

**LOUISIANA STATE BOARD OF MEDICAL EXAMINERS
STATE OF LOUISIANA
NEW ORLEANS, LOUISIANA**

**Basic Financial Statements
And Independent Auditor's Reports
As of and for the Year Ended December 31, 2012
With Supplemental Information Schedules**

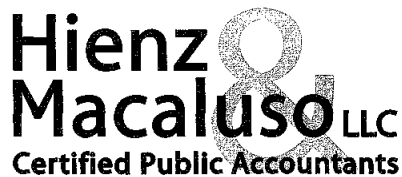
Audit of Financial Statements

December 31, 2012

**LOUISIANA STATE BOARD OF MEDICAL EXAMINERS
STATE OF LOUISIANA
ANNUAL FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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INDEPENDENT AUDITOR'S REPORT

July 15, 2013

To the Board of Directors
Louisiana State Board of Medical Examiners
Department of Health and Hospitals
State of Louisiana

We have audited the accompanying financial statements of the business-type activities and each major fund of the Louisiana State Board of Medical Examiners, a component unit of the State of Louisiana, as of and for the year ended December 31, 2012, 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 an opinion 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 opinion.

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 and each major fund of the Louisiana State Board of Medical Examiners, a component unit of the State of Louisiana, as of December 31, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress for postemployment benefits information on pages 4-8 and 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Louisiana State Board of Medical Examiners' basic financial statements. The accompanying supplemental information, such as the board members per diem and the Division of Administration Reporting packet, as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The board members per diem and the Division of Administration Reporting packet are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the board members per diem and the Division of Administration Reporting packet are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2013, on our consideration of the Louisiana State Board of 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 Louisiana State Board of Medical Examiners' internal control over financial reporting and compliance.

Hienz & Macaluso, LLC
Metairie, LA

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's discussion and analysis of the Louisiana State Board of Medical Examiners' financial performance presents a narrative overview and analysis of the Louisiana State Board of Medical Examiners' financial activities for the year ended December 31, 2012. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with prior year's information. Please read this document in conjunction with the information contained in the Louisiana State Board of Medical Examiner's financial statements, which begins on page 9.

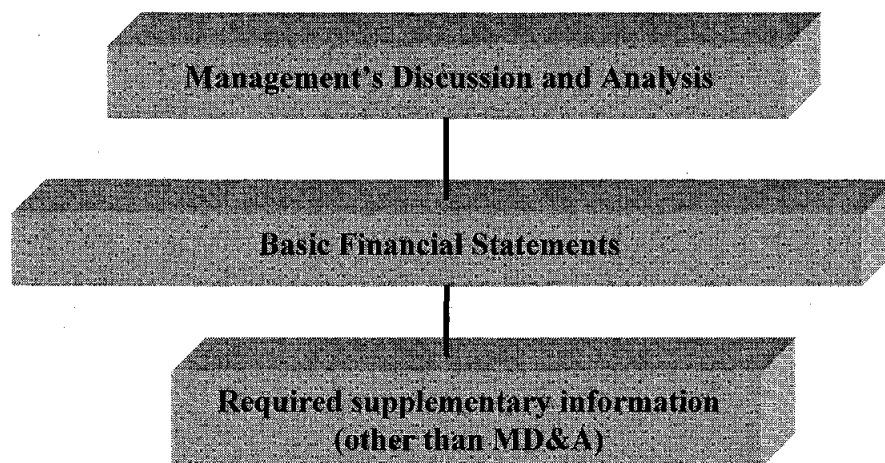
Financial Highlights

- ★ The Louisiana State Board of Medical Examiners continues to have no debt except for compensated absences for employees in the amount of \$295,297 and other postemployment benefits in the amount of \$2,983,361.
- ★ The Louisiana State Board of Medical Examiners' assets exceeded its liabilities at the close of fiscal year 2012 by \$5,967,230, which represents a 5.70% increase from last fiscal year.
- ★ The Louisiana State Board of Medical Examiners' operating revenue increased by \$226,506 from the previous year – approximately a 3.29% increase from the prior year.
- ★ Interest income decreased \$5,667 from the previous year – a 49.16% decrease over the prior year due to moving funds from Certificate of Deposits to Tower accounts.
- ★ Capital acquisitions in the amount of \$462,176 were made during 2012 for equipment and building improvements.

Overview of the basic financial statements

The following graphic illustrates the minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by Governmental Accounting Standards Board Statement 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)



These financial statements consist of three sections – Management’s Discussion and Analysis (this section), the basic financial statements (including the notes to the financial statements), and required supplementary information.

Basic Financial Statements

The basic financial statements present information for the Louisiana State Board of Medical Examiners as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

The Statement of Net Position presents the current and long-term portions of assets and liabilities separately. The difference between assets plus deferred outflow of resources and liabilities plus deferred inflow of resources is net position, which may provide a useful indicator of whether the financial position of the Louisiana State Board of Medical Examiners is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position present information showing how the Louisiana State Board of Medical Examiners’ assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net position are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until fiscal periods.

The Cash Flow Statement presents information showing how the Louisiana State Board of Medical Examiners’ cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Financial Analysis of the Entity

The following presents condensed financial information on the operations of the Entity:
(in thousands)

	Total	
	2012	2011
Current and other assets	\$ 3,394	\$ 4,862
Noncurrent assets	1,831	
Capital assets	7,267	7,110
Total assets	12,492	11,972
Current and other liabilities	3,343	3,428
Long-term debt outstanding	3,182	2,908
Total liabilities	6,525	6,336
Net assets		
Net investment in capital assets	7,267	7,110
Restricted	1,379	1,192
Unrestricted	(2,679)	(2,666)
Total net assets	\$ 5,967	\$ 5,636
Operating Revenues	\$ 7,121	\$ 6,895
Operating Expenses	(6,796)	(7,109)
Operating income (loss)	325	(214)
Non-operating revenues (expenses)	6	11
Income (loss) before transfers	331	(203)
Transfers in	-	-
Transfers out	-	-
Net increase (decrease) in net assets	\$ 331	\$ (203)

Restricted net position represents those assets that are not available for spending as a result of legislative requirements. Conversely, unrestricted net position is those that do not have any limitations on what these amounts may be used for. Total net position of Louisiana State Board of Medical Examiners increased by 330,763, a difference of 5.87% from December 31, 2011 to December 31, 2012.

Operating revenues increased during 2012 in the amount of \$226,505 due to an increase in license renewal fees, clinical lab renewal fees, permits, and fines. Total expenditures of the Board decreased by \$312,684 from 2011; this decrease was due mainly to decreases in professional services and operating services and offset by increases in personnel services and depreciation.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Capital Assets and Long Term Debt Administration

Capital Assets

As of December 31, 2012, the Louisiana State Board of Medical Examiners had \$7,267,450 invested in a broad range of capital assets, including buildings, building improvements, equipment, and an automobile. During the current year, the organization recorded \$462,176 of capital acquisitions, comprised of \$20,025 for computers and \$442,151 for building improvements.

Long-Term Debt

The Louisiana State Board of Medical Examiners did not have any bonds or notes outstanding at December 31, 2012.

The Louisiana State Board of Medical Examiners had no claims and judgments outstanding at December 31, 2012 and 2011. Other Obligations include accrued compensated absences in the amount of \$295,297 and other postemployment benefits in the amount of \$2,983,361.

Variations between Original and Final Budgets

The Board is required to submit an annual budget to the Joint Legislative Committee on the Budget as required by the Louisiana Licensing Agency Budget Act. Total revenues for 2012 were approximately \$215,167 over-budget for 2012, due to over-budgeting licensing/other fees. Expenditures were over-budgeted by approximately \$107,815 for 2012. Variances were due mostly to operating services, supplies, and depreciation over-budgeted by \$42,639, \$76,884, and 174,808, respectively, while personnel services in the amount of \$71,129 and contractual/professional services in the amount of \$104,717, were under-budgeted. The Board submitted a year-end budget adjustment as required by the Louisiana Licensing Agency Budget Act.

Economic Factors and Next Year's Budgets and Rates

The Board continues to make significant investments in enhancing its information and communication systems to provide for improved (1) back up capabilities and disaster recover capabilities (2) online services for licensees (3) connectivity with national data bases (4) access to information of interest by the public (5) network security (6) information systems capacity and (7) cost of operations. The online services include enhancement to the website, online renewals and Board Orientation Program portal, development of online initial applications and continuing professional educational programming. The communication systems include improvements to the call center and telephone system based on VOIP technology.

In addition the Board continues to expand its investigation/compliance efforts with additional staff dedicated to this activity. Looking ahead we anticipate additional legal expenses associated with this enforcement activity and with a number of rule making efforts that are underway and expected to continue.

Finally, the Board continues to look for and improve efficiencies in the use of space at 630 Camp Street.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The Louisiana State Board of Medical Examiner's appointed officials considered the following factors and indicators when setting next year's budget, rates and fees. These factors and indicators include:

Expected revenue

Staff and salaries

Legal and other professional services including contracted services

Operating Expenses

Contacting the Board's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Louisiana State Board of Medical Examiners' finances and to show the Louisiana State Board of Medical Examiners accountability for the money it receives.

If you have any questions regarding this report or need additional financial information, contact:

Dr. Cecilia Mouton
Executive Director
P.O. Box 30250
New Orleans, LA 30250

www.lsbme.la.gov

**LOUISIANA STATE BOARD OF MEDICAL EXAMINERS
STATE OF LOUISIANA
STATEMENT OF NET POSITION
DECEMBER 31, 2012**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 2,687,988
Receivables (net of allowance for doubtful accounts)	692,891
Prepaid expense	<u>753</u>
Total current assets	<u>3,381,632</u>

NONCURRENT ASSETS

Restricted Assets	
Cash and cash equivalents	1,785,141
Receivables (net of allowance for doubtful accounts)	<u>45,928</u>
Total Restricted assets	<u>1,831,069</u>

Capital Assets	
Land	100,000
Building and improvements	7,855,095
Furniture and equipment	1,335,687
Vehicles	17,131
Accumulated depreciation	<u>(2,040,463)</u>
Total capital assets	<u>7,267,450</u>

Other assets	<u>11,695</u>
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Total Noncurrent Assets	<u>9,110,214</u>
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Total Assets	<u><u>\$ 12,491,846</u></u>
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The accompanying notes are an integral part of these financial statements.

**LOUISIANA STATE BOARD OF MEDICAL EXAMINERS
STATE OF LOUISIANA
STATEMENT OF NET POSITION
DECEMBER 31, 2012**

LIABILITIES

CURRENT LIABILITIES

Accounts payable and accruals	\$ 317,052
Compensated absences payable	96,622
Unearned revenues	<u>2,928,906</u>
 Total current liabilities	 <u>3,342,580</u>

NONCURRENT LIABILITIES

Compensated absences payable	198,675
Other postemployment benefits payable	<u>2,983,361</u>
 Total noncurrent liabilities	 <u>3,182,036</u>
 Total Liabilities	 <u>6,524,616</u>

NET POSITION

Net investments in capital assets	7,267,450
Restricted for:	
Capital projects	-
Debt service	-
Other purposes	1,379,446
Unrestricted	<u>(2,679,666)</u>
 Total Net Position	 \$ <u><u>5,967,230</u></u>

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

**LOUISIANA STATE BOARD OF MEDICAL EXAMINERS
STATE OF LOUISIANA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2012**

OPERATING REVENUES:

Licenses, permits and fees	\$ 7,074,612
Other	<u>46,580</u>
 Total operating revenues	 <u>7,121,192</u>

OPERATING EXPENSES:

Personnel services	3,954,692
Contractual services	495,637
Travel	98,553
Operating services	670,561
Supplies	43,015
Professional services	1,228,639
Depreciation	<u>305,192</u>
 Total Operating Expenses	 <u>6,796,289</u>
 Operating income (loss)	 <u>324,903</u>

NON-OPERATING REVENUES (EXPENSES):

Interest revenue	<u>5,860</u>
 Total Non-operating Revenue (Expenses)	 <u>5,860</u>
 Increase (Decrease) in Net Position	 330,763
 Total Net Position - beginning	 <u>5,636,467</u>
 Total Net Position - ending	 <u>\$ 5,967,230</u>

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

**LOUISIANA STATE BOARD OF MEDICAL EXAMINERS
STATE OF LOUISIANA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 7,163,624
Cash payments to suppliers for goods and services	(2,655,069)
Cash payments to employees for services	<u>(3,726,038)</u>
Net cash provided (used) by operating activities	<u>782,517</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Operating transfers in - from other funds	-
Operating transfers out - to other funds	<u>-</u>
Net cash provided (used) by non-capital financing activities	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition/construction of capital assets	<u>(462,176)</u>
Net cash provided (used) by capital and Related financing activities	<u>(462,176)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest reinvested in tower account	<u>5,860</u>
Net cash provided (used) by investing activities	<u>5,860</u>
Net increase (decrease) in cash and cash equivalents	326,201
Cash and cash equivalents at beginning of year	<u>4,146,928</u>
Cash and cash equivalents at end of year	<u>\$ 4,473,129</u>

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

**LOUISIANA STATE BOARD OF MEDICAL EXAMINERS
STATE OF LOUISIANA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Reconciliation of operating income (loss) to net

Cash provided (used) by operating activities:

Operating income (loss)		\$ 324,903
Depreciation	\$ 305,192	
Charges to bad debt expense		
Changes in assets and liabilities:		
(Increase)/Decrease in accounts receivable	(91,383)	
(Increase)/Decrease in prepaid expense	55,160	
(Increase)/Decrease in other assets	451	
Increase/(Decrease) in accounts payable and accruals	(220,653)	
Increase/(Decrease) in compensated absences	9,564	
Increase/(Decrease) in other postemployment benefits	265,466	
Increase/(Decrease) in deferred revenues	<u>133,817</u>	

Total adjustments 457,614

Net cash provided (used) by operating activities \$ 782,517

**Schedule of noncash investing, capital,
and financing activities:**

Interest on tower accounts re-invested \$ 5,860

**Total noncash investing, capital,
and financing activities** \$ 5,860

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

**LOUISIANA STATE BOARD OF MEDICAL EXAMINERS
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

INTRODUCTION:

The Louisiana State Board of Medical Examiners (the Board) is a component unit of the State of Louisiana created within the Louisiana Department of Health and Hospitals, as provided by Louisiana Revised Statute 37:1261-1292.

The board is charged with the responsibility of administering practice acts providing for the licensure of Doctors of Medicine, Doctors of Osteopathy, Doctors of Podiatry, Physician Assistants, Acupuncturists, Acupuncturists Assistants, Occupational Therapists, Occupational Therapy Assistants, Respiratory Therapists, Respiratory Therapist Technicians, Midwives, Clinical Exercise Physiologists, Athletic Trainers, Radiological Technologists, Emergency Medical Technicians (Intermediate and Paramedic) and Clinical Laboratory Personnel. Operations of the Board are funded entirely through self-generated revenues.

As to all professions over which it has jurisdiction, the Board's principal functions are essentially the same: (a) Licensing/Certification. The Board examines applicants for licensure or certification to validate minimum competence for practice by verifying that they possess the educational and other credentials prescribed by statute and Board rules, investigation of the applicant's licensure status and history in other jurisdictions, and by examination. Licenses/certifications are generally renewed annually (some biannually) pursuant to re-verification of certain requirements and conditions. Renewals for some categories are on a calendar year basis, but the majority is based on a birth month schedule. (b) Regulations. Pursuant to its rulemaking authority under the practices acts it administers, and in accordance with the Administrative Procedures Act, the Board promulgates procedural rules implementing its licensing/certification authority and substantive rules regulating practice. (c) Enforcement. The Board investigates consumer, patient and licensee complaints and alleged or indicated violations of the several practices acts and, upon a finding of probable cause initiates and conducts administrative disciplinary proceedings to adjudicate whether legal cause exists for the suspension, revocation or imposition of probationary terms and/or conditions on any license or certification. The Board's disciplinary authority includes limited authority to impose monetary fines and obtain reimbursement of costs and attorneys fees incurred by the Board in the investigation and prosecution of licensees. The Board also possesses and employs authority to take action against unauthorized practitioners by means of civil injunctive proceedings. (d) Advisory Rulings. The Board serves an informational and advisory role to the public, its constituent licensees and State government by providing declaratory rulings, advisory opinions and Statements of Position on various medical/legal issues within its jurisdiction. (e) Other Activities. The Board participates in a Physicians health Program, jointly organized and conducted with the Louisiana State Medical Society, to identify physically or mentally impaired (or potentially impaired) physicians toward securing timely treatment and rehabilitation for the protection of the public.

The Board is composed of seven members. Until January 1, 2000 the seven members were appointed by the governor from lists of names submitted by the Louisiana State Medical Society and the Louisiana Medical Association. Effective January 1, 2000 the board will consist of seven voting members appointed by the governor and subject to Senate confirmation as follows:

**LOUISIANA STATE BOARD OF MEDICAL EXAMINERS
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

INTRODUCTION – continued:

- a. Four members from lists of names submitted by the Louisiana State Medical Society. One of the members appointed shall practice in a parish or municipality with a population of less than twenty thousand.
- b. Two members from lists submitted by the Louisiana Medical Association.
- c. One member from a list submitted by the Louisiana Academy of Family Practice Physicians.

All voting members of the board shall be graduate physicians or surgeons and practitioners. Four of the members appointed for terms beginning January 1, 2000, shall be appointed the initial terms of four years and three of the members shall be appointed to initial terms of two years.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation

The accompanying financial statements have been prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting principles and financial reporting standards.

These financial statements include the implementation of GASB Statement Number 34, *Basic Financial Statements- and Management's Discussion and Analysis-for State and Local Governments*. This new standard was implemented by the Board in 2001 and provides for significant changes in terminology, recognition of contributions in the Statement of Revenues, Expenses and Changes in Net Position, inclusion of a management discussion and analysis as supplementary information and other changes.

Reporting Entity

GASB Codification Section 2100 established criteria for determining governmental reporting entity and has defined the governmental reporting entity for the board to be 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 statements present only transactions of the Louisiana State Board of Medical Examiners, and therefore, are a part of the fund and account group structure of the State of Louisiana. Annually, the State of Louisiana issues basic financial statements, which include the activity contained in the accompanying financial statements.

Fund Accounting

All activities of the board are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user

**LOUISIANA STATE BOARD OF MEDICAL EXAMINERS
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued:

charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Basis of Accounting

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board 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 Medical Examiners present information only as to the transactions of the programs of the Louisiana State Board of Medical Examiners 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. The accounting and financial reporting treatment applied to the Board is determined by its measurement focus. The transactions of the Board are accounted for on a flow of economic resource measurement focus.

With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with operations are included in the Statement of Net Position.

The accounts of the Louisiana State Board of Medical Examiners 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. Any revenues and expenses recorded between funds (“internal fund” activity) have been eliminated in these financial statements. Operating revenues consist of all revenues except investment income.

Expense Recognition

Expenses are recognized on the accrual basis; therefore, expenses, including salaries, are recognized in the period incurred, if measurable. Operating expenses consist of all expenses except investment expenses.

**LOUISIANA STATE BOARD OF MEDICAL EXAMINERS
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued:

Budget Practices

Budgets are prepared and adopted by the Board annually. The Board adopts a budget annually for the various components. The Board is a state licensing agency subject to the Licensing Agency Budget Act established by Louisiana Revised Statutes 39:1331-1342 in accordance with R.S. 36:803.

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

The Board normally does not use encumbrance accounting, so the budget was not integrated in the accounting records. In addition, the budget was employed by the Board as a management control device, by comparing budgeted expenditures with actual expenditures. The budget is prepared on the GAAP basis, using the modified accrual basis of accounting. The Board monitors the budget and makes changes when deemed appropriate.

Cash and Investments

Cash includes petty cash and demand deposits. Under state law, the Board may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other State in the Union, or the laws of the United States. Furthermore, the Board may invest in certificates of deposit of state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Receivables/Inventory

Receivables consist of all revenues earned at year-end and not yet received. Allowance for uncollectible accounts receivable include all receivables greater than ninety days old.

The Board maintains an inventory of office supplies. These items are expensed as purchased.

Capital Assets

Property and equipment are recorded at cost, if purchases or constructed. Assets acquired through contributions are capitalized at their estimated fair value or cost to construct at the date of the construction. Equipment includes all items valued above \$1,000. Assets are depreciated using the straight-line method over the useful lives of the assets as follows:

Computer Equipment	3-5 years
Automobiles and equipment	5 years
Furniture and Fixtures	10 years
Building and Improvements	40 years

**LOUISIANA STATE BOARD OF MEDICAL EXAMINERS
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued:

Restricted Assets

Restricted assets, as presented in the financial statements, represented items that are dedicated for the use of various components of the Board.

Compensated Absences

Employees earn accumulated annual and sick leave at various rates, depending on their years of service. Annual and sick leave that may be accumulated by each employee is unlimited. Upon resignation or retirement, unused annual leave of up to 300 hours is paid to employees at the employee's current rate of pay. Upon retirement, annual leave in excess of 300 hours and unused sick leave is credited as earned service in computing retirement benefits.

Long-Term Obligations

Long-term obligations are reported at face value.

Post-employment Health Care and Life Insurance Benefits

The Board provides certain continuing health care and life insurance benefits for its retired employees. The Board recognizes the cost of providing these retirees benefits as an expense when incurred during the year.

Deferred Compensation Plan

The Board offers its employees a deferred compensation plan created in accordance with Internal Revenue Service Code 457. The plan is administered by the Board. The plan, available to all full-time employees of the Board, permits them to defer a portion of their salary until future years. All amounts of compensation deferred, all property and rights purchased, and all income, property, or rights are (until paid or made available to the employee or other beneficiary) held in trust by the insurance company for the exclusive benefit of the participants and their beneficiaries.

Participants may contribute up to 100% of their salary, but total contributions may not exceed \$17,000 annually. All contributions are immediately vested.

Net Position

Net position is comprised of the various net earnings from operations, non-operating revenues, expenses, and contributions of capital. Net position is classified in the following three components:

**LOUISIANA STATE BOARD OF MEDICAL EXAMINERS
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued:

Net investment in capital assets– Consists of all capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – Consists of external constraints placed on net position used by creditors, grantors, contributors, or laws or regulations of the government or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – Consists of all other assets that are not included in the other categories previously mentioned.

NOTE 2 – DEPOSITS WITH FINANCIAL INSTITUTIONS:

Cash and certificates of deposit

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

Deposits in bank accounts are stated at cost, which approximates market. Under state law federal deposit insurance or the pledge of securities owned by the fiscal bank agent must secure these deposits. 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.

GASB Statement No. 40, which amended GASB Statement No. 3, only requires disclosure of deposits that are considered to be exposed to custodial credit risk. An entity's deposits are exposed to custodial credit risk if the deposit balances are either:

- 1) uninsured and uncollateralized,
- 2) uninsured and collateralized with securities held by the pledging financial institution or
- 3) uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the entity's name

The carrying amount of the Board's deposits with financial institutions is as follows as of December 31, 2012:

**LOUISIANA STATE BOARD OF MEDICAL EXAMINERS
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 2 – DEPOSITS WITH FINANCIAL INSTITUTIONS – continued:

<u>Banking Institution</u>	<u>Program</u>	<u>Amount</u>
1. Capital One Bank–non-interest bearing CME		<u>\$429,279</u>
2. Capital One Bank–non-interest bearing PHP		<u>\$386,526</u>
3. Capital One Bank–non-interest bearing CLAB		<u>\$357,027</u>
4. Capital One Bank–interest bearing CLAB - TOWER		<u>\$367,542</u>
5. PayPal-non-interest bearing CLAB		<u>\$244,747</u>
6. PayPal-non-interest bearing GENERAL		<u>\$14,192</u>
7. Capital One Bank–non-interest bearing GENERAL		<u>\$2,231,199</u>
8. Capital One Bank–non-interest bearing GENERAL – PAYROLL		<u>\$47,221</u>
9. Capital One Bank–interest bearing GENERAL – TOWER		<u>\$395,348</u>

All deposits listed above are federally insured or secured with collateral as required by state law. Actual bank balances at Capital One Bank & PayPal as of December 31, 2012 amounted to \$4,257,344 and \$258,939 respectively. None are required to be reported in any one of the three categories listed above.

The following amounts represent a reconciliation of the deposits listed above and the total cash reported in the Statement of Net Position as of December 31, 2012:

Total carrying amount of deposits in financial institutions	\$ 4,473,081
Petty cash	<u>48</u>
Cash and cash equivalents	\$ 4,473,129

NOTE 3 – ACCOUNTS RECEIVABLE:

At December 31, 2012, the Board had net receivable balances, totaling \$738,819.

<u>CLASS OF RECEIVABLES</u>	<u>GENERAL</u>	<u>RESTRICTED</u>	<u>TOTAL</u>
License fees and other assessments	\$ 890,136	\$ 45,928	\$ 936,064
Allowance for doubtful accounts	<u>(197,245)</u>	<u>-</u>	<u>(197,245)</u>
Total Receivables	<u>\$ 692,891</u>	<u>\$ 45,928</u>	<u>\$ 738,819</u>

During 2012 the Board charged \$0 to bad debt expense.

NOTE 4 – DUE FROM/TO AND TRANSFERS:

At December 31, 2012, for purpose of these financial statements the due from/to and transfer accounts have been eliminated.

**LOUISIANA STATE BOARD OF MEDICAL EXAMINERS
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 5 – RETIREMENT SYSTEM:

The employees of the Board are members of the Louisiana State Employees Retirement System (“System”), a multiple-employer, public employee retirement system (PERS). The System is a statewide public retirement system for the benefit of the state employees, which is administered and controlled by a separate board of trustees.

The system issues an annual, publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by contacting the Louisiana State Employee Retirement System at P.O. Box 44213, Baton Rouge, Louisiana 70804 or by calling (225) 922-0600.

All full-time Board employees, who began state employment prior to age 60, 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 2.5 percent of their highest consecutive 36 month average salary multiplied by their years of credited service plus \$300 for employees hired before July 31, 1986. Vested age 55 with 25 years of service, or age 60 with 10 years of service. The system also provides death and disability benefits. Covered employees were required to contribute 7.5% (8% for members hired on or after July 1, 2006) of gross salary to the plan. For 2010 the Board’s contribution percentage was 18.6% between January 1, 2010 and June 30, 2010 and 22% between July 1, 2010 and December 31, 2010. For 2011 the Board’s contribution percentage was 22% between January 1, 2011 and June 30, 2011 and 25.6% between July 1, 2011 and December 31, 2011. For 2012 the Board’s contribution percentage was 25.6% between January 1, 2012 and June 30, 2012 and 29.1% between July 1, 2012 and December 31, 2012.

Contribution requirements to the System are set by statute and differ from the contribution requirement determined using actuarial methods. Contributions to the retirement system for the years ended 2012, 2011, and 2010 were \$575,144, \$520,455, and \$444,309, respectively.

NOTE 6 – CAPITAL ASSETS:

The Board follows the Louisiana Division of Administration’s guidelines on capitalization of fixed assets. Depreciation has been provided on general fixed assets using the straight-line method. All fixed assets are valued at historical cost or estimated historical cost.

A summary of changes in property and equipment follows:

**LOUISIANA STATE BOARD OF MEDICAL EXAMINERS
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 6 – CAPITAL ASSETS – continued:

Fiscal Year Ending December 31, 2011	Beginning Balance <u>1/1/2012</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>12/31/012</u>
Assets not being depreciated:				
Land	\$ 100,000	-	-	\$ 100,000
Total not being depreciated	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
Assets being depreciated:				
Building	882,679	-	-	882,679
Building Improvements	6,530,265	442,151	-	6,972,416
Equipment	1,315,662	20,025	-	1,335,687
Vehicles	17,131	-	-	17,131
Total assets being depreciated	<u>8,745,737</u>	<u>462,176</u>	<u>-</u>	<u>9,207,913</u>
Total assets	<u>\$8,845,737</u>	<u>\$ 462,176</u>	<u>\$ -</u>	<u>\$ 9,307,913</u>
Fiscal Year Ending December 31, 2011	Ending Balance <u>1/1/012</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>12/31/012</u>
Accumulated Depreciation:				
Building	\$ 353,072	\$ 22,067	-	\$ 375,139
Building Improvements	352,225	168,784	-	521,009
Equipment	1,028,261	112,628	-	1,140,889
Vehicles	1,713	1,713	-	3,426
Total	<u>1,735,271</u>	<u>305,192</u>	<u>-</u>	<u>2,040,463</u>
NET BOOK VALUE	<u>\$7,110,466</u>			<u>\$ 7,267,450</u>

Depreciation expense for the year ended December 31, 2012 was \$305,192.

**LOUISIANA STATE BOARD OF MEDICAL EXAMINERS
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 7 – ACCOUNTS PAYABLE AND ACCRUALS:

At December 31, 2012, the Board had payables totaling \$317,052 as follows:

<u>CLASS OF PAYABLES</u>	<u>GENERAL</u>	<u>CLAB</u>	<u>PHP</u>	<u>TOTAL</u>
Accounts Payable	\$ 123,350	\$ 19,157	\$ 39,925	\$ 182,432
Wages Payable	75,481	-	-	75,481
Taxes & Accruals Payable	59,139	-	-	59,139
Total Payables	<u>\$ 257,970</u>	<u>\$ 19,157</u>	<u>\$ 39,925</u>	<u>\$ 317,052</u>

NOTE 8 – POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS:

Plan description

Louisiana State employees may participate in the State’s Other Postemployment Benefit Plan (OPEB Plan), an agent multiple-employer defined benefit OPEB Plan (for FY 2012) that provides medical and life insurance to eligible active employees, retirees and their beneficiaries. The Office of Group Benefits administers the plan. LRS 42:801-883 provides the authority to establish and amend benefit provisions of the plan. The Office of Group Benefits does not issue a publicly available financial report of the OPEB Plan; however, it is included in Louisiana Comprehensive Annual Financial Report (CAFR). You may obtain a copy of the CAFR on the Office of Statewide Reporting and Accounting Policy’s website at www.doa.la.gov/osrap.

Funding Policy

The plan is currently financed on a pay-as-you-go basis. The contribution requirements of plan members and the Board are established and may be amended by LRS 42:801-883. Employees do not contribute to their postemployment benefits cost until they become retirees and begin receiving those benefits. The retirees contribute to the cost of retiree healthcare based on a service schedule. Contribution amounts vary depending on what healthcare provider is selected from the plan and if the member has Medicare coverage.

Annual OPEB Cost

The Board’s Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, would cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. A level percentage of payroll amortization method, open period was used. For 2012, the Board’s annual other postemployment benefit (OPEB) cost of \$323,105 consisted of the following: (ARC \$318,400 plus interest of \$108,700 less ARC adjustment of \$103,995). The Board’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for December 31, 2012, 2011, and 2010 were as follows:

**LOUISIANA STATE BOARD OF MEDICAL EXAMINERS
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

**NOTE 8 – POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS
continued:**

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percent of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2010	\$ 467,678	8.58%	\$ 2,428,342
12/31/2011	\$ 337,243	14.14%	\$ 2,717,895
12/31/2012	\$ 323,105	17.84%	\$ 2,983,361

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2012, was as follows (in thousands):

Actuarial accrued liability (AAL)	\$ 3,845,700
Actuarial value of plan assets	<u> -</u>
Unfunded actuarial accrued liability (UAAL)	3,845,700
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (annual payroll of active employee covered by the plan)	\$ 1,355,300
UAAL as a percentage of covered payroll	283.75%

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations.

In the July 1, 2012, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses) and initial annual healthcare cost trend rate of 7% and 8.1% for pre-Medicare and Medicare eligible,

**LOUISIANA STATE BOARD OF MEDICAL EXAMINERS
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

**NOTE 8 – POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS
continued:**

respectively, scaling down to ultimate rates of 5% per year. The Board's unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at June 30, 2012, was twenty-four years.

NOTE 9 – COMPENSATED ABSENCES

Accumulated annual leave is accrued in the accompanying financial statements. The Board's employees accumulated unlimited amounts of annual leave at varying rates, as established by state regulations. Upon resignation or retirement, unused annual leave of up to 300 hours is paid to employees at the employee's current rate of pay. This amount is recorded as a liability in the financial statements and represents the amount unpaid at December 31, 2012 of \$ 285,733. See Note 11.

NOTE 10 – LONG-TERM OBLIGATIONS:

The following is a summary of the long-term obligation transactions for the year ended December 31, 2012.

	<u>OPEB Liability</u>	<u>Compensated Absences</u>
Balance at January 1, 2012	\$ 2,717,895	\$ 285,733
Additions	323,105	9,564
Deductions	<u>57,639</u>	<u>-</u>
Balance at December 31, 2012	2,983,361	295,297
Less current portion	<u>-</u>	<u>96,622</u>
Noncurrent portion	<u>\$ 2,983,361</u>	<u>\$ 198,675</u>

NOTE 11 – NET POSITION:

Net position represents the difference between assets deferred outflow of resources and liabilities deferred inflow of resources.

The composition of net position was as follows:

Net investment in capital assets	\$ 7,267,450
Restricted	1,379,446
Unrestricted	<u>(2,679,666)</u>
Total Net Position	<u>\$ 5,967,230</u>

**LOUISIANA STATE BOARD OF MEDICAL EXAMINERS
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 11 – NET POSITION - continued

Restricted net position represents those assets that are not available for spending as a result of legislative requirements. The composition of the restricted net position is Clinical Lab - \$555,825, Continuing Medical Education - \$396,780, and Physicians Health Program - \$426,841.

NOTE 12 – RISK MANAGEMENT:

The Board is exposed to various risks of loss related to general liability, automotive liability, and property insurance contracts and has purchased commercial insurance to provide coverage.

NOTE 13 – DATE OF MANAGEMENT REVIEW

Management has evaluated subsequent events through the date that the financial statements were available to be issued, July 15, 2013.

OTHER REPORTS REQUIRED BY

GOVERNMENT AUDITING STANDARDS

The following pages contain a report on compliance with laws and regulations and on internal controls required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This report is based solely on the audit of the financial statements and includes, where appropriate, any reportable conditions and/or material weaknesses in internal control or compliance matters that would be material to the presented financial statements.



**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***

July 15, 2013

To the Board of Directors
Louisiana State Board of Medical Examiners
Department of Health and Hospitals
State of Louisiana

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 and each major fund of the Louisiana State Board of Medical Examiners, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Louisiana State Board of Medical Examiners' basic financial statements, and have issued our report thereon dated July 15, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Louisiana State Board of 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 Louisiana State Board of Medical Examiners' internal control. Accordingly, we do not express an opinion on the effectiveness of Louisiana State Board of 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Louisiana State Board of 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*.

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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Hienz & Macaluso, LLC
Metairie, LA

**LOUISIANA STATE BOARD OF MEDICAL EXAMINERS
STATE OF LOUISIANA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2012**

We have audited the financial statements of the business-type activities and each major fund of Louisiana State Board of Medical Examiners as of and for the year ended December 31, 2012, which collectively comprise the Board's financial statements as listed in the table of contents and have issued our report thereon dated July 15, 2013. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States and the Louisiana Governmental Auditing Guide. Our audit of the basic financial statements as of December 31, 2012, resulted in an unqualified opinion.

Section I. Summary of Auditor's Reports

- a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control:

Material Weakness ___ Yes X No Significant Deficiency __ Yes X No

Compliance:

Compliance Material to Financial Statements ___ Yes X No

- b. Federal awards – the Board received no federal awards for the year ended December 31, 2012.

Section II. Financial Statement Findings

Not applicable.

Section III. Federal Award Findings and Questioned Costs:

The Board received no federal awards for the year ended December 31, 2012.

Section IV. Management Letter:

A management letter was not issued with this report.

**LOUISIANA STATE BOARD OF MEDICAL EXAMINERS
STATE OF LOUISIANA
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Section I. Summary of Auditor's Reports

- b. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control:

Material Weakness ___ Yes X No Significant Deficiency __ Yes X No

Compliance:

Compliance Material to Financial Statements ___ Yes X No

- b. Federal awards – the Board received no federal awards for the year ended December 31, 2011.

Section II. Financial Statement Findings

Not applicable.

Section III. Federal Award Findings and Questioned Costs:

The Board received no federal awards for the year ended December 31, 2011.

Section IV. Management Letter:

A management letter was not issued for December 31, 2011

**LOUISIANA STATE BOARD OF MEDICAL EXAMINERS
STATE OF LOUISIANA
MANAGEMENT'S CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2012**

Section I - Internal Control and Compliance Material to the Financial Statements:

Not applicable.

Section II – Internal Control and Compliance Material to Federal Awards:

There were no federal awards.

Section III – Management Letter:

There was no management letter issued for the year ended December 31, 2012.

REQUIRED SUPPLEMENTARY INFORMATION

LOUISIANA STATE BOARD OF MEDICAL EXAMINERS
STATE OF LOUISIANA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2012

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2010	\$ -	\$ 5,266,500	\$ 5,266,500	0.00%	1,741,400	302.43%
7/1/2011	\$ -	\$ 3,904,700	\$ 3,904,700	0.00%	1,565,800	249.37%
7/1/2012	\$ -	\$ 3,845,700	\$ 3,845,700	0.00%	1,355,300	283.75%

**LOUISIANA STATE BOARD OF MEDICAL EXAMINERS
STATE OF LOUISIANA
SUPPLEMENTARY INFORMATION – SCHEDULE 1
FOR THE YEAR ENDED DECEMBER 31, 2012**

SCHEDULE OF BOARD MEMBER PER DIEM

<u>NAME</u>	<u>AMOUNT</u>
Dr. Kweli J. Amusa	\$ 11,900
Dr. Cynthia Montgomery	7,900
Dr. Mark H. Dawson	5,300
Dr. Melvin G. Bourgeois	3,800
Dr. Lehrue Stevens	2,300
Dr. Mary L. Applewhite	<u>200</u>
TOTAL	<u>\$ 31,400</u>

The schedule of per diem paid board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Board members are paid \$100 for each day while engaged in Board meetings and official Board business, as authorized by Louisiana Revised Statute 37:1268.

**REPORTING PACKET – DIVISION OF ADMINISTRATION, OFFICE OF
STATEWIDE REPORTING AND ACCOUNTING POLICY**

ANNUAL FINANCIAL REPORT

As a component unit of the State of Louisiana, the financial statements of the Louisiana Board of Medical Examiners are included in Louisiana's Comprehensive Annual Financial Report. Following are the statements being submitted to the Division of Administration as listed in the table of Contents – Supplementary Information Schedule II.

LOUISIANA STATE BOARD OF MEDICAL EXAMINERS
STATE OF LOUISIANA
Annual Financial Statements
December 31, 2012

C O N T E N T S

Affidavit

Management's Discussion and Analysis (MD&A) - see audit report pages 4 - 8

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Notes to the Financial Statements	
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- U. Disaggregation of Receivable Balances
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- W. Subsequent Events
- X. Segment Information
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- BB. Assets Restricted by Enabling Legislation
(See Appendices Packet - Appendix C at
<http://www.doa.louisiana.gov/OSRAP/afrpackets.htm>)
- CC. Impairment of Capital Assets
(See Appendices Packet - Appendix B at
<http://www.doa.louisiana.gov/OSRAP/afrpackets.htm>)
- DD. Employee Termination Benefits
- EE. Pollution Remediation Obligations
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- 4 Schedules of Long-Term Debt Amortization
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(see Appendices Packet - Appendix F at
<http://www.doa.louisiana.gov/OSRAP/afrpackets.htm>)

The Appendices Packet is located as a separate packet on OSRAP's website at <http://www.doa.louisiana.gov/OSRAP/afrpackets.htm>.

STATE OF LOUISIANA
Annual Financial Statements
Fiscal Year Ended December 31, 2012

LOUISIANA STATE BOARD OF MEDICAL EXAMINERS
630 CAMP STREET
NEW ORLEANS, LA 70130

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

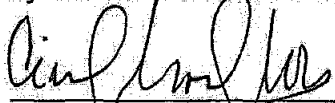
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Claiborne Building, 6th Floor, Suite 6-130
Baton Rouge, Louisiana 70802

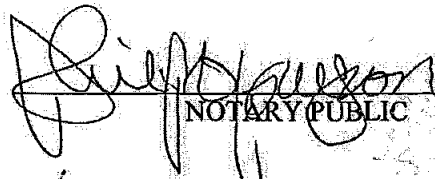
Physical Address:
1600 N. Third Street
Baton Rouge, Louisiana 70802

AFFIDAVIT

Personally came and appeared before the undersigned authority, Dr. Cecilia Mouton, the Executive Director of the Louisiana State Board of Medical Examiners who duly sworn, deposes and says, that the financial statements herewith given present fairly the financial position of the Louisiana State Board of Medical Examiners at December 31, 2012 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 15th day of July, 2013.



Signature of Agency Official



NOTARY PUBLIC

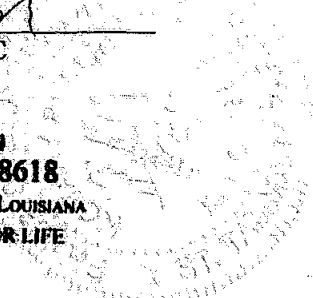
Prepared by: HIENZ & MACALUSO, LLC

Title: INDEPENDENT CPA'S

Telephone No.: 504-837-5434

Date: July 15, 2013

PHILIP O. BERGERON
NOTARY PUBLIC I.D. # 18618
PARISH OF ST. TAMMANY, STATE OF LOUISIANA
MY COMMISSION IS ISSUED FOR LIFE



**STATE OF LOUISIANA
LOUISIANA STATE BOARD OF MEDICAL EXAMINERS
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2012**

Statement A

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 2,687,988
Restricted Cash and Cash Equivalents	-
Investments	-
Derivative instrument	-
Deferred outflow of resources	-
Receivables (net of allowance for doubtful accounts)(Note U)	692,891
Due from Office of Coastal Protection and Restoration	-
Due from North Lafourche Levee District	-
Due from Lafourche Parish	-
Prepayments	753
Notes receivable	-
Other current assets	-
Total current assets	3,381,632

NONCURRENT ASSETS:

Restricted assets (Note F):	
Cash	1,785,141
Investments	-
Receivables	45,928
Investments	-
Notes receivable	-
Capital assets, net of depreciation (Note D)	
Land and non-depreciable easements	100,000
Buildings and improvements	6,958,947
Machinery and equipment	208,503
Infrastructure	-
Intangible assets	-
Construction/Development-in-progress	-
Other noncurrent assets	11,695
Total noncurrent assets	9,110,214
Total assets	\$ 12,491,846

DEFERRED OUTFLOWS OF RESOURCES

Accumulated decrease in fair value of hedging derivatives	\$ -
Total assets and deferred outflow of resources	\$ -

LIABILITIES

CURRENT LIABILITIES:

Accounts payable and accruals (Note V)	\$ 317,052
Derivative instrument	-
Deferred inflow of resources	-
Due to other funds (Note Y)	-
Due to federal government	-
Deferred revenues	2,928,906
Amounts held in custody for others	-
Other current liabilities	-
Current portion of long-term liabilities: (Note K)	
Contracts payable	-
Compensated absences payable	96,622
Capital lease obligations	-
Claims and litigation payable	-
Notes payable	-
Pollution remediation obligation	-
Bonds payable (include unamortized costs)	-
Other long-term liabilities	-
Total current liabilities	3,342,580

NONCURRENT LIABILITIES: (Note K)

Contracts payable	-
Compensated absences payable	198,675
Capital lease obligations	-
Claims and litigation payable	-
Notes payable	-
Pollution remediation obligation	-
Bonds payable (include unamortized costs)	-
OPEB payable	2,983,361
Other long-term liabilities	-
Total noncurrent liabilities	3,182,036
Total liabilities	6,524,616

DEFERRED INFLOWS OF RESOURCES

Accumulated increase in fair value of hedging derivatives	\$ -
Deferred service concession arrangement receipts	-
Total deferred inflows of resources	-

NET POSITION

Net invested in capital assets	7,267,450
Restricted for:	
Capital projects	-
Debt Service	-
Unemployment compensation	-
Other specific purposes	1,379,446
Unrestricted	(2,679,666)
Total net assets	5,967,230
Total liabilities and net assets	\$ 12,491,846

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

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF MEDICAL EXAMINERS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2012

Statement B

OPERATING REVENUE

Ad valorem taxes and state revenue sharing	\$ -
Assessments	-
Use of money and property	-
Licenses, permits, and fees	7,074,612
Other	46,580
Total operating revenues	<u>7,121,192</u>

OPERATING EXPENSES

Cost of sales and services	-
Administrative	6,491,097
Depreciation	305,192
Amortization	-
Total operating expenses	<u>6,796,289</u>

Operating income(loss) 324,903

NON-OPERATING REVENUES(EXPENSES)

State appropriations	-
Intergovernmental revenues(expenses)	-
Taxes	-
Loss on investments	-
Gain on disposal of fixed assets	-
Loss on disposal of fixed assets	-
Federal grants	-
Interest expense	-
Other revenue	5,860
Other expense	-
Total non-operating revenues(expenses)	<u>5,860</u>

Income(loss) before contributions, extraordinary items, & transfers 330,763

Capital contributions	-
Extraordinary item - Loss on impairment of capital assets	-
Transfers in	-
Transfers out	-

Change in net assets 330,763

Total net assets – beginning 5,636,467

Total net assets – ending \$ 5,967,230

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

**STATE OF LOUISIANA
 LOUISIANA STATE BOARD OF MEDICAL EXAMINERS
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2012**

Statement C

	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
Entity	\$ <u>6,796,289</u>	\$ <u>7,121,192</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>324,903</u>
General revenues:					
Taxes					-
State revenue sharing					-
Royalties and leases					-
Interest					5,860
Miscellaneous					
Loss on investments					
Special items					
Extraordinary item - Loss on impairment of capital assets					
Transfers					
Total general revenues, special items, and transfers					5,860
Change in net assets					330,763
Net position - beginning					5,636,467
Net position - ending					\$ <u>5,967,230</u>

The accompanying notes are an integral part of this statement.

**STATE OF LOUISIANA
 LOUISIANA STATE BOARD OF MEDICAL EXAMINERS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2012**

**Statement D
 (continued)**

Cash flows from operating activities		
Cash receipts from customers	\$ <u>7,163,624</u>	
Cash receipts from interfund services provided	<u> </u>	
Other operating cash receipts, if any	<u> </u>	
Cash payments to suppliers for goods or services	<u>(2,655,069)</u>	
Cash payments to employees for services	<u>(3,726,038)</u>	
Cash payments for interfund services used, including payments "In Lieu of Taxes"	<u> </u>	
Other operating cash payments, if any	<u> </u>	
Net cash provided(used) by operating activities		<u>782,517</u>
Cash flows from non-capital financing activities		
State appropriations	<u> </u>	
Federal receipts	<u> </u>	
Federal disbursements	<u> </u>	
Proceeds from sale of bonds	<u> </u>	
Principal paid on bonds	<u> </u>	
Interest paid on bond maturities	<u> </u>	
Proceeds from issuance of notes payable	<u> </u>	
Principal paid on notes payable	<u> </u>	
Interest paid on notes payable	<u> </u>	
Operating grants received	<u> </u>	
Transfers in	<u> </u>	
Transfers out	<u> </u>	
Other	<u> </u>	
Net cash provided(used) by non-capital financing activities		<u> </u>
Cash flows from capital and related financing activities		
Proceeds from sale of bonds	<u> </u>	
Principal paid on bonds	<u> </u>	
Interest paid on bond maturities	<u> </u>	
Proceeds from issuance of notes payable	<u> </u>	
Principal paid on notes payable	<u> </u>	
Interest paid on notes payable	<u> </u>	
Acquisition/construction of capital assets	<u>(462,176)</u>	
Proceeds from sale of capital assets	<u> </u>	
Capital contributions	<u> </u>	
Other	<u> </u>	
Net cash provided(used) by capital and related financing activities		<u>(462,176)</u>
Cash flows from investing activities		
Purchases of investment securities	<u> </u>	
Proceeds from sale of investment securities	<u> </u>	
Interest and dividends earned on investment securities	<u>5,860</u>	
Net cash provided(used) by investing activities		<u>5,860</u>
Net increase(decrease) in cash and cash equivalents		<u>326,201</u>
Cash and cash equivalents at beginning of year		<u>4,146,928</u>
Cash and cash equivalents at end of year		<u>4,473,129</u>

**STATE OF LOUISIANA
 LOUISIANA STATE BOARD OF MEDICAL EXAMINERS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2012**

**Statement D
 (concluded)**

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

Operating income(loss)		\$	324,903
Adjustments to reconcile operating income(loss) to net cash provided(used) by operating activities:			
Depreciation/amortization	305,192		
Loss on sale of investments			
Provision for uncollectible accounts			
Other			
Changes in assets and liabilities:			
(Increase)decrease in accounts receivable, net	(91,383)		
(Increase)decrease in due from other funds	-		
(Increase)decrease in prepayments	55,160		
(Increase)decrease in inventories			
(Increase)decrease in other assets	451		
Increase(decrease) in accounts payable and accruals	(220,653)		
Increase(decrease) in compensated absences payable	9,564		
Increase(decrease) in due to other funds			
Increase(decrease) in deferred revenues	133,817		
Increase(decrease) in OPEB payable	265,466		
Increase(decrease) in other liabilities			
 Net cash provided(used) by operating activities		\$	782,517

Schedule of noncash investing, capital, and financing activities:

Borrowing under capital lease(s)	\$	
Contributions of fixed assets		
Purchases of equipment on account		
Asset trade-ins		
Other (specify)		
Total noncash investing, capital, and financing activities:	\$	-

The accompanying notes are an integral part of this statement.

**LOUISIANA STATE BOARD OF MEDICAL EXAMINERS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Please provide an explanation of what is included in "other." If there are multiple reasons, please list each out separately along with the amount.

*** Other (operating cash payments)**

****Other (cash flows from non capital financing activities)**

*****Other (cash flows from capital and related financing activities)**

**STATE OF LOUISIANA
LOUISIANA STATE BOARD OF MEDICAL EXAMINERS
Notes to the Financial Statement
As of and for the year ended December 31, 2012**

INTRODUCTION

The Louisiana State Board of Medical Examiners was created by the Louisiana State Legislature under the provisions of Louisiana Revised Statute 37:1261-1292. The following is a brief description of the operations of Louisiana State Board of Medical Examiners and includes the parish/parishes in which the Louisiana State Board of Medical Examiners is located:

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Medical Examiners present information only as to the transactions of the programs of the Louisiana State Board of Medical Examiners 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 Medical Examiners 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.

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF MEDICAL EXAMINERS
Notes to the Financial Statement
As of and for the year ended December 31, 2012

B. BUDGETARY ACCOUNTING

Budgets are prepared and adopted by the Board annually. The Board adopts a budget annually for the various components. The Board is a state licensing agency subject to the Licensing Agency Budget Act established by Louisiana Revised Statutes 39:1331-1342 in accordance with R.S. 36:803.

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

The Board normally does not use encumbrance accounting, so the budget was not integrated in the accounting records. In addition, the budget was employed by the Board as a management control device, by comparing budgeted expenditures with actual expenditures. The budget is prepared on the GAAP basis, using the modified accrual basis of accounting. The Board monitors the budget and makes changes when deemed appropriate.

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 Medical Examiners may deposit funds within a fiscal agent bank selected and designated by the Interim Emergency Board. Further, the Louisiana State Board of Medical Examiners may invest in time certificates of deposit in any bank domiciled or having a branch office in the state of 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.

For the purpose of the statement of cash flows and statement of net position presentation, all highly liquid investments (including negotiable CDs and restricted cash and cash equivalents) and deposits (including nonnegotiable CDs and restricted cash and cash equivalents) 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 required to be 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.

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF MEDICAL EXAMINERS
Notes to the Financial Statement
As of and for the year ended December 31, 2012

GASB Statement 40, which amended GASB Statement 3, eliminated the requirement to disclose all deposits by three categories of risk. GASB Statement 40 requires only the disclosure of deposits that are considered to be exposed to custodial credit risk. An entity's deposits are exposed to custodial credit risk if the deposit balances are either 1) uninsured and uncollateralized, 2) uninsured and collateralized with securities held by the pledging financial institution, or 3) uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the entity's name.

The deposits at December 31, 2012, consisted of the following:

	Cash	Nonnegotiable Certificates of Deposit	Other (Describe)	Total
Deposits per statement of net	\$ 4,473,081	\$	\$	\$ 4,473,081
Deposits in bank accounts per bank	\$ 4,516,283	\$	\$	\$ 4,516,283
Bank balances exposed to custodial credit risk:	\$	\$	\$	\$
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 following is a breakdown by banking institution, program, and amount of the "Deposits in bank accounts per bank" balances shown above:

	<u>Banking Institution</u>	<u>Program</u>	<u>Amount</u>
1	Capital One	General Fund	\$ 2,621,379
2	Capital One	Clinical Lab	724,005
3	Capital One	Continuing Medical Education	429,279
4	Capital One	Physican's Health Program	386,526
5	Capital One	Payroll	96,155
6	Paypal	General Fund	14,192
7	Paypal	Clinical Lab	244,747

Cash in State Treasury and petty cash are not required to be reported in the note disclosure. However, to aid in reconciling amounts reported on the statement of net position to amounts reported in this note, list below any cash in treasury and petty cash that are included on the statement of net position.

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF MEDICAL EXAMINERS
Notes to the Financial Statement
As of and for the year ended December 31, 2012

Cash in Treasury	\$	-
Petty Cash	\$	48

2. **INVESTMENTS – NOT APPLICABLE**
3. **CREDIT RISK, INTEREST RATE RISK, CONCENTRATION OF CREDIT RISK, AND FOREIGN CURRENCY RISK DISCLOSURES – NOT APPLICABLE**
4. **DERIVATIVES – NOT APPLICABLE**
5. **POLICIES**

Louisiana State Board of Medical Examiners' deposit policy related to the custodial credit risk is to secure all deposits by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The Board does not have a formal policy related to credit risk of debt investments, concentration of credit risk, interest rate risk, and foreign currency risk.

6. **OTHER DISCLOSURES REQUIRED FOR INVESTMENTS – NOT APPLICABLE**

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 statement of net position of the entity and are capitalized at cost. Depreciation of all exhaustible fixed assets used by the entity is charged as an expense against operations. Depreciation for financial reporting purposes is computed by the straight line method over the useful lives of the assets.

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF MEDICAL EXAMINERS
Notes to the Financial Statement
As of and for the year ended December 31, 2012

Schedule of Capital Assets (includes capital leases)

<u>Agency</u>	Balance 12/31/11	Prior Period Adjustments	Restated Balance 6/30/2012	Additions	* Reclassifi-cation of CIP	** Retirements	Balance 12/31/12
Capital assets not depreciated:							
Land	\$ 100,000		100,000				\$ 100,000
Non-depreciable land improvements							
Non-depreciable easements							
Capitalized collections							
Software - development in progress							
Construction in progress							
Total capital assets not depreciated	\$ 100,000		100,000				\$ 100,000
Other capital assets:							
Depreciable land improvements							
** Accumulated depreciation							
Total land improvements							
Buildings	7,412,944		7,412,944	442,151			7,855,095
** Accumulated depreciation	(705,297)		(705,297)	(190,851)			(896,148)
Total buildings	6,707,647		6,707,647	251,300			6,958,947
Machinery & equipment	1,332,793		1,332,793	20,025			1,352,818
** Accumulated depreciation	(1,029,974)		(1,029,974)	(114,341)			(1,144,315)
Total machinery & equipment	302,819		302,819	(94,316)			208,503
Infrastructure							
** Accumulated depreciation							
Total infrastructure							
Software (internally generated & purchased)							
Other intangibles							
** Accumulated amortization - software							
** Accumulated amortization - other intangibles							
Total intangibles							
Total other capital assets	\$ 7,010,466		\$ 7,010,466	\$ 156,984			\$ 7,167,450
Capital asset summary:							
Capital assets not depreciated	\$ 100,000		\$ 100,000				\$ 100,000
Other capital assets, book value	8,745,737		8,745,737	462,176			9,207,913
Total cost of capital assets	8,845,737		8,845,737	462,176			9,307,913
Accumulated depreciation/amortization	(1,735,271)		(1,735,271)	(305,192)			(2,040,463)
Capital assets, net	\$ 7,110,466		\$ 7,110,466	\$ 156,984			\$ 7,267,450

* Should only be used for those completed projects coming out of construction-in-progress to capital assets.

** Enter a negative number except for accumulated depreciation in the retirement column

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF MEDICAL EXAMINERS
Notes to the Financial Statement
As of and for the year ended December 31, 2012

E. INVENTORIES – NOT APPLICABLE

F. RESTRICTED ASSETS

Restricted assets in the Louisiana State Board of Medical Examiners at December 31, 2012, reflected at \$1,831,069 in the non-current assets section on Statement A, consist of \$1,785,141 in cash and \$45,928 in receivables. Restricted assets represent those assets that are not available for spending as a result of legislative requirements.

G. LEAVE

1. COMPENSATED ABSENCES

The Louisiana State Board of Medical Examiners has the following policy on annual and sick leave:

Employees earn and accumulate annual and sick leave at various rates depending on their years of service. The amount of annual and sick leave that may be accumulated by each employee is unlimited. Upon termination, employees or their heirs are compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay at the time of termination. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave is used to compute retirement benefits.

The cost of leave privileges, computed in accordance with GASB Codification Section C60, is recognized as current year expenditure in the fund when leave is actually taken; it is recognized in the enterprise funds when the leave is earned. The cost of leave privileges applicable to general government operations not requiring current resources is recorded in long-term obligations.

2. COMPENSATORY LEAVE – NOT APPLICABLE

H. RETIREMENT SYSTEM

Substantially all of the employees of the Louisiana State Board of Medical Examiners are members of the Louisiana State Employees Retirement System (LASERS), a single 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 Medical Examiners employees are eligible to participate in the System unless they elect to continue as a contributing member in any other retirement system for which they remain eligible for membership. Certain elected officials and officials appointed by the governor may, at their option, become members of LASERS. Normal benefits vest with 10 years of service. Generally, 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 except for members eligible to begin participation in the Defined Benefit Plan (DBP) on or after July 1, 2006. Act 75 of the 2005 Regular Session changes retirement eligibility and final average compensation for members who are eligible to begin participation in the DBP beginning July 1, 2006. Retirement eligibility for these members is limited to age 60, or thereafter, upon attainment of ten

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF MEDICAL EXAMINERS
Notes to the Financial Statement
As of and for the year ended December 31, 2012

years of creditable service. Final average compensation will be based on the member's average annual earned compensation for the highest 60 consecutive months of employment.

Vested employees eligible to begin participation in the DBP before July 1, 2006, 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, these vested employees have the option of reduced benefits at any age with 20 years of service. Those hired on or after July 1, 2006 have only a single age option. They cannot retire until age 60 with a minimum of 10 years of service. The System also provides death and disability benefits and deferred benefit options, with qualifications and amounts defined by statute. Benefits are established or amended by state statute. The System issues a publicly available annual financial report that includes financial statements and required supplementary information for the System. For a full description of the LASERS defined benefit plan, please refer to the LASERS 2012 Financial Statements, specifically, footnotes A – Plan Description and C – Contributions. A copy of the report may be obtained by writing to the Louisiana State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0600 or (800) 256-3000. The footnotes to the Financial Statements contain additional details and are also available on-line at:
http://www.lasersonline.org/uploads/CAFR_2012.pdf

All members are required by state statute to contribute with the vast majority of employees of the state who became members before July 1, 2006 contributing 7.5% of gross salary. Act 75 of the 2005 Regular Session increases the member contribution rate from 7.5% to 8% for new members hired after June 30, 2006. The Louisiana State Board of Medical Examiners is required to contribute at an actuarially determined rate as required by R.S. 11:102. For 2010 the Board's contribution percentage was 18.6% between January 1, 2010 and June 30, 2010 and 22% between July 1, 2010 and December 31, 2010. For 2011, the Board's contribution percentage was 22% between January 1, 2011 and June 30, 2011 and 25.6% between July 1, 2011 and December 31, 2011. The contribution rate between January 1, 2012 and June 30, 2012 was 25.6% and increased to 29.1% of annual covered payroll from July 1, 2012 through December 31, 2012. The Louisiana State Board of Medical Examiners' contributions to the System for the years ending December 31, 2012, 2011, and 2010, were \$575,144, \$520,455, and \$444,309, respectively, equal to the required contributions for each year.

I. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

GASB Statement 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* addresses accounting and financial reporting for OPEB trust and agency funds of the employer. GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* establishes standards of accounting and financial reporting for OPEB expense/expenditures and related OPEB liabilities or OPEB assets, note disclosures, and required supplementary information (RSI) in the financial reports of governmental employers. See the GASB Statement 45 note disclosures requirements in section 2 of this note.

1. Calculation of Net OPEB Obligation

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF MEDICAL EXAMINERS
Notes to the Financial Statement
As of and for the year ended December 31, 2012

Annual OPEB expense and net OPEB Obligation

Fiscal year ending	6/30/2012
1. * ARC	\$ 318,400
2. * Interest on NOO	<u>108,700</u>
3. * ARC adjustment	<u>(103,900)</u>
4. * Annual OPEB Expense (1. + 2. - 3.)	<u>323,105</u>
5. Contributions (employer pmts. to OGB for retirees' cost of 2012 insurance premiums)	<u>57,639</u>
6. Increase in Net OPEB Obligation (4. - 5.)	<u>265,466</u>
7. *NOO, beginning of year (see actuarial valuation report on OSRAP's website)	<u>2,717,895</u>
8. **NOO, end of year (6. + 7.)	<u><u>\$ 2,983,361</u></u>

2. Note Disclosures – NOT APPLICABLE

J. LEASES – NOT APPLICABLE

K. LONG-TERM LIABILITIES

The following is a summary of long-term debt transactions of the entity for the year ended December 31, 2012:

	<u>Year ended December 31, 2012</u>					
	Balance				Balance	Amounts due within one year
	December 31, <u>2011</u>	<u>Additions</u>	<u>Reductions</u>	December 31, <u>2012</u>		
Notes and bonds payable:						
Notes payable	\$ -	\$ -	\$ -	\$ -	\$ -	
Bonds payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Total notes and bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Other liabilities:						
Contracts payable						
Compensated absences payable	285,733	9,564		295,297	96,622	
Capital lease obligations						
Claims and litigation						
Pollution remediation obligation						
OPEB payable	2,717,895	323,105	57,639	2,983,361		
Other long-term liabilities						
Total other liabilities	<u>3,003,628</u>	<u>332,669</u>	<u>57,639</u>	<u>3,278,658</u>	<u>96,622</u>	
Total long-term liabilities	<u>\$ 3,003,628</u>	<u>\$ 332,669</u>	<u>\$ 57,639</u>	<u>\$ 3,278,658</u>	<u>\$ 96,622</u>	

L. CONTINGENT LIABILITIES – NOT APPLICABLE

M. RELATED PARTY TRANSACTIONS – NOT APPLICABLE

N. ACCOUNTING CHANGES – NOT APPLICABLE

O. IN-KIND CONTRIBUTIONS – NOT APPLICABLE

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF MEDICAL EXAMINERS
Notes to the Financial Statement
As of and for the year ended December 31, 2012

P. DEFEASED ISSUES – NOT APPLICABLE

Q. REVENUES – PLEDGED OR SOLD (GASB 48) – NOT APPLICABLE

R. GOVERNMENT-MANDATED NONEXCHANGE TRANSACTIONS (GRANTS) – NOT APPLICABLE

S. VIOLATIONS OF FINANCE-RELATED LEGAL OR CONTRACTUAL PROVISIONS – NOT APPLICABLE

T. SHORT-TERM DEBT – NOT APPLICABLE

U. DISAGGREGATION OF RECEIVABLE BALANCES

Receivables at December 31, 2012, were as follows:

Fund (gen. fund, gas tax fund, etc.)	Customer Receivables	Taxes	Receivables from other Governments	Other Receivables	Total Receivables
License fees and other assessments	\$ 936,064	\$ -	\$ -	\$ -	\$ 936,064
Gross receivables	\$ 936,064	\$ -	\$ -	\$ -	\$ 936,064
Less allowance for uncollectible accounts	(197,245)	-	-	-	(197,245)
Receivables, net	<u>\$ 738,819</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 738,819</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

V. DISAGGREGATION OF PAYABLE BALANCES

Payables at December 31, 2012, were as follows:

Fund	Vendors	Salaries and Benefits	Accrued Interest	Other Payables	Total Payables
General	\$ 123,350	\$ 75,481	\$ -	\$ 59,139	\$ 257,970
CLAB	19,157	-	-	-	19,157
PHP	39,925	-	-	-	39,925
Total payables	<u>\$ 182,432</u>	<u>\$ 75,481</u>	<u>\$ -</u>	<u>\$ 59,139</u>	<u>\$ 317,052</u>

W. SUBSEQUENT EVENTS – NOT APPLICABLE

X. SEGMENT INFORMATION & REPORTING FUNDS OF A BLENDED COMPONENT UNIT – NOT APPLICABLE

**STATE OF LOUISIANA
 LOUISIANA STATE BOARD OF MEDICAL EXAMINERS
 Notes to the Financial Statement
 As of and for the year ended December 31, 2012**

Y. DUE TO/DUE FROM AND TRANSFERS – NOT APPLICABLE

Z. LIABILITIES PAYABLE FROM RESTRICTED ASSETS

Liabilities payable from restricted assets in the Louisiana State Board of Medical Examiners at December 31, 2012, reflected at \$59,082 in the liabilities section on Statement A, consist of \$19,157 in accounts payable due from the CLAB fund and \$39,925 due from the PHP fund.

AA. PRIOR-YEAR RESTATEMENT OF NET POSITION – NOT APPLICABLE

BB. ASSETS RESTRICTED BY ENABLING LEGISLATION (GASB 46) – NOT APPLICABLE

CC. IMPAIRMENT OF CAPITAL ASSETS & INSURANCE RECOVERIES - NOT APPLICABLE

DD. EMPLOYEE TERMINATION BENEFITS - NOT APPLICABLE

EE. POLLUTION REMEDIATION OBLIGATIONS - NOT APPLICABLE

FF. AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) - NOT APPLICABLE

GG. RESTRICTED ASSETS – OTHER SPECIFIC PURPOSES

Per GASB Statement 34, paragraph 34, assets are reported as restricted when constraints on asset use are either; externally imposed by creditors, such as through debt covenants, grantors, contributors, or laws or regulations of other governments imposed by law through constitutional provisions or enabling legislation. Restricted Assets are reported on the statement of net position as restricted by Capital Projects, Debt Service, Unemployment Compensation, and Other Specific Purposes. The statement of net position amount for Restricted Assets - Other Specific Purposes should be further defined by function as follows:

	<u>Restricted Assets</u>
Clinical Lab	\$ <u>555,825</u>
Continuing Medical Education	<u>396,780</u>
Physicians Health Program	<u>426,841</u>
Total	\$ <u>1,379,446</u>

HH. SERVICE CONCESSION ARRANGEMENTS – NOT APPLICABLE

**STATE OF LOUISIANA
LOUISIANA STATE BOARD OF MEDICAL EXAMINERS
SCHEDULE OF NOTES PAYABLE
December 31, 2012**

NOT APPLICABLE

Issue	Date of Issue	Original Issue	Principal Outstanding 12/31/12	Redeemed (Issued)	Principal Outstanding 12/31/12	Interest Rates	Interest Outstanding 12/31/12
		\$ _____	\$ _____	\$ _____	\$ _____		\$ _____
Total		<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>		<u>\$ _____</u>

*Send copies of new amortization schedules

**STATE OF LOUISIANA
LOUISIANA STATE BOARD OF MEDICAL EXAMINERS
SCHEDULE OF BONDS PAYABLE
December 31, 2012**

NOT APPLICABLE

Issue	Date of Issue	Original Issue	Principal Outstanding 12/31/12	Redeemed (Issued)	Principal Outstanding 12/31/12	Interest Rates	Interest Outstanding 12/31/12
Series:							
_____	_____	\$ _____	\$ _____	\$ _____	\$ _____	_____	\$ _____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
Unamortized Discounts and Premiums Series:							
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
Total		\$ _____	\$ _____	\$ _____	\$ _____		\$ _____

**STATE OF LOUISIANA
 LOUISIANA STATE BOARD OF MEDICAL EXAMINERS
 SCHEDULE OF CAPITAL LEASE AMORTIZATION
 For The Year Ended December 31, 2012**

NOT APPLICABLE

Fiscal Year Ending:	<u>Payment</u>	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
2013	\$ _____	\$ _____	\$ _____	\$ --
2014	_____	_____	_____	--
2015	_____	_____	_____	--
2016	_____	_____	_____	--
2017	_____	_____	_____	--
2018-2022	_____	_____	_____	--
2023-2027	_____	_____	_____	--
2028-2032	_____	_____	_____	--
2033-2037	_____	_____	_____	--
 Total	 \$ <u> --</u>	 \$ <u> --</u>	 \$ <u> --</u>	 \$ <u> --</u>

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF MEDICAL EXAMINERS
SCHEDULE OF NOTES PAYABLE AMORTIZATION
For the Year Ended December 31, 2012

NOT APPLICABLE

2013	\$ _____	\$ _____
2014	_____	_____
2015	_____	_____
2016	_____	_____
2017	_____	_____
2018-2022	_____	_____
2023-2027	_____	_____
2028-2032	_____	_____
2033-2037	_____	_____
Total	\$ <u> --</u>	\$ <u> --</u>

**STATE OF LOUISIANA
LOUISIANA STATE BOARD OF MEDICAL EXAMINERS
SCHEDULE OF BONDS PAYABLE AMORTIZATION
For The Year Ended December 31, 2012**

NOT APPLICABLE

Fiscal Year Ending:	<u>Principal</u>	<u>Interest</u>
2013	\$ _____	\$ _____
2014	_____	_____
2015	_____	_____
2016	_____	_____
2017	_____	_____
2018	_____	_____
2019	_____	_____
2020	_____	_____
2021	_____	_____
2022	_____	_____
2023	_____	_____
2024	_____	_____
2025	_____	_____
2026	_____	_____
2027	_____	_____
2028	_____	_____
2029	_____	_____
2030	_____	_____
2031	_____	_____
2032	_____	_____
2033	_____	_____
2034	_____	_____
2035	_____	_____
2036	_____	_____
2037	_____	_____
Subtotal	_____ --	_____ --
Unamortized Discounts/Premiums	_____	_____
Total	\$ _____ _____	\$ _____ _____

STATE OF LOUISIANA

LOUISIANA STATE BOARD OF MEDICAL EXAMINERS

COMPARISON FIGURES

To assist OSRAP in determining the reason for the change in financial position for the State, please complete the schedule below. If the change is greater than \$5 million, explain the reason for the change. Please provide adequate details to clearly explain the change from last year.

	<u>2012</u>	<u>2011</u>	<u>Difference</u>	<u>Percentage Change</u>
1) Revenues	\$ 7,127,052	\$ 6,906,214	\$ 220,838	\$ 3.20%
Expenses	6,796,289	7,108,973	(312,684)	(4.40%)
2) Capital assets	7,267,450	7,110,466	156,984	2.21%
Long-term debt	3,182,036	2,908,132	273,904	9.42%
Net position	5,967,230	5,636,467	330,763	5.87%
Explanation for change:	<hr/> <hr/> <hr/> <hr/>			

