LOUISIANA STATE BOARD OF MEDICAL EXAMINERS

DEPARTMENT OF HEALTH

A COMPONENT UNIT OF THE STATE OF LOUISIANA

FINANCIAL STATEMENT AUDIT
FOR THE YEAR ENDING DECEMBER 31, 2018
ISSUED AUGUST 28, 2019

LOUISIANA LEGISLATIVE AUDITOR
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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

August 26, 2019

Independent Auditor's Report

LOUISIANA STATE BOARD OF MEDICAL EXAMINERS
STATE OF LOUISIANA
New Orleans, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Louisiana State Board of Medical Examiners (Board), a component unit of the state of Louisiana, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Board as of December 31, 2018, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As disclosed in note 7 to the financial statements, the net pension liability for the Board was $8,255,181 at December 31, 2018, as determined by the Louisiana State Employees' Retirement System (LASERS). The related actuarial valuations were performed by LASERS's actuaries using various assumptions. Because actual experience may differ from the assumptions used, there is a risk that this amount at December 31, 2018, could be under or overstated. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 9, the Schedule of the Board's Proportionate Share of the Net Pension Liability on page 31, the Schedule of Board Contributions on page 31, and the Schedule of the Board's Proportionate Share of the Total Collective OPEB Liability on page 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2019, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

Respectfully submitted,

Thomas H. Cole, CPA
First Assistant Legislative Auditor

CH:BF:BQD:EFS:aa

LSBME 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

Management's Discussion and Analysis of the Louisiana State Board of Medical Examiners' (Board) financial performance presents a narrative overview and analysis of the Board's financial activities for the year ended December 31, 2018. This document focuses on the current-year's activities, resulting changes, and currently-known facts in comparison with the prior-year's information. Please read this document in conjunction with the Board's financial statements, which follow this section.

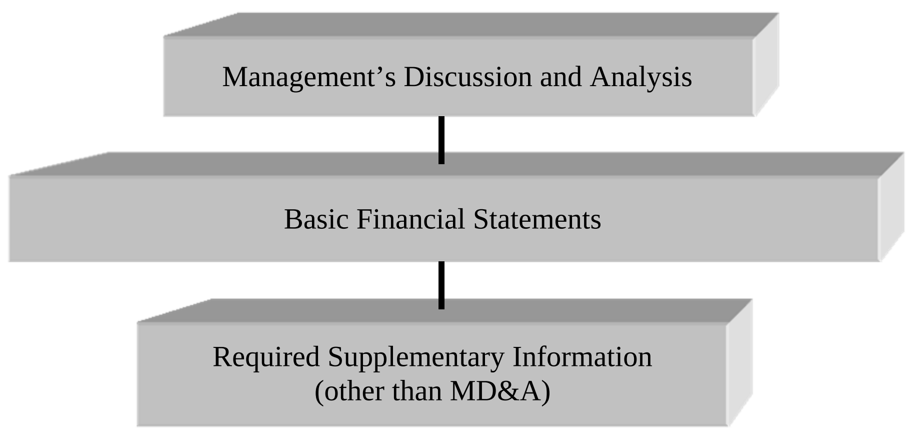
FINANCIAL HIGHLIGHTS

- The Board's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of fiscal year 2018 by $1,785,983, and net position increased by $1,085,467.

- The Board's operating revenue increased by $269,146, or 3.4%, and the Board's operating expenses increased by $549,710, or 8.5%. The Board's operating income was $280,564, or 21.0%, less than the previous fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for government entities engaged in business-type activities established by Governmental Accounting Standards Board (GASB).



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.

The Board's activities are reported in a single proprietary fund. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Board, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Board's financial statements are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. Under this basis of accounting, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred.

Basic Financial Statements

The basic financial statements present information for the Board 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.

Statement of Net Position

This statement presents the current and long-term portions of assets, deferred outflows of resources, the current and long-term portions of liabilities, and deferred inflows of resources, with the difference reported as net position and may provide a useful indicator of whether the Board's financial position is improving or deteriorating.

Statement of Revenues, Expenses, and Changes in Net Position

This statement presents information showing how the Board's net position 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 future fiscal periods.

Statement of Cash Flows

This statement presents information showing how the Board's 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 Statement No. 34.

FINANCIAL ANALYSIS OF THE ENTITY

The condensed statements of net position consist of the following at December 31:

Statement of Net Position
As of December 31, 2018, and December 31, 2017

	2018	2017 (restated)	Change	Percent Change
Assets				
Current assets	$7,283,882	$6,047,718	$1,236,164	20.4%
Noncurrent assets	8,408,637	8,819,527	(410,890)	(4.7%)
Total assets	15,692,519	14,867,245	825,274	5.6%
Deferred outflows of resources	1,295,330	1,349,381	(54,051)	(4.0%)
Liabilities				
Current liabilities	780,890	692,840	88,050	12.7%
Noncurrent liabilities	13,691,144	13,884,055	(192,911)	(1.4%)
Total liabilities	14,472,034	14,576,895	(104,861)	(0.7%)
Deferred inflows of resources	729,832	939,215	(209,383)	(22.3%)
Net position:				
Investment in capital assets	5,845,347	6,050,842	(205,495)	(3.4%)
Restricted	2,392,185	2,235,608	156,577	7.0%
Unrestricted	(6,451,549)	(7,585,934)	1,134,385	15.0%
Total net position	$1,785,983	$700,516	$1,085,467	155.0%

The investment in capital assets consists of capital assets net of accumulated depreciation. Restricted net position represents those assets that are not available for spending as a result of legislative requirements. Conversely, unrestricted net position represent assets that do not have any limitations on how these amounts may be spent.

Net position increased by $1,085,467, or 155%, as explained in the following section.

The condensed statements of revenues, expenses, and changes in net position consist of the following for the years ended December 31:

Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended December 31. 2018, and December 31, 2017

	2018	2017 (restated)	Change	Percent Change
Operating revenues	$8,094,661	$7,825,515	$269,146	3.4%
Operating expenses	7,037,178	6,487,468	549,710	8.5%
Operating income	1,057,483	1,338,047	(280,564)	(21.0%)
Nonoperating revenues	27,984	7,654	20,330	265.6%
Change in net position	1,085,467	1,345,701	(260,234)	(9.3%)
Net position at beginning of year, restated	700,516	(645,185)	1,345,701	208.6%
Net Position, end of year	$1,785,983	$700,516	$1,085,467	155.0%

The Board's operating revenues increased by $269,146, or 3.4%. This is predominately due to increases in revenues from licenses, permits, and fees. Operating expenses increased by $549,710, or 8.5%. This is predominately due to increases in contracted professional services and salaries from a salary redesign and merit increases.

CAPITAL ASSETS

As of December 31, 2018, the Board had $5,845,347 invested in a broad range of capital assets, including land, buildings, furniture, fixtures, computer equipment, and computer software. This amount represents a net decrease (including additions and deductions) of $205,495 over the past year.

DEBT ADMINISTRATION

The Board had no outstanding bonds or notes. The Board's noncurrent liabilities consist of compensated absences and pension and other postemployment benefits.

VARIATIONS BETWEEN ORIGINAL AND FINAL BUDGET

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. Actual revenues for 2018 exceeded budgeted revenues by 5.3%, and actual expenses were approximately 7.4% under budget.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Board has made significant investments in its information technology infrastructure that supports its core mission, investigations, and overall day-to-day operations. These investments include a new licensure software system that will (1) decrease the amount of time between application and licensure; (2) ensure connectivity with national databases; (3) increase and improve online services for licensees; (4) safeguard continuity of information within the Board's divisions (i.e., Licensure and Investigations); (5) provide more and greater dissemination and access of information of interest to the public; and (6) reduce the overall cost of operations. The Board also plans to invest in building improvements and additional staff, and will continue to identify opportunities for efficiencies within the agency. For 2019, the Board has budgeted its expenses at $10 million.

CONTACTING THE BOARD'S MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and customers with a general overview of the Board's finances and demonstrate its accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Denise Businelle
Director of Operations
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, 2018

ASSETS	
Current assets:	
Cash (note 2)	$7,207,007
Receivables, net (note 3)	6,567
Prepayments	70,308
Total current assets	7,283,882
Noncurrent assets:	
Restricted cash (note 2)	2,562,990
Restricted receivables, net (note 3)	300
Capital assets, net (note 4)	5,845,347
Total noncurrent assets	8,408,637
Total assets	15,692,519
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions (note 7)	1,235,947
Deferred outflows related to other postemployment benefits (OPEB) (note 8)	59,383
Total deferred outflows of resources	1,295,330
LIABILITIES	
Current liabilities:	
Accounts payable	274,200
Accrued payroll expenses	283,244
Current portion of long-term liabilities -	
Compensated absences payable (note 5)	98,540
Total OPEB liability (note 8)	124,906
Total current liabilities	780,890
Noncurrent liabilities:	
Compensated absences payable (note 5)	168,859
Net pension liability (note 7)	8,255,181
Total OPEB liability (note 8)	5,267,104
Total noncurrent liabilities	13,691,144
Total liabilities	14,472,034
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions (note 7)	111,833
Deferred inflows related to OPEB (note 8)	617,999
Total deferred inflows of resources	729,832
NET POSITION	
Investment in capital assets	5,845,347
Restricted	2,392,185
Unrestricted	(6,451,549)
Total net position	$1,785,983

The accompanying notes are an integral part of this statement.

LOUISIANA STATE BOARD OF MEDICAL EXAMINERS
STATE OF LOUISIANA

Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2018

OPERATING REVENUES	
Licenses, permits, and fees	$7,970,087
Other income	124,574
Total operating revenues	8,094,661
OPERATING EXPENSES	
Personnel services and related benefits	4,105,480
Contractual services	615,849
Travel	93,181
Operating services	844,329
Supplies	40,927
Professional services	1,107,316
Depreciation (note 4)	230,096
Total operating expenses	7,037,178
OPERATING INCOME	1,057,483
NONOPERATING REVENUES	
Interest earnings	27,984
Total nonoperating revenues	27,984
Change in net position	1,085,467
NET POSITION - BEGINNING OF YEAR, Restated (note 6)	700,516
NET POSITION - END OF YEAR	$1,785,983

The accompanying notes are an integral part of this statement.

LOUISIANA STATE BOARD OF MEDICAL EXAMINERS
STATE OF LOUISIANA

Statement of Cash Flows
For the Year Ended December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$8,095,964
Cash payments to suppliers for goods and services	(2,679,036)
Cash payments to employees for services	(4,443,884)
Net cash provided by operating activities	973,044
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(24,601)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	27,984
NET INCREASE IN CASH	976,427
CASH AT BEGINNING OF YEAR	8,793,570
CASH AT END OF YEAR	$9,769,997
Reconciliation of operating income to net cash provided by operating activities:	
Operating Income	$1,057,483
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	230,096
Changes in assets, deferred outflows, liabilities, and deferred inflows:	
Decrease in receivables	1,303
(Increase) in prepayments	(55,645)
Decrease in deferred outflows related to pensions	44,761
Decrease in deferred outflows related to other postemployment benefits (OPEB)	9,290
Increase in accounts payable	78,211
Increase in accrued payroll expenses	14,124
Increase in compensated absences payable	6,036
Increase in net pension liability	92,532
(Decrease) in total OPEB liability	(295,764)
(Decrease) in deferred inflows related to pensions	(486,575)
Increase in deferred inflows related to OPEB	277,192
Total adjustments	(84,439)
Net cash provided by operating activities	$973,044

The accompanying notes are an integral part of this statement.

INTRODUCTION

The Louisiana State Board of Medical Examiners (Board) is a component unit of the state of Louisiana created within the Louisiana Department of Health, as provided by Louisiana Revised Statute (R.S.) 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 and include the following:

- 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.

- 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.

- 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 attorney 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.

- 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.

- 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 10 voting members composed of nine physicians and one consumer member. Board members are appointed for four-year terms by the governor and subject to Senate confirmation as follows:

(a) Two members from a list 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 people.

(b) One member from a list of names submitted by the Louisiana State University Health Sciences Center at New Orleans. At least every other member appointed from a list provided shall be a minority appointee.

(c) One member from a list of names submitted by the Louisiana State University Health Sciences Center at Shreveport. At least every other member appointed from a list provided shall be a minority appointee.

(d) One member from a list of names submitted by the Tulane Medical School.

(e) Two members from a list submitted by the Louisiana Medical Association.

(f) One member from a list submitted by the Louisiana Academy of Family Practice Physicians.

(g) One member from a list submitted by the Louisiana Hospital Association. At least every other member appointed from a list shall be a minority appointee.

(h) One consumer member. At least every other consumer member appointed to the board shall be a minority appointee.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting principles and reporting standards. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by GASB. The accompanying financial statements have been prepared on the full accrual basis in accordance with such principles.

B. REPORTING ENTITY

GASB Codification Section 2100 has defined the governmental reporting entity to be the state of Louisiana. The Board is considered a component unit (enterprise fund) of the state of Louisiana because the state has financial accountability over the Board in that the governor appoints the board members and that the Board is placed within the Louisiana Department of Health. The accompanying financial statements include only the operations of the Board.

Annually, the state of Louisiana issues a basic financial statement, which includes the activity contained in the accompanying financial statement. The basic financial statement is issued by the Louisiana Division of Administration, Office of Statewide Reporting and Accounting Policy, and audited by the Louisiana Legislative Auditor.

C. BASIS OF ACCOUNTING

For financial reporting purposes, the Board is considered a special-purpose government engaged only in business-type activities. All activities of the Board are accounted for with a single proprietary (enterprise) fund.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The transactions of the Board are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the Statement of Net Position.

Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which the liability is incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and/or producing and delivering goods in connection with the Board's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal operating revenues of the Board consist of licenses, permits, and fees. Operating expenses include administrative expenses and depreciation on capital assets.

D. NET POSITION

Net position comprises the various net earnings from operations, nonoperating revenues, and expenses. The Board's net position is classified in the following components:

- Investment in capital assets consists of capital assets, including restricted capital assets, net of accumulated depreciation. The Board has no related debt attributable to its capital assets.

- Restricted net position consists of amounts with constraints placed on the use by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation

- Unrestricted net position consists of all other amounts that do not meet the definition of restricted net position or investment in capital assets.

The Board's restricted net position as of December 31, 2018, resulting from legislative requirements, includes the following:

Clinical Lab	$1,224,489
Physicians Health Program	388,602
Continuing Medical Education	779,094
Total	$2,392,185

It is the Board's policy to first apply unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

E. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. CASH AND CASH EQUIVALENTS

For the purpose of the Statement of Net Position and Statement of Cash Flows, cash and cash equivalents include all demand, savings accounts, and certificates of deposits of the Board with an original maturity of 90 days or less.

G. CAPITAL ASSETS

Capital assets are recorded at cost at their date of acquisition or their estimated fair value at the date of donation. For movable property, the Board's capitalization policy includes all items with a cost of $5,000 or more. Depreciation is computed using the straight-line method over the estimated useful life of the assets, 40 years for buildings, and generally three to 10 years for furniture, fixtures, and equipment. Repairs and maintenance items are expensed as incurred.

H. COMPENSATED ABSENCES

Employees of the Board earn and accumulate vacation and sick leave at varying rates, depending upon their years of service. The amount of vacation 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 vacation leave at the employee's hourly rate of pay at the time of termination. Upon retirement, unused vacation leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits.

I. NONCURRENT LIABILITIES

Noncurrent liabilities consist of compensated absences and pension and other postemployments benefits.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of LASERS, and additions to/deductions from the retirement systems' fiduciary net position have been determined on the same basis as they are reported by the retirement system. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Synthetic guaranteed investment contracts are reported at contract value. All other investments are reported at fair value.

J. REVENUES AND EXPENSES

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

2. 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 Board may deposit funds within a fiscal agent bank selected and designated by the Interim Emergency Board. Further, the Board 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 or federally or state chartered credit unions.

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

Custodial Credit Risk

In the case of deposits, this is the risk that in the event of a bank failure the deposits may not be returned to the Board. As of December 31, 2018, $9,410,905 of the Board's bank balance of $9,660,905 was exposed to custodial credit risk because the deposits were uninsured and collateralized with securities held by the pledging institution's trust department or agent but not in the Board's name.

3. ACCOUNTS RECEIVABLE

At December 31, 2018, the Board had net receivable balances as follows:

Class of Receivables	General	Restricted	Total
License fees and other assessments	$51,211	$565	$51,776
Allowance for uncollectible accounts	(44,644)	(265)	(44,909)
Total	$6,567	$300	$6,867

The allowance for uncollectible accounts includes all receivables greater than 90 days old.

4. CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance Dec. 31, 2017	Prior Period Adjustments	Adjusted Balance Dec. 31, 2017	Additions	Deletions	Balance Dec. 31, 2018
Capital assets not being depreciated:						
Land	$100,000		$100,000			$100,000
Capital assets being depreciated:						
Building	882,679		882,679			882,679
Building improvements	7,007,703		7,007,703	$11,992		7,019,695
Furniture and Equipment	1,256,917	($450,997)	805,920	12,609	($34,659)	783,870
Vehicle	17,131		17,131			17,131
Total capital assets being depreciated	9,164,430	(450,997)	8,713,433	24,601	(34,659)	8,703,375
Less accumulated depreciation	(2,994,782)	232,191	(2,762,591)	(230,096)	34,659	(2,958,028)
Total capital assets, net	$6,269,648	($218,806)	$6,050,842	($205,495)	$0	$5,845,347

5. LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities of the Board for the year ended December 31, 2018:

	Balance Dec. 31, 2017	Additions	Reductions	Balance Dec. 31, 2018	Amounts due within one year
Compensated absences	$261,363	$160,197	($154,161)	$267,399	$98,540
Total long-term liabilities**	$261,363	$160,197	($154,161)	$267,399	$98,540

** Information about changes in the net pension liability and the total OPEB liability are contained in notes 7 and 8, respectively.

6. RESTATEMENT OF NET POSITION

Net position at December 31, 2017	$919,322
Correction of errors in capital asset accounts	(218,806)
Net position at December 31, 2017, as restated	$700,516

7. PENSION PLAN

General Information about the Pension Plan

Plan Description

The Board is a participating employer in a state public employee retirement system, the Louisiana State Employees' Retirement System (LASERS). LASERS has a separate board of trustees and administers a cost-sharing, multiple-employer defined benefit pension plan, including classes of employees with different benefits and contribution rates (sub-plans). Article X, Section 29(F) of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions of all sub-plans administered by LASERS to the State Legislature. LASERS issues a public report that includes financial statements and required supplementary information. A copy of the report for LASERS may be obtained at www.lasersonline.org.

Retirement Benefits

LASERS administers a plan to provide retirement, disability, and survivor benefits to eligible state employees and their beneficiaries as defined in R.S. 11:411-417. Act 992 of the 2010 Louisiana Regular Legislative Session closed existing sub-plans for members hired before January 1, 2011, and created new sub-plans for regular members, hazardous duty members, and judges. Act 226 of the 2014 Louisiana Regular Legislative Session established new retirement eligibility for members of LASERS hired on or after July 1, 2015, excluding hazardous duty plan members. The age and years of creditable service required for a member to receive retirement benefits are established by R.S. 11:441 and vary depending on the member's hire date, employer and job classification. The computation of retirement benefits is defined in R.S. 11:444.

The substantial majority of the Board's members are regular plan members. Regular plan members hired prior to July 1, 2006, may retire with full benefits at any age upon completing 30 years of creditable service, at age 55 upon completing 25 years of creditable service, and at age 60 upon completing 10 years of creditable service. Regular plan members hired from July 1, 2006, through June 30, 2015, may retire with full benefits at age 60 upon completing 5 years of creditable service. Regular plan members hired on or after July 1, 2015, may retire with full benefits at age 62 upon completing 5 years of creditable service. Additionally, all regular plan members may choose to retire with 20 years of creditable service at any age, with an actuarially reduced benefit. The basic annual retirement benefit for regular plan members is equal to 2.5% of average compensation multiplied by the number of years of creditable service, generally not to exceed 100% of average compensation. Average compensation for regular plan members is defined in R.S. 11:403 as the member's average annual earned compensation for the highest 36 consecutive months of employment for members employed prior to July 1, 2006, or highest 60 consecutive months of employment for members employed on or after that date. A member leaving service before attaining minimum retirement age but after completing certain minimum service requirements, generally 10 years, becomes eligible for a benefit provided the member lives to the minimum service retirement age and does not withdraw the accumulated contributions. The minimum service requirement for benefits varies depending upon the member's employer and service classification.

Eligibility requirements and benefit computations for disability benefits are provided for in R.S. 11:461. Generally, active regular plan members with ten or more years of credited service who become disabled may receive a maximum disability retirement benefit equivalent to the regular retirement formula without reduction by reason of age. Upon reaching retirement age, the disability retiree may receive a regular retirement benefit by making application to the LASERS Board of Trustees.

Provisions for survivor benefits are provided for in R.S. 11:471-478. Under these statutes, the deceased regular plan member, hired before January 1, 2011, who was in state service at the time of death must have a minimum of five years of service, at least two of which were earned immediately prior to death, or who had a minimum of twenty years of service regardless of when earned in order for a benefit to be paid to a minor or handicapped child. Benefits are payable to an unmarried child until age 18 or age 23 if the child remains a full-time student. The minimum service requirement is ten years for a surviving spouse with no minor children, and benefits are to be paid for life to the spouse or qualified handicapped child. The deceased regular plan member, hired on or after January 1, 2011, must have a minimum of five years of service credit regardless of when earned in order for a benefit to be paid to a minor child. The minimum service credits for a surviving spouse include active service at the time of death and a minimum of ten years of service credit with two years being earned immediately prior to death, or a minimum of 20 years regardless of when earned. In addition, the deceased regular plan member's spouse must have been married for at least one year before death.

LASERS has established a Deferred Retirement Option Plan (DROP). When a member enters DROP, their status changes from active member to retiree even though they continue to work and draw their salary for a period up to three years. The election is irrevocable once participation begins. During participation, benefits otherwise payable are fixed and deposited in an individual DROP account. Upon leaving DROP, members must choose among available alternatives for the distribution of benefits that have accumulated in their DROP accounts.

Members eligible to retire and who do not choose to participate in DROP may elect to receive at the time of retirement an initial lump-sum benefit option (IBO) in an amount up to 36 months of benefits, with an actuarial reduction of their future benefits.

Cost of Living Adjustments

As fully described in Title 11 of the Louisiana Revised Statutes, LASERS allows for the payment of permanent benefit increases, also known as cost of living adjustments (COLAs), which are funded through investment earnings when recommended by the LASERS Board of Trustees and approved by the Legislature.

Contributions

Employee contribution rates are established by R.S. 11.62. Employer contribution rates are established annually under R.S. 11:101-11:104 by the Public Retirement Systems' Actuarial Committee, taking into consideration the recommendation of the pension system actuary. Employer contribution rates are constitutionally required to cover the employer's portion of the normal cost and provide for the amortization of the unfunded accrued liability. Each LASERS sub-plan pays a separate actuarially-determined employer contribution rate. However, all assets of LASERS are used for the payment of benefits for all classes of members, regardless of their sub-plan membership.

Employer contributions to LASERS for 2018 totaled $967,030, with regular plan active member contributions ranging from 7.5% to 8%, and employer contributions of 37.9% of covered payroll.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2018, the Board reported a liability of $8,255,181 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by actuarial valuation as of that date. The Board's proportion of the net pension liability was based on projections of the Board's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. As of June 30, 2018, the most recent measurement date, the Board's proportion and the change in proportion from the prior measurement date were 0.12105%, or an increase of 0.00508%.

For the year ended December 31, 2018, the Board recognized total pension expense of $617,747. At December 31, 2018, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between expected and actual experience		$92,573
Changes of assumptions	$84,003	
Net difference between projected and actual earnings on pension plan investments	107,042	
Changes in proportion and differences between employer contributions and proportionate share of contributions	497,230	19,260
Employer contributions subsequent to the measurement date	547,672	
Total	$1,235,947	$111,833

Deferred outflows of resources related to pensions resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the LASERS net pension liability (NPL) in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	**Net Amount Recognized in Pension Expense**
2019	$580,153
2020	$228,244
2021	($201,743)
2022	($30,212)

Actuarial Assumptions and Methodologies

The total pension liability for LASERS in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions and methodologies, applied to all periods included in the measurement:

Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Approach	Closed
Expected Remaining Service Lives	3 years
Investment Rate of Return	7.65% per annum, net of investment expense (decreased from 7.70% in June 30, 2017 valuation)
Inflation Rate	2.75% per annum
Mortality - Non-disabled	RP-2000 Combined Healthy Mortality Table, improvement projected to 2015
Mortality - Disabled	RP-2000 Disabled Retiree Mortality Table, no projection for improvement
Termination, Disability, Retirement	2009-2013 experience study
Salary Increases	2009-2013 experience study, ranging from 3.8% to 12.8% for regular plan members
Cost of Living Adjustments	The projected benefit payments do not include provisions for potential future increases not yet authorized by the LASERS Board of Trustees as these ad hoc COLAs were deemed not to be substantively automatic.

The LASERS Board of Trustees adopted a plan to gradually reduce the discount rate from 7.75% to 7.50% in .05% annual increments, beginning July 1, 2017. Therefore, the discount rate was reduced from 7.70% to 7.65% for the June 30, 2018 valuation. A 7.60% discount rate was used to determine the projected contribution requirements for fiscal year 2019/2020.

The long-term expected rate of return on investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 3.25% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 8.83%. The target allocation and best estimate of geometric real rates of return for each major asset class as of June 30, 2018, are summarized in the following table:

	Target Allocation	Long-Term Expected Real Rate of Return
LASERS (geometric)		
Cash	0.00%	-0.48%
Domestic equity	23.00%	4.31%
International equity	32.00%	5.26%
Domestic fixed income	6.00%	1.49%
International fixed income	10.00%	2.23%
Alternative investments	22.00%	7.67%
Risk parity	7.00%	4.96%
Total	100.00%	5.40%

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from participating employers will be made at the actuarially determined rates approved by the PRSAC taking into consideration the recommendation of the LASERS actuary. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the NPL to changes in the discount rate

The following presents the Board's proportionate share of the NPL using the current discount rate as well as what the Board's proportionate share of the NPL would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

	1.0% Decrease	Current Discount Rate	1.0% Increase
	(6.65%)	(7.65%)	(8.65%)
Proportionate Share of NPL	$10,418,587	$8,255,181	$6,391,955

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in LASERS separately-issued Comprehensive Annual Financial Report at www.lasersonline.org.

Payables to the Pension Plan

At December 31, 2018, the Board reported $156,864 in payables to LASERS for the December 2018 employee and employer legally-required contributions.

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

General Information about the OPEB Plan

Plan Description and Benefits Provided

The Office of Group Benefits (OGB) administers the State of Louisiana Post-Retirement Benefits Plan – a defined-benefit, multiple-employer other post-employment benefit plan. The plan provides medical, prescription drug, and life insurance benefits to retirees, disabled retirees, and their eligible beneficiaries through premium subsidies. Current employees, who participate in an OGB health plan while active, are eligible for plan benefits if they are enrolled in the OGB health plan immediately before the date of retirement and retire under one of the state sponsored retirement systems (Louisiana State Employees' Retirement System, Teachers' Retirement System of Louisiana, Louisiana School Employees' Retirement System, or Louisiana State Police Retirement System), or they retire from a participating employer that meets the qualifications in the Louisiana Administrative Code 32:3.303. Benefit provisions are established under R.S. 42:851 for health insurance benefits and R.S. 42:821 for life insurance benefits. The obligations of the plan members, employer(s), and other contributing entities to contribute to the plan are established or may be amended under the authority of R.S. 42:802.

There are no assets accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement 75. The plan is funded on a "pay-as-you-go basis" under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments become due.

Employer contributions are based on plan premiums and the employer contribution percentage. Premium amounts vary depending on the health plan selected and if the retired member has Medicare coverage. OGB offers retirees four self-insured healthcare plans and one fully insured plan. Effective January 1, 2019, retired employees who have Medicare Part A and Part B coverage also have access to six fully insured Medicare Advantage plans.

The employer contribution percentage is based on the date of participation in an OGB plan and employee years of service at retirement. Employees who begin participation or rejoin the plan before January 1, 2002, pay approximately 25% of the cost of coverage (except single retirees under age 65, who pay approximately 25% of the active employee cost). For those beginning participation or rejoining on or after January 1, 2002, the percentage of premiums contributed by the employer and retiree is based on the following schedule:

OGB Participation	Employer Share	Retiree Share
Under 10 years	19%	81%
10 - 14 years	38%	62%
15 - 19 years	56%	44%
20+ years	75%	25%

In addition to healthcare benefits, retirees may elect to receive life insurance benefits. Basic and supplemental life insurance is available for the individual retirees and spouses of retirees subject to maximum values. Employers pay approximately 50% of monthly premiums for individual retirees. The retiree is responsible for 100% of the premium for dependents. Effective January 1, 2018, the total monthly premium for retirees varies according to age group.

Total Collective OPEB Liability and Changes in Total Collective OPEB Liability

At December 31, 2018, the Board reported a liability of $5,392,010 for its proportionate share of the total collective OPEB liability. The total collective OPEB liability was measured as of July 1, 2018, and was determined by an actuarial valuation as of that date.

The Board's proportionate share percentage is based on the employer's individual OPEB actuarial accrued liability in relation to the total OPEB actuarial accrued liability for all participating entities included in the State of Louisiana reporting entity. As of July 1, 2018, the most recent measurement date, the Board's proportion and the change in proportion from the prior measurement date were 0.0632%, or a decrease of 0.0022%.

The total collective OPEB liability in the July 1, 2018, actuarial valuation was determined using the following actuarial methods, assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Actuarial Cost Method – Entry Age Normal, level percentage of pay
- Estimated Remaining Service Lives – 4.5
- Inflation rate – Consumer Price Index (CPI) 2.8%
- Salary increase rate – consistent with the pension plan disclosed in note 7.
- Discount rate – 2.98% based on June 29, 2018, Standard & Poor's 20-year municipal bond index rate.
- Mortality rates assumptions were based on the RP-2014 Combined Healthy Mortality Table, or RP-2014 Disabled Retiree Mortality Table; both tables projected on a fully generational basis by Mortality Improvement Scale MP-2018.
- Healthcare cost trend rates – 7% for pre-Medicare eligible employees grading down by .25% each year, beginning in 2020-2021, to an ultimate rate of 4.5% in

2029; 5.5% for post-Medicare eligible employees grading down by .25% each year, beginning in 2020-2021, to an ultimate rate of 4.5% in 2023-2024 and thereafter; the initial trend was developed using the National Health Care Trend Survey; the ultimate trend was developed using a building block approach, which considers Consumer Price Index, Gross Domestic Product, and technology growth.

Changes of assumptions and other inputs from the prior valuation include the following:

- Decrease in discount rate from 3.13% to 2.98%.
- Baseline per capita costs were adjusted to reflect 2018 claims and enrollment, retiree contributions were updated based on 2019 premiums, and the impact of the High Cost Excise Tax was revisited, reflecting updated plan premiums.
- Updated the mortality assumptions using projection scale MP-2018 based on information released by the Society of Actuaries in October 2018.
- Percentage of future retirees assumed to elect medical coverage was adjusted based on recent plan experience.

Sensitivity of the proportionate share of the total collective OPEB liability to changes in the discount rate

The following presents the Board's proportionate share of the total collective OPEB liability using the current discount rate as well as what the Board's proportionate share of the total collective OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

	1.0% Decrease	Current Discount Rate	1.0% Increase
	(1.98%)	(2.98%)	(3.98%)
Proportionate Share of Total Collective OPEB Liability	$6,419,791	$5,392,010	$4,585,989

Sensitivity of the proportionate share of the total collective OPEB liability to changes in the healthcare cost trend rates

The following presents the Board's proportionate share of the total collective OPEB liability using the current healthcare cost trend rates as well as what the Board's proportionate share of the total collective OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current rates:

	1.0% Decrease	Current Healthcare Cost Trend Rates	1.0% Increase
Pre-65	(6% decreasing to 3.5%)	(7% decreasing to 4.5%)	(8% decreasing to 5.5%)
Post-65	(4.5% decreasing to 3.5%)	(5.5% decreasing to 4.5%)	(6.5% decreasing to 5.5%)
Proportionate Share of Total Collective OPEB Liability	$4,552,383	$5,392,010	$6,477,192

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2018, the Board recognized OPEB expense of $113,349. At December 31, 2018, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between expected and actual experience		$23,502
Changes of assumptions or other inputs		363,277
Changes in proportion and differences between benefit payments and proportionate share of benefit payments		231,220
Amounts paid by the employer for OPEB subsequent to the measurement date	$59,383	
Total	$59,383	$617,999

Deferred outflows of resources related to OPEB resulting from the Board's benefit payments subsequent to the measurement date will be recognized as a reduction of the total collective OPEB liability in the year ended December 31, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended	**Net Amount Recognized in OPEB Expense**
2019	($204,235)
2020	($204,235)
2021	($154,874)
2022	($54,655)

9. RISK MANAGEMENT

Losses arising from judgments, claims, and similar contingencies are paid through the state's self-insurance fund operated by the Office of Risk Management, the agency responsible for the state's risk management program, or by the state's general fund appropriations.

There is no pending litigation or claim against the Board at December 31, 2018, which if asserted, in the opinion of the Board's legal advisors, would have at least a reasonable probability of an unfavorable outcome or for which resolution would materially affect the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the Board's Proportionate Share of the Net Pension Liability

Schedule 1 presents the Board's Net Pension Liability.

Schedule of Board Contributions

Schedule 2 presents the amount of contributions the Board made to the pension system.

Schedule of the Board's Proportionate Share of the Total Collective OPEB Liability

Schedule 3 presents the Board's Other Postemployment Benefits Plan.

Schedule of the Board's Proportionate Share of the Net Pension Liability **Schedule 1**
For the Year Ended December 31, 2018

Fiscal Year*	Board's proportion of the net pension liability	Board's proportionate share of the net pension liability	Board's covered payroll	Board's proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
Louisiana State Employees' Retirement System (LASERS)					
2015	0.12386%	$8,424,146	$2,350,749	358%	62.7%
2016	0.10591%	$8,316,638	$2,072,889	401%	57.7%
2017	0.11597%	$8,162,649	$2,093,495	390%	62.5%
2018	0.12105%	$8,255,181	$2,444,733	338%	64.3%

*Amounts presented were determined as of the measurement date (June 30) of the net pension liability.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of Board Contributions **Schedule 2**
For the Year Ended December 31, 2018

Fiscal Year*	(a) Statutorily-Required Contribution	(b) Contributions in relation to the statutorily-required contribution	(a-b) Contribution Deficiency (Excess)	Board's covered payroll	Contributions as a percentage of covered payroll
Louisiana State Employees' Retirement System (LASERS)					
2015	$831,807	$831,807	NONE	$2,350,749	35.4%
2016	$756,599	$756,599	NONE	$2,072,889	36.5%
2017	$846,544	$846,544	NONE	$2,276,469	37.2%
2018	$967,030	$967,030	NONE	$2,516,235	38.4%

*Amounts presented were determined as of the end of the Board's fiscal year (December 31).

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Notes to Required Supplementary Information (Schedules 1 and 2)

Changes of Benefit Terms include:

A 1.5% COLA, effective July 1, 2016, provided by Acts 93 and 512 of the 2016 Louisiana Regular Legislative Session.

Changes of Assumptions include:

Effective July 1, 2017, the LASERS Board reduced the inflation assumption from 3.0% to 2.75%. Since the inflation assumption is a component of the salary increase assumption, all salary increase assumptions decreased by .25% in the June 30, 2017, valuation.

Effective July 1, 2017, the projected contribution requirement includes direct funding of administrative expenses, rather than a reduction in the assumed rate of return, per Act 94 of 2016.

Effective July 1, 2017, the LASERS board adopted a plan to gradually reduce the discount rate from 7.75% to 7.50% in .05% annual increments. Therefore, the discount rate was reduced from 7.75% to 7.70% for the June 30, 2017, valuation, and to 7.65% for the June 30, 2018, valuation. A 7.65% discount rate was used to determine the projected contribution requirements for fiscal year 2018/2019, and a 7.60% rate was used for the 2019/2020 fiscal year.

LOUISIANA STATE BOARD OF MEDICAL EXAMINERS
STATE OF LOUISIANA

Schedule of the Board's Proportionate Share of the Total Collective OPEB Liability
For the Year Ended December 31, 2018

Fiscal Year*	Board's proportion of the total collective OPEB liability	Board's proportionate share of the total collective OPEB liability	Board's covered-employee payroll	Board's proportionate share of the total collective OPEB liability as a percentage of the covered-employee payroll
2016	0.0654%	$5,937,905	$2,097,466	283.10%
2017	0.0654%	$5,687,774	$2,103,520	270.39%
2018	0.0632%	$5,392,010	$2,524,819	213.56%

*The amounts and percentages presented were determined as of the measurement date (July 1).

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Notes to Required Supplementary Information (Schedule 3)

There are no assets accumulated in a trust that meets the requirements in paragraph 4 of GASB Statement 75 to pay related benefits.

Changes of Assumptions:

The 2017 valuation reflects an increase in the discount rate from 2.71% to 3.13%.

The 2018 valuation reflects the following changes of assumptions and other inputs:

(1) Decrease in discount rate from 3.13% to 2.98%.

(2) Baseline per capita costs were adjusted to reflect 2018 claims and enrollment, retiree contributions were updated based on 2019 premiums, and the impact of the High Cost Excise Tax was revisited, reflecting updated plan premiums.

(3) Updated the mortality assumptions for members in LASERS using projection scale MP-2018 based on information released by the Society of Actuaries in October 2018.

(4) Percentage of future retirees assumed to elect medical coverage was adjusted based on recent plan experience.

OTHER REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Exhibit A

The following pages contain a report on internal control over financial reporting and on compliance with laws and regulations and other matters as 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 significant deficiencies and/or material weaknesses in internal control or compliance and other matters that would be material to the presented financial statements.

LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

August 26, 2019

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*

Independent Auditor's Report

LOUISIANA STATE BOARD OF MEDICAL EXAMINERS
STATE OF LOUISIANA
New Orleans, 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 of the Louisiana State Board of Medical Examiners (Board), a component unit of the state of Louisiana, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated August 26, 2019. Our report was modified to include an emphasis of matter paragraph regarding actuarial assumptions.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's 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 or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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 two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Late Fees Not Assessed

For the second consecutive year, the Board did not assess late fees for practitioners in five allied health care fields, resulting in noncompliance with state law and a loss of revenue. Louisiana Revised Statute 37:1281(A)(3)(c) requires allied health care practitioners to pay a late fee, not to exceed an amount equal to the renewal fee, if their license, certificate, registration, or permit was not paid timely.

During 2018, late fees were not assessed for practitioners in the allied health care fields of athletic trainers, respiratory therapy, physician assistants, podiatry, and acupuncture since a board-approved late fee had not been established for these fields in the Board's rules. As a result, late fees were not assessed on approximately 206 allied health practitioners who failed to timely pay their license renewal fee from these five fields. The Board could have collected up to $20,290 in 2018 had a late fee equal to the renewal amount, the maximum allowed by statute, been assessed.

The Board should establish a late fee for all allied health care fields with practitioners licensed by the Board and charge the established late fee, as appropriate, to practitioners that fail to pay timely. Management concurred with the finding and noted that all late fees, as of June 2019, are now being implemented (see Appendix A, page 1).

Noncompliance with State Travel Regulations

The Board's expenses for hotels and meals did not comply with the Louisiana Travel Guide (PPM 49) and the state's Controlled Billed Account (CBA) policy. Based on our review of New Orleans-area hotel charges totaling $13,754 to the Board's CBA to accommodate its out-of-town board members, advisory committee members, and a contracted employee during the selected months of June, August, and October of 2018, we identified the following:

- Thirty-eight of the 64 hotel room charges exceeded the allowable rates by $1,975, in total, without the required justification. PPM 49 establishes maximum rates for hotel rooms. When the allowable hotel room rates must be exceeded, PPM 49 requires justification to be maintained evidencing that attempts were made with other hotels in the area for the best rate. The Board's preference is to use the same two hotels for consistency and convenience based on these hotels' proximity to the Board's office.

- Forty-four meals totaling $1,218 were charged to the CBA. The state's CBA policy prohibits charging incidental meals to the CBA and requires the traveler to provide a personal credit card when checking into a hotel to cover any incidental expenses. The Board was unaware that incidental meal charges on the CBA were prohibited. Since the Board did not require travelers to submit a travel claim form or meal receipts substantiating those meal charges, the Board could not verify those meal costs complied with the maximum rates established by PPM 49. We estimate that $521 of these meals were in excess of the PPM 49 meal rates.

- Two meal charges to the CBA totaling $72 were subsequently paid directly to the contracted employee through a travel expense reimbursement claim in error.

When the Board's preferred hotels' rates are not within the allowable rates set by PPM 49, the Board should search other hotels for the best available rate in the area. When the allowable room rate must be exceeded, the Board should maintain justification supporting the Board's attempts to find the best available rate in the area. The Board should also review all incidental meals that were charged to the CBA during 2018 and attempt recoupment from travelers for any meal costs that are identified exceeding the PPM 49 meal rates. In addition, the Board should immediately instruct its board members, advisory committee members, and employees to discontinue charging incidental meals to the Board's CBA and to provide a personal credit card when checking into a hotel to cover incidental expenses. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 2).

Board's Responses to the Findings

The Board's responses to the findings identified in our audit are attached in Appendix A. The Board's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Thomas H. Cole, CPA
First Assistant Legislative Auditor

CH:BF:BQD:EFS:aa

LSBME 2018

APPENDIX A: MANAGEMENT'S RESPONSES

LOUISIANA STATE BOARD OF MEDICAL EXAMINERS

630 Camp Street, New Orleans, LA 70130
Mailing Address: P.O. Box 30250, New Orleans, LA 70190-0250
Web site: http://www.lsbme.louisiana.gov

July 17, 2019

Daryl G. Purpera, CPA, CFE,
Legislative Auditor
1600 North Third Street
PO Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Purpera:

Please accept this letter as an official response to the "Late Fees Not Assessed" finding. We concur with this finding.

We were notified of this finding during our 2017 audit and received our audit report in September 2018. As we stated in our response to the finding in our 2017 audit, we created a staff committee comprised of our General Counsel, COO/CFO and Licensure Director. Our General Counsel was also the liaison for our Legislative Performance Audit that was going on at the same time of our financial audit. The General Counsel researched all rules and laws pertaining to every category of license to ensure that we would not leave out any license category when implementing late fees. The research was completed in March 2019, at which point, a new licensure system was being developed. Since the database from our old system had already been given to the developers, we decided to implement the late fees on June 1, 2019 when our new system went live. Meaning, if a licensee's license expired on June 30, 2019, he/she would receive a late fee on July 1, 2019.

No corrective action plan is needed, since all late fees are now being implemented. The staff committee and implementation consisted of:

Jennifer Stolier, General Counsel
Denise Businelle, COO/CFO
Alan Phillips, CIO
Aloma James, Licensure Director

If you have any questions regarding this response, please contact me or Denise Businelle directly at (504)568-6820.

Sincerely,

Vincent A. Culotta, Jr. MD
Executive Director, LSBME

LOUISIANA STATE BOARD OF MEDICAL EXAMINERS

630 Camp Street, New Orleans, LA 70130
Mailing Address: P.O. Box 30250, New Orleans, LA 70190-0250
Web site: http://www.lsbme.louisiana.gov

August 5, 2019

Daryl G. Purpera, CPA, CFE,
Legislative Auditor
1600 North Third Street
PO Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Purpera:

Please accept this letter as an official response to the "Noncompliance with State Travel Regulations" finding. We concur with this finding.

As a result of our 2017 audit report, the CBA accountholders did in fact research different hotels and found a new hotel for Board members to use for monthly meetings, that agreed to charge rates within the State's allowable amounts in PPM49 for the City of New Orleans. In many instances in 2019, the hotel issued credits when rates were charged above the State rates. These credits were issued 1-2 months after the initial charge(s). The CBA accountholders will continue to review hotel charges and work with the hotels to assure the Board is not exceeding the rates allowed in PPM49.

The NOPSI hotel erroneously charged meals and incidentals to the Board's CBA account even though all Board members supply their personal credit card upon arrival. The Board has already started its corrective action plan to recoup funds from the Board members, over and above any meal reimbursements they would have been due. The hotel has been contacted to stop charging meals and incidentals to the Board's account.

The $72 paid twice to the contracted employee will be recouped. The Accounts Payable department paid an invoice that was submitted through Accounting, without knowing that these same charges were included on the CBA account.

We will continue to strive for compliance with the CBA account and other credit card accounts by actively reviewing all charges and working with the hotels to correct invoices that do not follow the State's travel policy.

If you have any questions regarding this response, please contact me or Denise Businelle directly at (504)568-6820.

Sincerely,

Denise Businelle

Denise W. Businelle,
COO/CFO