

NORTH CAROLINA VETERINARY MEDICAL BOARD

**Financial Statements for the
Years Ended June 30, 2015 and 2014 and
Independent Auditors' Report**

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BOARD MEMBERS (2014-2015)

Kim D. Gemeinhardt, DVM, President

William K. Dean, DVM, Vice President

Jonathan S. Loftis, RVT, Secretary-Treasurer

Jane A. Barber, DVM

Susan K. Bull, DVM

Dwight E. Cochran, DVM

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, 2015 and 2014. Please read it in conjunction with the financial statements which follow this section.

Financial Highlights

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 2014, the Board's net position decreased by \$73,701, or 9.2%, due primarily to the Board's operating expenses exceeding its operating revenues.

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 2014, the operating revenues of the Board increased by \$24,131, or 2.5%, due primarily to an increase in license fees revenue.

During 2015, the non-operating revenues of the Board increased by \$390, or 6.8%, due to an increase in cash on hand. During 2014, the non-operating revenues of the Board increased by \$1,195, or 26.1%, due to an increase in interest earnings rates.

During 2015, the operating expenses of the Board decreased by \$15,660, or 1.5%, due primarily to a decrease in board members expenses. During 2014, the operating expenses of the Board increased by \$49,460, or 4.9%, due primarily to an increase in board members 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 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	Current Year as of and for the year ended (As Restated)
	June 30, 2015	June 30, 2014
Current assets	\$ 669,215	\$ 639,600
Capital assets	577,914	608,552
Total assets	<u>\$ 1,247,129</u>	<u>\$ 1,248,152</u>
Current liabilities	\$ 444,856	\$ 460,998
Long-term liabilities	63,733	61,149
Total liabilities	<u>\$ 508,589</u>	<u>\$ 522,147</u>
Investment in capital assets	\$ 577,914	\$ 608,552
Unrestricted	160,626	117,453
Total net position	<u>\$ 738,540</u>	<u>\$ 726,005</u>
Operating revenues	\$ 1,045,209	\$ 975,023
Operating expenses	(1,038,835)	(1,054,495)
Operating income	6,374	(79,472)
Non-operating revenues	6,161	5,771
Change in net position	<u>\$ 12,535</u>	<u>\$ (73,701)</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.

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INDEPENDENT AUDITORS' 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 and the related notes to the financial statements as listed in the table of contents 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 June 30, 2015 and 2014.

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 auditors' 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, 2015 and 2014, 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 AUDITORS' 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.

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

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

Angier, North Carolina

October 20, 2015

NORTH CAROLINA VETERINARY MEDICAL BOARD
STATEMENTS OF NET POSITION
JUNE 30, 2015 AND 2014

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
	<u>Proprietary- Enterprise Fund</u>	<u>Proprietary- Enterprise Fund</u>
ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 661,788	\$ 537,726
Investments (Note 2)		100,000
Accrued interest receivable (on savings and investments)	580	461
Prepaid expenses (Note 1)	<u>6,847</u>	<u>1,413</u>
Total current assets	669,215	639,600
Capital assets (Note 1):		
Land	\$ 150,000	\$ 150,000
Building and improvements	388,044	401,464
Furniture and office equipment	<u>39,870</u>	<u>57,088</u>
Total capital assets - net of depreciation	<u>\$ 577,914</u>	<u>\$ 608,552</u>
TOTAL ASSETS	<u><u>\$ 1,247,129</u></u>	<u><u>\$ 1,248,152</u></u>
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable	\$ 18,419	\$ 31,697
Due to other state agencies	3,322	336
Accrued vacation - current portion (Notes 1 and 6)	11,247	10,791
Unearned revenue (Note 3)	396,850	403,300
SEP retirement contribution payable (Note 12)	6,239	6,114
Withheld and accrued payroll taxes	<u>8,779</u>	<u>8,760</u>
Total current liabilities	\$ 444,856	\$ 460,998
Long-term debt:		
Accrued vacation - long-term portion (Notes 1 and 6)	<u>63,733</u>	<u>61,149</u>
Total long-term debt	<u>\$ 63,733</u>	<u>\$ 61,149</u>
TOTAL LIABILITIES	<u><u>\$ 508,589</u></u>	<u><u>\$ 522,147</u></u>
NET POSITION (NOTES 4 and 12)		
Investment in capital assets	577,914	608,552
Unrestricted net position	<u>160,626</u>	<u>117,453</u>
TOTAL NET POSITION	<u><u>\$ 738,540</u></u>	<u><u>\$ 726,005</u></u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 1,247,129</u></u>	<u><u>\$ 1,248,152</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, 2015 AND 2014

	2015	2014
	Proprietary- Enterprise Fund	Proprietary- Enterprise Fund
OPERATING REVENUES:		
License and renewal fees (including late fees)	\$ 822,370	\$ 802,415
Examination fees	86,400	76,400
Hospital inspection fees	66,450	47,175
Reinstatement fees	1,775	1,300
Temporary permits	38,850	27,150
Service verifications	4,932	5,793
Corporate registration and application fees	7,350	8,400
Miscellaneous income (including consent order income)	17,082	6,390
Total operating revenues	\$ 1,045,209	\$ 975,023
OPERATING EXPENSES:		
Salaries - staff (including accumulated leave)	\$ 197,414	\$ 195,848
Salaries - inspections (including accumulated leave)	49,400	51,748
Salaries - investigations (including accumulated leave)	65,284	61,847
Payroll taxes	23,685	26,044
Retirement contributions (Notes 7 and 12)	12,555	11,489
Employee insurance	28,761	31,514
Board members and meeting expenses (including hearing expenses)	33,096	42,701
Travel - staff (including training expenses)	5,463	6,486
Travel - investigations (including investigations expenses)	36,613	32,352
Travel - hospital inspections	20,640	23,274
Contractual services -impairment fund expenses (Note 11)	67,500	67,500
Telephone (including internet related costs)	14,962	15,257
Building operating expenses	21,880	17,229
Depreciation	39,292	46,767

See notes to financial statements.

NORTH CAROLINA VETERINARY MEDICAL BOARD
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
	<u>Proprietary- Enterprise Fund</u>	<u>Proprietary- Enterprise Fund</u>
OPERATING EXPENSES (CONTINUED):		
Office equipment rental and maintenance expenses (Note 5)	16,420	15,659
Office and computer supplies	15,050	12,952
Online processing fees	20,396	19,142
Printing	9,442	3,604
Postage and shipping	8,675	9,542
Insurance and bonding	16,900	15,325
Dues and subscriptions	650	600
Legal, audit, and other professional fees	299,381	299,550
Computer consulting expenses	34,668	47,478
Miscellaneous expenses	708	587
Total operating expenses	<u>\$ 1,038,835</u>	<u>\$ 1,054,495</u>
Operating income	\$ 6,374	\$ (79,472)
NON-OPERATING REVENUES (EXPENSES):		
Interest income	<u>\$ 6,161</u>	<u>\$ 5,771</u>
Total non-operating revenues	<u>\$ 6,161</u>	<u>\$ 5,771</u>
Change in net position	<u>\$ 12,535</u>	<u>\$ (73,701)</u>
Net position - beginning of year (Note 12)	<u>726,005</u>	<u>799,706</u>
Net position - end of year	<u><u>\$ 738,540</u></u>	<u><u>\$ 726,005</u></u>

See notes to financial statements.

NORTH CAROLINA VETERINARY MEDICAL BOARD
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
	Proprietary- Enterprise Fund	Proprietary- Enterprise Fund
Cash flows from operating activities:		
Cash received from fees and other income	\$ 1,038,759	\$ 995,998
Cash payments to employees for services (including benefits)	(373,915)	(371,210)
Cash payments for operating expenses	(638,170)	(627,414)
Net cash provided (used) by operating activities	\$ 26,674	\$ (2,626)
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	\$ (8,654)	\$ (1,528)
Net cash used in capital and related financing activities	\$ (8,654)	\$ (1,528)
Cash flows from investing activities:		
Transfers (to) from investments	\$ 100,000	\$
Earnings on investments	6,042	5,647
Net cash provided by investing activities	\$ 106,042	\$ 5,647
Net increase (decrease) in cash	\$ 124,062	\$ 1,493
Cash - beginning of year	537,726	536,233
Cash - end of year	\$ 661,788	\$ 537,726

See notes to financial statements.

NORTH CAROLINA VETERINARY MEDICAL BOARD
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
	Proprietary- Enterprise Fund	Proprietary- Enterprise Fund
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 6,374	\$ (79,472)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	\$ 39,292	\$ 46,767
Changes in assets and liabilities:		
Prepaid expense	(5,434)	(1,191)
Accounts payable	(10,292)	3,015
Unearned revenue	(6,450)	20,975
Other accrued liabilities	3,184	7,280
Total adjustments	\$ 20,300	\$ 76,846
Net cash provided (used) by operating activities	\$ 26,674	\$ (2,626)

See notes to financial statements.

NORTH CAROLINA VETERINARY MEDICAL BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014

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, 2015 AND 2014

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. 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 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.

Prepaid Expenses

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

NORTH CAROLINA VETERINARY MEDICAL BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014

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

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 06-30-14	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	-	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>

	Cost 06-30-13	Acquisitions	Disposals	Cost 06-30-14	Accumulated Depreciation	Net Amount
Land	\$ 150,000	\$ -	\$ -	\$ 150,000	\$ -	\$ 150,000
Building/Improvements	536,776	-	-	536,776	135,312	401,464
Furniture/Equipment	300,812	1,528	0	302,340	245,252	57,088
	<u>\$ 987,588</u>	<u>1,528</u>	<u>0</u>	<u>989,116</u>	<u>380,564</u>	<u>608,552</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 \$39,292 for the year ended June 30, 2015 and \$46,767 for the year ended June 30, 2014.

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, 2015 and 2014, consisted of the following:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Current portion	\$ 11,247	\$ 10,791
Long-term portion	63,733	61,149
Total	<u>\$ 74,980</u>	<u>\$ 71,940</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 \$130,265 at June 30, 2015 and \$118,673 at June 30, 2014.

NORTH CAROLINA VETERINARY MEDICAL BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014

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

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.

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 [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, 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)]. The Board held no certificates of deposit at June 30, 2015. At June 30, 2014, the Board's deposits had a carrying amount (including undeposited receipts) of \$637,726 and a bank balance of \$679,875. Of the bank balance, \$298,485 was covered by federal depository insurance (National Credit Union Administration), and \$381,390 was uninsured and uncollateralized [unless collateralized pursuant to NC Administrative Code (20 NCAC 7)]. A certificate of deposit in the amount of \$100,000 is considered a time deposit for this disclosure and is classified as an investment on the Statements of Net Position.

NORTH CAROLINA VETERINARY MEDICAL BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014

Note 2 - Deposits and Investments (Continued)

Investments

At June 30, 2015 and 2014, the Board had the following investments and maturities.

Investment Type	June 30, 2015		June 30, 2014	
	Fair Value	3-12 Months	Fair Value	3-12 Months
Certificate of Deposit	\$ 0	\$ 0	\$ 100,000	\$ 100,000
Total	\$ 0	\$ 0	\$ 100,000	\$ 100,000

Risk Disclosures

Interest rate risk - Interest rate risk is the risk the Board may face should interest rate variances affect the fair value of investments. As a means of limiting its exposure to fair value losses arising from interest rate variances, the Board limits its investments, if any, to certificates of deposits with maturities of no more than 24 months and to money market mutual funds.

Credit risk - Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. Investments of the Board are subject to the statutory requirements of North Carolina General Statutes, however the Board's present policy for managing credit risk is to limit its investments to certificates of deposits and money market mutual funds.

Custodial credit risk - 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 formal policies regarding custodial credit risk for deposits. Federal depository insurance is discussed in the preceding section.

Reconciliation of Deposits and Investments

A reconciliation of deposits and investments for the Board to the basic financial statements at June 30, 2015 and 2014, is as follows:

	June 30, 2015	June 30, 2014
Carrying Amount of Bank Deposits	\$ 661,788	\$ 537,726
Certificate of Deposits		100,000
Total Deposits and Investments	\$ 661,788	\$ 637,726
Current:		
Cash and Cash Equivalents	\$ 661,788	\$ 537,726
Investments		100,000
Total Deposits and Investments	\$ 661,788	\$ 637,726

NORTH CAROLINA VETERINARY MEDICAL BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014

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 \$2,764 in 2015 and \$2,739 in 2014.

Rental commitments under noncancellable operating leases at June 30, 2015 are as follows:

Year Ended June 30,	
2016	\$ 1,554
	<u>\$ 1,554</u>

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, 2015 and 2014 follows:

	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>

	Balance 06-30-13	Additions	Deletions	Balance 06-30-14	Current	Non- Current
Compensated absences	\$ 65,749	\$ 19,312	\$ 13,121	\$ 71,940	\$ 10,791	\$ 61,149
	<u>\$ 65,749</u>	<u>\$ 19,312</u>	<u>\$ 13,121</u>	<u>\$ 71,940</u>	<u>\$ 10,791</u>	<u>\$ 61,149</u>

NORTH CAROLINA VETERINARY MEDICAL BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014

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, 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 payroll for employees covered by the plan for the year ended June 30, 2013 was \$225,760; the Board's total payroll was \$309,429. The Board's pension contribution amounted to \$12,555 for 2015, \$11,489 for 2014, and \$11,288 for 2013. The Board had no outstanding liabilities to the plan at June 30, 2015 and 2014. 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.

Note 10 - Subsequent Events

Subsequent events have been evaluated through October 20, 2015, 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.

NORTH CAROLINA VETERINARY MEDICAL BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014

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, 2015 and \$67,500 for the year ended June 30, 2014. 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 - Restatement of Net Position

In order to comply with the issuance of Statement No. 68 (effective for fiscal years beginning after June 15, 2014) by the Governmental Accounting Standards Board (GASB 68), and to record omitted simplified employee pension (SEP) contribution payable, the Board has restated its beginning net position for the year ended June 30, 2014 in the amount of \$5,156. This resulted in a increase in expenses in excess of revenues in the amount of \$958 for the year ended June 30, 2014. The financial statements for the year as of and for the year ended June 30, 2014 are restated herein.

In connection with this changes, the beginning net position (for 2014) has been restated as follows:

Net Position at July 1, 2013, as previously reported	\$	804,862
Adjustment for change in SEP contribution payable		(5,156)
Net Position at July 1, 2013, as restated	\$	<u>799,706</u>

This audit required 77 audit hours at a cost of \$7,295.