

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
LOUISIANA STATE BOARD OF
UNIVERSAL MEDIC DISTRIBUTORS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA

JUNE 30, 1989 and for the
Years Ended June 30, 1988 and 1989

Under provisions of state law, this report is a public document. A copy of the report has been furnished to the parish, or reviewed, audit and other appropriate public officials. This report is available for public inspection at the State Budget office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 06/11/1989

LOUISIANA STATE BOARD OF
UNIVERSAL BANK DISTRIBUTION

DEPARTMENT OF HEALTH AND HOSPITALS

STATE OF LOUISIANA

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Zahn and Korney
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheet of the Louisiana State Board of Wholesale Drug Distributors (Board), a component unit of the Department of Health and Hospitals, State of Louisiana, as of June 30, 1999, and the related operating statements for the fiscal years ended June 30, 1998 and 1999. These financial statements are the responsibility of the management of the Board. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Board, as of June 30, 1999, and the results of its operations for the fiscal years ended June 30, 1998 and 1999 in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated September 9, 1999 on our consideration of the Board of Wholesale Drug Distributors' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information presented on page 15 is presented for purpose of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Zahn and Korney
Shreveport, Louisiana
September 9, 1999

LOUISIANA STATE BOARD OF
WOLENABLE DRUG DISTRIBUTORS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA
COMBINED BALANCE SHEET - ALL FUND
TYPES AND ACCOUNT GROUPS
JUNE 30, 1968

	Governmental Fund Type General Fund	Account Group		Total (Non- Dual)
		General Fixed Assets	General Long-Term Debt	
ASSETS				
Cash and cash equivalents	\$ 109,948	\$ -	\$ -	\$ 109,948
Certificates of deposit	79,959	-	-	79,959
Furniture and equipment	-	25,353	-	25,353
Amount to be provided for compensated absence	-	-	3,082	3,082
Total assets	\$ 189,907	\$ 25,353	\$ 3,082	\$ 218,342
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 3,082	\$ -	\$ -	\$ 3,082
Compensated absences	-	-	3,082	3,082
Total liabilities	3,082	-	3,082	6,164
FUND BALANCES				
Investment in general fixed assets	-	25,353	-	25,353
Fund balance, Designated	40,000	-	-	40,000
Unreserved, undesignated	149,857	-	-	149,857
Total fund balances	189,857	25,353	-	215,210
Total liabilities and fund balances	\$ 192,939	\$ 25,353	\$ 3,082	\$ 221,374

(See notes to financial statements)

LOUISIANA STATE BOARD OF
WHOLESALE DRUG DISTRIBUTION

DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 1959

	<u>REVENUES</u>		Variance Favorable (Unfavorable)
	<u>Actual</u>	<u>Budget</u>	
Licenses, permits, and fees	\$161,128	\$137,715	\$ 23,413
Other	188	-	188
Use of money	<u>8,292</u>	<u>3,400</u>	<u>4,892</u>
Total revenues	169,508	141,115	28,393
<u>EXPENDITURES</u>			
Personal services and related benefits	\$5,177	\$5,408	231
Operating expenditures	35,108	31,874	(3,234)
Professional services	10,194	4,908	(5,286)
Capital outlay	<u>4,282</u>	<u>3,000</u>	<u>(1,282)</u>
Total expenditures	54,761	44,190	10,571
Excess (deficiency) of revenues over expenditures	114,747	97,925	16,822
<u>FUND BALANCE</u>			
Fund balance, July 1, 1958	151,052	143,643	7,409
Fund balance, June 30, 1959	<u>\$265,840</u>	<u>\$148,644</u>	<u>\$117,196</u>

(See notes to financial statements)

LOUISIANA STATE BOARD OF
WHOLESALE DRUG DISTRIBUTORS

DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDING JUNE 30, 1968

	REVENUES		Variance Favorable (Disfavorable)
	Actual	Budget	
Licenses, permits, and fees	\$151,745	\$119,480	\$ 32,265
Other	453	485	-
Use of money	<u>3,511</u>	<u>3,322</u>	<u>189</u>
Total revenues	155,709	123,287	32,422

EXPENDITURES			
Personal services and related benefits	\$7,761	\$8,042	(\$ 281)
Operating expenditures	29,373	29,142	231
Professional services	4,437	4,837	3,400
Capital outlay	<u>3,706</u>	<u>3,482</u>	<u>(224)</u>
Total expenditures	45,277	45,503	226
Excess (deficiency) of revenues over expenditures	10,432	7,784	2,648

FUND BALANCE			
Fund balance, July 1, 1967	148,542	121,884	26,658
Fund balance, June 30, 1968	<u>158,974</u>	<u>129,668</u>	<u>29,306</u>

(See notes to financial statements)

LOUISIANA STATE BOARD OF
WHOLESALE DRUG DISTRIBUTORS

DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Louisiana State Board of Wholesale Drug Distributors (the Board) is a component unit of the State of Louisiana (the State) created within the Louisiana Department of Health and Hospitals, as provided by Louisiana Revised Statutes 57:9461-9463. The Board is composed of seven members, appointed by the Governor, who serve staggered terms of from two to six years, except that each member shall serve until his successor has been appointed and begins serving. The Board is charged with the responsibility of licensing all suppliers of legend drugs that ship into or within Louisiana; inspecting all wholesalers and distributors domiciled in Louisiana; and establishing certification that out-of-state suppliers who ship into Louisiana are properly certified in their own states. Operations of the Board are funded with self-generated license fees.

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

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Board prepares its financial statements in accordance with the standards established by the GASB. Such Codification Section 2100 establishes criteria for determining the governmental reporting entity and has defined the governmental reporting entity to be the State of Louisiana. The accompanying statements present only transactions of the Board, a component unit of the State.

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

B. FUND ACCOUNTING

The accounts of the Board are organized into a general fund, and two account groups, each of which is considered a separate accounting entity. The operations of the fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures.

The fund and account groups presented in the financial statements are described as follows:

General Fund

The general fund is used to account for the general operations of the Board. The various revenues and expenditures are accounted for in this fund.

Account Groups

The two account groups are not "Funds." They are concerned only with the measurement of financial position, not with measurement of results of operations.

C. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures are recognized and reported in the financial statements. Basis of accounting refers to the timing of the measurements made, regardless of the measurement forms applied. The Board's records are maintained on the modified accrual basis of accounting. Under the modified accrual basis of accounting, all revenue is recognized when measurable and available rather than when earned, and all expenditures are recognized when the obligation is incurred.

D. BUDGET PRACTICES

Budgets are prepared and adopted by the Board annually. The budget for fiscal year ended June 30, 1998 was adopted at the December 13, 1997 Board meeting and the budget for fiscal year ending June 30, 1999 was adopted at the November 8, 1998 Board meeting.

In accordance with Louisiana Revised Statutes 39:2531 the Board submits a copy of its proposed budget and any subsequent amendments for the ensuing fiscal year to the Joint Legislative Committee on the Budget, to each chairman of a standing committee of the legislature having jurisdiction as listed in R.S. 49:088, to the Legislative Auditor, and the Legislative Fiscal Office.

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

The Board amended the budget for fiscal year ended June 30, 1998 once on December 13, 1997. The Board amended the budget for fiscal year ended June 30, 1999 once on December 8, 1998. Budgets are prepared on the modified accrual basis of accounting, including the changes in fund balance.

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

The Board does not follow the circumstances method of accounting.

B. CASH AND CASH EQUIVALENTS

For reporting purposes, cash and cash equivalents include cash, demand deposits, time deposits and certificates of deposit. Under state law the Board may deposit funds within a fiscal agent bank selected and designated by the Board. Further, the Board may invest in time certificates of deposit of state banks organized under the laws of Louisiana, national banks having their principal 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.

As reflected on the balance sheet, the Board had cash and cash equivalents totaling \$299,948 at June 30, 1999. Cash and cash equivalents are stated at cost, which approximates market. Under state law these deposits must be secured by Federal deposit insurance or the pledge of securities 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. As of June 30, 1999, the amount on deposit was secured as follows:

	<u>Cash</u>
Carrying Amount on Balance Sheet	
Cash and Cash Equivalents	129,948
Certificates of Deposit	<u>169,999</u>
	<u>\$299,947</u>
Bank Balances:	
1. Insured (FDIC)	\$180,900
2. Uninsured/uninsured, including any securities held for the utility but not in the entity's name	<u>89,047</u>
Total Bank Balances	<u>\$269,947</u>

F. ANNUAL AND SICK LEAVE

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

Accrued unused annual and sick leave shall be carried forward to the succeeding calendar years without limitation. Annual leave must be applied for by the employee and may be used only when approved by the Board. Upon retirement or resignation, unused annual leave of up to 360 hours is paid at the employee's current rate of pay.

Upon retirement or resignation, the employee is not paid for any unused sick leave. Annual leave in excess of 360 hours and sick leave are used in the retirement benefit computation as earned service.

As June 30, 1998, the employees of the Board had accumulated and vested \$9,800 of employee leave benefits, which was computed in accordance with GASB Codification Section 630, as modified by GASB Statement Number 18. This amount is recorded within the General Long-Term Debt Account Group.

G. TOTAL COLUMN OF STATEMENTS

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

I. GENERAL FIXED ASSETS

Fixed assets used in the governmental fund type operations are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. Depreciation has not been provided for on these fixed assets. All fixed assets are valued at historical cost or estimated historical cost.

The changes in general fixed assets (all furniture and equipment) follows:

	<u>For fiscal year ended</u>	
	<u>June 30, 1978</u>	<u>June 30, 1977</u>
Balance at beginning of fiscal year	\$ 25,681	\$ 24,889
Additions	318	3,168
Deletions	<u>(1,715)</u>	<u>(3,918)</u>
Balance at end of fiscal year	\$ <u>24,284</u>	\$ <u>24,139</u>

I. PENSION PLAN

The Board's employees participate in the Louisiana State Employees' Retirement System (LSERS). The employee contribution is 7.5% of gross salary for each year presented. Additional information for each year is as follows:

	<u>For fiscal year ended</u>	
	<u>June 30, 1978</u>	<u>June 30, 1977</u>
Board's contribution percentage	13%	12.4%
Employee contributions	\$ 3,168	\$ 3,918
Board's contributions	8,372	8,458
Payroll subject to retirement	71,326	79,380

Under present statutes, the Board does not guarantee any of the benefits granted by the retirement system.

I. POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

The Board may provide certain continuing health care and life insurance benefits for its retired employees. Substantially all of the Board employees

D. PENSION, RETIREMENT, HEALTH CARE AND LIFE INSURANCE BENEFITS (Continued)

become eligible for these benefits if they reach normal retirement age while working for the Board.

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

E. LEASES

The Board rents its office space under an operating lease. The lease expense is included in operating expenditures and the total rent expense for the fiscal years ended June 30, 1988 and 1989 was \$9,402 and \$12,973, respectively.

The minimum annual commitments under lease for office space is as follows:

Fiscal Year ending June 30:	
1988	\$12,973
1989	22,308
1990	4,308
Total	<u>\$39,589</u>

F. GENERAL LONG-TERM OBLIGATIONS

Long-term obligations expected to be financed from governmental funds are accounted for in the general long-term debt account group, not in the governmental funds.

The following is a summary of the long-term debt transactions during the year:

Long-term obligations payable	
at July 1, 1988	\$ 1,068
Additions	700
Debt retirements	(-)
Long-term obligations payable	
on June 30, 1989	<u>\$ 1,768</u>

E. RELATED PARTY TRANSACTIONS

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

F. LITIGATION

At June 30, 1988, there was no litigation pending against the Board.

G. DESIGNATED FUND BALANCE

The Board has designated \$40,000 of the fund balance as a reserve for undetermined future legal contingencies.

Zahn and Kenney
Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the Louisiana State Board of Wholesale Drug Distributors (Board), a component unit of the Department of Health and Hospitals, State of Louisiana, as of June 30, 1999 and for the fiscal years ended June 30, 1998 and 1999, and have issued our report thereon dated September 9, 1999. We conducted our audit in accordance with general accepted auditing standards and the standards applicable for financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Board of Wholesale Drug Distributors' financial statements are free of material misstatement, we performed tests of the Board's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these 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 that is required to be reported herein, under Government Auditing Standards.

Internal Control Over Financial Reporting

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

This report is intended for the information of the Board, Management, and the Legislative Audit Advisory Committee. This restriction is not intended to limit the distribution of this report which, upon acceptance by the Board, is a matter of public record.

Zahn and Keeney

Monroe, Louisiana
September 8, 1989

LOUISIANA STATE BOARD OF
WHOLESALE DRUG DISTRIBUTORS

DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA

SCHEDULE OF PER DIEM PAID BOARD MEMBERS
FOR THE FISCAL YEAR ENDED JUNE 30,

<u>Name</u>	<u>1958</u>	<u>1959</u>
Bob Brundson	508	680
Wayne Christman	158	228
Gayle White	158	228
Damon Holt	215	350
William Lane	<u>215</u>	<u>350</u>
Total	<u>\$1,254</u>	<u>\$1,836</u>

This schedule of per diem paid to board members is presented in compliance with House Concurrent Resolution No. 34 of the 1959 Session of the Louisiana Legislature. Board members are paid \$75 per day for each board meeting they attend and for each day of additional service they render to the Board, as authorized by Louisiana Revised Statute 37:1212.

Summary of Prior Year Audit Findings

In our prior audit for which the report was dated September 19, 1997 we noted the following findings:

1. The controls over travel expenses were inadequate to ensure that forms were completed and approved prior to distribution of the reimbursement funds. Policies are in effect to ensure that all forms are complete and approved prior to reimbursement being made. This finding has been resolved.
2. The Board had no written policy regarding the proper approval and cancellation of invoices. Policies are in effect regarding approval and cancellation of invoices. Compliance with these policies was noted and this resolves this finding.
3. The Board required two signatures on all checks which resulted in the inefficient use of the executive director's time. The policy was changed to allow a single signature on all checks in amounts under \$1,000. This finding has been resolved.
4. The bank reconciliation was being done by the employee responsible for the accounting function. The Board has contracted with an independent accountant to perform this function monthly. This finding is resolved.
5. The Board was not meeting regularly during the prior biennial audit period. During the current audit period the Board met three times each year. Additionally, monthly financial reports were mailed to each Board member allowing them to be better informed of the Board's activities.