)	\$ 442
Receivable- General Fund	950	-	(950)	-
Receivable- Sheep Council	-	-	-	-
Total Assets	<u>\$ 950</u>	<u>\$ 7,597</u>	<u>\$ (8,105)</u>	<u>\$ 442</u>
Liabilities				
Due to General Fund	\$ -	\$ -	\$ -	-
Due to New Mexico Sheep & Goat Council	950	442	(950)	442
	<u>\$ 950</u>	<u>\$ 442</u>	<u>\$ (950)</u>	<u>\$ 442</u>
<u>Total all Agency Funds</u>				
Assets				
Cash	\$ -	\$ 1,291,580	\$ (1,217,130)	74,450
Receivable- General Fund	101,424	-	(101,424)	-
Receivable - Beef Council	-	-	-	-
Receivable- Sheep Council	-	-	-	-
Total Assets	<u>\$ 101,424</u>	<u>\$ 1,291,580</u>	<u>\$ (1,318,554)</u>	<u>\$ 74,450</u>
Liabilities				
Due to General Fund	\$ -	\$ -	\$ -	-
Due to New Mexico Beef Council	100,474	74,008	(100,474)	74,008
Due to New Mexico Sheep & Goat Council	950	442	(950)	442
	<u>\$ 101,424</u>	<u>\$ 74,450</u>	<u>\$ (101,424)</u>	<u>\$ 74,450</u>

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

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COMPLIANCE SECTION

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
State of New Mexico
New Mexico Livestock Board

And

Mr. Hector H. Balderas
New Mexico State Auditor

We 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, 2012, and have issued our report thereon dated October 5, 2012. We expressed an unqualified opinion on the financial statements referred to above. 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

Management of the Board is responsible for establishing and maintaining effective 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.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as described above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting.

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 responses as FS10-08 and FA10-03 to be a significant deficiencies.

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 responses as item FA 10-03.

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 responses as finding FS 10-07.

The agency's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. 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
October 5, 2012

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2012

Schedule II

Section I – Summary of Audit Results

Financial Statements:

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

STATE OF NEW MEXICO
NEW MEXICO LIVESTOCK BOARD
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2012

Schedule II

Section II – Financial Statement Findings

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 2012 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 is aware of this matter and is in the process of establishing procedures to correct it.

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 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: October 31, 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.

Condition: The Board has shown good improvement in the area of internal control over disbursements, however we still noted the exceptions noted below during our test-work of twenty-five randomly selected disbursements and forty random federal disbursements:

(a) Four purchase orders (totaling \$1,950.75) were dated after the vendor's invoice.

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.

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.

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Management's Response: Management concurs with this finding. The NMLB did implement an informal process on July 01, 2012 to ensure that all purchases are made in accordance with section FIN4 of 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 internal procurement training.

Responsible Party: Chief Financial Officer.

Implementation Date: July 30, 2012.

Section III – Federal Award Findings

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: Eight of sixteen Federal Financial Reports examined for the fiscal year ended June 30, 2012 were not filed timely.

Questioned Costs: None.

Cause: During fiscal year 2012, the Board was diligently working to establish procedures to ensure federal expenditures were properly reported. As this process was being fine-tuned, reports were not always filed timely.

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:

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

Responsible Party: Chief Financial Officer.

Implementation Date: September 30, 2012.

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Section IV – Prior Year Audit Findings

FS 10-01- Funds Held In Suspense – *Resolved*.
FS 10-03 - Capital Asset Inventory – *Resolved*.
FS 10-04 - Audit Report Not Submitted Timely – *Resolved*.
FS-10-05 - General Ledger Posting – *Resolved*.
FS 10-07 - Personal Use of Public Vehicle – *Repeated*.
FS 10-08 - Internal Controls -- Disbursements – *Repeated and Revised*.
FA 10-01 - Capital Assets – *Resolved*.
FA 10-02 - Submission of Reporting Package and Data Collection Form – *Resolved*.
FA 10-03 - Federal Financial Reports – *Repeated and Revised*.
FA 11-01- Draw-down of Federal Funds – *Resolved*.

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 October 5, 2012. The following individuals were in attendance.

New Mexico Livestock Board

Effie Walker (telephonically), Board Member
Myles Culbertson, Executive 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 (telephonically)
David Baca