

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

Audit Report

June 30, 2018 and 2017

North Dakota Board of Veterinary Medical Examiners
Bismarck, North Dakota

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For the Years Ended June 30, 2018 and 2017

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North Dakota State Board of
Veterinary Medical Examiners

List of Officials

June 30, 2018

Dr. Carolyn Woodruff	President
Dr. Thomas Bettenhausen	Board Member
Dr. Gerald Buchholz	Board Member
Ms. Lynn Priebe, LVT	Board Member
Ms. Carmel Miller	Public Member/Secretary
Dr. John R. Boyce	Executive Secretary
Ms. Nici Meyer	Board Attorney

June 30, 2017

Dr. Carolyn Woodruff	President
Dr. Thomas Bettenhausen	Board Member
Dr. Gerald Bucholz	Board Member
Ms. Lynn Priebe, LVT	Board Member
Ms. Carmel Miller	Public Member/Secretary
Dr. John R. Boyce	Executive Secretary
Mr. Joseph Bialke	Board Attorney

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2018 and 2017, 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. 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 business-type activities of the North Dakota State Board of Veterinary Medical Examiners, Bismarck, North Dakota, as of June 30, 2018 and 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2018, on our consideration of the 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 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 North Dakota State Board of Veterinary Medical Examiners' internal control over financial reporting and compliance.

Haga Kommer, Ltd.

Haga Kommer, Ltd.
Mandan, North Dakota
November 27, 2018

North Dakota State Board of Veterinary Medical Examiners
 Statements of Net Position - Proprietary Fund
 June 30, 2018 and 2017

	Business-Type Activities Enterprise Fund	
	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and Cash Equivalents	\$ 163,667	151,051
Total Assets	163,667	151,051
LIABILITIES		
Accounts Payable	1,476	1,341
Total Liabilities	1,476	1,341
NET POSITION		
Unrestricted	162,191	149,710
Total Net Position	\$ 162,191	\$ 149,710

North Dakota State Board of Veterinary Medical Examiners
 Statements of Revenues, Expenses and Changes in
 Net Position - Proprietary Fund
 For the Years Ended June 30, 2018 and 2017

	Business-Type Activities Enterprise Fund	
	<u>2018</u>	<u>2017</u>
OPERATING REVENUES		
Veterinary Licenses - Permits and Registration Fees	\$ 46,605	\$ 50,165
TOTAL OPERATING REVENUES	46,605	50,165
OPERATING EXPENSES		
Salaries	12,000	12,000
Social Security	918	918
Unemployment Insurance	60	-
Non State Employee Travel	2,959	3,267
Software/License	67	449
Office Supplies	448	139
Mailing Services	627	514
Postage and PO Box Rental	902	859
Copies from Others	1,453	949
Risk Management Premiums	803	661
Booth and Room Rental	220	220
Rent	2,340	2,340
Repairs	405	2
Data Processing Service	453	455
Conference Expenses	1,127	-
Telephone ITD	40	21
IT Consultant/Development	420	577
IT-Network/Communications Non ITD	1,094	1,181
Dues and Memberships	500	500
Audit	-	2,975
Credit Card Processing Fee	-	1,000
Legal - Attorney General's Office	7,288	5,528
TOTAL OPERATING EXPENSES	<u>34,124</u>	<u>34,555</u>
OPERATING INCOME (LOSS)	12,481	15,610
Net Position - July 1	<u>149,710</u>	<u>134,100</u>
NET POSITION - June 30	<u>\$ 162,191</u>	<u>\$ 149,710</u>

North Dakota State Board of Veterinary Medical Examiners
 Statements of Cash Flows - Proprietary Fund
 For the Years Ended June 30, 2018 and 2017

	Business-Type Activities Enterprise Fund	
	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 46,605	\$ 50,165
Cash Payments to Suppliers for Goods and Services	(21,011)	(21,544)
Cash Payment to Employees for Services	(12,978)	(12,918)
Net Cash Provided by Operating Activities	12,616	15,703
Net Increase (Decrease) in Cash and Cash Equivalents	12,616	15,703
Cash and Cash Equivalents, July 1	151,051	135,348
Cash and Cash Equivalents, June 30	\$ 163,667	\$ 151,051
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	\$ 12,481	\$ 15,610
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Changes in Assets and Liabilities:		
Increase (Decrease) in Accounts Payable	135	93
Total Adjustments	135	93
Net Cash Provided by Operating Activities	\$ 12,616	\$ 15,703

North Dakota State Board of Veterinary Medical Examiners
Notes to the Financial Statements
June 30, 2018 and 2017

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

The Board follows the pronouncements of the Governmental Accounting Standards Board (GASB), which is the nationally accepted standard setting body for establishing accounting principles generally accepted in the United States for government entities.

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.

North Dakota State Board of Veterinary Medical Examiners
Notes to the Financial Statements
June 30, 2018 and 2017

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. 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.

E. Net Position

Net position represents the difference between assets and liabilities. 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. When expenses are incurred and both restricted and unrestricted resources are available the policy is to first apply restricted then unrestricted resources.

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, 2018 and 2017. Under state law, the deposits at the Bank of North Dakota are backed by the full faith and credit of the State of North Dakota and no pledges of security are required.

NOTE 3 ACCOUNTS PAYABLE

Accounts payable consists of amounts on open accounts for goods and services received prior to June 30, 2018 and 2017 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 one million per occurrence.

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

NOTE 5 SUBSEQUENT EVENTS

The North Dakota Board of Veterinary Medical Examiners has evaluated subsequent events through November 27, 2018, the date which the financial statements were available to be issued.

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*

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

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 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, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon dated November 27, 2018.

Internal Control Over Financial Reporting

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

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses. We consider the deficiencies 2018-001 through 2018-002 described in the accompanying schedule of findings to be material weaknesses.

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*

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 from 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*.

North Dakota State Board of Veterinary Medical Examiners' Responses to Findings

The North Dakota State Board of Veterinary Medical Examiners' responses to the findings identified in our audit are described in the accompanying schedule of findings. The North Dakota State Board of Veterinary Medical Examiners' responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 entity'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 North Dakota State Board of Veterinary Medical Examiners' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Haga Kommer, Ltd.

Haga Kommer, Ltd.
Mandan, North Dakota
November 27, 2018

North Dakota State Board of Veterinary Medical Examiners
Schedule of Findings
For the Years Ended June 30, 2018 and 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Business-Type Activities	Unmodified
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 2018-001: 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 one employee is 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.

Management's Response – We are aware of this issue and accept the risks. As a small organization with limited staff, we have internal controls to mitigate this as much as possible.

Finding 2018-002: 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.

Management's Response – We are aware of this issue and accept the risks.