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**LOUISIANA STATE BOARD OF  
WHOLESALE DRUG DISTRIBUTORS  
DEPARTMENT OF HEALTH AND HOSPITALS  
STATE OF LOUISIANA**

**FINANCIAL REPORT**

**FOR THE YEARS ENDED  
JUNE 30, 2004 AND JUNE 30, 2005**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 9-14-05

**LOUISIANA STATE BOARD OF WHOLESALE DRUG DISTRIBUTORS  
DEPARTMENT OF HEALTH AND HOSPITALS  
STATE OF LOUISIANA  
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# HFB

HUGH F. BAXLEY, CPA  
A Professional Accounting Corporation

Hugh F. Baxley, CPA/PFS/CVA  
Margaret A. Pritchard, CPA

Louisiana State Board of Wholesale Drug Distributors  
Department of Health and Hospitals  
State of Louisiana

## INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities of Louisiana State Board of Wholesale Drug Distributors, a component unit of the State of Louisiana, as of and for the two years ended June 30, 2005, which collectively comprise the Board's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Louisiana State Board of Wholesale Drug Distributors' management. Our responsibility is to express an opinion on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 opinion.

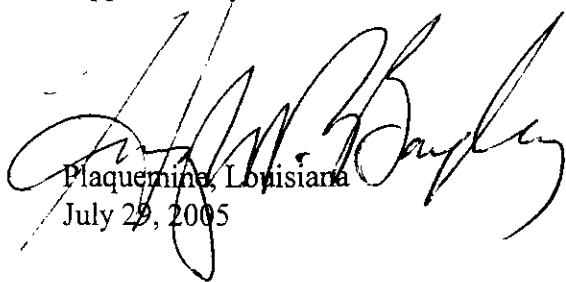
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Louisiana State Board of Wholesale Drug Distributors as of June 30, 2005, and the respective changes in financial position and cash flows for the two years 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 July 29, 2005, on our consideration of Louisiana Wholesale Drug Distributors' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

**INDEPENDENT AUDITORS' REPORT (continued)**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Louisiana State Board of Wholesale Drug Distributors' basic financial statements. The other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Louisiana State Board of Wholesale Drug Distributors. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

The Management's Discussion and Analysis on pages 4 through 6 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



Plaquemine, Louisiana  
July 29, 2005

**REQUIRED SUPPLEMENTARY INFORMATION**



## LOUISIANA BOARD OF WHOLESALE DRUG DISTRIBUTORS

12046 Justice Avenue, Suite C

Baton Rouge, LA 70816

(225) 295-8567 Fax (225) 295-8568 lsbwdd@bellsouth.net www.lsbwdd.org

### Management Discussion and Analysis

As of and for the Two-Years Ended June 30, 2005

#### General Information

The Louisiana Board of Wholesale Drug Distributors is a regulatory board established in 1988 for the safeguarding of life and health and to promote the public welfare in the regulation of wholesale drug distribution facilities into/within the State of Louisiana. The Board strives to license and regulate any person or entity engaged in the wholesale distribution of drugs.

Management's discussion and analysis (MD&A) is a required element of the new reporting model adopted by the Government Accounting Standard's Board (GASB) in their statement number 34. Its purpose is to provide an overview of the financial activities of the Louisiana Board of Wholesale Drug Distributors based on currently known facts, decisions, or conditions.

#### Financial Highlights

Licensing fees representing the issuance of new licenses, renewal of licenses, disciplinary fines, and miscellaneous other licensing related fees reflect total revenues of \$232,925 for fiscal year 2004 and \$244,850 for fiscal year 2005.

Total overall revenues reflected are \$235,848 for fiscal year 2004 and \$250,083 for fiscal year 2005. This revenue includes all licensing related fees as well as other miscellaneous revenues.

Total expenditures for fiscal year 2004 totaled \$232,931 and for fiscal year 2005 totaled \$254,697.

#### Revenue

The Board's revenue consists of fees collected from licensees for annual renewal of licenses as well as fees collected for issuance of new licenses; disciplinary fines and costs recovery collected from licensees due to regulatory action taken; and interest earned on financial accounts.

Of note for fiscal year 2004 is that renewal fees and new license fees increased in 2004 from the previous year and increased in 2005 from 2004. This is mainly due to a greater number of wholesalers applying for licensure and renewing licenses. Use of money saw an increase of approximately \$25,000 due to increase in services provided and employee payroll expenses.

**Expenditures**

Expenditures consist mainly of: employee salaries, Board Member per diems, travel expense, contracted attorney, inspector, and accountant fees, office rent, office expenses, communication expenses, tax and benefit expenses, and office supplies.

Overall expenditures increased as a result of increases in employee salaries, additional work performed by Board Members, subsequent increase in tax and benefit expenses, increase in inspection travel, and increase in office rent and general office expenses.

**Overview of the Financial Statements**

Operating Revenues	FY 2004	FY 2005
License/Permit Fees	\$ 227,625	\$ 237,300
License Disciplinary Fines	\$ 5,300	\$ 7,550

Operating Expenditures	FY 2004	FY 2005
Employee Salaries, Member Per Diems and Tax and Benefits	\$ 165,689	\$ 184,459
Travel Expenses	\$ 10,208	\$ 8,504
Attorney, Inspector, and Accounting	\$ 19,057	\$ 22,292
Office Rent and General Office Expense	\$ 37,976	\$ 39,442

**Variations Between Original and Final Budgets**

Variations between the original and the final budgeted revenues reflects an increase in licensing fees and disciplinary fines collected due to an increase in new license applications processed and a greater number of licenses being renewed and a decrease in the number of disciplinary fines assessed by the Board.

Variations between the original and the final budgeted expenditures reflects changes in employee salaries, taxes and benefits, Member per diems, travel expense, office rent and general office expenses due to employee merit raises, addition to contracted personnel, loss of Board Members (non-confirmed & deceased) leaving vacant Board seats, lease mandated office rent annual increase and additional office space acquired, and general office expense increases.

### **Economic Factors and Next Year's Budget**

The Board's fiscal year 2006 cash flow budget will have an increase in revenues due to the anticipation of an increase in the number of applications for new licensure and an increase in the number of licenses that will be renewed and an increase in expenditures due to the expectation of employee merit raises affecting taxes and benefits, the steady increase in Board work performed by Board Members, a mandated office rent increase and some increases in general office expenses. All other aspects of the budget should remain relatively the same.

### **Conclusion**

The Board has continued its diligence in public service, as well as maintaining staff levels to accommodate periodic increases in workload with license renewal processing and in state facility annual inspections.

The annual operations budget enables the Board to provide office space, staffing, insurance requirements, resources and materials to continue its service to promote the public welfare by licensing, inspecting and regulating licensees.

### **Contacting the Administration of the Louisiana Board of Wholesale Drug Distributors**

This financial report is designated to provide a general overview of the finances of the Louisiana Board of Wholesale Drug Distributors for those with an interest in the Board's financial position and operations. Questions about this report or request for additional information may be sent to:

Louisiana Board of Wholesale Drug Distributors  
12046 Justice Avenue, Suite C  
Baton Rouge, Louisiana 70816



**BASIC FINANCIAL STATEMENTS**

LOUISIANA STATE BOARD OF WHOLESALE DRUG DISTRIBUTORS  
DEPARTMENT OF HEALTH AND HOSPITALS  
STATE OF LOUISIANA  
STATEMENT OF NET ASSETS  
JUNE 30, 2005

<b>ASSETS</b>	
Current assets:	
Cash	\$ 149,957
Certificates of deposit	<u>174,461</u>
Total current assets	<u>324,418</u>
Noncurrent assets:	
Capital assets (net of depreciation)	
Furniture and equipment	<u>7,968</u>
Total noncurrent assets	<u>7,968</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 332,386</u></b>
<b>LIABILITIES AND NET ASSETS</b>	
Current liabilities:	
Accounts payable	<u>\$ 223</u>
Total current liabilities	<u>223</u>
Noncurrent liabilities:	
Compensated absences	<u>12,927</u>
Total noncurrent liabilities	<u>12,927</u>
<b>TOTAL LIABILITIES</b>	<b>13,150</b>
Net assets:	
<i>Investment in general fixed assets, net of related debt</i>	7,968
Restricted net assets	60,000
Unrestricted net assets	<u>251,268</u>
<b>TOTAL NET ASSETS</b>	<b><u>\$ 319,236</u></b>

The accompanying notes are an integral part of this statement.

LOUISIANA STATE BOARD OF WHOLESALE DRUG DISTRIBUTORS  
DEPARTMENT OF HEALTH AND HOSPITALS  
STATE OF LOUISIANA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS  
TWO YEARS ENDED JUNE 30, 2005

	YEAR ENDED JUNE 30, 2005	YEAR ENDED JUNE 30, 2004
<b>OPERATING REVENUES</b>		
Licenses, permits, and fees	\$ 239,890	\$ 228,925
Licensee fines	5,000	4,000
<b>TOTAL OPERATING REVENUES</b>	<b>244,890</b>	<b>232,925</b>
<b>OPERATING EXPENDITURES</b>		
Personal services and related benefits	189,729	163,543
Operating services	33,607	33,752
Materials and supplies	7,915	8,246
Travel	8,504	10,208
Depreciation	3,078	2,078
Professional services	15,139	12,967
<b>TOTAL OPERATING EXPENDITURES</b>	<b>257,972</b>	<b>230,794</b>
<b>OPERATING INCOME</b>	<b>(13,082)</b>	<b>2,131</b>
<b>NONOPERATING REVENUES</b>		
Interest revenue	5,193	2,923
<b>TOTAL NONOPERATING REVENUES</b>	<b>5,193</b>	<b>2,923</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS</b>	<b>(7,889)</b>	<b>5,054</b>
<b>CAPITAL CONTRIBUTIONS</b>	<b>-</b>	<b>-</b>
<b>CHANGES IN NET ASSETS</b>	<b>(7,889)</b>	<b>5,054</b>
<b>NET ASSETS - BEGINNING</b>	<b>327,124</b>	<b>322,070</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 319,235</b>	<b>\$ 327,124</b>

The accompanying notes are an integral part of this statement.

**LOUISIANA STATE BOARD OF WHOLESALE DRUG DISTRIBUTORS  
DEPARTMENT OF HEALTH AND HOSPITALS  
STATE OF LOUISIANA  
STATEMENT OF CASH FLOWS  
FOR THE TWO YEARS ENDED JUNE 30, 2005**

	<u>JUNE 30, 2005</u>	<u>JUNE 30, 2004</u>
<b>Cash flows from operating activities</b>		
Cash received from customers	\$ 244,890	\$ 232,925
Payments to employees	(184,459)	(165,689)
Cash payments for goods and services	<u>(65,238)</u>	<u>(63,756)</u>
<b>Net cash provided by operating activities</b>	<u>(4,807)</u>	<u>3,480</u>
<b>Cash flows from capital and related financing activities</b>		
Equipment purchase	<u>(5,000)</u>	<u>(3,483)</u>
<b>Net cash used in capital and related financing activities</b>	<u>(5,000)</u>	<u>(3,483)</u>
<b>Cash flows from investing activities</b>		
Receipts of interest and dividends	<u>5,193</u>	<u>2,921</u>
<b>Net cash provided by investing activities</b>	<u>5,193</u>	<u>2,921</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(4,614)</b>	<b>2,918</b>
<b>Cash and cash equivalents, beginning of year</b>	<u>329,033</u>	<u>326,115</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 324,419</u></u>	<u><u>\$ 329,033</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
Operating income (loss)	\$ (13,082)	\$ 2,131
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	3,078	2,078
Assets retired (net)	-	1,253
Changes in operating assets and liabilities:		
Accounts payable	(73)	164
Compensated absences	5,270	(2,146)
Total adjustments	<u>8,275</u>	<u>1,349</u>
<b>Net cash provided by operating activities</b>	<u><u>\$ (4,807)</u></u>	<u><u>\$ 3,480</u></u>

The accompanying notes are an integral part of this statement.

**LOUISIANA STATE BOARD OF WHOLESALE DRUG DISTRIBUTORS  
NOTES TO FINANCIAL STATEMENTS**

**INTRODUCTION**

The Louisiana State Board of Wholesale Drug Distributors is a component unit of the State of Louisiana as provided by Louisiana Revised Statutes (LSA - R.S.) 37:3461-3482 within the Louisiana Department of Health and Hospitals, as provided by LSA-R.S. 36:309. The Board is composed of seven members, appointed by the Governor, who serve staggered terms of from two to six years, except that each member shall serve until his successor has been appointed and begins serving. The Board is charged with the responsibility of licensing all suppliers of legend drugs that ship into or within Louisiana; inspecting all wholesalers and distributors domiciled in Louisiana; and establishing certification that out-of-state suppliers who ship into Louisiana are properly certified in their own states. Operations of the Board are funded entirely through self-generated license fees.

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of the state and local governmental entities. In June of 1987, the GASB issued a revised codification of governmental accounting and financial reporting standards. The codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local government.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1. Basis of Presentation**

The accompanying financial statements of the Louisiana State Board of Wholesale Drug Distributors have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**2. Reporting Entity**

Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification) established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. In conformance with GASB Codification Section 2100, the Board is a component unit of the State of Louisiana because the state exercises oversight responsibility in that the governor appoints the board members and public service is rendered within the state's boundaries. The accompanying basic financial statements present only the transactions of the Louisiana State Board of Wholesale Drug Distributors, a component unit of the State of Louisiana.

**LOUISIANA STATE BOARD OF WHOLESALE DRUG DISTRIBUTORS**  
**NOTES TO FINANCIAL STATEMENTS**

Annually the State issues basic financial statements which include the activity contained in the accompanying financial statements. The basic financial statements are issued by the Louisiana Division of Administration - Office of Statewide Reporting and Accounting Policy and audited by the Louisiana Legislative Auditor.

**NOTE B - METHOD OF ACCOUNTING**

On July 1, 2001, the Board adopted the provisions of Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.*" Statement 34 established standards for external financial reporting for all state and local government entities which includes a statement of net assets, a statement of activities and changes in net assets and a statement of cash flows. It requires the classification of net assets into three components - invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

Invested in capital assets, net of related debt - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

Restricted - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets - This component of net asset consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The adoption of Statement 34 had no effect on the basic financial statements except for the classification of net assets in accordance with the Statement and the reflection of capital contributions as a change in net assets.

The financial statements of the Board are prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred. Under Governmental Accounting Standards Board (GASB) Statement No. 20, the Board has elected not to apply Financial Accounting Standards Board provisions issued after November 30, 1989.

**LOUISIANA STATE BOARD OF WHOLESALE DRUG DISTRIBUTORS**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE C – REVENUES AND EXPENSES**

Operating revenue and expense consist of those revenues and expenses that result from the ongoing principal operations of the Board. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from nonexchange transactions or ancillary activities.

When an expense is incurred for purposes for which there are both restricted and unrestricted net assets available, it is the Board's policy to apply those expenses to restricted net assets to the extent such are available and then to unrestricted net assets.

**NOTE D - BUDGET PRACTICES**

Budgets are prepared and adopted by the Board annually. The budget for fiscal year ended June 30, 2005 was adopted at the December 16, 2003 Board meeting and the budget for the fiscal year ending June 30, 2004 was adopted at the December 3, 2002 Board meeting.

*In accordance with Louisiana Revised Statutes 39:1331 the Board submits a copy of its proposed budget and any subsequent amendments for the ensuing fiscal year to the Joint Legislative Committee on the Budget, to each chairman of a standing committee of the legislature having jurisdiction as listed in R.S. 49:968, to the Legislative Auditor, and the Legislative Fiscal Office.*

The proposed budget is due no later than the first day of January. The Board monitors the budget and makes changes when deemed appropriate.

All funds budgeted are immediately available, as the Board's operations are financed with self-generated revenues. Therefore, the budget is known as a non-appropriated budget.

The Board does not follow the encumbrances method of accounting. Budgets are not included in the financial statements.

**NOTE E - CASH AND CASH EQUIVALENTS**

For reporting purposes, cash and cash equivalents include cash, demand deposits, time deposits and certificates of deposit. Under state law, the Board may deposit funds within a fiscal agent bank selected and designated by the Board. Further, the Board may invest in time certificates of deposit of state banks organized under the laws of Louisiana, national banks having their principal offices in Louisiana, in savings accounts or shares of savings and loan associations and savings banks, and in share accounts and share certificate accounts of federally or state chartered credit unions.

**LOUISIANA STATE BOARD OF WHOLESALE DRUG DISTRIBUTORS  
NOTES TO FINANCIAL STATEMENTS**

As reflected on the balance sheet, the Board had cash and cash equivalents totaling \$324,318 at June 30, 2005. Cash and cash equivalents are stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. As of June 30, 2005, the amount on deposit was secured as follows:

	Cash
Bank balances:	
Cash and cash equivalents	\$ 165,987
Certificates of deposit	174,461
Total bank balances	\$ 340,448
Insured (FDIC)	\$ 100,000
Uncollaterized, including any securities held for the entity but not in the entity's name	371,992
Total carrying amount of FDIC and securities pledged	\$ 471,992
Excess of securities pledged over bank balance	\$ 131,544

**NOTE F - VACATION AND SICK LEAVE**

The Board has the following policy related to annual and sick leave. The earning of annual and sick leave is based on the equivalent of full-time state service. It is credited at the end of each regular pay period of 80 hours of regular duty.

Accrued unused annual and sick leave shall be carried forward to the succeeding calendar years without limitation. Annual leave must be applied for by the employee and may be used only when approved by the Board. Upon retirement or resignation, unused annual leave of up to 300 hours is paid at the employee's current rate of pay. The employee is not paid for any unused sick leave. Annual leave in excess of 300 hours and sick leave are used in the retirement benefit computation as earned service.

At June 30, 2005, the employees of the Board had accumulated and vested \$12,927 of employee leave benefits, which was computed in accordance with GASB Codification Section C60, as modified by GASB Statement Number 16. This amount is recorded as a non-current liability.



**LOUISIANA STATE BOARD OF WHOLESALE DRUG DISTRIBUTORS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE G - TOTAL COLUMNS ON STATEMENTS**

The total column on the balance sheet is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

**NOTE H – PROPERTY, PLANT AND EQUIPMENT**

The property, plant and equipment of the Board are accounted for on a cost of services or "capital maintenance" measurement focus. Depreciation is provided using the straight-line method over estimated useful lives as follows:

Machinery and equipment	4-10 years
Buildings	25-40 years
Improvements other than buildings	30-50 years

**NOTE I - ENCUMBRANCES**

Encumbrance accounting, under which purchase orders are recorded in order to reserve that portion of the application appropriation, is not employed.

**NOTE J – CAPITAL ASSETS**

The following is a summary of the changes to fixed assets during the two years ended June 30, 2005:

	Balance June 30 2003	Additions	Deletions	Balance June 30 2004
Equipment	\$ 23,939	<u>\$ 3,483</u>	<u>\$ (6,259)</u>	\$ 21,163
Accum Dep	<u>18,047</u>	<u>2,078</u>	<u>(5,008)</u>	<u>15,117</u>
Capital Assets, Net	<u>\$ 5,892</u>			<u>\$ 6,046</u>

**LOUISIANA STATE BOARD OF WHOLESALE DRUG DISTRIBUTORS  
NOTES TO FINANCIAL STATEMENTS**

	Balance June 30 2004	Additions	Deletions	Balance June 30 2005
Equipment	\$ 21,163	<u>\$ 5,000</u>	<u>\$ (6,798)</u>	\$ 19,365
Accum Dep	<u>15,117</u>	<u>3,078</u>	<u>(6,798)</u>	<u>11,397</u>
Capital Assets, Net	<u>\$ 6,046</u>			<u>\$ 7,968</u>

**NOTE K – PENSION PLAN**

All full-time employees of the Board are members of the Louisiana State Employees Retirement System (“System”), a multiple-employer (cost sharing), public employee retirement system (PERS) controlled and administered by a separate board of trustees. Contributions of participating agencies are pooled within the System to fund accrued benefits, with contribution rates approved by the Louisiana Legislature.

All full-time employees are eligible to participate in the System. Benefits vest with ten years of service. At retirement age, employees are entitled to annual benefits equal to \$300 plus 2.5 percent of their highest consecutive 36 months average salary multiplied by their years of credited service. Vested employees may retire at (a) any age with thirty years of service, (b) age 55 with twenty-five years of service, or (c) at age 60 with ten years of service. The System also provides death and disability benefits. Benefits are established by state statute.

The System issues stand-alone financial statements that may be obtained at Post Office Box 44213, Baton Rouge, Louisiana, 70804.

In addition to the employee contributions of 7.5 percent of gross salary, the Board contributes an additional 17.8 percent of gross salary to the System. Contributions to the System were funded through employee and employer contributions of \$10,451 and \$24,803 and \$9,732 and \$20,502, respectively, for the years ended June 30, 2005 and June 30, 2004. The total payroll of the Board for the years ended June 30, 2005 and June 30, 2004 were \$141,441 and \$133,510, respectively. Under present statutes, the Board does not guarantee any of the benefits of the System.

**NOTE L - POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS**

The Board may provide certain continuing health care and life insurance benefits for its retired employees. Substantially all of the Board employees become eligible for those benefits if they reach normal retirement age while working for the Board.

**LOUISIANA STATE BOARD OF WHOLESALE DRUG DISTRIBUTORS  
NOTES TO FINANCIAL STATEMENTS**

Those benefits for retirees and similar benefits for active employees are provided through an insurance company whose monthly premiums are paid jointly by the employees and by the Board. The Board recognizes the cost of providing the benefits (Board's portion of premiums) as an expenditure when paid during the year. The Board has no retired employees, and at present does not provide life insurance benefits.

**NOTE M - LEASES**

The Board leases office space for \$1,319 per month. This lease is considered for accounting purposes to be an operating lease which expires October 31, 2005. Rent expenditure is \$15,906 for the year ended June 30, 2005 and \$15,020 for the year ended June 30, 2004.

A schedule of payments for operating leases follows:

<u>Year ended June 30, 2005</u>	<u>Amount</u>
2006	\$ 5,276
	<u>\$ 5,276</u>

**NOTE N – COMPENSATED ABSENCES**

Non-current liabilities consist of compensated absences. The following is a summary of the long-term obligation transactions during the year ended June 30, 2005.

Long-term obligations payable at July 1, 2003	\$9,804
Decrease in long-term debt	(2,147)
Long-term obligations payable at June 30, 2004	\$7,657
Increase in long-term debt	5,270
Long-term obligations payable at June 30, 2005	\$ 12,927

**LOUISIANA STATE BOARD OF WHOLESALE DRUG DISTRIBUTORS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE O - RELATED PARTY TRANSACTIONS**

The Board has entered into no related party transactions during the audit period.

**NOTE P - LITIGATION**

At June 30, 2005, there was no litigation pending against the Board.

**NOTE Q - RESTRICTED NET ASSETS**

The Board has designated \$60,000 of the fund balance as a reserve for undetermined future legal contingencies.

**SUPPLEMENTAL INFORMATION**

**SCHEDULE 1**

**LOUISIANA STATE BOARD OF WHOLESALE DRUG DISTRIBUTORS  
DEPARTMENT OF HEALTH AND HOSPITALS  
STATE OF LOUISIANA  
SCHEDULE OF BOARD MEMBERS' PER DIEM  
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND JUNE 30, 2004**

	<b>Fiscal Years Ended June 30</b>	
	<b>2005</b>	<b>2004</b>
Bob Broadus	\$ 225	\$ 225
Wayne Gremillion		1,350
Paul Hershel	75	
Frederic King	225	900
Judith Camp		150
Andy Milligan	75	-
William Crates	600	675
Randy Greene	225	225
Randall Brooks	675	225
	\$ 2,100	\$ 3,750

This schedule of per diem paid to board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Board members are paid \$75 per day for each board meeting they attend and for each day of additional service they render to the Board, as authorized by Louisiana Revised Statute 37:3111.

# HFB

HUGH F. BAXLEY, CPA  
A Professional Accounting Corporation

Hugh F. Baxley, CPA/PFS/CVA  
Margaret A. Pritchard, CPA

## SCHEDULE 2

Louisiana State Board of Wholesale Drug Distributors  
Department of Health and Hospitals  
State of Louisiana  
Baton Rouge, Louisiana

### REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

We have audited the financial statements of the business-type activities of Louisiana State Board of Wholesale Drug Distributors for the two years ended June 30, 2005, and have issued our report thereon dated July 29, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Louisiana State Board of Wholesale Drug Distributors' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements cause by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to material weaknesses.

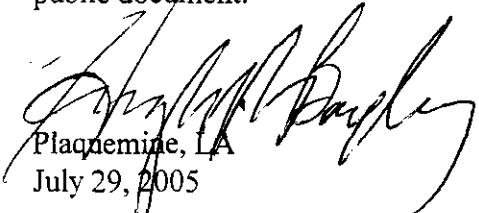
#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Louisiana State Board of Wholesale Drug Distributors' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulation, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements 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*.

**SCHEDULE 2, CONT.**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING  
STANDARDS***

This report is intended solely for the information and use of the management, others within the organization, Louisiana State Board of Wholesale Drug Distributors, and federal award agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

  
Plaquemine, LA  
July 29, 2005



**SCHEDULE 3**

**LOUISIANA STATE BOARD OF DRUG DISTRIBUTORS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
TWO YEARS ENDED JUNE 30, 2005**

There are no findings or questioned costs for the two years ended June 30, 2005.

**LOUISIANA STATE BOARD OF DRUG DISTRIBUTORS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
TWO YEARS ENDED JUNE 30, 2005**

Condition: At June 30, 2003, the bank balances exceeded the combined amount of FDIC coverage and securities pledged by \$17,071.

Recommendation: A procedure requiring office personnel to determine adequate collateralization should be implemented. If inadequate collateralization is determined, the bank should be notified.

Current Status: During the two years examined, there appears to be adequate collateralization.

STATE OF LOUISIANA  
Annual Financial Statements  
Fiscal Year Ending June 30, 2005

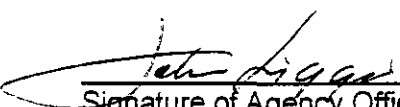
Louisiana State Board of Wholesale Drug Distributors

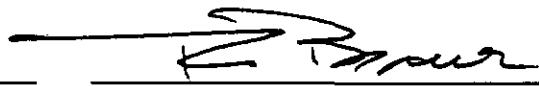
Division of Administration  
Office of Statewide Reporting  
and Accounting Policy  
P. O. Box 94095  
Baton Rouge, Louisiana 70804-9095

Legislative Auditor  
P. O. Box 94397  
Baton Rouge, Louisiana 70804-9397

AFFIDAVIT

Personally came and appeared before the undersigned authority, John Liggio (Name),  
Executive Director (Title) of Louisiana State Board of Wholesale Drug Distributors who duly  
sworn, deposes and says, that the financial statements herewith given present fairly the financial  
position of Louisiana State Board of Wholesale Drug Distributors at June 30, 2005 and the results of  
operations for the year then ended in accordance with policies and practices established by the  
*Division of Administration or in accordance with Generally Accepted Accounting Principles as*  
prescribed by the Governmental Accounting Standards Board. Sworn and subscribed before me,  
this 22<sup>nd</sup> day of August, 2005.

  
\_\_\_\_\_  
Signature of Agency Official  
John Liggio, Executive Director  
LA Brd of Wholesale Drug Distributors

  
\_\_\_\_\_  
NOTARY PUBLIC

RICHARD BROWN 42677  
My commission is for life

Prepared by: Ouida M. Nugent

Title: Accountant

Telephone No.: 225-752-3425

Date: July 26, 2005

LOUISIANA STATE BOARD OF WHOLESALE DRUG DISTRIBUTORS  
STATE OF LOUISIANA  
Annual Financial Statements  
June 30, 2005

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**STATE OF LOUISIANA  
LOUISIANA STATE BOARD OF WHOLESALE DRUG DISTRIBUTORS  
BALANCE SHEET  
AS OF JUNE 30, 2005**

**ASSETS**

**CURRENT ASSETS:**

Cash and cash equivalents (Note C1)	\$	<u>264,418</u>
Investments (Note C2)		
Receivables (net of allowance for doubtful accounts)(Note U)		
Due from other funds (Note Y)		
Due from federal government		
Inventories		
Prepayments		
Notes receivable		
Restricted assets		
Cash		<u>60,000</u>
Investments		
Receivables		
Other current assets		
Total current assets		<u>324,418</u>

**NONCURRENT ASSETS:**

Restricted assets (Note F):		
Cash		
investments		
Receivables		
Notes receivable		
Capital assets (net of depreciation)(Note D)		
Land		
Buildings and improvements		
Machinery and equipment		<u>7,968</u>
Infrastructure		
Construction in progress		
Other noncurrent assets		
Total noncurrent assets		<u>7,968</u>
Total assets	\$	<u><u>332,386</u></u>

**LIABILITIES**

**CURRENT LIABILITIES:**

Accounts payable and accruals (Note V)	\$	<u>223</u>
Due to other funds (Note Y)		
Due to federal government		
Deferred revenues		
Amounts held in custody for others		
Other current liabilities		
Current portion of long-term liabilities:		
Contracts payable		
Reimbursement contracts payable		
Compensated absences payable (Note K)		
Capital lease obligations - (Note J)		
Notes payable		
Liabilities payable from restricted assets (Note Z)		
Bonds payable		
Other long-term liabilities		
Total current liabilities		<u>223</u>

**NON-CURRENT LIABILITIES:**

Contracts payable		
Reimbursement contracts payable		
Compensated absences payable (Note K)		<u>12,927</u>
Capital lease obligations (Note J)		
Notes payable		
Liabilities payable from restricted assets (Note Z)		
Bonds payable		
Other long-term liabilities		
Total long-term liabilities		<u>12,927</u>
Total liabilities		<u>13,150</u>

**NET ASSETS**

Invested in capital assets, net of related debt		<u>7,968</u>
Restricted for:		
Capital projects		
Debt service		
Unemployment compensation		
Other specific purposes		<u>60,000</u>
Unrestricted		<u>251,268</u>
Total net assets		<u>319,236</u>
Total liabilities and net assets	\$	<u><u>332,386</u></u>

The accompanying notes are an integral part of this financial statement.  
Statement A

**STATE OF LOUISIANA  
LOUISIANA STATE BOARD OF WHOLESALE DRUG DISTRIBUTORS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2005**

<b>OPERATING REVENUES</b>	
Sales of commodities and services	\$ _____
Assessments	_____
Use of money and property	_____
Licenses, permits, and fees	239,890
Other - Licensee fines	5,000
Total operating revenues	<u>244,890</u>
<b>OPERATING EXPENSES</b>	
Cost of sales and services	_____
Administrative	254,894
Depreciation	3,078
Amortization	_____
Total operating expenses	<u>257,972</u>
Operating income(loss)	<u>(13,082)</u>
<b>NON-OPERATING REVENUES(EXPENSES)</b>	
State appropriations	_____
Intergovernmental revenues (expenses)	_____
Taxes	_____
Use of money and property	5,193
Gain (loss) on disposal of fixed assets	_____
Federal grants	_____
Interest expense	_____
Other	_____
Total non-operating revenues(expenses)	<u>5,193</u>
Income(loss) before contributions and transfers	<u>(7,889)</u>
Capital contributions	_____
Transfers in	_____
Transfers out	_____
Change in net assets	<u>(7,889)</u>
Total net assets – beginning as restated	<u>327,124</u>
Total net assets – ending	<u>\$ 319,235</u>

The accompanying notes are an integral part of this financial statement.

STATE OF LOUISIANA  
 LOUISIANA STATE BOARD OF WHOLESALE DRUG DISTRIBUTORS  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2005

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
BTA	\$ 257,972	\$ 244,890	\$	\$ (13,082)
General revenues:				
Taxes				
State appropriations				
Grants and contributions not restricted to specific programs				
Interest				5,193
Miscellaneous				
Special items				
Transfers				
Total general revenues, special items, and transfers				5,193
Change in net assets				(7,889)
Net assets - beginning				327,124
Net assets - ending				\$ 319,235

**STATE OF LOUISIANA  
LOUISIANA STATE BOARD OF WHOLESALE DRUG DISTRIBUTORS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2005**

**Cash flows from operating activities**

Cash received from customers	\$	<u>244,890</u>	
Cash payments to suppliers for goods and services		<u>(65,238)</u>	
Cash payments to employees for services		<u>(184,459)</u>	
Payments in lieu of taxes			
Internal activity-payments to other funds			
Claims paid to outsiders			
Other operating revenues(expenses)			
Net cash provided(used) by operating activities			<u>(4,807)</u>

**Cash flows from non-capital financing activities**

State appropriations			
Proceeds from sale of bonds			
Principal paid on bonds			
Interest paid on bond maturities			
Proceeds from issuance of notes payable			
Principal paid on notes payable			
Interest paid on notes payable			
Operating grants received			
Other			
Transfers in			
Transfers out			
Net cash provided(used) by non-capital financing activities			<u>0</u>

**Cash flows from capital and related financing activities**

Proceeds from sale of bonds			
Principal paid on bonds			
Interest paid on bond maturities			
Proceeds from issuance of notes payable			
Principal paid on notes payable			
Interest paid on notes payable			
Acquisition/construction of capital assets		<u>(5,000)</u>	
Proceeds from sale of capital assets			
Capital contributions			
Other			
Net cash provided(used) by capital and related financing activities			<u>(5,000)</u>

**Cash flows from investing activities**

Purchases of investment securities			
Proceeds from sale of investment securities			
Interest and dividends earned on investment securities		<u>5,193</u>	
Net cash provided(used) by investing activities			<u>5,193</u>

Net increase(decrease) in cash and cash equivalents			<u>(4,614)</u>
Cash and cash equivalents at beginning of year			<u>329,033</u>
Cash and cash equivalents at end of year	\$		<u><u>324,419</u></u>

The accompanying notes are an integral part of this statement.



STATE OF LOUISIANA  
 LOUISIANA STATE BOARD OF WHOLESALE DRUG DISTRIBUTORS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2005

Reconciliation of operating income (loss) to net cash provided (used) by operating activities:

Operating income (loss)	\$	<u>(13,082)</u>
Adjustments to reconcile operating income(loss) to net cash		
Depreciation/amortization	<u>3,078</u>	
Provision for uncollectible accounts	<u>          </u>	
Changes in assets and liabilities:		
(Increase)decrease in accounts receivable	<u>          </u>	
(Increase)decrease in due from other funds	<u>          </u>	
(Increase)decrease in prepayments	<u>          </u>	
(Increase)decrease in inventories	<u>          </u>	
(Increase)decrease in other assets	<u>          </u>	
Increase(decrease) in accounts payable	<u>(73)</u>	
Increase(decrease) in accrued payroll and related benefits	<u>          </u>	
Increase(decrease) in compensated absences payable	<u>5,270</u>	
Increase(decrease) in due to other funds	<u>          </u>	
Increase(decrease) in deferred revenues	<u>          </u>	
Increase(decrease) in other liabilities	<u>          </u>	
Net cash provided(used) by operating activities	\$	<u><u>(4,807)</u></u>

Schedule of noncash investing, capital, and financing activities:

Borrowing under capital lease	<u>          </u>
Contributions of fixed assets	<u>          </u>
Purchases of equipment on account	<u>          </u>
Asset trade-ins	<u>          </u>
Other (specify)	<u>          </u>
<u>          </u>	<u>          </u>
<u>          </u>	<u>          </u>
<b>Total noncash investing, capital, and financing activities:</b>	<u><u>          0</u></u>

(Concluded)

The accompanying notes are an integral part of this statement.

**STATE OF LOUISIANA**  
**LOUISIANA STATE BOARD OF WHOLESALE DRUG DISTRIBUTORS**  
**Notes to the Financial Statement**  
**As of and for the year ended June 30, 2005**  
**INTRODUCTION**

The Louisiana State Board of Wholesale Drug Distributors was created by the Louisiana State Legislature under the provisions of Louisiana Revised Statute 37:3461-3482. The following is a brief description of the operations of Louisiana State Board of Wholesale Drug Distributors, which includes the parish/parishes in which Louisiana State Board of Wholesale Drug Distributors is located:

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

1. BASIS OF ACCOUNTING

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. The GASB has issued a Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). This codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local governments. The accompanying financial statements have been prepared in accordance with such principles.

The accompanying financial statements of Louisiana State Board of Wholesale Drug Distributors present information only as to the transactions of the programs of the Louisiana State Board of Wholesale Drug Distributors as authorized by Louisiana statutes and administrative regulations. Basis of accounting refers to when revenues and expenses are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accounts of the Louisiana State Board of Wholesale Drug Distributors are maintained in accordance with applicable statutory provisions and the regulations of the Division of Administration – Office of Statewide Reporting and Accounting Policy as follows:

Revenue Recognition

*Revenues are recognized using the full accrual basis of accounting; therefore, revenues are recognized in the accounting period in which they are earned and become measurable.*

Expense Recognition

*Expenses are recognized on the accrual basis; therefore, expenses, including salaries, are recognized in the period incurred, if measurable.*

**B. BUDGETARY ACCOUNTING**

The appropriations made for the operations of the various programs of the Louisiana State Board of Wholesale Drug Distributors are annual lapsing appropriations.

1. The budgetary process is an annual appropriation valid for one year.
2. The agency is prohibited by statute from over expending the categories established in the budget.
3. Budget revisions are granted by the Joint Legislative Budget Committee, a committee of the Louisiana Legislature. Interim emergency appropriations may be granted by the Interim Emergency Board.
4. The budgetary information included in the financial statements include the original appropriation plus subsequent amendments as follows:

STATE OF LOUISIANA  
 LOUISIANA STATE BOARD OF WHOLESALE DRUG DISTRIBUTORS  
 Notes to the Financial Statement  
 As of and for the year ended June 30, 2005

	<u>APPROPRIATIONS</u>
Original approved budget	\$ <u>258,004</u>
Amendments:	<u>0</u> <hr style="border: 0.5px solid black;"/> <hr style="border: 0.5px solid black;"/> <hr style="border: 0.5px solid black;"/>
Final approved budget	\$ <u><u>258,004</u></u>

**C. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**

1. DEPOSITS WITH FINANCIAL INSTITUTIONS

For reporting purposes, deposits with financial institutions include savings, demand deposits, time deposits, and certificates of deposit. Under state law the Louisiana State Board of Wholesale Drug Distributors may deposit funds within a fiscal agent bank selected and designated by the Interim Emergency Board. Further, the Louisiana State Board of Wholesale Drug Distributors may invest in time certificates of deposit in any bank domiciled or having a branch office in the state of Louisiana; savings accounts or shares of savings and loan associations and savings banks; and in share accounts and share certificate accounts of federally or state chartered credit unions.

For the purpose of the Statement of Cash Flows, all highly liquid investments (including restricted assets with a maturity of three months or less when purchased) are considered to be cash equivalents.

Deposits in bank accounts are stated at cost, which approximates market. Under state law these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank in the form of safekeeping receipts held by the State Treasurer. The deposits at June 30, 2005 were secured as follows:

STATE OF LOUISIANA  
 LOUISIANA STATE BOARD OF WHOLESALE DRUG DISTRIBUTORS  
 Notes to the Financial Statement  
 As of and for the year ended June 30, 2005

	Deposits in bank accounts			Total
	Cash	Certificates of Deposit	Other (Describe)	
Deposits in bank accounts per balance sheet	\$ 149,857	\$ 174,461	\$	\$ 324,318
<i>Bank Balances of Deposits Exposed to Custodial Credit Risk:</i>				
(\$100,000 of Cash is FDIC Insured)				
a. Uninsured and uncollateralized	_____	_____	_____	_____
b. Uninsured and collateralized with securities held by the pledging institution	_____	_____	_____	_____
c. Uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the entity's name	49,857	174,461	_____	324,318
Total Bank Balances - All Deposits	\$ 149,857	\$ 174,461	\$	\$ 324,318

NOTE: The "Total Bank Balances - All Deposits" will not necessarily equal the "Deposits in Bank Account per Balance Sheet".

The following is a breakdown by banking institution, program, account number, and amount of the balances shown above:

<u>Banking institution</u>	<u>Program</u>	<u>Amount</u>
1. Hancock National Bank	Checking/Savings	\$ 149,857
2. Hancock National Bank	Certificate of Deposit	174,461
3. _____	_____	_____
4. _____	_____	_____
Total		\$ 324,318

Cash in State Treasury	\$ 0
Petty cash	\$ 100
	_____

2. INVESTMENTS

The Louisiana State Board of Wholesale Drug Distributors does not maintain investment accounts.

STATE OF LOUISIANA  
 LOUISIANA STATE BOARD OF WHOLESALE DRUG DISTRIBUTORS  
 Notes to the Financial Statement  
 As of and for the year ended June 30, 2005

**D. CAPITAL ASSETS – INCLUDING CAPITAL LEASE ASSETS**

The fixed assets used in the Special Purpose Government Engaged only in Business-Type Activities are included on the balance sheet of the entity and are capitalized at cost. Depreciation of all exhaustible fixed assets used by the entity are charged as an expense against operations. Accumulated depreciation is reported on the balance sheet. Depreciation for financial reporting purposes is computed by the straight-line method over the useful lives of the assets.

	Year ended June 30, 2005						Balance 6/30/2005
	Balance	Prior	Adjusted	Additions	Transfers*	Retirements	
	6/30/2004	Period Adjustment	Balance 6/30/2004				
<b>Capital assets not being depreciated</b>							
Land		--	--	--	--	--	--
Non-depreciable land improvements	--	--	--	--	--	--	--
Capitalized collections	--	--	--	--	--	--	--
Construction in progress	--	--	--	--	--	--	--
<b>Total capital assets not being depreciated</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Other capital assets</b>							
Furniture, fixtures, and equipment	21,163		21,163	5,000		(6,798)	19,365
Less accumulated depreciation	(15,117)		(15,117)	(3,078)		6,798	(11,397)
Total furniture, fixtures, and equipment	6,046		6,046	1,922		--	7,968
Buildings and improvements	--	--	--	--	--	--	--
Less accumulated depreciation	--	--	--	--	--	--	--
Total buildings and improvements	--	--	--	--	--	--	--
Depreciable land improvements	--	--	--	--	--	--	--
Less accumulated depreciation	--	--	--	--	--	--	--
Total depreciable land improvements	--	--	--	--	--	--	--
Infrastructure	--	--	--	--	--	--	--
Less accumulated depreciation	--	--	--	--	--	--	--
Total infrastructure	--	--	--	--	--	--	--
<b>Total other capital assets</b>	<b>6,046</b>	<b>--</b>	<b>6,046</b>	<b>1,922</b>	<b>--</b>	<b>--</b>	<b>7,968</b>
<b>Capital Asset Summary:</b>							
Capital assets not being depreciated	--	--	--	--	--	--	--
Other capital assets, at cost	21,163	--	21,163	5,000	--	(6,798)	19,365
Total cost of capital assets	21,163	--	21,163	5,000	--	(6,798)	19,365
Less accumulated depreciation	(15,117)	--	(15,117)	(3,078)	--	6,798	(11,397)
<b>Capital assets, net</b>	<b>6,046</b>	<b>--</b>	<b>6,046</b>	<b>1,922</b>	<b>--</b>	<b>--</b>	<b>7,968</b>

\* Should be used only for those completed projects coming out of construction-in-progress to fixed assets: not associated with transfers reported elsewhere in this packet.

**E. INVENTORIES**

There are no inventories.

**STATE OF LOUISIANA  
LOUISIANA STATE BOARD OF WHOLESALE DRUG DISTRIBUTORS  
Notes to the Financial Statement  
As of and for the year ended June 30, 2005**

**F. RESTRICTED ASSETS**

Restricted assets of the Louisiana State Board of Wholesale Drug Distributors at June 30, 2005, reflected at \$60,000 in the current assets section on Statement A, consist of \$60,000 in cash with fiscal agent. This is a reserve for undetermined future legal contingencies.

**G. LEAVE**

**1. COMPENSATED ABSENCES**

The Louisiana State Board of Wholesale Drug Distributors has the following policy on annual and sick leave:

The earning of annual and sick leave is based on the equivalent of full-time state service. It is credited at the end of each regular pay period of 80 hours of regular duty.

Accrued unused annual and sick leave shall be carried forward to the succeeding calendar years without limitation. Annual leave must be applied for by the employee and may be used only when approved by the Board. Upon retirement or resignation, unused annual leave of up to 300 hours is paid at the employee's current rate of pay. The employee is not paid for any unused sick leave. Annual leave in excess of 300 hours and sick leave are used in the retirement benefit computation as earned service.

At June 30, 2005, the employees of the Board had accumulated and vested \$12,927 of employee leave benefits, which was computed in accordance with GASB Codification Section C60, as modified by GASB Statement Number 16.

**2. COMPENSATORY LEAVE**

There is no compensatory leave.

**H. RETIREMENT SYSTEM**

Substantially all of the employees of the Louisiana State Board of Wholesale Drug Distributors are members of the La State Employees Retirement System (System), a cost sharing multiple-employer, defined benefit pension plan. The System is a statewide public employee retirement system (PERS) for the benefit of state employees, which is administered and controlled by a separate board of trustees.

All full-time Louisiana State Board of Wholesale Drug Distributors' employees are eligible to participate in the System. Benefits vest with 10 years of service. At retirement age, employees are entitled to annual benefits equal to \$300 plus 2.5% of their highest consecutive 36 months' average salary multiplied by their years of credited service.

*Vested employees are entitled to a retirement benefit, payable monthly for life at (a) any age with 30 years of service, (b) age 55 with 25 years of service, or (c) age 60 with 10 years of service. In addition, vested employees have the option of reduced benefits at any age with 20 years of service. The System also provides death and disability benefits. Benefits are established or amended by state statute. The System issues an annual publicly available financial report that includes financial statements and required*

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LOUISIANA STATE BOARD OF WHOLESALE DRUG DISTRIBUTORS  
Notes to the Financial Statement**

**As of and for the year ended June 30, 2005**

supplementary information for the System. That report may be obtained by writing to the State Employees Retirement System, Post Office Box 44213 Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0608 or (800) 256-3000.

Members are required by state statute to contribute 7.5% of gross salary, and the Louisiana State Board of Wholesale Drug Distributors is required to contribute at an actuarially determined rate as required by R.S. 11:102. The contribution rate for the fiscal year ended June 30, 2005, increased to 17.8% of annual covered payroll from the 15.8% and 14.1% required in fiscal years ended June 30, 2004 and 2003, respectively. The Louisiana State Board of Wholesale Drug Distributors' contributions to the System for the years ending June 30, 2005, 2004, and 2003, were \$24,803, \$20,502, and \$16,593, respectively, equal to the required contributions for each year.

**I. POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS**

There were no retired employees and no post retirement health care and life insurance benefits.

**J. LEASES**

**1. OPERATING LEASES**

The total payments for operating leases during fiscal year 2004-2005 amounted to \$15,906. A schedule of payments for operating leases follows:

<u>Nature of lease</u>	<u>FY2006</u>	<u>FY2007</u>	<u>FY2008</u>	<u>FY2009</u>	<u>FY2010</u>	<u>FY2011- 2015</u>	<u>FY2016 2020</u>
Office space	\$ 5,276	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total	\$ 5,276	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

**2. CAPITAL LEASES**

There are no capital leases.

**3. LESSOR DIRECT FINANCING LEASES**

There are no lessor direct financing leases.

**4. LESSOR – OPERATING LEASE**

There are no lessor operating leases.

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**K. LONG-TERM LIABILITIES**

The following is a summary of long-term debt transactions of the entity for the year ended June 30, 2005:

	Balance June 30, 2004	Year ended June 30, 2005		Balance June 30, 2005	Amounts due within one year
		Additions	Reductions		
<b>Bonds and notes payable:</b>					
Notes payable	\$ --	\$ --	\$ --	\$ --	\$ --
Reimbursement contracts payable	--	--	--	--	--
Bonds payable	--	--	--	--	--
Total notes and bonds	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<b>Other liabilities:</b>					
Contracts payable	--	--	--	--	--
Compensated absences payable	7,657	5,270	--	12,927	--
Capital lease obligations	--	--	--	--	--
Liabilities payable from restricted assets	--	--	--	--	--
Claims and litigation	--	--	--	--	--
Other long-term liabilities	--	--	--	--	--
Total other liabilities	<u>7,657</u>	<u>5,270</u>	<u>--</u>	<u>12,927</u>	<u>--</u>
Total long-term liabilities	<u>7,657</u>	<u>5,270</u>	<u>--</u>	<u>12,927</u>	<u>--</u>

**L. LITIGATION**

1. The Louisiana State Board of Wholesale Drug Distributors is not a defendant in litigation seeking damages.

The Louisiana State Board of Wholesale Drug Distributors' legal advisor estimates that potential claims not covered by insurance would not materially affect the financial statements.

2. Claims and litigation costs of \$14,009 were incurred in the current year and are reflected in the accompanying financial statement.

**M. RELATED PARTY TRANSACTIONS**

There are no related party transactions.

**N. ACCOUNTING CHANGES**

There are no accounting changes.



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O. IN-KIND CONTRIBUTIONS

There are no in-kind contributions.

P. DEFEASED ISSUES

There are no defeased issues.

Q. COOPERATIVE ENDEAVORS

There are no cooperative endeavors.

R. GOVERNMENT-MANDATED NONEXCHANGE TRANSACTIONS (GRANTS)

There are no government-mandated nonexchange transactions.

S. VIOLATIONS OF FINANCE-RELATED LEGAL OR CONTRACTUAL PROVISIONS

There are no violations of finance-related legal or contractual provisions.

T. SHORT-TERM DEBT

There is no short-term debt.

U. DISAGGREGATION OF RECEIVABLE BALANCES

There is none.

V. DISAGGREGATION OF PAYABLE BALANCES

Payables at June 30, 2005 were as follows:

<u>Activity</u>	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Accrued Interest</u>	<u>Other Payables</u>	<u>Total Payables</u>
Operations	<u>\$223</u>				<u>\$223</u>

W. SUBSEQUENT EVENTS

There are no subsequent event

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X. SEGMENT INFORMATION

The Louisiana State Board of Wholesale Drug Distributors has no requirement for separate segment accounting.

Y. DUE TO/DUE FROM AND TRANSFER

There are none.

Z. LIABILITIES PAYABLE FROM RESTRICTED ASSETS

There are no liabilities payable from restricted assets.

AA. PRIOR-YEAR RESTATEMENT OF NET ASSETS

There were adjustments made to restate beginning net assets for June 30, 2005.

Fund balance 1-Jul-04 <u>previously reported</u>	Adjustments <u>+ or (-)</u>	Beginning net assets, July 1, 2004 <u>As restated</u>
\$ 327,397	\$ (273)	\$ --
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This adjustment reflects a change in the payables and depreciation amounts as suggested by the auditor.

STATE OF LOUISIANA  
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SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS  
For the Year Ended June 30, 2005

<u>Name</u>	<u>Amount</u>
Robert V. Broadus	\$ 225
Randal Brooks	675
Andy Milligan	75
William Crates	600
Randy Greene	225
Paul Hershel	75
Frederic King	<u>225</u>
	<u>\$2,100</u>

SCHEDULE 1

STATE OF LOUISIANA  
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COMPARISON FIGURES

	<u>2005</u>	<u>2004</u>	<u>Difference</u>	<u>Percentage Change</u>
1) Revenues	\$250,083	\$235,848	\$14,235	6.04
Expenses	257,972	230,794	27,178	11.78
2) Capital assets	7,968	6,046	1,922	31.79
Long-term debt	12,927	7,657	5,270	68.83
Net Assets	319,235	327,124	(7,889)	(2.41)

Explanation for change: An increase in fees accounts for the increase in revenues, while an increase in employee expense accounts for the increase in expenses. The purchase of a copier accounts for the increase in capital assets. Also, an increase in the unused annual leave balance accounts for the increase in long-term debt.

SCHEDULE 15