

NORTH CAROLINA VETERINARY MEDICAL BOARD

**Financial Statements for the
Years Ended June 30, 2018 and 2017 and
Independent Auditor's Report**

NORTH CAROLINA VETERINARY MEDICAL BOARD

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Independent Auditor's Report**

BOARD MEMBERS (2017-2018)

William K. Dean, DVM, President

Susan K. Bull, DVM, Vice President

R. Douglas Meckes, DVM, Secretary-Treasurer

Kim D. Gemeinhardt, DVM

Azure D. Holland, DVM

Ronald J. Komich, DVM

Robin A. Lazaro, RVT

Kristina J. Newman

EXECUTIVE OFFICER

Tod J. Schadler, DVM, Executive Director

LEGAL COUNSEL

George G. Hearn, Attorney At-Law
Johnson, Hearn, Vinegar & Gee, PLLC

NORTH CAROLINA VETERINARY MEDICAL BOARD

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NORTH CAROLINA VETERINARY MEDICAL BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

This section of the Board's financial report represents Management's analysis of the Board's financial performance during the years ended June 30, 2018 and 2017. Please read it in conjunction with the financial statements which follow this section.

Financial Highlights

During 2018, the Board's net position increased by \$187,123, or 21.93%, due primarily to a significant increase in board revenues. During 2017, the Board's net position increased by \$41,800, or 5.15%, due primarily to the Board's operating revenues exceeding its operating expenses.

During 2018, the operating revenues of the Board increased by \$77,025, or 6.78%, due primarily to an increase in license fees and hospital inspection fees. During 2017, the operating revenues of the Board increased by \$38,099, or 3.47%, due primarily to an increase in license fees and hospital inspection fees.

During 2018, the non-operating revenues of the Board decreased by \$4,581, or 89.68%, due to a decrease in interest earnings on cash on hand. During 2017, the non-operating revenues of the Board decreased by \$1,841, or 26.49%, due to a decrease in cash on hand.

During 2018, the operating expenses of the Board decreased by \$72,879, or 6.63%, due primarily to a decrease in employee salaries and related benefits and a decrease in legal fees. During 2017, the operating expenses of the Board increased by \$17,035, or 1.57%, due primarily to an increase in employee salaries and related benefits.

Overview of the Basic 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 the Governmental Accounting Standards Board (GASB). The Financial Statements also include notes to the financial statements that provide detail of the information included in the 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, 2018	Current Year as of and for the year ended June 30, 2017
Current assets	\$ 784,483	\$ 562,701
Capital assets	782,952	786,976
Total assets	<u>\$ 1,567,435</u>	<u>\$ 1,349,677</u>
Current liabilities	\$ 521,207	\$ 488,398
Long-term liabilities	5,999	8,173
Total liabilities	<u>\$ 527,206</u>	<u>\$ 496,571</u>
Investment in capital assets	\$ 782,952	\$ 786,976
Unrestricted	257,277	66,130
Total net position	<u>\$ 1,040,229</u>	<u>\$ 853,106</u>
Operating revenues	\$ 1,213,208	\$ 1,136,183
Operating expenses	(1,026,612)	(1,099,491)
Operating income	186,596	36,692
Non-operating revenues	527	5,108
Change in net position	<u>\$ 187,123</u>	<u>\$ 41,800</u>

NORTH CAROLINA VETERINARY MEDICAL BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis

Net position is an indicator of the fiscal health of the Board. Assets exceeded liabilities by \$1,040,229 for the year ended June 30 2018. The largest components of net position were cash and capital assets, which represented about 50.00% each of net position. The following is a summary of the Statements of Net Position.

	Current Year as of June 30, 2018	Year as of June 30 2017	Amount of Change	Percentage Change
Current assets	\$ 784,483	\$ 562,701	\$ 221,782	\$ 39.41%
Capital assets	782,952	786,976	(4,024)	-0.51%
Total assets	<u>\$ 1,567,435</u>	<u>\$ 1,349,677</u>	<u>\$ 217,758</u>	<u>\$ 16.13%</u>
Current liabilities	\$ 521,207	\$ 488,398	\$ 32,809	\$ 6.72%
Long term debt	5,999	8,173	(2,174)	-26.60%
Total liabilities	<u>\$ 527,206</u>	<u>\$ 496,571</u>	<u>\$ 30,635</u>	<u>\$ 6.17%</u>
Invested in capital assets	\$ 782,952	\$ 786,976	\$ (4,024)	\$ -0.51%
Unrestricted	257,277	66,130	191,147	289.05%
Total net position	<u>\$ 1,040,229</u>	<u>\$ 853,106</u>	<u>\$ 187,123</u>	<u>\$ 21.93%</u>

The following is a summary of the Statements of Revenues, Expenses, and Changes in Net Position.

	The year ended June 30, 2018	The year ended June 30, 2017	Amount of Change	Percentage Change
Operating revenues	\$ 1,213,208	\$ 1,136,183	\$ 77,025	\$ 6.78%
Operating expenses	(1,026,612)	(1,099,491)	72,879	-6.63%
Non-operating revenues	527	5,108	(4,581)	-89.68%
Change in net position	<u>\$ 187,123</u>	<u>\$ 41,800</u>	<u>\$ 145,323</u>	<u>\$ 347.66%</u>
Ending net position	<u>\$ 1,040,229</u>	<u>\$ 853,106</u>	<u>\$ 187,123</u>	<u>\$ 21.93%</u>

NORTH CAROLINA VETERINARY MEDICAL BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a breakdown of operating revenues by source.

	The year ended June 30, 2018	The year ended June 30, 2017	Amount of Change	Percentage Change
License and renewal fees	\$ 967,510	\$ 886,230	\$ 81,280	\$ 9.17%
Examination fees	90,250	83,500	6,750	8.08%
Hospital inspection fees	75,875	84,075	(8,200)	-9.75%
Reinstatement fees	2,800	3,250	(450)	-13.85%
Temporary permits	60,750	50,550	10,200	20.18%
Service verifications	5,328	6,556	(1,228)	-18.73%
Corporate registration/applications	6,240	8,640	(2,400)	-27.78%
Miscellaneous income	4,455	13,382	(8,927)	-66.71%
Total	<u>\$ 1,213,208</u>	<u>\$ 1,136,183</u>	<u>\$ 77,025</u>	<u>\$ 6.78%</u>

The following is a breakdown of non-operating revenues by source.

	The year ended June 30, 2018	The year ended June 30, 2017	Amount of Change	Percentage Change
Interest income	\$ 527	\$ 5,108	\$ (4,581)	\$ -89.68%
Total	<u>\$ 527</u>	<u>\$ 5,108</u>	<u>\$ (4,581)</u>	<u>\$ -89.68%</u>

Events Affecting Future Operations

A committee appointed by the North Carolina Legislature, The Joint Legislative Administrative Procedure Oversight Committee, has been performing a study concerning the deregulation, elimination and consolidation of occupational licensing boards in the State of North Carolina. The effect of any resulting legislation on the Board's operations in future years is not certain at this time.

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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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 board 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, 2018 and 2017, 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 auditor considers 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, 2018 and 2017, 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.



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

Angier, North Carolina

October 17, 2018

NORTH CAROLINA VETERINARY MEDICAL BOARD
STATEMENTS OF NET POSITION
JUNE 30, 2018 AND 2017

	June 30, 2018	June 30, 2017
	Proprietary- Enterprise Fund	Proprietary- Enterprise Fund
ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 777,469	\$ 520,360
Prepaid expenses (Note 1)	7,014	42,341
Total current assets	<u>784,483</u>	<u>562,701</u>
Capital assets (Notes 1 and 3):		
Land	275,000	275,000
Building and improvements	479,945	496,767
Furniture and office equipment	<u>28,007</u>	<u>15,209</u>
Total capital assets - net of depreciation	<u>782,952</u>	<u>786,976</u>
TOTAL ASSETS	<u>\$ 1,567,435</u>	<u>\$ 1,349,677</u>
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable (Note 4)	\$ 16,148	\$ 29,331
Due to other state agencies (Note 4)		303
Accrued vacation - current portion (Notes 1 and 6)	8,998	10,117
Unearned revenue (Note 1)	487,130	439,270
SEP retirement contribution payable (Note 7)	1,730	862
Withheld and accrued payroll taxes	<u>7,201</u>	<u>8,515</u>
Total current liabilities	521,207	488,398
Long-term debt:		
Accrued vacation - long-term portion (Notes 1 and 6)	<u>5,999</u>	<u>8,173</u>
Total long-term debt	<u>5,999</u>	<u>8,173</u>
TOTAL LIABILITIES	<u>527,206</u>	<u>496,571</u>
NET POSITION (NOTE 1)		
Investment in capital assets	782,952	786,976
Unrestricted net position	<u>257,277</u>	<u>66,130</u>
TOTAL NET POSITION	<u>1,040,229</u>	<u>853,106</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,567,435</u>	<u>\$ 1,349,677</u>

See notes to financial statements.

NORTH CAROLINA VETERINARY MEDICAL BOARD
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
	<u>Proprietary- Enterprise Fund</u>	<u>Proprietary- Enterprise Fund</u>
OPERATING REVENUES:		
Fees, licenses and fines:		
License and renewal fees (including late fees)	\$ 967,510	\$ 886,230
Examination fees	90,250	83,500
Hospital inspection fees	75,875	84,075
Reinstatement fees	2,800	3,250
Temporary permits	60,750	50,550
Service verifications	5,328	6,556
Corporate registration and application fees	6,240	8,640
Miscellaneous income (including consent order income)	<u>4,455</u>	<u>13,382</u>
Total operating revenues	\$ 1,213,208	\$ 1,136,183
OPERATING EXPENSES:		
Personal services (and board members expenses):		
Salaries - staff (including accumulated leave)	\$ 226,165	\$ 262,493
Salaries - inspections (including accumulated leave)	78,884	69,285
Salaries - investigations (including accumulated leave)		62,503
Payroll taxes	27,526	30,602
Retirement contributions (Note 7)	4,328	1,904
Employee insurance	39,121	45,467
Board members and meeting expenses (including hearing expenses)	30,606	32,868
Supplies and materials:		
Office and computer supplies	13,415	14,706
Services:		
Management consulting expenses	18,067	11,524
Legal, audit, and other professional fees	231,820	263,715
Computer consulting and computer support expenses	107,564	34,404
Travel - staff (including training expenses)	5,616	3,807
Travel - investigations (including investigations expenses)	3,822	24,226
Travel - hospital inspections	23,107	27,493

See notes to financial statements.

NORTH CAROLINA VETERINARY MEDICAL BOARD
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
	<u>Proprietary- Enterprise Fund</u>	<u>Proprietary- Enterprise Fund</u>
OPERATING EXPENSES (CONTINUED):		
Printing	6,913	6,799
Postage and shipping	6,499	9,290
Telephone (including internet related costs)	12,037	14,020
Registration fees	2,680	7,030
Online processing fees	29,345	23,420
Contractual services - impairment fund expenses (Note 10)	67,500	67,500
Building operating expenses	30,337	20,367
Depreciation	21,105	25,463
Insurance and bonding	25,049	20,121
Other expenses:		
Office equipment rental and maintenance expenses (Note 5)	12,081	19,288
Dues and subscriptions	870	500
Miscellaneous expenses	2,155	696
Total operating expenses	<u>\$ 1,026,612</u>	<u>\$ 1,099,491</u>
Operating income	\$ 186,596	\$ 36,692
NON-OPERATING REVENUES (EXPENSES):		
Interest income	\$ 464	\$ 5,108
Gain (loss) on disposition of capital assets	<u>63</u>	<u> </u>
Total non-operating revenues	\$ 527	\$ 5,108
Change in net position	<u>\$ 187,123</u>	<u>\$ 41,800</u>
Net position - beginning of year	<u>853,106</u>	<u>811,306</u>
Net position - end of year	<u>\$ 1,040,229</u>	<u>\$ 853,106</u>

See notes to financial statements.

NORTH CAROLINA VETERINARY MEDICAL BOARD
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
	Proprietary- Enterprise Fund	Proprietary- Enterprise Fund
Cash flows from operating activities:		
Cash received from fees and other income	\$ 1,261,068	\$ 1,159,753
Cash payments to employees for services (including benefits)	(379,763)	(482,800)
Cash payments for operating expenses	(607,642)	(617,415)
Net cash provided (used) by operating activities	<u>\$ 273,663</u>	<u>\$ 59,538</u>
Cash flows from capital and related financing activities:		
Proceeds from disposition of capital assets	63	
Acquisition and construction of capital assets	\$ (17,081)	\$ (262,670)
Net cash used in capital and related financing activities	<u>\$ (17,018)</u>	<u>\$ (262,670)</u>
Cash flows from investing activities:		
Earnings on investments	\$ 464	\$ 5,785
Net cash provided by investing activities	<u>\$ 464</u>	<u>\$ 5,785</u>
Net increase (decrease) in cash	<u>\$ 257,109</u>	<u>\$ (197,347)</u>
Cash - beginning of year	<u>520,360</u>	<u>717,707</u>
Cash - end of year	<u><u>\$ 777,469</u></u>	<u><u>\$ 520,360</u></u>

See notes to financial statements.

NORTH CAROLINA VETERINARY MEDICAL BOARD
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
	Proprietary- Enterprise Fund	Proprietary- Enterprise Fund
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 186,596	\$ 36,692
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	\$ 21,105	\$ 25,463
Changes in assets and liabilities:		
Prepaid expense	35,327	(37,027)
Accounts payable	(13,486)	21,386
Unearned revenue	47,860	23,570
Other accrued liabilities	(3,739)	(10,546)
Total adjustments	\$ 87,067	\$ 22,846
Net cash provided (used) by operating activities	<u>\$ 273,663</u>	<u>\$ 59,538</u>

See notes to financial statements.

NORTH CAROLINA VETERINARY MEDICAL BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

Note 1 - Nature of Activities and Significant Accounting Policies

Description of Organization and Purpose

The North Carolina Veterinary Medical Board (the "Board") is an independent state board. 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.

Financial 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.

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.

NORTH CAROLINA VETERINARY MEDICAL BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

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

Basis of Accounting

The basic financial statements of the Board are prepared using the economic resource measurement focus and the accrual basis of accounting. The economic resource measurement focus measures all assets that are available to the entity, not only cash or soon to be assets. Both long-term assets and long-term liabilities are measured and depreciation is recorded as a cost of operations. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when a liability has been incurred, regardless of the timing of cash flows. Fees received for the various licenses are deemed earned when the license period begins.

The Statements of Revenues, Expenses, and Changes in Net Position classifies the Board's revenues as operating or non-operating revenues. 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 license fees and includes activities that have characteristics of exchange transactions. 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 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. The Board held no certificates of deposit at June 30, 2018 or June 30, 2017.

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, 2018 AND 2017**

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.

Compensated Absences (Vacation and Sick Leave)

Board employees may accumulate up to thirty days earned vacation and such leave is fully vested when earned. At year end, accrued vacation in excess of the limits are transferred and added to sick leave balances. Accumulated earned vacation payable at June 30, 2018 and 2017, consisted of the following:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Current portion	\$ 8,998	\$ 10,117
Long-term portion	<u>5,999</u>	<u>8,173</u>
Total	<u>\$ 14,997</u>	<u>\$ 18,290</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 \$13,691 at June 30, 2018 and \$9,756 at June 30, 2017.

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.

Net Position

Investment in capital assets - This component of net position 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 position - 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*.

NORTH CAROLINA VETERINARY MEDICAL BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

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

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 formal written policies regarding custodial credit risk for deposits.

At June 30, 2018, the Board's deposits had a carrying amount (including undeposited receipts) of \$777,469 and a bank balance of \$803,021. Of the bank balance, \$302,770 was covered by federal depository insurance (FDIC), and \$500,251 was uninsured and uncollateralized [unless collateralized pursuant to NC Administrative Code (20 NCAC 7)]. At June 30, 2017, the Board's deposits had a carrying amount (including undeposited receipts) of \$520,360 and a bank balance of \$540,534. Of the bank balance, \$307,294 was covered by federal depository insurance (FDIC), and \$233,240 was uninsured and uncollateralized [unless collateralized pursuant to NC Administrative Code (20 NCAC 7)].

Note 3- Capital Assets

Changes in capital assets as of and for the year ended June 30, 2018 and 2017 are as follows:

	Cost			Accumulated			Net		
	06-30-17	Acquisitions	Disposals	06-30-18	Depreciation	Amount			
Land	\$ 275,000	\$ -	\$ -	\$ 275,000	\$ -	\$ 275,000			
Building/Improvements	672,905	-	-	672,905	192,960	479,945			
Furniture/Equipment	313,815	17,081	2,368	328,528	300,521	28,007			
	<u>\$ 1,261,720</u>	<u>\$ 17,081</u>	<u>\$ 2,368</u>	<u>\$ 1,276,433</u>	<u>\$ 493,481</u>	<u>\$ 782,952</u>			

	Cost			Accumulated			Net		
	06-30-16	Acquisitions	Disposals	06-30-17	Depreciation	Amount			
Land	\$ 150,000	\$ 125,000	\$ -	\$ 275,000	\$ -	\$ 275,000			
Building/Improvements	536,776	136,129	-	672,905	176,138	496,767			
Furniture/Equipment	312,274	1,541	-	313,815	298,606	15,209			
	<u>\$ 999,050</u>	<u>\$ 262,670</u>	<u>\$ 0</u>	<u>\$ 1,261,720</u>	<u>\$ 474,744</u>	<u>\$ 786,976</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 \$21,105 for the year ended June 30, 2018 and \$25,463 for the year ended June 30, 2017.

**NORTH CAROLINA VETERINARY MEDICAL BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017**

Note 4 - Accounts Payable

Accounts payable consists of amounts due to vendors in the ordinary operations of the Board. Accounts payable due in the ordinary operations of the Board which are due to other state agencies (if any) are reported separately.

	June 30, 2018	
Due to Vendors	\$	16,148
Total Accounts Payable	\$	16,148

Note 5 - Operating Leases

The Board leased office equipment under an operating lease. Total rent expense charged to operations under the lease agreement was \$2,789 in 2018 and \$2,782 in 2017.

Rental commitments under noncancellable operating leases at June 30, 2018 are as follows:

Year Ended June 30,			
2019		\$	2,677
2020			2,677
		\$	5,354

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, 2018 and 2017 follows:

	Balance 06-30-17			Balance 06-30-18		Non- Current
	Additions	Deletions	Current	Current	Current	Current
Compensated absences	\$ 18,290	\$ 14,447	\$ 17,740	\$ 14,997	\$ 8,998	\$ 5,999
	\$ 18,290	\$ 14,447	\$ 17,740	\$ 14,997	\$ 8,998	\$ 5,999

	Balance 06-30-16			Balance 06-30-17		Non- Current
	Additions	Deletions	Current	Current	Current	Current
Compensated absences	\$ 26,443	\$ 17,458	\$ 25,611	\$ 18,290	\$ 10,117	\$ 8,173
	\$ 26,443	\$ 17,458	\$ 25,611	\$ 18,290	\$ 10,117	\$ 8,173

NORTH CAROLINA VETERINARY MEDICAL BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

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. Two employees were covered under the plan, which were two 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, 2018 was \$84,771; the Board's total payroll was \$305,049. The Board's payroll for employees covered by the plan for the year ended June 30, 2017 was \$190,410; the Board's total payroll was \$394,281. The Board's pension contribution amounted to \$4,328 for 2018 and \$1,904 for 2017. The Board had outstanding liabilities to the plan in the amount of \$1,730 at June 30, 2018 and \$862 at June 30, 2017. 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. There have been no significant reductions in insurance coverage from coverage in the prior year, and no insurance claims were filed during the last three fiscal years.

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 - 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, 2018 and \$67,500 for the year ended June 30, 2017. 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.

NORTH CAROLINA VETERINARY MEDICAL BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

Note 10 - Payments to Impairment Fund (Continued)

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 11 - Subsequent Events

Subsequent events have been evaluated through October 17, 2018, 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 12 - North Carolina Legislative Statutory Disclosure Requirement Concerning Audit Fees

This audit required 107 audit hours at a cost of \$10,715.