

PORCH & ASSOCIATES LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

STATE OF NEW MEXICO
BOARD OF VETERINARY MEDICINE

Financial Statements, Supplementary Information
and
Independent Auditor's Report

June 30, 2016

STATE OF NEW MEXICO BOARD OF VETERINARY MEDICINE

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STATE OF NEW MEXICO BOARD OF VETERINARY MEDICINE

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STATE OF NEW MEXICO BOARD OF VETERINARY MEDICINE

List of Principal Officials

June 30, 2016

Board of Directors

Rebecca J. Washburn, DVM	Chair
John C. Wenzel, DVM	Vice Chair
Allison B. Stout, DVM	Secretary
Manuel A. Garcia, DVM	Member
Edward James Fallen, DVM	Member
Marybeth Brown-Pirrone	Public Member
Denai Forrest	Public Member

Staff

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

Independent Auditor's Report

Mr. Timothy Keller, New Mexico State Auditor and
The Board of Directors
State of New Mexico Board of Veterinary Medicine
Albuquerque, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the 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, 2016, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

Mr. Timothy Keller, New Mexico State Auditor and
The Board of Directors
State of New Mexico Board of Veterinary Medicine
Albuquerque, New Mexico

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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 State of New Mexico Board of Veterinary Medicine, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Schedule of Vendor Information for Purchases Exceeding \$60,000 (Unaudited) as listed in the Supplementary Information – Other Schedules section of the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Mr. Timothy Keller, New Mexico State Auditor and
The Board of Directors
State of New Mexico Board of Veterinary Medicine
Albuquerque, New Mexico

As discussed in Note 1, 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, 2016, and the changes in its financial position for the year ended in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2016 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* in considering the Board's internal control over financial reporting and compliance.

Porch & Associates LLC

Albuquerque, New Mexico
September 14, 2016

**STATE OF NEW MEXICO BOARD OF VETERINARY MEDICINE
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2016**

This *Management’s Discussion & Analysis (MD&A)* is provided pursuant to the requirements of Statement 34 of the *Government Accounting Standards Board (GASB 34)*. The MD&A introduces the basic financial statements and provides an analytical overview of the State of New Mexico Board of Veterinary Medicine’s (Board) financial activities.

The Board 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 compensated absences.

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

The basic financial statements report information about the Board as a whole using accounting methods similar to those used in the private sector. The statement of net position 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 statements report the Board’s net position and how it has 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 Board’s only fund – the general fund. The Board operates on its own self-generated revenues (examination fees, license fees, penalties, and miscellaneous services) and expends funds based on a budget approved by the New Mexico State Legislature annually.

Analysis of Financial Position – Statement of Net Position

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Change</u>
Cash	\$ 139,853	144,366	(4,513)
Capital assets, net of depreciation	5,472	-	5,472
Total assets	<u>145,325</u>	<u>144,366</u>	<u>959</u>
Current liabilities	21,169	20,866	303
Long-term liabilities	10,309	12,498	(2,189)
Total liabilities	<u>31,478</u>	<u>33,364</u>	<u>(1,886)</u>
Total net position	<u>\$ 113,847</u>	<u>111,002</u>	<u>2,845</u>

**STATE OF NEW MEXICO BOARD OF VETERINARY MEDICINE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2016**

Results of Operations – Statement of Activities

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Change</u>
Program Revenues			
Licensing and fees	\$ 313,778	311,228	2,550
Current services and penalties	19,424	24,842	(5,418)
Total revenues	<u>333,202</u>	<u>336,070</u>	<u>(2,868)</u>
Expenses			
Personal services/employee benefits	176,041	174,886	1,155
Contractual services	104,933	106,919	(1,986)
Other costs	49,383	61,609	(12,226)
Total expenses	<u>330,357</u>	<u>343,414</u>	<u>(13,057)</u>
Change in net position	2,845	(7,344)	10,189
Net position, beginning	<u>111,002</u>	<u>118,346</u>	<u>(7,344)</u>
Net position, ending	<u>\$ 113,847</u>	<u>111,002</u>	<u>2,845</u>

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

Analysis of the Board's Overall Financial Position and Results of Operations

The changes in the Board's financial position (Statement of Net Position) and operations (Statement of Activities) from the prior year is due to a slight increase in fees for state examinations, licenses, facilities, and late fees. Overall expenses have increased due to more personal services and employee benefit costs and other general and administrative costs in the current year, due to an increase in salaries.

The Board's capital assets consist of equipment and has increased by \$6,700 due to the acquisition of a copier.

The Board 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, 2016. The only long term liability is due to the amount of compensated absences expected to be paid after one year.

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

The Board is in sound financial condition with \$123,984 in its fund balance. The Board is a non-reverting agency to the State General Fund. The Board was budgeted \$332,900 for the year ending June 30, 2016. There was one budget adjustment from the original approved budget during the year increasing the budget to \$347,900. The budget was under-expended by \$14,211.

**STATE OF NEW MEXICO BOARD OF VETERINARY MEDICINE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2016**

The only liabilities the Board has are vouchers payable, accrued payroll, and compensated absences. The total of these liabilities is \$31,478.

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

Requests for Information

This financial report is designed to provide a general overview of the Board's finances and to show the Board's accountability for the money it receives. Questions about this report or requests for additional financial information should be directed to:

Frances R. Sowers, Executive Director
Board of Veterinary Medicine
7301 Jefferson Street, N.E., Suite H
Albuquerque, New Mexico 87109

STATE OF NEW MEXICO BOARD OF VETERINARY MEDICINE
STATEMENT OF NET POSITION
June 30, 2016

	Governmental Activities
ASSETS	
Current Assets	
Cash	\$ 139,853
Capital Assets	
Equipment	13,273
Accumulated depreciation	(7,801)
Total capital assets	<u>5,472</u>
Total assets	<u>145,325</u>
LIABILITIES	
Current Liabilities	
Vouchers payable	9,864
Accrued payroll and related liabilities	6,005
Compensated absences, current portion	5,300
Total current liabilities	<u>21,169</u>
Long-term Liabilities	
Compensated absences	10,309
Total liabilities	<u>31,478</u>
NET POSITION	
Net investment in capital assets	5,472
Restricted	108,375
Total net position	<u>\$ 113,847</u>

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

STATE OF NEW MEXICO BOARD OF VETERINARY MEDICINE
STATEMENT OF ACTIVITIES
June 30, 2016

	Governmental Activities
EXPENSES	
Personal services and employee benefits	\$ 176,041
Contractual services	104,933
Other costs	1,228
Total expenses	<u>282,202</u>
Program Revenues	
Charges for services:	
Licensing and fees	313,778
Current services and penalties	19,424
Total revenues	<u>333,202</u>
Change in Net Position	<u>51,000</u>
Net position, beginning	<u>111,002</u>
Net position, ending	<u><u>\$ 162,002</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, 2016**

	General
ASSETS	
Cash	<u>\$ 139,853</u>
 LIABILITIES AND FUND BALANCE	
Liabilities	
Vouchers payable	\$ 9,864
Accrued payroll, taxes, and benefits	<u>6,005</u>
Total liabilities	<u>15,869</u>
Fund Balance	
Restricted for Board of Veterinary Medicine services and activities	<u>123,984</u>
Total liabilities and fund balance	<u>\$ 139,853</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 POSITION
June 30, 2016**

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances - governmental funds	\$ 123,984
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	5,472
Compensated absences payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(15,609)</u>
Net position - governmental activities	<u><u>\$ 113,847</u></u>

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 - GOVERNMENTAL FUNDS
Year Ended June 30, 2016**

	General
Revenues	
Licenses and fees	\$ 313,778
Other	19,424
Total revenues	<u>333,202</u>
Expenditures	
Current:	
Personal services and employee benefits	175,878
Contractual services	104,933
Other costs	48,155
Capital outlay	6,700
Total expenditures	<u>335,666</u>
Change in fund balances	(2,464)
Fund balance, beginning of year	<u>126,448</u>
Fund balance, end of year	<u><u>\$ 123,984</u></u>

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 OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2016**

Amounts reported for governmental activities in the statement of activities are different because:

Changes in fund balances - governmental funds \$ (2,464)

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. The following is the amount by which capital outlay exceeded depreciation in the current period.

Depreciation expense	(1,228)	
Capital outlay	<u>6,700</u>	5,472

Accrued compensated absences are expensed under the accrual method, and not the modified accrual method. (163)

Change in net position - governmental activities \$ 2,845

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, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Trade and professions licenses	\$ 232,000	232,000	239,445	7,445
Trade and professions permits	39,300	39,300	43,000	3,700
Registration for trades and professions	2,000	2,000	1,375	(625)
Trades and professional exam fees	38,000	38,000	30,030	(7,970)
Other current services	8,000	8,000	7,469	(531)
Other penalties	13,600	13,600	11,955	(1,645)
Total revenues	332,900	332,900	333,274	374
Expenditures				
Personal services and employee benefits	174,600	174,600	177,216	(2,616)
Contractual services	110,500	122,500	104,933	17,567
Other costs	47,800	50,800	44,840	5,960
Capital outlay	-	-	6,700	(6,700)
Total expenditures	332,900	347,900	333,689	14,211
Net change in fund balance	\$ -	(15,000)	(415)	14,585
Prior year fund balance required to balance the budget		15,000		
		-		
Non-GAAP change in fund balance			\$ (415)	
Change in:				
Vouchers payable			(3,315)	
Accrued payroll, taxes, and benefits			1,338	
Other liabilities			(72)	
GAAP change in fund balance			\$ (2,464)	

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, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Entity. The State of New Mexico Board of Veterinary Medicine (Board) was created by the Veterinary Practice Act, New Mexico Statutes 1978 Annotated 61-14-1 through 61-14-20. The Board is a non-reverting agency to the State General Fund.

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 1,019 veterinarians, 207 registered veterinary technicians, and 55 bovine artificial insemination and bovine 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 313 veterinary facilities annually, 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.

As required by GAAP, financial statements are presented for the Board and its component units. A legally separate organization that does not qualify as a primary government is a potential component unit. The normal criterion for deciding whether a potential component unit is, in fact, a component unit is financial accountability. Financial accountability is determined by analyzing fiscal dependency, board appointments, financial benefit or burden relationships, or the ability of the primary government to impose its will on the potential component unit. Based on these criteria, the Board has no component units.

STATE OF NEW MEXICO BOARD OF VETERINARY MEDICINE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

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. Both the government-wide and fund 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 position, the governmental column reflects a full accrual economic resources basis, which incorporates long-term assets as well a long-term debt and other 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 is otherwise being supplied by general government revenue. The statement of activities reduces gross expenses (including depreciation) by related program revenues, and operating and capital grants. The program revenues are directly associated with the function. The Board includes only one function in its statement of activities (general government).

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Amounts reported as *program revenues* in the Statement of Activities include 1) licensing and fees, and 2) current services and penalties.

Governmental financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period. For this purpose, the Board considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is made.

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 recorded.

STATE OF NEW MEXICO BOARD OF VETERINARY MEDICINE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

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

The Board recognizes revenue in accordance with GASB Codification Section 1600, paragraph 112. This paragraph states that although an entity may send an invoice for a business license, it is not possible to know if the business will renew the license. This guidance also applies to professional licenses. Therefore, the point of renewal of a professional license is the time of payment because the Board would not know if a license is being renewed until the payment is received. As a result, the board does not recognize accounts receivable or income for invoiced but unpaid licenses at year-end.

Other revenues susceptible to accrual are investment income. All other revenues are recognized when they are received and are not susceptible to accrual because they are usually not measurable until payment is actually received.

The Board reports the following major governmental funds:

General Fund (Fund #074 – non-reverting). The General Fund is the Board's primary operating fund. It accounts for all of the financial resources of the general government. The General Fund is funded primarily through license and registration fees. The General Fund is a non-reverting fund created by Sections 61-14-1 through 61-14-20, NMSA 1978.

D. Cash – 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 disbursements and payroll functions. The New Mexico State Treasurer maintains the Board's cash and cash receipts.

E. Inventory

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

**STATE OF NEW MEXICO BOARD OF VETERINARY MEDICINE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

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

F. Capital Assets

Capital assets, which are comprised of equipment, are reported in the government-wide financial statements. Capital assets are defined by the Board as assets with an initial, individual cost of more than \$5,000, and an estimated useful life in excess of one year.

Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Such assets, including infrastructure, have higher limits that must be met before they are capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Equipment	3 - 10 years
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The Audit Act, 12-6-10, NMSA 1978, requires all assets which cost more than \$5,000 and have a life greater than one year to be added to the General Fixed Asset Account Group and a yearly inventory of those assets must be taken.

G. Accrued Compensated Absences

Full-time employees are entitled to accumulated annual leave at a 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, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

H. Fund Balances

The Board follows GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” This Statement defines fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance—amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance—amounts constrained to specific purposes by the Board itself, using its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the Board takes the same highest level action to remove or change the constraint.
- Assigned fund balance—amounts the Board intends to use for a specific purpose. Intent can be expressed by the Board of Directors or by an official or body to which the Board of Directors delegates the authority.
- Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The Board has reviewed each of the classifications and has determined that the fund balance is restricted for 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.

I. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net investment in capital assets excludes unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Board or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The entire net position of the Board is restricted by enabling legislation.

STATE OF NEW MEXICO BOARD OF VETERINARY MEDICINE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

J. Budgetary Information

The Board follows the following procedures for 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.

K. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

L. Implementation of New Accounting Standards

During the year ended June 30, 2016, the Board adopted the following Government Accounting Standards Board Statements (GASB):

GASB No. 72 – Fair Value Measurement and Application. The objective of this Statement is to provide guidance for determining a fair value measurement for financial reporting purposes, and for applying fair value to certain investments and disclosures related to all fair value measurements. The statement will not have a material impact on the Board's financial statements.

STATE OF NEW MEXICO BOARD OF VETERINARY MEDICINE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

L. Implementation of New Accounting Standards (Continued)

GASB No. 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The statement will not have a material impact on the Board’s financial statements.

NOTE 2. CASH

State law requires the Board’s cash be managed by the New Mexico State Treasurer's Office. Accordingly, the cash of the Board consists of cash in the General Fund Investment Pool (GFIP) or (Pool) managed by the New Mexico State Treasurer's Office.

Cash invested with the New Mexico State Treasurer at June 30, 2016 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	\$ 139,853	-	-	\$ 139,853

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 with funds on deposit with the New Mexico State Treasurer.

STATE OF NEW MEXICO BOARD OF VETERINARY MEDICINE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 2. CASH (CONTINUED)

The New Mexico State Treasurer's Office (STO) 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. STO, 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 U.S. or other securities backed by the U.S. 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 STO 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 STO 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, 2016

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 STO 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 STO 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, 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.

For cash management and investment purposes, the Board's funds are deposited in the State General Fund Investment Pool (Pool), which is managed by STO. Claims on the Pool are reported as assets by various agencies investing in the Pool, including the Board.

In June 2012, an independent diagnostic report revealed that Pool balances had not been reconciled at a "business unit by fund" level since the inception of the Statewide Human Resources, Accounting, and Management Reporting System (SHARE) system in July 2006. This report, entitled "Current State Diagnostic of Cash Control," also described a difference between Pool bank balances and the corresponding general ledger balances and indicated that the effect of reconciling items were unknown. The report, dated June 20, 2012, is available on the website of the New Mexico Department of Finance & Administration at: http://www.nmdfa.state.nm.us/Cash_Control.aspx.

STATE OF NEW MEXICO BOARD OF VETERINARY MEDICINE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 2. CASH (CONTINUED)

By state statute, the New Mexico Department of Finance and Administration (DFA) is responsible for the performance of monthly reconciliations with the balances and accounts kept by STO. Therefore, under the direction of the State Controller/Financial Control Division Director, the Financial Control Division (FCD) of the New Mexico Department of Finance & Administration undertook action to address the situation. DFA/FCD initiated the Cash Management Remediation Project (Remediation Project) in partnership with STO, the New Mexico Department of Information Technology, and a contracted third party with expertise in the Enterprise System Software used by the State.

The Remediation Project objective was to design and implement changes necessary to ensure ongoing completion of timely, accurate and comprehensive reconciliation of the Pool. DFA has, or is in the process of, implementing all the recommendations resulting for the Remediation Project and has made changes to the State's SHARE system configuration, cash accounting policies and procedures, business practices, and banking structure. This has enabled DFA to complete timely and accurate reconciliation of bank to book balances at the state and business unit level on a post implementation basis.

As of June 30, 2016, FCD in collaboration with the STO implemented a comprehensive reconciliation model that compared aggregated agency claims on the Pool and to the associated resources held by STO. This process now has been reviewed by the independent public accountants performing audits of the General Fund, the Department of Finance and Administration, and the State of New Mexico's Comprehensive Annual Financial Report for the fiscal year 2015. Each review of the process deemed it to be adequate and the findings related to cash reconciliations were significantly reduced or eliminated. Successfully addressing this issue allowed DFA to reinstate \$100 thousand that had been reserved as a loss contingency.

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 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 STO, the reader should see the separate audit reports for STO for the fiscal year ended June 30, 2016.

STATE OF NEW MEXICO BOARD OF VETERINARY MEDICINE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 3. CAPITAL ASSETS

Capital asset activity for the year ending June 30, 2016 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Equipment	\$ 14,211	6,700	(7,638)	13,273
Accumulated depreciation	(14,211)	(1,228)	7,638	(7,801)
Capital assets, net	\$ -	5,472	-	5,472

Depreciation expense was charged to other costs in the general fund

NOTE 4. COMPENSATED ABSENCES

During the year ended June 30, 2016, the following changes occurred:

	Beginning Balance	Additions	Payments	Ending Balance	Due Within One Year
Compensated absences payable	\$ 15,446	5,483	(5,320)	15,609	5,300

Compensated absences have been valued using the pay rates in effect at June 30, 2016 and does not include estimated payroll tax and fringe benefits. The general fund has been used to liquidate compensated absences.

NOTE 5. LONG TERM LEASE CONTRACT

In November 2006, the Board entered into a long-term lease for the rental of office space through November 2014. The lease was renewed for an additional five years through November 2019 at a rate of \$1,920 through November 2017 and \$2,020 through November 2019. The Board also leases a postage meter under a four year lease agreement through October 2016 at a monthly rate of \$70. Rent expense for the year ended June 30, 2016 was \$23,922. The following payments are due for the year ending June 30:

2017	\$ 23,880
2018	24,580
2019	25,080
2020	840
Total	\$ 74,380

STATE OF NEW MEXICO BOARD OF VETERINARY MEDICINE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 5. LONG TERM LEASE CONTRACT (CONTINUED)

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.

NOTE 6. PERA PENSION 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, PO Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at 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 16.99% 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 the legislature. The Board's contributions to PERA for the years ending June 30, 2016, 2015, and 2014 were \$22,206, \$21,553, and, \$16,951, respectively, equal to the amount of the required contributions for each year.

STATE OF NEW MEXICO BOARD OF VETERINARY MEDICINE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 7. ACCOUNTING AND FINANCIAL REPORTING FOR PENSIONS

The State of New Mexico follows the requirements of Government Accounting Standards Board Statement 68, *Accounting and Financial Reporting for Pensions*.

The State of New Mexico Board of Veterinary Medicine, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Disclosure requirements for governmental funds apply to the primary government as a whole, and as such, this information will be presented in the Component Appropriation Funds Annual Financial Report (General Fund) and the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

Information concerning the net pension liability, pension expense, and pension-related deferred inflows and outflows of resources of the primary government will be contained in the General Fund and the CAFR and will be available, when issued, from the Office of State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

NOTE 8. POST-EMPLOYMENT BENEFITS

Plan Description. The Board contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare 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 healthcare 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 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 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 postemployment healthcare 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, 2016

NOTE 8. POST-EMPLOYMENT BENEFITS (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 healthcare 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.

The employer, employee, and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

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. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2016, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2016, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act. The Board's contributions to the RHCA for the years ended June 30, 2016, 2015, and 2014 were \$2,614, \$2,538, and \$2,172, respectively, which equal the required contributions for each year.

STATE OF NEW MEXICO BOARD OF VETERINARY MEDICINE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 9. 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 coverage through the Risk Management Division for workers compensation, auto liability, general liability, civil rights, and 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.

NOTE 10. SUBSEQUENT EVENTS

The Board has evaluated subsequent events through September 14, 2016, the date the financial statements were available to be issued. There were no material subsequent events.

STATE OF NEW MEXICO BOARD OF VETERINARY MEDICINE
SCHEDULE OF VENDOR INFORMATION FOR PURCHASES EXCEEDING \$60,000 (UNAUDITED)
Year Ended June 30, 2016

RFB#/RFP#	State-Wide Price Agreement#	Type of Procurement	Awarded Vendor	Amount of Awarded Contract	\$ Amount of Amended Contract	Name and Physical Address of <u>ALL</u> Vendor(s) that responded	In-State/Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the vendor in-state and chose Veteran's preference (Y or N)	Brief Description of the Scope of Work
None									

PORCH & ASSOCIATES LLC

CERTIFIED PUBLIC ACCOUNTANTS
10612 ROYAL BIRKDALE NE
ALBUQUERQUE, NM 87111

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*

Mr. Timothy Keller, New Mexico State Auditor and
The Board of Directors
State of New Mexico Board of Veterinary Medicine
Albuquerque, New Mexico

We have audited, in accordance with the 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, the 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, 2016, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated September 14, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Mr. Timothy Keller, New Mexico State Auditor and
The Board of Directors
State of New Mexico Board of Veterinary Medicine
Albuquerque, New Mexico

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Porch & Associates LLC

Albuquerque, New Mexico
September 14, 2016

**STATE OF NEW MEXICO BOARD OF VETERINARY MEDICINE
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2016**

None

**STATE OF NEW MEXICO BOARD OF VETERINARY MEDICINE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2016**

Findings from Year Ended June 30, 2015:
2015-001 Professional Service Contractor Payments

Current Status:
Resolved

**STATE OF NEW MEXICO BOARD OF VETERINARY MEDICINE
EXIT CONFERENCE
Year Ended June 30, 2016**

An exit conference was held on September 15, 2016, and attended by the following:

State of New Mexico Board of Veterinary Medicine

Frances R. Sowers, Executive Director
Edward J. Fallen, DVM, Board Member

Porch & Associates LLC

Thad Porch, Managing Principal

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The financial statements were prepared by Porch & Associates LLC from the books and records of the Board. However, the contents of these financial statements remain the responsibility of the Board's management.