

**NORTH CAROLINA VETERINARY MEDICAL BOARD**

**Financial Statements for the  
Years Ended June 30, 2011 and 2010 and  
Independent Auditor's Report**

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

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Certified Public Accounting Firm

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**BOARD MEMBERS (2010-2011)**

J. Linwood Jernigan, DVM, President

Nancy K. Robinson, RVT, Vice President

Richard W. Hawkins, DVM, Secretary-Treasurer

Michael G. Davidson, DVM

Kim D. Gemeinhardt, DVM

David T. Marshall, DVM

Dante R. Martin, DVM

Katie O. Morgan

**EXECUTIVE OFFICER**

Thomas M. Mickey, Executive Director

**LEGAL COUNSEL**

George G. Hearn

# NORTH CAROLINA VETERINARY MEDICAL BOARD

## TABLE OF CONTENTS

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	<u>Page</u>
MANAGEMENT'S DISCUSSION AND ANALYSIS	1-2
INDEPENDENT AUDITOR'S REPORT	3
FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2011 AND 2010	
Statements of Net Assets	4
Statements of Revenues, Expenses and Changes in Net Assets	5-6
Statements of Cash Flows	7-8
Notes to Financial Statements	9-14

# **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 ending June 30, 2011 and 2010. Please read it in conjunction with the financial statements which follow this section.

### **Financial Highlights**

During 2011, the Board's net assets decreased by \$151,811, or 15.5%, due primarily to an increase in expenses. During 2010, the Board's net assets decreased by \$35,877, or 3.5%, due primarily to a decrease in examination fees revenue.

During 2011, the operating revenues of the Board increased by \$29,923, or 3.7%, due primarily to an increase in license fees revenue, examination fees revenue, and hospital inspection fees. During 2010, the operating revenues of the Board decreased by \$62,022, or 7.1%, due primarily to a decrease in examination fees revenue.

During 2011, the non-operating revenues of the Board decreased by \$5,416, or 37.3%, due to a decrease in cash on hand and due to a decrease in interest earnings rates. During 2010, the non-operating revenues of the Board decreased by \$7,120, or 32.9%, due to a decrease in interest earnings rates.

During 2011, the operating expenses of the Board increased by \$140,441, or 16.4%, due primarily to an increase in legal fees, employee wages, and employee benefits expenses. During 2010, the operating expenses of the Board decreased by \$15,498 or 1.8%, due primarily to a decrease in examination expenses and legal fees.

### **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 Assets present the current and long-term portions of assets and liabilities separately.

The Statements of Revenues, Expenses, and Changes in Net Assets 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, 2011	Current Year as of and for the year ended June 30, 2010
Current assets	\$ 581,756	\$ 710,792
Capital assets	701,145	705,038
Total assets	<u>\$ 1,282,901</u>	<u>\$ 1,415,830</u>
Current liabilities	\$ 407,451	\$ 393,431
Long-term liabilities	45,294	40,432
Total liabilities	<u>\$ 452,745</u>	<u>\$ 433,863</u>
Invested in capital assets	\$ 701,145	\$ 705,038
Unrestricted	129,011	276,929
Total net assets	<u>\$ 830,156</u>	<u>\$ 981,967</u>
Operating revenues	\$ 835,908	\$ 805,985
Operating expenses	( 996,815)	( 856,374)
Operating income	( 160,907)	( 50,389)
Non-operating revenues	9,096	14,512
Change in net assets	<u>\$ ( 151,811)</u>	<u>\$ ( 35,877)</u>

### Events Affecting Future Operations

The Board has indicated it 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, PO Box 37549, Raleigh, NC 27627.

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

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Angier, North Carolina 27501-1545

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**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements as listed in the table of contents of the North Carolina Veterinary Medical Board (the "Board"), an agency of the State of North Carolina, as of June 30, 2011 and 2010, and for the years then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our 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 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2011 and 2010, and the results of its operations, changes in financial position, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion thereon.

*Shelton L. Hawley, CPA, PA*

October 13, 2011

**NORTH CAROLINA VETERINARY MEDICAL BOARD**  
**STATEMENTS OF NET ASSETS**  
**JUNE 30, 2011 AND 2010**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
	<u>Proprietary- Enterprise Fund</u>	<u>Proprietary- Enterprise Fund</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 279,546	\$ 409,781
Investments (Note 2)	300,000	300,000
Accrued interest receivable (on investments)	656	603
Prepaid expenses (Note 1)	<u>1,554</u>	<u>408</u>
Total current assets	581,756	710,792
Property and equipment (Note 1):		
Land and office building	\$ 591,722	\$ 605,142
Furniture and office equipment	<u>109,423</u>	<u>99,896</u>
Total property and equipment - net of depreciation	<u>\$ 701,145</u>	<u>\$ 705,038</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,282,901</u></b>	<b><u>\$ 1,415,830</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 34,049	\$ 41,577
Due to other state agencies		318
Accrued vacation - current portion (Note 1)	7,374	7,135
Deferred revenue (Note 3)	359,750	336,400
Other accrued liabilities	<u>6,278</u>	<u>8,001</u>
Total current liabilities	\$ 407,451	\$ 393,431
Long-term debt:		
Accrued vacation - long-term portion (Note 1)	<u>45,294</u>	<u>40,432</u>
Total long-term debt	<u>\$ 45,294</u>	<u>\$ 40,432</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 452,745</u></b>	<b><u>\$ 433,863</u></b>
<b>NET ASSETS (NOTE 4)</b>		
Invested in capital assets - net of related debt	701,145	705,038
Unrestricted net assets	<u>129,011</u>	<u>276,929</u>
<b>TOTAL NET ASSETS</b>	<b><u>\$ 830,156</u></b>	<b><u>\$ 981,967</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 1,282,901</u></b>	<b><u>\$ 1,415,830</u></b>

See notes to financial statements.

**NORTH CAROLINA VETERINARY MEDICAL BOARD**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**YEARS ENDED JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
	<u>Proprietary- Enterprise Fund</u>	<u>Proprietary- Enterprise Fund</u>
<b>OPERATING REVENUES:</b>		
License and renewal fees (including late fees)	\$ 721,025	\$ 698,900
Examination fees	50,000	42,120
Hospital inspection fees	45,900	39,075
Reinstatement fees	1,225	1,325
Temporary permits	4,410	3,390
Service verifications	2,940	2,850
Corporate registration and application fees	6,300	8,700
Miscellaneous income	4,108	9,625
<b>Total operating revenues</b>	<b>\$ 835,908</b>	<b>\$ 805,985</b>
<b>OPERATING EXPENSES:</b>		
Salaries - staff (including accumulated leave)	\$ 177,745	\$ 176,455
Salaries - inspections (including accumulated leave)	44,766	33,812
Salaries - investigations (including accumulated leave)	58,453	57,667
Payroll taxes	21,494	20,497
Retirement contributions (Note 6)	12,179	11,077
Employee insurance	36,095	27,533
Board members and meeting expenses (including hearing expenses)	20,755	22,233
Travel - staff	3,319	7,147
Travel - investigations	30,736	31,283
Travel - hospital inspections	17,965	17,646
Telephone (including internet related costs)	12,125	10,041
Building operating expenses	20,819	16,866
Depreciation	41,060	35,599
Examination expenses		4,600
Impairment fund expenses	67,500	67,500

**NORTH CAROLINA VETERINARY MEDICAL BOARD**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**YEARS ENDED JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
	<u>Proprietary- Enterprise Fund</u>	<u>Proprietary- Enterprise Fund</u>
OPERATING EXPENSES (CONTINUED):		
Office equipment rental and maintenance expenses (Note 5)	14,568	13,279
Office and computer supplies	13,626	11,052
Online processing fees	18,109	17,293
Printing	4,282	2,635
Postage and shipping	10,643	6,741
Insurance and bonding	10,906	11,587
Dues and subscriptions	500	500
Legal, audit, and other professional fees	354,079	250,857
Miscellaneous expenses	5,091	2,474
Total operating expenses	<u>\$ 996,815</u>	<u>\$ 856,374</u>
Operating income	\$ ( 160,907)	\$ ( 50,389)
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on disposition of capital assets	\$	\$
Interest income	<u>9,096</u>	<u>14,512</u>
Total non-operating revenues	<u>\$ 9,096</u>	<u>\$ 14,512</u>
Change in net assets	<u>\$ ( 151,811)</u>	<u>\$ ( 35,877)</u>
Net assets - beginning of year	<u>981,967</u>	<u>1,017,844</u>
Net assets - end of year	<u>\$ 830,156</u>	<u>\$ 981,967</u>

See notes to financial statements.

**NORTH CAROLINA VETERINARY MEDICAL BOARD**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2011 AND 2010**

	<b>2011</b>	<b>2010</b>
	<b>Proprietary- Enterprise Fund</b>	<b>Proprietary- Enterprise Fund</b>
<b>Cash flows from operating activities:</b>		
Cash received from fees and other income	\$ 859,258	\$ 815,435
Cash payments to employees for services (including benefits)	( 347,354)	( 318,255)
Cash payments for operating expenses	( 614,015)	( 481,732)
Net cash provided (used) by operating activities	<u>\$ ( 102,111)</u>	<u>\$ 15,448</u>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition and construction of capital assets	\$ ( 37,167)	\$ ( 48,008)
Net cash used in capital and related financing activities	<u>\$ ( 37,167)</u>	<u>\$ ( 48,008)</u>
<b>Cash flows from investing activities:</b>		
Transfer of certificate(s) of deposit to (from) operating account	\$	\$
Interest on investments	9,043	14,760
Net cash provided by investing activities	<u>\$ 9,043</u>	<u>\$ 14,760</u>
Net increase (decrease) in cash	<u>\$ ( 130,235)</u>	<u>\$ ( 17,800)</u>
Cash - beginning of year	<u>409,781</u>	<u>427,581</u>
Cash - end of year	<u><u>\$ 279,546</u></u>	<u><u>\$ 409,781</u></u>

**NORTH CAROLINA VETERINARY MEDICAL BOARD**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2011 AND 2010**

	<b>2011</b>	<b>2010</b>
	<b>Proprietary- Enterprise Fund</b>	<b>Proprietary- Enterprise Fund</b>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ ( 160,907)	\$ ( 50,389)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	\$ 41,060	\$ 35,599
Changes in assets and liabilities:		
Prepaid expense	( 1,146)	( 408)
Accounts payable	( 7,846)	12,410
Deferred revenue	23,350	9,450
Other accrued liabilities	3,378	8,786
Total adjustments	\$ 58,796	\$ 65,837
Net cash provided by operating activities	<u>\$ ( 102,111)</u>	<u>\$ 15,448</u>

See notes to financial statements.

**NORTH CAROLINA VETERINARY MEDICAL BOARD  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2011 AND 2010**

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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.

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. The Board applied all applicable Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989.

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**

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of North Carolina because the State exercises oversight responsibility in that the Governor, the General Assembly, and the Commissioner of Agriculture of the State of North Carolina appoint the Board members, and public service is rendered within the State's boundaries. The accompanying financial statements present only the activity of the North Carolina Veterinary Medical Board.

**Basis of Accounting**

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

**NORTH CAROLINA VETERINARY MEDICAL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2011 AND 2010**

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

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

The financial statements report all activities of the North Carolina Veterinary Medical Board using the current financial 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, if measurable.

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. Non-operating revenues and expenses consist of those revenues and expenses that are related to investing activities and are classified as non-operating in the financial statements.

**Cash and Cash Equivalents, and Investments**

These classifications include undeposited receipts, petty cash, checking accounts and time deposits held by the Board. Certificates of deposits are considered investments for Statements of Net Assets presentation. The carrying amounts of the Board's financial instruments approximate their fair value.

**Prepaid expenses**

This classification includes prepaid office equipment rental expense and prepaid trade show expense.

**Property and Equipment**

Property and equipment 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. Summaries follow:

	Cost 06-30-10	Acquisitions	Disposals	Cost 06-30-11	Accumulated Depreciation	Net Amount
Land and Building	\$ 686,776	\$ -	\$ -	\$ 686,776	\$ 95,054	\$ 591,722
Furniture/Equipment	228,370	37,167	301	265,236	155,813	109,423
	<u>\$ 915,146</u>	<u>\$ 37,167</u>	<u>\$ 301</u>	<u>\$ 952,012</u>	<u>\$ 250,867</u>	<u>\$ 701,145</u>

	Cost 06-30-09	Acquisitions	Disposals	Cost 06-30-10	Accumulated Depreciation	Net Amount
Land and Building	\$ 686,776	\$ -	\$ -	\$ 686,776	\$ 81,634	\$ 605,142
Furniture/Equipment	184,060	48,008	3,698	228,370	128,474	99,896
	<u>\$ 870,836</u>	<u>\$ 48,008</u>	<u>\$ 3,698</u>	<u>\$ 915,146</u>	<u>\$ 210,108</u>	<u>\$ 705,038</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.

**NORTH CAROLINA VETERINARY MEDICAL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2011 AND 2010**

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, 2011 and 2010, consisted of the following:

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Current portion	\$ 7,374	\$ 7,135
Long-term portion	45,294	40,432
Total	<u>\$ 52,668</u>	<u>\$ 47,567</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 \$97,484 at June 30, 2011 and \$89,549 at June 30, 2010.

**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 and Investments

**Deposits**

All of the Board's deposits which are uninsured are uncollateralized 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, 2011, the Board's deposits had a carrying amount of \$579,546 and a bank balance of \$605,260. Of the bank balance, \$280,693 was covered by federal depository insurance, and \$324,567 was uninsured and uncollateralized. Certificates of deposit in the amount of \$300,000 are considered time deposits for this disclosure and are classified as investments on the Statements of Net Assets. At June 30, 2010, the Board's deposits had a carrying amount of \$709,781 and a bank balance of \$712,537. Of the bank balance, \$259,515 was covered by federal depository insurance, and \$453,022 was uninsured and uncollateralized. Certificates of deposit in the amount of \$300,000 are considered time deposits for this disclosure and is classified as investments on the Statements of Net Assets.

**NORTH CAROLINA VETERINARY MEDICAL BOARD  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED JUNE 30, 2011 AND 2010**

Note 2 - Deposits and Investments (Continued)

**Investments**

At June 30, 2011 and 2010, the Board had the following investments and maturities.

Investment Type	June 30, 2011		June 30, 2010	
	Fair Value	6-12 Months	Fair Value	6-12 Months
Certificate of Deposit	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Certificate of Deposit	100,000	100,000	100,000	100,000
Certificate of Deposit	100,000	100,000	100,000	100,000
<b>Total</b>	<b>\$ 300,000</b>	<b>\$ 300,000</b>	<b>\$ 300,000</b>	<b>\$ 300,000</b>

Interest rate risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the Board limits its investment in certificates of deposits to maturities of no more than 24 months.

Credit risk - State law limits the investments of the Board to certain types of investments, however the Board's present policy for managing credit risk is to limit its investments to certificates of deposits.

Custodial credit risk - For an investment, 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 investments that are in the possession of the outside party. The Board does not have policies regarding custodial credit risk for investments.

Concentration of credit risk - The Board places no limit on the amount that it may invest in any one issuer. All of the Board's deposits and investments are with one financial institution.

Note 3 - Deferred 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.

**NORTH CAROLINA VETERINARY MEDICAL BOARD  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED JUNE 30, 2011 AND 2010**

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Note 4 - Net Assets

Invested in capital assets - This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any loan proceeds that are attributable to the acquisition, construction, or improvement of those capital assets.

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

Unrestricted net assets - This component of net assets consists of net assets that do not meet the definition of *restricted or invested 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 \$1,726 in 2011 and \$1,047 in 2010.

Rental commitments under noncancellable operating leases at June 30, 2011 are as follows:

<b>Year Ending June 30,</b>		
2012	\$	2,465
2013		2,689
2014		2,689
2015		2,689
2016		1,569
	<u>\$</u>	<u>12,101</u>

Note 6 - 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. The Board's payroll for employees covered by the plan for the year ended June 30, 2011 was \$243,580; the Board's total payroll was \$280,964. The Board's covered payroll for the year ended June 30, 2010 was \$221,540; total payroll was \$267,934. The Board's covered payroll for the year ended June 30, 2009 was \$222,840 ; total payroll was \$236,808. The Board's pension contribution amounted to \$12,179 for 2011, \$11,077 for 2010 and \$11,142 for 2009. 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.

**NORTH CAROLINA VETERINARY MEDICAL BOARD  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2011 AND 2010**

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**Note 7 - 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 8 - 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.

**Note 9 - Subsequent Events**

Subsequent events have been evaluated through October 13, 2011, 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.