

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.

Certified Public Accounting Firm

NORTH CAROLINA VETERINARY MEDICAL BOARD

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

NORTH CAROLINA VETERINARY MEDICAL BOARD

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

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

| | <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

Suite B1
800 N. Raleigh St.
P.O. 1545
Angier, North Carolina 27501-1545

Telephone: (919) 639-4825
Facsimile: (919) 639-3102

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> |
| ASSETS | | |
| 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> |
| TOTAL ASSETS | <u><u>\$ 1,282,901</u></u> | <u><u>\$ 1,415,830</u></u> |
| LIABILITIES AND NET ASSETS | | |
| 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> |
| TOTAL LIABILITIES | <u><u>\$ 452,745</u></u> | <u><u>\$ 433,863</u></u> |
| NET ASSETS (NOTE 4) | | |
| Invested in capital assets - net of related debt | 701,145 | 705,038 |
| Unrestricted net assets | <u>129,011</u> | <u>276,929</u> |
| TOTAL NET ASSETS | <u><u>\$ 830,156</u></u> | <u><u>\$ 981,967</u></u> |
| TOTAL LIABILITIES AND NET ASSETS | <u><u>\$ 1,282,901</u></u> | <u><u>\$ 1,415,830</u></u> |

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> |
| OPERATING REVENUES: | | |
| 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 |
| Total operating revenues | \$ 835,908 | \$ 805,985 |
| OPERATING EXPENSES: | | |
| 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><u>\$ 830,156</u></u> | <u><u>\$ 981,967</u></u> |

See notes to financial statements.

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

| | 2011 | 2010 |
|---|---|---|
| | Proprietary- Enterprise Fund | Proprietary- Enterprise Fund |
| Cash flows from operating activities: | | |
| 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> |
| Cash flows from capital and related financing activities: | | |
| 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> |
| Cash flows from investing activities: | | |
| 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

| | 2011 | 2010 |
|--|---|---|
| | Proprietary- Enterprise Fund | Proprietary- Enterprise Fund |
| Reconciliation of operating income to net cash provided by operating activities: | | |
| Operating income | <u>\$ (160,907)</u> | <u>\$ (50,389)</u> |
| 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 | <u>\$ 58,796</u> | <u>\$ 65,837</u> |
| Net cash provided by operating activities | <u><u>\$ (102,111)</u></u> | <u><u>\$ 15,448</u></u> |

See notes to financial statements.

**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

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 | | | Cost | Accumulated | Net |
|---------------------|-------------------|------------------|---------------|-------------------|-------------------|-------------------|
| | 06-30-10 | Acquisitions | Disposals | 06-30-11 | Depreciation | 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 | | | Cost | Accumulated | Net |
|---------------------|-------------------|------------------|-----------------|-------------------|-------------------|-------------------|
| | 06-30-09 | Acquisitions | Disposals | 06-30-10 | Depreciation | 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 |
| Total | \$ 300,000 | \$ 300,000 | \$ 300,000 | \$ 300,000 |

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

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:

| Year Ending June 30, | | |
|-----------------------------|-----------|---------------|
| 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**

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.