

STATE OF NEW MEXICO
BOARD OF VETERINARY MEDICINE
AUDIT REPORT

For the Year Ended June 30, 2009

(with Auditor's Report Thereon)

RICE & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

STATE OF NEW MEXICO
BOARD OF VETERINARY MEDICINE
FINANCIAL STATEMENTS
For the Year Ended June 30, 2009
(with Auditor's Report Thereon)

STATE OF NEW MEXICO
BOARD OF VETERINARY MEDICINE
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Year Ended June 30, 2009

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STATE OF NEW MEXICO
BOARD OF VETERINARY MEDICINE
Official Roster
June 30, 2009

Commission Members

<u>Name</u>	<u>Title</u>
Dr. John A. Romero, DVM	Chairman
Dr. Ray B. Powell, DVM	Vice-Chairman
Dr. Kathleen Ramsay, DVM	Secretary- Treasurer
Dr. Susan Larsen, DVM	Member
Dr. Timothy Hanosh, DVM	Member
Ms. Elisabeth Jennings	Public Member
Mr. Dale Petty	Public Member

Staff

Ms. Frances Sowers	Executive Director
Ms. Reina Meza	Administrator
Ms. Cathy Hernandez	Office Clerk

Rice and Associates, C.P.A.

AUDITING
BOOKKEEPING
(505) 292-8275

CERTIFIED PUBLIC ACCOUNTANTS
11805 Menaul NE
Albuquerque, NM 87112

TAX PLANNING
TAX PREPARATION
FAX (505) 294-8904

INDEPENDENT AUDITOR'S REPORT

Mr. Hector H. Balderas
New Mexico State Auditor
and
Board Members of the
New Mexico State Board of Veterinary Medicine

We have audited the accompanying financial statements of the governmental activities, the major fund and its budgetary comparison of the New Mexico State Board of Veterinary Medicine (Board), as of and for the year ended June 30, 2009, as listed in the table of contents. 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 audit provides a reasonable basis for our opinions.

As discussed in Note 2, the financial statements of the New Mexico State Board of Veterinary Medicine are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, the major fund and its budgetary comparison of the State of New Mexico that is attributable to the transactions of the Board. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2009, the changes in its financial position for the year ended in conformity with accounting principles generally accepted in the United State of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Board as of June 30, 2009 and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2009 on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over the financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The New Mexico Board of Veterinary Medicine has not presented the Management Discussion and Analysis that accounting principles generally accepted in the United States of America has determined necessary to supplement, although not required to be a part of, the basic financial statements.

Rico & Associates, C.P.A.

December 11, 2009

STATE OF NEW MEXICO
 BOARD OF VETERINARY MEDICINE
 Statement of Net Assets
 June 30, 2009

Statement 1

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash	\$ 251,268
Employee receivable	<u>66</u>
Total current assets	<u>251,334</u>
Non-current assets	
Equipment	14,211
Less accumulated depreciation	<u>(14,211)</u>
Total non-current assets	<u>-</u>
Total assets	<u>\$ 251,334</u>
LIABILITIES	
Current liabilities	
Vouchers payable	\$ 18,183
Accrued payroll	7,384
Due to other agencies	<u>39,357</u>
Total current liabilities	<u>64,924</u>
Non-current liabilities	
Compensated absences	<u>4,635</u>
Total non-current liabilities	<u>4,635</u>
Total liabilities	<u>69,559</u>
NET ASSETS	
Invested in capital assets	-
Unrestricted	<u>181,775</u>
Total net assets	<u>181,775</u>
Total liabilities and net assets	<u>\$ 251,334</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 BOARD OF VETERINARY MEDICINE
 Statement of Activities
 For the Year Ended June 30, 2009

Statement 2

<u>Functions/Programs</u>	<u>Governmental Activities</u>
EXPENSE	
Governmental activity	
Personal service and employee benefits	\$ 126,760
Contractual services	112,070
Operating costs	<u>44,007</u>
Total expenses	<u>282,837</u>
REVENUES	
Licensing and fees	217,454
Current services and penalties	<u>14,474</u>
Total revenues	<u>231,928</u>
CHANGE IN NET ASSETS	(50,909)
NET ASSETS - JUNE 30, 2008	<u>232,684</u>
NET ASSETS - JUNE 30, 2009	<u><u>\$ 181,775</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 BOARD OF VETERINARY MEDICINE
 Balance Sheet
 Governmental Funds
 June 30, 2009

Statement 3

	<u>General Fund</u>
ASSETS	
Cash	\$ 251,268
Employee Receivable	<u>66</u>
Total assets	<u><u>\$ 251,334</u></u>
LIABILITIES	
Vouchers payable	\$ 18,183
Accrued payroll	7,384
Due to other agencies	<u>39,357</u>
Total liabilities	<u>64,924</u>
FUND BALANCE	
Unreserved/Undesignated	<u>186,410</u>
Total fund balance	<u>186,410</u>
Total liabilities and fund balance	<u><u>\$ 251,334</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
BOARD OF VETERINARY MEDICINE
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets
June 30, 2009

Statement 4

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 186,410

Capital assets used in governmental activities are not current financial resources and, therefore are not reported in Governmental Funds Balance Sheet

These consist of:

Equipment	14,211
Accumulated depreciation	<u>(14,211)</u>

-

Long-term liabilities, including bonds payables are not due and payable in the current period and, therefore, are not reported in the governmental funds

These liabilities consist of:

Compensated absences	<u>(4,635)</u>
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Total net assets - governmental funds \$ 181,775

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 BOARD OF VETERINARY MEDICINE
 Statement of Revenues, Expenditures and Changes in
 Fund Balances - All Governmental Funds
 Year Ended June 30, 2009

Statement 5

	General Fund
REVENUES	
Licenses and fees	\$ 217,454
Other	14,474
Total revenues	231,928
EXPENDITURES	
Current:	
Personal service and employee benefits	125,142
Contractual service	112,070
Other costs	42,961
Total expenditures	280,173
Net change in fund balance	(48,245)
Fund balance - June 30, 2008	234,655
Fund balance - June 30, 2009	\$ 186,410

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
BOARD OF VETERINARY MEDICINE
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2009

Statement 6

Total net change in fund balances - governmental funds \$ (48,245)

Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlays	-
Depreciation expense	(1,046)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of:

(Increase) in Compensated Absences	<u>(1,618)</u>
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Change in net assets of governmental activities \$ (50,909)

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 BOARD OF VETERINARY MEDICINE
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 General Fund
 Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Licensing fees	\$ 188,000	\$ 188,000	\$ 152,444	\$ (35,556)
Licensing permits	32,500	32,500	35,175	2,675
Registrations	4,700	4,700	3,000	(1,700)
Exam fees	24,200	24,200	26,835	2,635
Other current services	2,500	2,500	3,409	909
Penalties	16,500	16,500	11,065	(5,435)
Total revenues	<u>\$ 268,400</u>	<u>\$ 268,400</u>	<u>\$ 231,928</u>	<u>\$ (36,472)</u>
EXPENDITURES				
General Government:				
Personal services and employee benefits	\$ 149,200	\$ 149,200	\$ 123,926	\$ 25,274
Contractual services	112,500	112,500	112,070	430
Other costs	47,100	47,100	46,914	186
Total expenditures	<u>\$ 308,800</u>	<u>\$ 308,800</u>	<u>\$ 282,910</u>	<u>\$ 25,890</u>
BUDGETED CASH BALANCE	<u>\$ 40,400</u>	<u>\$ 40,400</u>		

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
BOARD OF VETERINARY MEDICINE
Notes to Financial Statements
June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The New Mexico Board of Veterinary Medicine ("the Board") was created by the Veterinary Practice Act, New Mexico Statutes 1978 Annotated 61-14-1 through 61-14-20.

The purpose of the Board is to protect the public health, safety, and welfare through regulation of minimum standards for the practice of veterinary medicine in the State of New Mexico.

The primary function of the Board is to examine, license and regulate approximately 835 veterinarians, 45 registered veterinary technicians, and 186 artificial insemination and pregnancy diagnosis permits. Regulations include continuing education requirements. The Board conducts investigations and hearings to determine if violations of the Veterinary Practice Act occur, issues, renews, suspends or revokes licenses, inspects approximately 200 veterinary facilities annually for the Veterinary and Pharmacy Boards and employs personnel necessary to carry out its duties.

A. Financial Reporting Entity

The Board, a seven-member group consisting of an on-going entity, is the level of government which has governance responsibilities over all activities related to Doctors of Veterinary Medicine. The Board is not included in any other government "reporting entity" as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*. Even though board members are appointed by the governor, they have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

Included within the reporting entity is the Board as described above. Other Executive Branch entities of government are excluded because they are established separately by statutes.

In evaluating how to define the Board for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria for including a potential component unit within the reporting entity. The first criterion for including potential component

units within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the Board and/or its licensees, or whether the activity is conducted within the geographic boundaries of the Board and is generally available to its licensees. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Board is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no potential component units.

B. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the Board as a whole) and fund financial statements. The new reporting model focus is on either the Board as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type activities. The Board has only governmental type activities. In the government-wide Statement of Net Assets, the governmental column reflects a full accrual, economic resources basis, which incorporates long-term assets as well as long-term debt and obligations. Neither fiduciary funds nor component units that are fiduciary in nature are included.

The government-wide Statement of Activities reflects both the gross and net cost per functional category, which are otherwise being supported by general government revenue. The Statement of Activities reduced gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function. The Board includes only one function (general government).

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

General revenues (interest income, penalties, miscellaneous, etc.) normally cover the net cost (by function). Historically, the previous model did not summarize or present net cost by function or activity.

Notes to Financial Statements (continued)

This government-wide focus is more on the sustainability of the Board as an entity and the change in aggregate financial position, resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous accounting model.

The governmental fund statements are presented on a current financial resource and modified accrual basis of accounting. This presentation is deemed appropriate to a) demonstrate legal compliance, b) demonstrate the source and use of liquid resources, and c) demonstrate how the Board's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statement's governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund based financial statements into the governmental column on the government-wide presentation.

Basis of accounting refers to the point at which revenue or expenditures or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurement made, regardless of the measurement focus applied. The government-wide financial statements are presented using the economic financial resources measurement focus and the accrual basis of accounting. The governmental funds in the fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis accounting.

Accrual - All governmental funds are accounted for using the accrual basis of accounting, revenues are recognized when they are measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Similar to private-sector standards of accounting and financial reporting issued prior to December 31, 1989, generally accepted accounting principles are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The government has elected not to follow subsequent private-sector guidance.

Expenditures are generally recognized under the accrual basis of accounting when the related liability is incurred.

Notes to Financial Statements (continued)

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources, as they are needed.

The financial transactions of the Board are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, expenditures and other financing sources or used. Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type and reported by generic classification in the accompanying financial statements.

GOVERNMENTAL FUND TYPES

The focus of Governmental Fund measurement (in the fund financial statements) is based upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the Governmental Fund of the Board.

General Fund (Fund #074 - Non-reverting)

The General Fund is the general operating fund of the Board and is used to account for all financial resources; there are no resources required to be accounted for in another fund. The General Fund is funded primarily through license and registration fees. It is a non-reverting fund created by Sections 61-14-1 through 61-14-20 NMSA 1978.

The Board operates under an annual license renewal policy. A veterinarians license expires and is due for renewal each year on the last day of his/her birth month.

The New Mexico State Legislature does not make annual appropriations to the Board.

D. Budgets and Budgetary Accounting

Legal compliance is monitored through the establishment of a budget and a financial control system, which permits a budget to actual expenditure comparison. Per the General Appropriation Act, Laws of 2006, Chapter 109, Section 3, Subsections O and N, the budgetary basis is modified accrual. However, there is a statutory exception. The budget is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline per Section 6-10-4 NMSA 1978.

Notes to Financial Statements (continued)

Those accounts payable that do not get paid timely must be paid out of the next year's budget. Expenditures may not legally exceed appropriations for each budget at the appropriation unit level. Budgeted appropriation unit amounts may be amended upon approval from the Budget Division of the State of New Mexico Department of Finance and Administration within the limitations as specified in the General Appropriation Act. The budget amounts shown in the financial statements are both the original appropriation and the final authorized amounts as legally revised during the year.

The Board follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the Board submits to the Department of Finance and Administration, State of New Mexico, a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them as approved by the State Legislature.
2. Budget appropriations lapse if not encumbered at the end of the fiscal year. Unexpended funds do not revert to the State General Fund.
3. Amendments to budget line items are obtained by filing a budget adjustment request with the Budget Division of the Department of Finance and Administration, State of New Mexico. Increase in the total budget must be approved by the State Legislature.
4. Generally accepted accounting principles (GAAP) require encumbrances not be included as expenditures in financial statements. However, New Mexico law requires encumbrances be included as expenditures for budgetary purposes. Accordingly, budgets for the General Fund are adopted on a Non-GAAP basis which includes encumbrances. Budgetary comparisons presented for the General Fund in this report are on this Non-GAAP budgetary basis.
5. The Board's budget for the fiscal year ending June 30, was amended in a legally permissible manner by reallocating line item totals as the need arose during the fiscal year.

E. Fiscal Agent

The New Mexico Department of Finance and Administration acts as the fiscal agent for the Board. The fiscal agent is responsible for the processing of all cash disbursement and payroll functions. The New Mexico State Treasurer maintains its cash and cash receipts.

Notes to Financial Statements (continued)

F. Cash and Cash Equivalents

The Board has defined cash and cash equivalents to include cash on deposit with the State Treasurer.

G. Program Revenues

Program revenues consist of charges for exams, fees collected for license renewals or permits and registration fees. These monies are deposited with the New Mexico State Treasurer.

H. Inventory

Office supply inventory items are expensed when purchased. Therefore, the financial statements do not reflect inventories of office supplies on hand at year-end.

I. Capital Assets

Capital assets are tangible assets that are used in operations and that have initial useful lives that extend beyond a single reporting period. Capital assets are reported in the Statement of Net Assets at historical cost or estimated fair value, if donated. The agency is including qualifying software in the Capital assets. Capital assets are depreciated using the straight-line method over their estimated useful lives. Items with a cost of less than \$5,000 are expensed in the year of acquisition. Repairs and maintenance expenses are charged to operations when incurred and major betterments and replacements are capitalized. The major classifications of capital assets and their related depreciable lives are as follows:

Equipment	3 to 10 years
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J. Accrued Compensated Absences

Full-time employees are entitled to accumulated annual leave at the rate of one and one-fourth days for each complete calendar month of service. A maximum of thirty working days of such accumulated annual leave may be carried forward into the beginning of the calendar leave year and any excess is lost. When employees terminate, they are compensated for accumulated unpaid annual leave as of the date of termination, up to a maximum of thirty days.

Employees are entitled to accumulated sick leave at the rate of one day for each calendar month of service. There is no limit to the amount of sick leave, which an employee may accumulate. State agencies are allowed to pay fifty percent (50%) of each employee's hourly rate for accumulated sick leave over 50 hours up to 120 hours.

Notes to Financial Statements (continued)

In accordance with GASB 16, accrued compensated absences consist of accumulated annual leave and related salary payments (employer's matching FICA and Medicare payroll taxes).

K. Use of Estimates

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

L. Net Assets and Fund Equity

Government-Wide Financial Statements

Net Assets

The governmental activities and business-type activities financial statements utilize a net assets presentation. Net assets are categorized as follows:

Investment in capital assets, net of related debt - This category reflects the portion of net assets that are associates with capital assets less outstanding capital asset related debt.

Restricted net assets - This category reflects the portion of net assets that have third party limitation on their use.

Unrestricted net assets - This category reflects net assets of the Board not restricted for any project or other purposes.

Fund Financial Statements

In the fund financial statements, governmental funds report reservations of fund balance that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change. Fund equity was reserved or designated for:

Unreserved, designated for subsequent year's expenditures - This represents the amounts, other than carryover expenditures, which are designated for subsequent year's expenditures in accordance with grantor status.

Unreserved, undesignated - Amounts which have not been reserved or designated for any purpose. These funds are available for unrestricted usage by the Board.

Notes to Financial Statements (continued)

2. CASH

State law requires the Board of Veterinary Medicine cash be managed by the New Mexico State Treasurer's Office. Accordingly, the cash of the Board of Veterinary Medicine consist of cash in the General Fund Investment Pool managed by the New Mexico State Treasurer's Office.

Name of Depository	Account Name	Agency Number	Fund #	Balance per Depository	Reconciling Outstanding Warrants	Items Other	Balance per Books
NM State Treasurer	Board of Veterinary Medicine	04900	074	\$ 241,101	\$ -	\$ 10,167	\$251,268

Interest Rate Risk. The Board of Veterinary Medicine does not have an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. The New Mexico State Treasurer General Fund Investment Pool is not rated.

For additional GASB 40 disclosure information related to the above investment pool, the reader should see the separate audit reports for the State Treasurer's Office for the fiscal year ended June 30, 2008.

3. CHANGES IN CAPITAL ASSETS

The summary of changes in capital assets is as follows:

	Balance July 1, 2008	Additions	Retirements	Balance June 30, 2009
Equipment	\$ 14,211	\$ -	\$ -	\$ 14,211
Accumulated Depreciation	(13,165)	(1,046)	-	(14,211)
Totals	\$ 1,046	\$ (1,046)	\$ -	\$ -

Depreciation expense in the amount of \$1,814 was charged to Other Costs function of the Governmental Activities.

Notes to Financial Statements (continued)

4. CHANGES IN LONG-TERM DEBT

A summary of changes in long-term debt is as follows:

	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009	Due In One Year
Compensated Absences Payable	<u>\$ 3,017</u>	<u>\$ 1,618</u>	<u>\$ -</u>	<u>\$ 4,635</u>	<u>\$ -</u>

The general fund has typically been used to liquidate other long-term liabilities.

5. LONG-TERM LEASE CONTRACT

In November 2006 the Board moved the office to a larger unit and entered into a new long-term lease agreement with Jefferson Square LLC for the rental of office space. The agreement is from December 1, 2006 to November 30, 2011. The following yearly payments will be due:

December 2008 - November 2009	\$22,800
December 2009 - November 2010	\$23,640
December 2010 - November 2011	<u>\$23,640</u>
	<u>\$70,080</u>

The lease is contingent upon the New Mexico Legislature granting sufficient authority. If this is not granted, the Board can terminate the lease by giving the lesser at least 60 days written notice. The lease agreement is for an initial term of five years; however, there is an option to renew for three years at the rate of \$25,536 per year.

6. FUND BALANCE

Reservations of fund balance of the governmental fund are created to either 1) satisfy legal covenants that require that a portion of the fund balance be segregated or 2) identify the portion of the fund balance that is not appropriable for future expenditures. There are no reservations of fund balance at June 30. The unreserved fund balance for the governmental fund represents the amount available for budgeting future operations.

7. RETIREMENT PLAN

Plan Description. All of the Board's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123.

Funding Policy. Plan members are required to contribute 7.42% of their gross salary. The Board is required to contribute 16.59%. The contribution requirements of plan members and the Board are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of legislature. The Board's contributions to PERA for the years ending June 30, 2009, 2008 and 2007 were \$18,974, \$10,514, and \$17,210 respectively.

8. RETIREE HEALTH CARE ACT CONTRIBUTIONS

The Retiree Health Care Act (ACT) Chapter 10, Article 7C NMSA 1978) provides comprehensive core health insurance for persons who have retired from certain public service in New Mexico. The Retiree Health Care Authority is the administrator of the plan. The purpose is to provide eligible retirees, their spouses, dependents, and surviving spouses and dependents with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds flowing into the Retiree Health Care Fund and by co-payments or out-of-pocket payments of eligible retirees.

Monies flow to the Retiree Health Care Fund on a pay-as-you-go basis from eligible employers and eligible retirees. Eligible employers are institutions of higher education, school districts, or other entities participating in the Public School Insurance Authority, state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Educational Retirement Act, the Volunteer Firefighters Retirement Act, Judicial Retirement Act or the Magistrate Retirement Act.

Notes to Financial Statements (continued)

Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the Retiree Health Care Act on the person's behalf unless that person retires before the employer's NMRHCA effective date, in which event the time period for employee and employer contributions shall become the period of time between the employers effective date and the date of retirement; or (2) retirees defined by the act who retired prior to July 1, 1990; and former legislators who served at least two years.

Each participating employer makes contributions to the fund in the amount of 1.3% of each participating employee's annual salary. Each participating employee contributes to the fund an employee contribution equal to .65% of the employees' annual salary. Each participating retiree pays a monthly premium for the medical plus basic life plan and an additional participation fee of five dollars (\$5.00) if the eligible participant retired prior to the employer's NMRHCA effective date or is a former legislator. Participants may also enroll in optional plans of coverage.

Contributions from participating employers and employees become the property of the Retiree Health Care Fund and are not refundable under any circumstances including participation in the Retiree Health Care Act. The employer, employee, and retiree contributions are required to be remitted to the Retiree Health Care Authority on a monthly basis.

The Retiree Health Care Authority issues a separate, publicly available audited financial report that includes post employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee, and retiree), and net expenditures for the fiscal year. The report also includes the approximate number of retirees participating in the plan. That report may be obtained by writing to the Retiree Health Care Authority, 4308 Carlisle Blvd., NE, Suite 104, Albuquerque, New Mexico 87107.

For the fiscal year ended June 30, 2009, the Board remitted \$824 in employer contributions and \$674 in employee contributions to the Retiree Health Care Authority.

9. EMPLOYEE RECEIVABLE

On July 1, 2006 an employee was reclassified to permanent and was to be included in PERA and NMRHC acts. However, the central payroll processing department of DFA failed to include the employee in these calculations. This was discovered in December 2006. As a result the Agency remitted all the amounts due for the retirement and retirees healthcare and the employee signed a note to the Agency for the amounts which were not withheld during the described period. The balance due at June 30, 2009 from the employee was \$66.

Notes to Financial Statements (continued)

10. RECONCILIATION OF BUDGET TO GAAP

	<u>General Fund</u>
<u>Revenues</u>	
Modified Accrual Basis	\$ 231,928
Budgetary Basis	<u>(231,928)</u>
Difference	<u>\$ -</u>
<u>Expenditures</u>	
Modified Accrual Basis	\$ 280,173
Budgetary Basis	<u>(282,910)</u>
(Decrease) in accounts payable/accrued payroll	<u>\$ (2,737)</u>

11. DUE TO OTHER AGENCIES

The Department of Finance and Administration incorrectly deposited \$39,357 into the Board of Veterinary Medicines bank account. It belongs to another State Agency. It has been shown as a liability in the 2009 financial statements as the Department of Finance and Administration did not resolve the issue until the 2010 fiscal year.

Rice and Associates, C.P.A.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

Mr. Hector H. Balderas
New Mexico State Auditor
and
Board Members of the
New Mexico Board of Veterinary Medicine

We have audited the financial statements of the governmental activities and the major fund and its budgetary comparison of the New Mexico State Board of Veterinary Medicine, as of and for the year ended June 30, 2009, which collectively comprise the Board of Veterinary Medicine's basic financial statements as listed in the table of contents and have issued our report thereon dated December 11, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the New Mexico State Board of Veterinary Medicine's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the New Mexico State Board of Veterinary Medicine's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the New Mexico State Board of Veterinary Medicine's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the New Mexico State Board of Veterinary Medicine's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the New Mexico State Board of Veterinary Medicine's financial statements that is more than inconsequential will not be prevented or detected by the New Mexico State Board of Veterinary Medicine's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the New Mexico State Board of Veterinary Medicine's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the New Mexico State Board of Veterinary Medicine's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that are required to be reported under *Government Auditing Standards January 2007 Revision* paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which are described in the accompanying Status of Comments as items Monthly Review (08-01) and Department of Finance and Administration Monthly Reports Incorrect (08-02).

The New Mexico State Board of Veterinary Medicine's responses to the findings identified in our audit are described in the accompanying Status of Comments. We did not audit the New Mexico State Board of Veterinary Medicine's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board, Management, the Office of the State Auditor, the New Mexico State Legislature and the New Mexico Department of Finance and Administration and is not intended to be used by anyone other than these specified parties.



December 11, 2009

STATUS OF COMMENTS

Prior Year Audit Findings:

1. Late Audit Report (07-02) Resolved.
2. Monthly Review (08-01) - Repeated.
3. Department of Finance and Administration Monthly Reports Incorrect (08-02) - Repeated.
4. Accounts Receivable From Employee (08-03) - Resolved.

Current Year Audit Findings:

NONE

Monthly Review
(08-01)

CONDITION	Managements review process each month failed to detect that \$1,075 was not posted in the Department of Finance and Administration monthly report as cash and as revenues.
CRITERIA	All deposits made by the Board should be checked against the monthly DFA report to ensure the cognizant agency is reporting all deposits made by the Board.
CAUSE	Management was not reviewing the monthly DFA report to ensure all deposits made were deposited and reflected by the cognizant agency (DFA).
EFFECT	Over \$1,000 was not recorded in the correct fiscal year. It was posted by the cognizant agency in the 2010 fiscal year.
RECOMMENDATION	The deposits made each month should be traced and reconciled to the amounts posted in the DFA report. If any discrepancies occur, management should investigate them and have them resolved by the end of the following month.
RESPONSE	On a monthly basis, Executive Director will review internal reconciliation of deposits made by Administrator to amount posted to DFA report. Executive Director will sign and date attesting to its accuracy.

Department of Finance Administration Monthly Reports Incorrect
(08-02)

CONDITION Management is not reviewing the monthly DFA reports to ensure all transactions are being reported correctly. (Ex. \$9,000 is being reported as receipts in suspense instead of charges for services.)

CRITERIA The monthly DFA reports should reconcile and mirror the Boards monthly financial statements.

CAUSE Management is not finishing the review process and ensuring that the DFA reports reflect all transactions correctly.

EFFECT The DFA report does not reflect all transactions of the Board correctly.

RECOMMENDATION All monthly transactions of the Board should be reviewed to ensure they are posted and reflected accurately in the monthly DFA report. If any discrepancies occur management should investigate them immediately and have them resolved by the end of the following month.

RESPONSE On a monthly basis, Executive Director will review DFA reports to reconcile and replicate the Agency's monthly financial statements. All errors will be investigated and resolved immediately. Executive Director will sign and date review attesting to its accuracy.

FINANCIAL STATEMENT PREPARATION

The combining and individual fund financial statements and notes to the financial statements for the year ended, June 30, 2009 were prepared by Rice & Associates, CPA, based on managements chart of accounts and trial balances including any adjusting, correcting or closing entries approved by management. These services are allowable under SAS 112.

EXIT CONFERENCE

An exit conference was held at the Board of Veterinary Medicine Office on December 11, 2009. In attendance were Dr. John Romero, DVM, Chairman, Ms. Frances R. Sowers, Executive Director, Ms. Reina Meza, Administrator and Ms. Pamela A. Rice, CPA, Contract Auditor.