

**NORTH CAROLINA VETERINARY MEDICAL BOARD**

**Financial Statements for the  
Years Ended June 30, 2016 and 2015 and  
Independent Auditor's Report**

# **NORTH CAROLINA VETERINARY MEDICAL BOARD**

## **Financial Statements for the Years Ended June 30, 2016 and 2015 and Independent Auditor's Report**

### **BOARD MEMBERS (2015-2016)**

Kim D. Gemeinhardt, DVM, President

William K. Dean, DVM, Vice President

Dwight E. Cochran, DVM, Secretary-Treasurer

Jane A. Barber, DVM

Susan K. Bull, DVM

Robin A. Lazaro, RVT

R. Douglas Meckes, DVM

Katie O. Morgan

### **EXECUTIVE OFFICER**

Thomas M. Mickey, Executive Director

### **LEGAL COUNSEL**

George G. Hearn, Attorney At-Law

# NORTH CAROLINA VETERINARY MEDICAL BOARD

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# **NORTH CAROLINA VETERINARY MEDICAL BOARD**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the Board's financial report represents Management's analysis of the Board's financial performance during the years ended June 30, 2016 and 2015. Please read it in conjunction with the financial statements which follow this section.

### **Financial Highlights**

During 2016, the Board's net position increased by \$20,885, or 2.8%, due primarily to the Board's operating revenues exceeding its operating expenses. During 2015, the Board's net position increased by \$12,535, or 1.7%, due primarily to the Board's operating revenues exceeding its operating expenses.

During 2016, the operating revenues of the Board increased by \$52,875, or 5.1%, due primarily to an increase in license fees, hospital inspection fees, and temporary permits revenue. During 2015, the operating revenues of the Board increased by \$70,186, or 7.2%, due primarily to an increase in license fees, examination fees, hospital inspection fees, and temporary permits revenue.

During 2016, the non-operating revenues of the Board increased by \$788, or 12.8%, due to an increase in cash on hand. During 2015, the non-operating revenues of the Board increased by \$390, or 6.8%, due to an increase in cash on hand.

During 2016, the operating expenses of the Board increased by \$45,313, or 4.4%, due primarily to an increase in employee salaries and related benefits. During 2015, the operating expenses of the Board decreased by \$15,660, or 1.5%, due primarily to a decrease in board members expenses.

### **Overview of the Financial Statements**

This financial report consists of two sections: Management's Discussion and Analysis and the Financial Statements. The Board has no other supplementary information required by GASB 34. The Financial Statements also include notes to the financial statements that provide detail of the information included in the financial statements.

### **Basic Financial Statements**

The financial statements of the Board report information about the Board using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about the activities of the Board.

The Statements of Net Position present the current and long-term portions of assets and liabilities separately.

The Statements of Revenues, Expenses, and Changes in Net Position present information on how the Board's assets changed as a result of its operations.

The Statements of Cash Flows present information on how the Board's cash changed as a result of its financial activities.

# NORTH CAROLINA VETERINARY MEDICAL BOARD

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Condensed Financial Information

The following presents condensed financial information on the operations of the Board:

	Current Year as of and for the year ended June 30, 2016	Current Year as of and for the year ended June 30, 2015
Current assets	\$ 723,698	\$ 669,215
Capital assets	549,769	577,914
Total assets	<u>\$ 1,273,467</u>	<u>\$ 1,247,129</u>
Current liabilities	\$ 458,799	\$ 444,856
Long-term liabilities	55,243	63,733
Total liabilities	<u>\$ 514,042</u>	<u>\$ 508,589</u>
Investment in capital assets	\$ 549,769	\$ 577,914
Unrestricted	209,656	160,626
Total net position	<u>\$ 759,425</u>	<u>\$ 738,540</u>
Operating revenues	\$ 1,098,084	\$ 1,045,209
Operating expenses	<u>(1,084,148)</u>	<u>(1,038,835)</u>
Operating income	13,936	6,374
Non-operating revenues	6,949	6,161
Change in net position	<u>\$ 20,885</u>	<u>\$ 12,535</u>

### Events Affecting Future Operations

The Board has no significant events affecting future operations which are reportable pursuant to GASB 34.

### Contacting the Board's Management

This financial report is designed to provide a general overview of the Board's finances and to demonstrate the Board's accountability for the money it receives. If you have any questions about this report or need additional information, contact: North Carolina Veterinary Medical Board, 1611 Jones Franklin Road, Suite 106, Raleigh, NC 27606.

***Shelton L. Hawley, CPA, PA***  
**Certified Public Accountants**

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Suite B1 Telephone: (919) 639-4825  
800 N. Raleigh St. Facsimile: (919) 639-3102  
P.O. 1545  
Angier, North Carolina 27501-1545

**INDEPENDENT AUDITOR'S REPORT**

Members of the Board  
North Carolina Veterinary Medical Board  
Raleigh, North Carolina

***Report on the Financial Statements***

We have audited the accompanying financial statements of the North Carolina Veterinary Medical Board (the "Board"), an independent state agency which is a nonmajor enterprise fund of the primary government of the State of North Carolina, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which comprise the Board's financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on the audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the North Carolina Veterinary Medical Board as of June 30, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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 historic context. We have applied certain limited procedures 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 supplementary information because the limited procedures do not provide sufficient evidence to express an opinion or provide any assurance thereon.

A handwritten signature in black ink that reads "Shelton L. Hawley, C.P.A., P.A." The signature is written in a cursive style.

Shelton L. Hawley, C.P.A., P.A.

Angier, North Carolina

October 19, 2016

**NORTH CAROLINA VETERINARY MEDICAL BOARD**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2016 AND 2015**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
	<u>Proprietary- Enterprise Fund</u>	<u>Proprietary- Enterprise Fund</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 717,707	\$ 661,788
Accrued interest receivable (on savings accounts)	677	580
Prepaid expenses (Note 1)	<u>5,314</u>	<u>6,847</u>
Total current assets	723,698	669,215
Capital assets (Note 1):		
Land	\$ 150,000	\$ 150,000
Building and improvements	374,625	388,044
Furniture and office equipment	<u>25,144</u>	<u>39,870</u>
Total capital assets - net of depreciation	<u>\$ 549,769</u>	<u>\$ 577,914</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,273,467</u></u>	<u><u>\$ 1,247,129</u></u>
<b>LIABILITIES AND NET POSITION</b>		
Current liabilities:		
Accounts payable	\$ 5,908	\$ 18,419
Due to other state agencies	2,340	3,322
Accrued vacation - current portion (Notes 1 and 6)	18,414	11,247
Unearned revenue (Note 3)	415,700	396,850
SEP retirement contribution payable	5,832	6,239
Withheld and accrued payroll taxes	<u>10,605</u>	<u>8,779</u>
Total current liabilities	\$ 458,799	\$ 444,856
Long-term debt:		
Accrued vacation - long-term portion (Notes 1 and 6)	<u>55,243</u>	<u>63,733</u>
Total long-term debt	<u>\$ 55,243</u>	<u>\$ 63,733</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 514,042</u></u>	<u><u>\$ 508,589</u></u>
<b>NET POSITION (NOTE 4)</b>		
Investment in capital assets	549,769	577,914
Unrestricted net position	<u>209,656</u>	<u>160,626</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 759,425</u></u>	<u><u>\$ 738,540</u></u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$ 1,273,467</u></u>	<u><u>\$ 1,247,129</u></u>

See notes to financial statements.



**NORTH CAROLINA VETERINARY MEDICAL BOARD**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
	<u>Proprietary- Enterprise Fund</u>	<u>Proprietary- Enterprise Fund</u>
OPERATING REVENUES:		
License and renewal fees (including late fees)	\$ 850,285	\$ 822,370
Examination fees	87,250	86,400
Hospital inspection fees	76,525	66,450
Reinstatement fees	2,625	1,775
Temporary permits	49,800	38,850
Service verifications	4,944	4,932
Corporate registration and application fees	11,180	7,350
Miscellaneous income (including consent order income)	<u>15,475</u>	<u>17,082</u>
Total operating revenues	\$ 1,098,084	\$ 1,045,209
OPERATING EXPENSES:		
Salaries - staff (including accumulated leave)	\$ 204,826	\$ 197,414
Salaries - inspections (including accumulated leave)	87,265	49,400
Salaries - investigations (including accumulated leave)	61,999	65,284
Payroll taxes	30,090	23,685
Retirement contributions (Note 7)	11,891	12,555
Employee insurance	34,329	28,761
Board members and meeting expenses (including hearing expenses)	35,848	33,096
Travel - staff (including training expenses)	14,145	5,463
Travel - investigations (including investigations expenses)	38,876	36,613
Travel - hospital inspections	21,763	20,640
Contractual services -impairment fund expenses (Note 11)	67,500	67,500
Telephone (including internet related costs)	15,837	14,962
Building operating expenses	22,461	21,880
Depreciation	31,339	39,292

See notes to financial statements.

**NORTH CAROLINA VETERINARY MEDICAL BOARD**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
	<u>Proprietary- Enterprise Fund</u>	<u>Proprietary- Enterprise Fund</u>
OPERATING EXPENSES (CONTINUED):		
Office equipment rental and maintenance expenses (Note 5)	18,138	16,420
Office and computer supplies	15,339	15,050
Online processing fees	21,460	20,396
Printing	5,863	9,442
Postage and shipping	9,520	8,675
Insurance and bonding	18,301	16,900
Dues and subscriptions	500	650
Legal, audit, and other professional fees	288,826	299,381
Computer consulting expenses	26,199	34,668
Miscellaneous expenses	1,833	708
Total operating expenses	<u>\$ 1,084,148</u>	<u>\$ 1,038,835</u>
Operating income	\$ 13,936	\$ 6,374
NON-OPERATING REVENUES (EXPENSES):		
Interest income	<u>\$ 6,949</u>	<u>\$ 6,161</u>
Total non-operating revenues	\$ 6,949	\$ 6,161
Change in net position	<u>\$ 20,885</u>	<u>\$ 12,535</u>
Net position - beginning of year	<u>738,540</u>	<u>726,005</u>
Net position - end of year	<u><u>\$ 759,425</u></u>	<u><u>\$ 738,540</u></u>

See notes to financial statements.

**NORTH CAROLINA VETERINARY MEDICAL BOARD**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
	<b>Proprietary- Enterprise Fund</b>	<b>Proprietary- Enterprise Fund</b>
Cash flows from operating activities:		
Cash received from fees and other income	\$ 1,116,934	\$ 1,038,759
Cash payments to employees for services (including benefits)	(430,304)	(373,915)
Cash payments for operating expenses	(634,369)	(638,170)
Net cash provided (used) by operating activities	<u>\$ 52,261</u>	<u>\$ 26,674</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	<u>\$ (3,194)</u>	<u>\$ (8,654)</u>
Net cash used in capital and related financing activities	<u>\$ (3,194)</u>	<u>\$ (8,654)</u>
Cash flows from investing activities:		
Transfers (to) from investments	\$	\$ 100,000
Earnings on investments	6,852	6,042
Net cash provided by investing activities	<u>\$ 6,852</u>	<u>\$ 106,042</u>
Net increase (decrease) in cash	<u>\$ 55,919</u>	<u>\$ 124,062</u>
Cash - beginning of year	<u>661,788</u>	<u>537,726</u>
Cash - end of year	<u><u>\$ 717,707</u></u>	<u><u>\$ 661,788</u></u>

See notes to financial statements.

**NORTH CAROLINA VETERINARY MEDICAL BOARD**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
	<b>Proprietary- Enterprise Fund</b>	<b>Proprietary- Enterprise Fund</b>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 13,936	\$ 6,374
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	\$ 31,339	\$ 39,292
Changes in assets and liabilities:		
Prepaid expense	1,533	(5,434)
Accounts payable	(13,493)	(10,292)
Unearned revenue	18,850	(6,450)
Other accrued liabilities	96	3,184
Total adjustments	\$ 38,325	\$ 20,300
Net cash provided (used) by operating activities	<u>\$ 52,261</u>	<u>\$ 26,674</u>

See notes to financial statements.

**NORTH CAROLINA VETERINARY MEDICAL BOARD  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2016 AND 2015**

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Note 1 - Nature of Activities and Significant Accounting Policies

**Description of Organization**

The North Carolina Veterinary Medical Board (the "Board") is an independent state agency. It is an occupational licensing board and is authorized by Chapter 90 of the North Carolina General Statutes. The Board is composed of eight members who are appointed by the Governor, the General Assembly, and the Commissioner of Agriculture of the State of North Carolina. It is a nonmajor enterprise fund of the primary government of the State of North Carolina and is reported as such in the State's Comprehensive Annual Financial Report (CAFR).

The Board is established to maintain minimum standards for services provided by veterinarians.

The Board's operations are financed with self-generated revenues from fees charged to examinees and licensees.

**Basis of Presentation**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting principles and reporting standards.

All activities of the Board are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**Reporting Entity**

The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. The accompanying financial statements present all funds and activities for which the Board is responsible.

For financial reporting purposes, the Board is a nonmajor enterprise fund of the primary government of the State of North Carolina and is reported as such in the State's Comprehensive Annual Financial Report (CAFR). These financial statements for the Board are separate and apart from those of the State of North Carolina and do not present the financial position of the State nor changes in the State's financial position and cash flows.

**NORTH CAROLINA VETERINARY MEDICAL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2016 AND 2015**

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Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

**Basis of Accounting**

In accordance with *Statement of Governmental Accounting Standards 34*, the Board herewith presents Statements of Net Position; Statements of Revenues, Expenses, and Changes in Net Position; and Statements of Cash Flows. These statements reflect entity-wide operations of the Board. The Board has no fiduciary funds or component units.

The Statements of Revenues, Expenses, and Changes in Net Position demonstrate the degree to which the direct expenses of the Board are offset by license fees.

The financial statements report all activities of the North Carolina Veterinary Medical Board using the economic resource measurement focus and the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recognized when incurred, when measurable, regardless of the timing of cash flows.

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Board. Operating revenues consist primarily of examination and license fees. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. Non-operating revenues and expenses consist of those revenues and expenses that are related to investing, capital, and non-capital financing activities and are classified as non-operating in the financial statements.

**Cash and Cash Equivalents**

This classification includes undeposited receipts, petty cash, checking accounts and time deposits (excluding certain certificates of deposit, if any) held by the Board.

**Investments**

The Board is authorized to invest idle funds in accordance with North Carolina General Statutes. The Board periodically purchases certificates of deposit but held no certificates of deposit at June 30, 2016 or June 30, 2015. This classification consists of certain certificates of deposits held by the Board for investment. Investments generally are reported at fair market value. Certificates of deposit, if any, are reported at cost (which is the same as fair value) if purchased in the primary certificate of deposit market, and at fair value if purchased in the secondary certificate of deposit market (as determined by quoted market prices). The net increase (decrease) in the fair value of investments for certificates of deposit is recognized as a component of investment interest income.

**Fair Value of Financial Instruments**

The carrying amounts of the Board's financial instruments approximate their fair value.

**NORTH CAROLINA VETERINARY MEDICAL BOARD  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2016 AND 2015**

**Note 1 - Nature of Activities and Significant Accounting Policies (Continued)**

**Prepaid Expenses**

This classification includes prepaid computer consulting expense and office equipment rental expense.

**Capital Assets**

Capital assets are stated at cost and are being depreciated over their useful lives on a straight-line basis. The Board capitalizes assets that have a value or cost of \$500 or greater at the date of acquisition and an estimated useful life of more than one year. Depreciation is computed using the straight-line method of depreciation over the estimated useful lives of the assets, generally estimated as follows: building, 40 years; furniture and equipment, 5 to 7 years. Summaries follow:

	Cost 06-30-15	Acquisitions	Disposals	Cost 06-30-16	Accumulated Depreciation	Net Amount
Land	\$ 150,000	\$ -	\$ -	\$ 150,000	\$ -	\$ 150,000
Building/Improvements	536,776	-	-	536,776	162,151	374,625
Furniture/Equipment	310,994	3,194	1,914	312,274	287,130	25,144
	<u>\$ 997,770</u>	<u>\$ 3,194</u>	<u>\$ 1,914</u>	<u>\$ 999,050</u>	<u>\$ 449,281</u>	<u>\$ 549,769</u>

  

	Cost 06-30-14	Acquisitions	Disposals	Cost 06-30-15	Accumulated Depreciation	Net Amount
Land	\$ 150,000	\$ -	\$ -	\$ 150,000	\$ -	\$ 150,000
Building/Improvements	536,776	-	-	536,776	148,732	388,044
Furniture/Equipment	302,340	8,654	0	310,994	271,124	39,870
	<u>\$ 989,116</u>	<u>\$ 8,654</u>	<u>\$ 0</u>	<u>\$ 997,770</u>	<u>\$ 419,856</u>	<u>\$ 577,914</u>

When an asset is disposed of, the cost of the asset and the related accumulated depreciation are removed from the books. Any gain or loss on disposition is reflected in earnings for the period. Depreciation expense was \$31,339 for the year ended June 30, 2016 and \$39,292 for the year ended June 30, 2015.

**Income Taxes**

The Board is a nonmajor enterprise fund of the primary government of the State of North Carolina and is exempt from federal and state income taxes.

**NORTH CAROLINA VETERINARY MEDICAL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2016 AND 2015**

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

**Vacation and Sick Leave**

The vacation policy of the Board provides for the accumulation of vacation leave with such leave being fully vested when earned. Accumulated earned vacation payable at June 30, 2016 and 2015, consisted of the following:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Current portion	\$ 18,414	\$ 11,247
Long-term portion	55,243	63,733
Total	<u>\$ 73,657</u>	<u>\$ 74,980</u>

The Board's sick leave policy provides for an unlimited accumulation of earned sick leave. Since the Board has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made. The unrecorded contingent liability for sick leave accumulated is \$142,027 at June 30, 2016 and \$130,265 at June 30, 2015.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 - Deposits

**Deposits**

All of the Board's deposits which are uninsured are uncollateralized [unless collateralized pursuant to NC Administrative Code (20 NCAC 7)] by the financial institution holding said deposits. For deposits, custodial credit risk is the risk that in the event of the failure of the depository (or counterparty), the Board will not be able to recover the value of its deposits that are in the possession of the outside party. The Board does not have policies regarding custodial credit risk for deposits.

At June 30, 2016, the Board's deposits had a carrying amount (including undeposited receipts) of \$717,707 and a bank balance of \$727,879. Of the bank balance, \$267,543 was covered by federal depository insurance (National Credit Union Administration), and \$460,336 was uninsured and uncollateralized [unless collateralized pursuant to NC Administrative Code (20 NCAC 7)]. At June 30, 2015, the Board's deposits had a carrying amount (including undeposited receipts) of \$661,788 and a bank balance of \$692,659. Of the bank balance, \$280,677 was covered by federal depository insurance (National Credit Union Administration), and \$411,982 was uninsured and uncollateralized [unless collateralized pursuant to NC Administrative Code (20 NCAC 7)].



**NORTH CAROLINA VETERINARY MEDICAL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2016 AND 2015**

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Note 3 - Unearned Revenue

The Board's fees are assessed and collected on both an annual and a biennial basis, some of which correspond with the Board's accounting period and some of which correspond with the calendar year. License renewal fees received in the latter part of the fiscal year are deferred and recognized as revenue over the periods to which they relate.

Note 4 - Net Position

Investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation.

Restricted net position - expendable - This component of net position consists of net position which the Board is legally or contractually obligated to spend in accordance with restrictions imposed by external parties. The Board had no restricted net position at year end.

Unrestricted net position - This component of net position consists of net position that does not meet the definition of *restricted or investment in capital assets*.

Note 5 - Operating Leases

The Board leased office equipment under an operating lease. Total rent expense charged to operations under the lease agreement was \$2,760 in 2016 and \$2,764 in 2015.

Rental commitments under noncancellable operating leases at June 30, 2016 are as follows:

<b>Year Ended June 30,</b>	
2017	\$ 2,664
2018	2,664
2019	2,665
2020	2,665
	<u>\$ 10,658</u>

**NORTH CAROLINA VETERINARY MEDICAL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2016 AND 2015**

Note 6 - Non-Current Liabilities

Noncurrent liabilities consist of compensated absences that will not be paid within the next fiscal year. A summary of changes in non-current liabilities for the years ended June 30, 2016 and 2015 follows:

	Balance 06-30-15	Additions	Deletions	Balance 06-30-16	Current	Non- Current
Compensated absences	\$ 74,980	\$ 22,510	\$ 23,833	\$ 73,657	\$ 18,414	\$ 55,243
	<u>\$ 74,980</u>	<u>\$ 22,510</u>	<u>\$ 23,833</u>	<u>\$ 73,657</u>	<u>\$ 18,414</u>	<u>\$ 55,243</u>

  

	Balance 06-30-14	Additions	Deletions	Balance 06-30-15	Current	Non- Current
Compensated absences	\$ 71,940	\$ 21,372	\$ 18,332	\$ 74,980	\$ 11,247	\$ 63,733
	<u>\$ 71,940</u>	<u>\$ 21,372</u>	<u>\$ 18,332</u>	<u>\$ 74,980</u>	<u>\$ 11,247</u>	<u>\$ 63,733</u>

Note 7 - Pension Plan and Postemployment Benefits other Than Pensions

***Simplified Employee Pension Plan***

On April 14, 1997, the Board entered into a Simplified Employee Pension plan agreement on behalf of employees of the Board. Five employees are covered under the plan, one management employee and four professional and clerical staff employees. Only the Board contributes to the plan, and only the Board has the authority to authorize and amend the plan. There are no forfeitures inuring to other employees under this type plan. The Board's payroll for employees covered by the plan for the year ended June 30, 2016 was \$237,823; the Board's total payroll was \$354,090. The Board's payroll for employees covered by the plan for the year ended June 30, 2015 was \$251,097; the Board's total payroll was \$312,098. The Board's payroll for employees covered by the plan for the year ended June 30, 2014 was \$229,780; the Board's total payroll was \$309,443. The Board's pension contribution amounted to \$11,891 for 2016, \$12,555 for 2015, and \$11,489 for 2014. The Board had outstanding liabilities to the plan in the amount of \$5,832 at June 30, 2016 and \$6,239 at June 30, 2015. The Board assumes no liability for retiree benefits provided by this program other than its required contributions. The Board has no postemployment benefits other than this defined contribution retirement plan.

Note 8- Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are handled by participation in state-administered risk programs and self retention of certain risks. Additionally, the Board protects itself from exposure to loss through the purchase of commercial insurance coverage.

Note 9 - Contingencies

The Board is involved in a number of disciplinary hearings throughout the year which arise in the ordinary course of its operations. In the opinion of management of the Board, the results of such actions during the years under audit do not materially affect the Board's operations, changes in financial position, or cash flows for the years herein ended.

**NORTH CAROLINA VETERINARY MEDICAL BOARD  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2016 AND 2015**

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Note 10 - Subsequent Events

Subsequent events have been evaluated through October 19, 2016, the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

Note 11 - Payments to Impairment Fund

The Board contributes to the North Carolina Physicians Health Program, Inc., pursuant to a contractual agreement with the program. The Board paid into the program \$67,500 for the year ended June 30, 2016 and \$67,500 for the year ended June 30, 2015. These payments were made to benefit veterinarians in need of the services of the program. The North Carolina Physicians Health Program was created in accordance with North Carolina General Statute 90-21.22. According to the Federation of State Physician Health Programs, Inc., the purpose of a physician health program is to “provide a non-disciplinary therapeutic program for health care practitioners with health conditions which may compromise their ability to practice with reasonable skill and safety.” A memorandum of understanding between the North Carolina Medical Board (Medical Board) and the North Carolina Medical Society (Medical Society) establishes the provisions for administering the Program. The memorandum also establishes the North Carolina Physicians Health Program, Inc., a nonprofit affiliate organization of the Medical Society, as the Program’s administrator. The North Carolina Physicians Health Program, Inc. has a 15-member Board of Directors that consists of five members from the Medical Society, three members from the Medical Board, and seven members from other health care provider organizations.

Note 12 - North Carolina Legislative Statutory Disclosure Requirement Concerning Audit Fees

This audit required 75 audit hours at a cost of \$7,695.