



*ricci & company llc*

Certified Public Accountants

**STATE OF NEW MEXICO  
BOARD OF VETERINARY  
MEDICINE**

**FINANCIAL STATEMENTS**

**JUNE 30, 2011**



**STATE OF NEW MEXICO  
BOARD OF VETERINARY MEDICINE**

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**STATE OF NEW MEXICO  
BOARD OF VETERINARY MEDICINE**

*Official Roster*

**Commission Members**

<b><u>Name</u></b>	<b><u>Title</u></b>
Ray B. Powell, DVM	Chairman
Rebecca J. Washburn, DVM	Vice-Chairman
John C. Wenzel, DVM	Secretary-Treasurer
Kathleen L. Ramsay, DVM	Member
Allison B. Stout, DVM	Member
Elisabeth Jennings	Public Member
Dale Petty	Public Member

**Staff**

Frances R. Sowers	Executive Director
Reina Meza	Administrator
Catherine Hernandez	Office Clerk

## Independent Auditor's Report

Board Members  
State of New Mexico Board of Veterinary Medicine  
and  
Mr. Hector Balderas  
New Mexico State Auditor  
Santa Fe, New Mexico

We have audited the accompanying financial statements of the governmental activities, major fund, and the budgetary comparison for the general fund of the State of New Mexico Board of Veterinary Medicine (Board) as of and for the year ended June 30, 2011, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express opinions 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 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 audit provides a reasonable basis for our opinions.

As discussed in Note 2, the financial statements of the State of New Mexico 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, 2011, and 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, 2011, 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.

State of New Mexico Board of Veterinary Medicine  
and  
Mr. Hector Balderas  
New Mexico State Auditor  
Santa Fe, New Mexico

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2011, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over 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 management's discussion and analysis on pages 4 through 6 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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 the information and express no opinion on it.

*Ricci & Company LLC*

Albuquerque, New Mexico  
October 6, 2011



State of New Mexico  
Board of Veterinary Medicine

BILL RICHARDSON  
Governor

Ray B. Powell, DVM  
Chairman

Frances R. Sowers  
Executive Director



The Board of Veterinary Medicine is a single-purpose agency with only one fund. The accompanying government-wide financial statements differ from the fund financial statements by reporting capital assets, depreciation and long-term debt as reflected in the attachments hereto.

Basic Financial Statements – Statement of Net Assets and Statement of Activities

Basic financial statements report information about the Board of Veterinary Medicine (BVM) as a whole using accounting methods similar to those used in the private sector. The statement of net assets includes all of the government assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The basic financial reports report the BVM's net assets and how they have changed.

Fund Financial Statements – Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance

The fund financial statements provide more detailed information about the BVM's significant funds. The BVM operates on its own self-generated revenues (examinations, license fees, penalties, and miscellaneous services) and the budget approved by the State Legislature annually.

Analysis of Financial Position – Statement of Net Assets

	<u>FY-2011</u>	<u>FY-2010</u>	<u>Change</u>
<b>Assets</b>			
Current assets	\$ 178,319	201,274	(22,955)
Capital assets, net	-	-	-
Total assets	<u>178,319</u>	<u>201,274</u>	<u>(22,955)</u>
<b>Liabilities</b>			
Current liabilities	21,045	20,790	255
Long-term liabilities	<u>5,133</u>	-	<u>5,133</u>
Total liabilities	<u>26,178</u>	<u>20,790</u>	<u>5,388</u>
<b>Net Assets</b>			
Restricted	<u>152,141</u>	<u>180,484</u>	<u>(28,343)</u>
<b>Total liabilities and net assets</b>	<u>\$ 178,319</u>	<u>201,274</u>	<u>(22,955)</u>

7301 Jefferson Street, N E , Suite H  
Albuquerque, NM 87109-4363

Telephone 505.553.7021  
Facsimile 505 553.7024



[www.NMBVM.org](http://www.NMBVM.org)

**Results of Operations – Statement of Activities**

	<u>FY-2011</u>	<u>FY-2010</u>	<u>Change</u>
<b>Revenues</b>			
Licensing and fees	\$ 261,718	258,537	3,181
Current services and penalties	<u>17,482</u>	<u>16,409</u>	<u>1,073</u>
Total revenues	<u>279,200</u>	<u>274,946</u>	<u>4,254</u>
<b>Expenses</b>			
Personal services/employee benefits	139,971	150,984	(11,013)
Contractual services	112,191	105,595	6,596
Other	<u>55,381</u>	<u>52,847</u>	<u>2,534</u>
Total expenses	<u>307,543</u>	<u>309,426</u>	<u>(1,883)</u>
Change in net assets	<u>(28,343)</u>	<u>(34,480)</u>	<u>6,137</u>
Net assets, beginning	180,484	181,775	(1,291)
Restatement	<u>-</u>	<u>33,189</u>	<u>(33,189)</u>
Net assets, beginning, as restated	<u>180,484</u>	<u>214,964</u>	<u>(34,480)</u>
Net assets, ending	<u>\$ 152,141</u>	<u>180,484</u>	<u>(28,343)</u>

In compliance with state law, BVM adopts an annual appropriated budget and the BVM's original, final and expended budget is shown in the budgetary statement.

**Analysis of Board's Overall Financial Position and Result of Operations**

The changes in the Board's Financial Position (Statement of Net Assets) and Operations (Statement of Activities) from the prior year is due to higher numbers of state examinations, new licensees, new facilities, and late fees. Fees for miscellaneous services have been increased as well. Overall expenses have decreased due to staffing that remained consistent during the fiscal year which did not require additional salaries expense to be paid as a result of transition. There was a slight increase in professional services related to the additional contract expense incurred due to the transition in contractors near year end.

The BVM's capital assets consist of equipment and are fully depreciated as of June 30, 2011. There were no capital asset additions or disposals in the current fiscal year.

The BVM did not acquire any debt during the current fiscal year, as such there is no related debt liability within the accompanying financial statements as of June 30, 2011. The only long term liability is the amount of compensated absences expected to be paid after one year.

The BVM expects to maintain the revenue figure stream as more veterinary technicians continue to become licensed in New Mexico due to new veterinary technician programs offered in state. In addition, more and more doctors of veterinary medicine are opting for the higher examination fee enabling immediate licensure upon successful passing of the state examination.

The BVM is in sound financial condition with \$160,003 in its fund balance. BVM is a non-reverting agency to the State General Fund. The Board was budgeted \$329,900 for FY-11. There was one budget adjustment in the amount of \$5,000 from the original approved budget during the year; the budget adjustment allowed for the purchase of postage. The budget was under-expended by \$27,745.

The only liabilities the BVM has is vouchers payable, accrued payroll and compensated absences in the amount of \$26,178.

The BVM has developed expenditure restrictions that have resulted in responsible monitoring of the budget overall evidenced by the under-expended amount of the approved budget noted above.

### **Requests for Information**

The financial report is designed to provide a general overview of the State of New Mexico Board of Veterinary Medicine's finances for all those interested in the BVM's fiscal health. Questions about this report or requests for additional information can be directed to:

Frances R. Sowers, Executive Director  
Board of Veterinary Medicine  
7301 Jefferson Street, N.E., Suite H  
Albuquerque, New Mexico 87301



STATE OF NEW MEXICO  
 BOARD OF VETERINARY MEDICINE  
 STATEMENT OF NET ASSETS  
 June 30, 2011

	Governmental Activities
<b>ASSETS</b>	
Current Assets	
Cash	\$ 178,319
Capital Assets	
Equipment	14,211
Accumulated depreciation	<u>(14,211)</u>
<b>Total capital assets</b>	<u>-</u>
<b>Total assets</b>	<u><u>\$ 178,319</u></u>
<b>LIABILITIES</b>	
Current Liabilities	
Vouchers payable	\$ 13,695
Accrued payroll	4,621
Compensated absences, current portion	<u>2,729</u>
<b>Total current liabilities</b>	<u>21,045</u>
Long-term Liabilities	
Compensated absences payable	<u>5,133</u>
<b>Total liabilities</b>	<u>26,178</u>
<b>NET ASSETS</b>	
Restricted	<u>152,141</u>
<b>Total net assets</b>	<u>152,141</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 178,319</u></u>

*The Notes to the Financial Statements are an integral part of this statement.*

**STATE OF NEW MEXICO  
 BOARD OF VETERINARY MEDICINE  
 STATEMENT OF ACTIVITIES  
 Year Ended June 30, 2011**

	Governmental Activities
Expenses	
Personal service and employee benefits	\$ 139,971
Contractual services	112,191
Operating costs	<u>55,381</u>
<b>Total expenses</b>	<u>307,543</u>
Revenues	
Licensing and fees	261,718
Current services and penalties	<u>17,482</u>
<b>Total revenues</b>	<u>279,200</u>
<b>Change in net assets</b>	(28,343)
Net assets, beginning	<u>180,484</u>
<b>Net assets, ending</b>	<u><u>\$ 152,141</u></u>

*The Notes to the Financial Statements are an integral part of this statement.*

STATE OF NEW MEXICO  
BOARD OF VETERINARY MEDICINE  
BALANCE SHEET  
GOVERNMENTAL FUNDS - GENERAL FUND  
June 30, 2011

**ASSETS**

Cash \$ 178,319

**LIABILITIES AND FUND BALANCE**

Liabilities

Vouchers payable \$ 13,695  
Accrued payroll 4,621

**Total liabilities** 18,316

Fund Balance

Restricted for Veterinary Board services and activities 160,003

**Total fund balance** 160,003

**Total liabilities and fund balance** \$ 178,319

*The Notes to the Financial Statements are an integral part of this statement.*

STATE OF NEW MEXICO  
 BOARD OF VETERINARY MEDICINE  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 June 30, 2011

**Total fund balance for the governmental funds (balance sheet)** \$ 160,003

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund. These consist of:

Total capital assets	\$ 14,211	
Less accumulated depreciation	(14,211)	
Total capital assets, net of depreciation		-

Compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds.	(7,862)
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**Net assets of governmental activities (Statement of Net Assets)** \$ 152,141

*The Notes to the Financial Statements are an integral part of this statement.*

STATE OF NEW MEXICO  
 BOARD OF VETERINARY MEDICINE  
 STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE - GENERAL FUND  
 GOVERNMENTAL FUNDS  
 Year Ended June 30, 2011

Revenues	
Licenses and fees	\$ 261,718
Other	17,482
	<hr/>
<b>Total revenues</b>	<b>279,200</b>
	<hr/>
Expenditures	
Current:	
Personal services and employee benefits	136,757
Contractual services	112,191
Other costs	55,381
	<hr/>
<b>Total expenditures</b>	<b>304,329</b>
	<hr/>
<b>Net change in fund balance</b>	<b>(25,129)</b>
	<hr/>
Fund balance, beginning of year	185,132
	<hr/>
<b>Fund balance, end of year</b>	<b>\$ 160,003</b>
	<hr/> <hr/>

*The Notes to the Financial Statements are an integral part of this statement.*

STATE OF NEW MEXICO  
 BOARD OF VETERINARY MEDICINE  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 Year Ended June 30, 2011

<b>Net change in fund balance - Governmental Funds</b>	
<b>(Statement of Revenues, Expenditures and Changes in Fund Balance)</b>	<b>\$ (25,129)</b>
Amounts reported for governmental activities in the Statement of Activities are different because:	
Some items 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 :	
Change in compensated absences	<u>(3,214)</u>
<b>Change in net assets of governmental activities</b>	<b><u><u>\$ (28,343)</u></u></b>

*The Notes to the Financial Statements are an integral part of this statement.*

STATE OF NEW MEXICO  
 BOARD OF VETERINARY MEDICINE  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
 BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL -  
 GENERAL FUND  
 Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Trade and professions licenses	\$ 190,000	190,000	200,813	10,813
Trade and professions permits	34,500	34,500	37,850	3,350
Registration for trades and professions	2,000	2,000	900	(1,100)
Trades and professional examination fees	24,000	24,000	22,155	(1,845)
Other current services	3,000	3,000	4,815	1,815
Other penalties	15,000	15,000	12,620	(2,380)
Miscellaneous	-	-	47	47
<b>Total revenues</b>	<b>268,500</b>	<b>268,500</b>	<b>279,200</b>	<b>10,700</b>
<b>Expenditures</b>				
Current:				
Personal services and employee benefits	149,400	149,400	136,757	12,643
Contractual services	127,000	122,000	112,191	9,809
Other costs	53,500	58,500	55,381	3,119
<b>Total expenditures</b>	<b>329,900</b>	<b>329,900</b>	<b>304,329</b>	<b>25,571</b>
<b>Net change in fund balance</b>	<b>\$ (61,400)</b>	<b>(61,400)</b>	<b>(25,129)</b>	<b>36,271</b>
Prior year fund balance required to balance budget	\$ 61,400	61,400		
Budgetary Revenues			279,200	
<b>GAAP revenues</b>			<b>\$ 279,200</b>	
Budgetary Expenses			304,329	
<b>GAAP expenses</b>			<b>\$ 304,329</b>	

*The Notes to the Financial Statements are an integral part of this statement.*



**STATE OF NEW MEXICO  
BOARD OF VETERINARY MEDICINE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The State of 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 1,300 veterinarians, 200 registered veterinary technicians, and 90 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 350 veterinary facilities annually for 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.

STATE OF NEW MEXICO  
BOARD OF VETERINARY MEDICINE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Government-Wide and Fund Financial Statements**

The basic statements include both government-wide (based on the Board as a whole) and fund financial statements. The new reporting 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 a 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.

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 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.

STATE OF NEW MEXICO  
BOARD OF VETERINARY MEDICINE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation  
(Continued)**

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.

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 uses. 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.

STATE OF NEW MEXICO  
BOARD OF VETERINARY MEDICINE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation  
(Continued)**

**Government 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 veterinarian's 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 2007, Chapter 28, Section 3, Subsection 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.

Those accounts payable that do not get paid timely must be paid out of 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.

STATE OF NEW MEXICO  
BOARD OF VETERINARY MEDICINE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Budgets and Budgetary Accounting (Continued)**

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 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 must be approved by the State Legislature.
4. 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 the Board's cash and cash receipts.

**F. Cash and Cash Equivalents**

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

STATE OF NEW MEXICO  
BOARD OF VETERINARY MEDICINE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 based on years 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.

STATE OF NEW MEXICO  
BOARD OF VETERINARY MEDICINE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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**

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 associated with capital assets less outstanding capital asset related debt.

Restricted net assets - This category reflects the portion of net assets that have constraints placed on the use of net assets from external resource providers, imposed by law through constitutional provisions or enabling legislation. The accompanying statement of net assets reports restricted net assets of \$152,141, which is restricted by enabling legislation.

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

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.

**Fund Financial Statements**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement is intended to enhance the usefulness of fund balance information by providing clearer fund balance classifications and clarifying the existing fund balance definitions.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below:

1. *Nonspendable* - includes amounts that cannot be spent because (1) they are either not in spendable form or (2) they are legally or contractually required to be maintained intact.



STATE OF NEW MEXICO  
 BOARD OF VETERINARY MEDICINE  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements (Continued)

2. *Restricted* - fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. *Committed* - fund balance classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the government's highest level of decision-making authority removes or changes the specified use by taking the same action it employed to previously commit those amounts.
4. *Assigned* - fund balance classification intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.
5. *Unassigned* - fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

The Board has reviewed each of the classifications and has determined that the fund balance is restricted for veterinary board services and activities in compliance with 61-14-4 E of the Veterinary Practice Act.

The Board would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

NOTE 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 consists of cash in the General Fund Investment Pool (GFIP) or (Pool) managed by the New Mexico State Treasurer's Office.

Cash invested with New Mexico State Treasurer at June 30, 2011 is as follows:

Name of Depository	Account Name	Agency Number	Fund #	Balance per Depository	Reconciling Items		Balance per Books
					Outstanding Warrants	Other	
NM State Treasurer GFIP	Board of Veterinary Medicine	04900	074	\$ 177,109	\$ -	\$ 1,210	\$ 178,319

STATE OF NEW MEXICO  
BOARD OF VETERINARY MEDICINE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

**NOTE 2. CASH (CONTINUED)**

Cash accounts on deposit with the New Mexico State Treasurer do not require collateral to be pledged because they are deposits with another governmental entity. The Board is not authorized to make investments of funds on deposit with the New Mexico State Treasurer.

The State Treasurer has the power to invest money held in demand deposits and not immediately needed for the operation of state government in securities in accordance with Sections 6-10-10, I through P, NMSA 1978, as amended. The State Treasurer, with the advice and consent of the State Board of Finance, can invest money held in demand deposits and investments not immediately needed for the operation of State government in:

- (a) Securities issued by the United States (U.S.) government or by its department or agencies and direct obligations of the U.S. or are backed by the full faith and credit of the U.S. government or agencies sponsored by the U.S. government;
- (b) Contracts for the present purchase and resale at a specified time in the future, not to exceed one year or, in case of bond proceeds, not to exceed three years, of specific securities at specified prices at a price difference representing the interest income to be earned by the State. No such contract shall be invested in unless the contract is fully secured by obligations of the United States of other securities backed by the United States having a market value of at least one hundred two percent of the amount of the contract;
- (c) Contracts for the temporary exchange of state-owned securities for the use of broker-dealers, banks or other recognized institutional investors in securities, for periods not to exceed one year for a specified fee rate. No such contract shall be invested in unless the contract is fully secured by exchange of an irrevocable letter of credit running to the State, cash or equivalent collateral of at least 102% of the market value of the securities plus accrued interest temporarily exchanged. The collateral required for either of the forms of investment in sections (b) and (c) shall be delivered to the fiscal agent of New Mexico or its designee contemporaneously with the transfer of funds or delivery of the securities at the earliest time industry practice permits, but in all cases, settlement shall be on the same-day basis. Neither of the contracts in (b) or (c) shall be invested in unless the contracting bank, brokerage firm or recognized institutional investor has a net worth in excess of five hundred million dollars;
- (d) Any of the following investments in an amount not to exceed forty percent of any fund that the State Treasurer invests: (1) commercial paper rated "prime" quality by a national rating service, issued by corporations organized and operating within the U.S.; (2) medium-term notes and corporate notes with a maturity not exceeding five years that are rated A or its equivalent or better by a nationally recognized rating service and that are issued by a corporation organized and operating in the U.S.; or (3) an asset-backed obligation with a maturity obligation with a maturity not exceeding five years that is rated AAA or its equivalent by a nationally recognized rating service;

STATE OF NEW MEXICO  
BOARD OF VETERINARY MEDICINE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

**NOTE 2. CASH (CONTINUED)**

- (e) Shares of a diversified investment company registered pursuant to the Federal Investment Company Act of 1940 that invests in U.S. fixed income securities or debt instruments authorized pursuant to (a), (b) and (d) above provided that the investment company has total assets under management of at least one billion dollars and the investments made by the State Treasurer pursuant to this paragraph are less than five percent of the assets of the investment company; or
- (f) Individual, common or collective trust funds of banks or trust companies that invest in U.S. fixed income securities or debt instruments authorized pursuant to (a), (b) and (d) above provided that the investment manager has assets under management of at least one billion dollars and the investments made by the State Treasurer pursuant to this paragraph are less than five percent of the assets of the individual, common or collective trust fund.

No public funds can be invested in negotiable securities, or loans to financial institutions fully secured by negotiable securities at current market value, shall be paid out unless there is a contemporaneous transfer of the securities at the earliest time industry practice permits, but in all cases, settlement shall be on a same-day basis either by physical delivery or, in the case of uncertified securities, by appropriate book entry on the books of the issuer, to the purchaser or to a reputable third party safekeeping financial institution acting as agent or trustee for the purchaser, which agent or trustee shall furnish timely confirmation to the purchaser.

***Credit Risk and Interest Rate Risk***

Credit risk is the risk that an issuer or other counter-party to an investment will not fulfill its obligations. The State Treasurer General Fund Investment Pool is not rated for credit risk.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board does not have an investment policy that limits interest rate risk.

For additional GASB 40 disclosure information regarding cash held by the State Treasurer, the reader should see the separate audit reports for the State Treasurer's Office for the fiscal year ended June 30, 2011.

STATE OF NEW MEXICO  
 BOARD OF VETERINARY MEDICINE  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2011

**NOTE 3. CHANGES IN CAPITAL ASSETS**

A summary of changes in capital assets follows:

	Balance <u>July 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2011</u>
Equipment	\$ 14,211	-	-	14,211
Accumulated depreciation	<u>(14,211)</u>	<u>-</u>	<u>-</u>	<u>(14,211)</u>
Totals	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

No depreciation expense was charged, as capital assets were fully depreciated as of June 30, 2011.

**NOTE 4. CHANGES IN LONG-TERM LIABILITIES**

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

	Balance <u>July 1, 2010</u> (Due in One Year)	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2011</u>	Due In <u>One Year</u>
Compensated absences payable	<u>\$ 4,648</u>	<u>5,733</u>	<u>(2,519)</u>	<u>7,862</u>	<u>2,729</u>

Compensated absences of \$7,862 have been recorded in the statement of net assets. Of the \$7,862, \$2,729 is considered to be the current portion while \$5,133 is considered to be the long-term portion which is expected to be paid after one year. The compensated absences payable has been valued using the pay rates in effect at June 30, 2011 and does not include estimated payroll tax and fringe benefits. The General Fund has been used to liquidate long-term liabilities.

**NOTE 5. LONG-TERM LEASE CONTRACT**

In November 2006, the Board moved the office to a larger unit and entered into a long-term lease for the rental of office space. The agreement is from December 1, 2006 to November 30, 2011. Rent expense for the year ended June 30, 2011 was \$23,640. The following payments are due for the year ending June 30:

2012	<u>\$ 9,850</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 lessor 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.

STATE OF NEW MEXICO  
BOARD OF VETERINARY MEDICINE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

**NOTE 6. 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 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 for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at [www.pera.state.nm.us](http://www.pera.state.nm.us).

*Funding Policy.* Plan members are required to contribute 8.92% of their gross salary. The Board is required to contribute 15.09% of the gross covered salary. 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, 2011, 2010 and 2009 were \$15,513, \$17,842, and \$18,974, respectively, which equal the amount of the required contributions for each fiscal year.

**NOTE 7. RETIREE HEALTH CARE ACT CONTRIBUTIONS**

*Plan Description.* The Board contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit post-employment health care plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the health care plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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 RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the post-employment health care plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

STATE OF NEW MEXICO  
 BOARD OF VETERINARY MEDICINE  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2011

**NOTE 7. RETIREE HEALTH CARE ACT CONTRIBUTIONS (CONTINUED)**

*Funding Policy.* The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for health care benefits. Each participating retiree pays a monthly premium according to a service-based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at [www.nmrhca.state.nm.us](http://www.nmrhca.state.nm.us).

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2011, the statute required each participating employer to contribute 1.666% of each participating employee's annual salary; each participating employee was required to contribute .833% of their salary. In the fiscal years ending June 30, 2012 and June 30, 2013, the contribution rates for employees and employers will rise as follows:

	Fiscal Year	Employer Contribution Rate	Employee Contribution Rate
Also,	FY12	1.834%	.917%
	FY13	2.000%	1.000%

employers joining the program after 1/1/98 are required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The Board's contributions to the RHCA for the years ended June 30, 2011, 2010, and 2009 were \$1,703, \$1,433, and \$824, respectively, which equal the required contributions for each year.

**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 and natural disasters for which the government carries commercial insurance. The Board maintains commercial insurance through the Risk Management Division for coverage for workers compensation, auto liability, general liability, civil rights, property and contents. Management believes that a potential loss would be adequately covered by insurance and would not result in any material adverse effect on the financial condition of the Board. During the past three years the Board has not had any significant reductions in insurance coverage or settlements exceeding insurance coverage.

# Ricci & Company LLC

CERTIFIED PUBLIC ACCOUNTANTS  
6200 UPTOWN BLVD. NE - SUITE 400  
ALBUQUERQUE, NM 87110

## **Independent Auditor's 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***

Board Members  
State of New Mexico Board of Veterinary Medicine  
and  
Mr. Hector Balderas  
New Mexico State Auditor  
Santa Fe, New Mexico

We have audited the accompanying financial statements of the governmental activities, the major fund and its budgetary comparison of the State of New Mexico Board of Veterinary Medicine (Board), as of and for the year ended June 30, 2011, which collectively comprise the Board's basic financial statements and have issued our report thereon dated October 6, 2011. 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

Management is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over financial reporting.

*A deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.



Board Members  
State of New Mexico Board of Veterinary Medicine  
and  
Mr. Hector Balderas  
New Mexico State Auditor  
Santa Fe, New Mexico

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the Board, Office of the State Auditor, New Mexico Legislature, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

*Ricci & Company LLC*

Albuquerque, New Mexico  
October 6, 2011

**STATE OF NEW MEXICO  
BOARD OF VETERINARY MEDICINE  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended June 30, 2011**

None

**STATE OF NEW MEXICO  
BOARD OF VETERINARY MEDICINE  
EXIT CONFERENCE  
For the Year Ended June 30, 2011**

**Exit Conference**

An exit conference was held on October 6, 2011 to discuss the annual financial report. Attending were the following:

Representing the Board of Veterinary Medicine:

Ray B. Powell, DVM, Chairman  
Frances R. Sowers, Executive Director

Representing the Independent Auditor:

Herman Chavez, CPA  
Michelle Martinez, CPA

Note: Management is responsible for the context of the report, even though the financial statements were prepared substantially by the independent auditor.