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***North Dakota State Board of
Veterinary Medical Examiners***

Audit Report

June 30, 2010 and 2009

North Dakota Board of Veterinary Medical Examiners
Bismarck, North Dakota

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For The Years Ended June 30, 2010 and 2009

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North Dakota State Board of
Veterinary Medical Examiners

List of Officials
June 30, 2010 and 2009

Dr. Richard Odegard	President
Dr. Frank Walker	Secretary
Dr. Thomas Bettenhausen	Board Member
Dr. John Boyce	Executive Secretary
Mr. Bill Peterson	Board Attorney

INDEPENDENT AUDITOR'S REPORT

Governing Board
North Dakota State Board of Veterinary Medical Examiners
Bismarck, North Dakota

We have audited the accompanying financial statements of the business-type activities of the North Dakota State Board of Veterinary Medical Examiners, Bismarck, North Dakota, a component unit of the State of North Dakota, as of and for the years ended June 30, 2010 and 2009, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of North Dakota State Board of Veterinary Medical Examiners' 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the North Dakota State Board of Veterinary Medical Examiners, Bismarck, North Dakota, as of June 30, 2010 and 2009, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2011, on our consideration of North Dakota State Board of Veterinary Medical Examiners' 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.

As discussed in Note 1, the Board implemented GASB 34 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Government*. One of the requirements of this statement is a report by management, "Management's Discussion and Analysis". The Board has not prepared an MD&A report for inclusion in the audit report.

Mahlum Goodhart, PC

Mahlum Goodhart, PC
Mandan, North Dakota
March 2, 2011

North Dakota State Board of Veterinary Medical Examiners
 Statements of Net Assets - Proprietary Fund
 June 30, 2010 and 2009

	Business-Type Activities	
	Enterprise Fund	
	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and Cash Equivalents	\$ 91,739	\$ 86,276
Total Assets	91,739	86,276
LIABILITIES		
Accounts Payable	4,416	1,773
Total Liabilities	4,416	1,773
NET ASSETS		
Unrestricted	87,323	84,503
Total Net Assets	\$ 87,323	\$ 84,503

The accompanying notes are an integral part of this statement.

North Dakota State Board of Veterinary Medical Examiners
 Statements of Revenues, Expenses and Changes in
 Net Assets - Proprietary Fund
 For the Years Ended June 30, 2010 and 2009

	Business-Type Activities Enterprise Fund	
	2010	2009
OPERATING REVENUES		
Veterinary Licenses - Permits and Registration Fees	\$ 32,910	\$ 41,055
Fines & Fees	-	3,000
TOTAL OPERATING REVENUES	32,910	44,055
OPERATING EXPENSES		
Salaries	2,400	2,400
Social Security	184	184
Unemployment Insurance	6	7
Non State Employee Travel	1,975	5,183
Testing Materials	4,600	2,470
Office Supplies	27	903
Mailing Services	315	490
Postage and PO Box Rental	665	606
Copies from Others	775	717
Liability Insurance	809	809
Data Processing Service	367	99
Telephone ITD	473	562
IT Consultant/Development	4,626	1,261
Dues and Memberships	500	500
Miscellaneous Contractual Fees	10,413	10,633
Radio TV Newspaper Service	-	1,374
Audit	-	1,750
Veterinary	312	79
Legal - Attorney General's Office	1,643	3,544
TOTAL OPERATING EXPENSES	30,090	33,571
OPERATING INCOME (LOSS)	2,820	10,484
Net Assets - July 1	84,503	74,019
NET ASSETS - June 30	\$ 87,323	\$ 84,503

The accompanying notes are an integral part of this statement.

North Dakota State Board of Veterinary Medical Examiners
 Statements of Cash Flows - Proprietary Fund
 For the Years Ended June 30, 2010 and 2009

	Business-Type Activities Enterprise Fund	
	<u>2010</u>	<u>2009</u>
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 32,910	\$ 44,055
Cash Payments to Suppliers for Goods and Services	(24,857)	(29,715)
Cash Payment to Employees for Services	(2,590)	(2,591)
Net Cash Provided by Operating Activities	5,463	11,749
Net Increase (Decrease) in Cash and Cash Equivalents	5,463	11,749
Cash and Cash Equivalents, July 1	86,276	74,527
Cash and Cash Equivalents, June 30	\$ 91,739	\$ 86,276
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	\$ 2,820	\$ 10,484
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Changes in Assets and Liabilities:		
Increase (Decrease) in Accounts Payable	2,643	1,265
Total Adjustments	2,643	1,265
Net Cash Provided by Operating Activities	\$ 5,463	\$ 11,749

The accompanying notes are an integral part of this statement.

North Dakota State Board of Veterinary Medical Examiners
Notes to the Financial Statements
June 30, 2010 and 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The North Dakota State Board of Veterinary Medical Examiners licenses veterinarians and veterinary technicians, and reviews complaints in the state of North Dakota.

The financial statements of the board have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

The accompanying financial statements present the activities of North Dakota State Board of Veterinary Medical Examiners. The board has considered all potential component units for which the board is financially accountable and other organizations for which the nature and significance of their relationships with the board are such that exclusion would cause the board's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criterion includes appointing a voting majority of an organization's governing body and (1) the ability of North Dakota State Board of Veterinary Medical Examiners to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the North Dakota State Board of Veterinary Medical Examiners.

Based on these criteria, there are no component units to be included within the North Dakota State Board of Veterinary Medical Examiners as a reporting entity and the North Dakota State Board of Medical Examiners is a component unit of the State of North Dakota and is listed as an enterprise fund on the state's financial records.

B. Basis of Presentation

Governments engaged only in a single business-type activity should present only the financial statements required for enterprise funds.

Major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus/Basis of Accounting

Proprietary fund 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. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The Board reports the following major proprietary fund:

Operating Fund: This fund accounts for the operation of the North Dakota State Board of Veterinary Medical Examiners.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

North Dakota State Board of Veterinary Medical Examiners
Notes to the Financial Statements
June 30, 2010 and 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Board's enterprise fund are licenses, permits, and registration fees. Operating expenses for the enterprise fund include administrative expenses.

D. Budgets

Legal budgets were not adopted for the North Dakota State Board of Veterinary Medical Examiners. The board does not adopt a non-appropriated budget.

E. Estimates

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

F. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are 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.

G. Subsequent Events

The Board has evaluated subsequent events through March 2, 2011, the date which the financial statements were available to be issued

NOTE 2 CASH AND CASH EQUIVALENTS

Cash and cash equivalents is cash held by the state treasury consisting of demand deposits at the Bank of North Dakota. There were no investments during the years ended June 30, 2010 and 2009. The deposits at the Bank of North Dakota are uninsured and uncollateralized as the Bank of North Dakota does not carry FDIC insurance and is not required to provide pledges of security.

NOTE 3 ACCOUNTS PAYABLE

Accounts payable consists of amounts on open account for goods and services received prior to June 30, 2010 and 2009 but paid subsequent to that date.

NOTE 4 RISK MANAGEMENT

The North Dakota State Board of Veterinary Medical Examiners is exposed to various risks of loss relating to torts; theft of; damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The State of North Dakota has established a risk management fund. The North Dakota State Board of Veterinary Medical Examiners is covered by the fund for its general liability. The coverage by the Risk Management Fund is limited to a total of two hundred fifty thousand per person and seven hundred fifty thousand per occurrence.

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

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*

Governing Board
North Dakota State Board of Veterinary Medical Examiners
Bismarck, North Dakota

We have audited the financial statements of the business-type activities of the North Dakota State Board of Veterinary Medical Examiners, Bismarck, North Dakota, a component unit of the State of North Dakota, as of and for the years ended June 30, 2010 and 2009, which collectively comprises the Board's basic financial statements and have issued our report thereon dated March 2, 2011. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the North Dakota State Board of Veterinary Medical Examiners' 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 North Dakota State Board of Veterinary Medical Examiners' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of North Dakota State Board of Veterinary Medical Examiners' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 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. We consider the deficiencies 2010-1 through 2010-2 described in the accompanying schedule of findings to be material weaknesses.

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*

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the North Dakota State Board of Veterinary Medical Examiners' 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 and the governing board and is not intended to be and should not be used by anyone other than these specified parties.

Mahlum Goodhart, PC

Mahlum Goodhart, PC
Mandan, North Dakota
March 2, 2011

North Dakota State Board of Veterinary Medical Examiners
Schedule of Findings and Questioned Costs
For the Years Ended June 30, 2010 and 2009

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Business-Type Activities

Unqualified

Internal control over financial reporting:

Material weaknesses identified?

Yes

Control deficiencies identified not considered to be material weaknesses?

No

Noncompliance material to financial statements noted?

No

Section II - Financial Statement Findings

Finding 2010-1: Segregation of Duties

Condition – The entity has a lack of segregation of duties in certain areas due to a limited number of individuals involved.

Criteria – A good system of internal control contemplates an adequate segregation of duties so that no individual has control of a transaction from inception to completion.

Effect – There is limited separation of duties as two employees are responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, and prepare financial statements. Due to the size of the entity, it is not feasible to obtain proper separation of duties and the degree of internal control is severely limited.

Recommendation – This is not unusual in organizations of your size, but the board should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective controls lie in the board's knowledge of matters relating to the organization's operations.

Finding 2010-2: Preparation of Financial Statements and Audit Notes

Condition – The financial statements and related notes are prepared by the entity's auditors.

Criteria – An appropriate system of internal controls requires that the entity must make a determination that the financial statements are properly stated according to GAAP requirements. This requires the entity to maintain knowledge of current accounting principles and required financial statement disclosures.

Effect – An appropriate system of internal controls is not present to make a determination that financial statements are properly stated in compliance with GAAP requirements.

Recommendation – Compensating controls over financial statement disclosure requirements could be provided by the use of current disclosure checklists or the outsourcing of the financial statement preparation or review function.