

LOUISIANA STATE BOARD OF EXAMINERS
FOR SANITARIANS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA



FINANCIAL STATEMENT AUDIT
ISSUED DECEMBER 21, 2005

**LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
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BATON ROUGE, LOUISIANA 70804-9397**

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STEVE J. THERIOT, CPA

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Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge and New Orleans offices of the Legislative Auditor.

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Six copies of this public document were produced at an approximate cost of \$18.00. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's Web site at www.lla.state.la.us. When contacting the office, you may refer to Agency ID No. 5107 or Report ID No. 05901845 for additional information.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Wayne "Skip" Irwin, Director of Administration, at 225/339-3800.

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LOUISIANA STATE BOARD OF
EXAMINERS FOR SANITARIANS



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December 15, 2005

Independent Auditor's Report
on the Financial Statements

**LOUISIANA STATE BOARD OF
EXAMINERS FOR SANITARIANS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA**
New Orleans, Louisiana

We have audited the accompanying basic financial statements of the Louisiana State Board of Examiners for Sanitarians, a component unit of the State of Louisiana, as of and for the years ended June 30, 2005 and 2004, as listed in the table of contents. These financial statements are the responsibility of the Louisiana State Board of Examiners for Sanitarians' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and 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 audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Louisiana State Board of Examiners for Sanitarians as of June 30, 2005 and 2004, and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

During August and September of 2005, the State of Louisiana suffered considerable damage from two major hurricanes, Katrina and Rita, resulting in the President of the United States declaring Louisiana a major disaster area. Because of the severity of these two separate events and the resulting losses sustained, it is unknown exactly what economic impact recovery will have on state and local governmental operations in Louisiana. While the Louisiana State Board of Examiners for Sanitarians did not directly suffer any major effects of these two hurricanes, the long-term effects of these events directly on the board cannot be determined at this time.

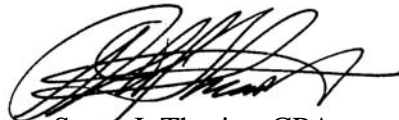
LOUISIANA STATE BOARD OF
EXAMINERS FOR SANITARIANS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2005, on our consideration of the Louisiana State Board of Examiners for Sanitarians' 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 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 internal control over financial reporting over compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 5 through 7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Louisiana State Board of Examiners for Sanitarians' basic financial statements. The accompanying schedule of per diem paid board members is presented for purposes of additional analysis as required by House Concurrent Resolution No. 54 of the 1979 Regular Session of the Louisiana Legislature and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's discussion and analysis of the Louisiana State Board of Examiners for Sanitarians' financial performance presents a narrative overview and analysis of the board's financial activities for the years ended June 30, 2005 and 2004. 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 information in conjunction with the board's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

The board's assets exceeded its liabilities at the close of fiscal years 2005 and 2004 by \$33,720 and \$31,757, respectively. For the fiscal year ended June 30, 2005, the net assets increased by \$1,963 (or 6%) and the board's revenue decreased \$3,552 (or 21%). For the fiscal year ended June 30, 2004, the net assets increased by \$6,084 (or 24%) and the board's revenue decreased \$180 (or 1%).

OVERVIEW OF THE FINANCIAL STATEMENTS

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 supplementary information.

Basic Financial Statements

The basic financial statements present information for the Louisiana State Board of Examiners for Sanitarians, 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 Assets; the Statement of Revenues, Expenses, and Changes in Fund Net Assets; and the Statement of Cash Flows.

The Statement of Net Assets (page 9) presents the current and long-term portions of assets and liabilities separately. However, the board does not have any long-term portions. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the board's financial position is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Fund Net Assets (page 11) presents information showing how the board's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, transactions are included that will not affect cash until future fiscal periods.

The Statement of Cash Flows (page 13) 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 to net cash provided by operating activities (indirect method) as required by GASB 34.

LOUISIANA STATE BOARD OF
EXAMINERS FOR SANITARIANS

FINANCIAL ANALYSIS OF THE BOARD

	As of <u>June 30, 2005</u>	As of <u>June 20, 2004</u>	As of <u>June 20, 2003</u>
Current and other assets	\$33,720	\$31,796	\$25,711
Other liabilities		39	38
	<u>\$33,720</u>	<u>\$31,757</u>	<u>\$25,673</u>
Total net assets - unrestricted	<u>\$33,720</u>	<u>\$31,757</u>	<u>\$25,673</u>

Net assets of the Louisiana State Board of Examiners for Sanitarians increased by \$1,963 (or 6%) from June 30, 2004, to June 30, 2005, and by \$6,084 (or 24%) from June 30, 2003, to June 30, 2004.

	Changes in Net Assets for the Year Ended <u>June 30, 2005</u>	Changes in Net Assets for the Year Ended <u>June 30, 2004</u>	Changes in Net Assets for the Year Ended <u>June 30, 2003</u>
Operating revenues	\$13,652	\$17,204	\$17,384
Nonoperating revenues	169	164	192
Total revenues	<u>13,821</u>	<u>17,368</u>	<u>17,576</u>
Operating expenses	<u>11,858</u>	<u>11,284</u>	<u>10,702</u>
Increase in net assets	<u>\$1,963</u>	<u>\$6,084</u>	<u>\$6,874</u>

For the years ended June 30, 2005 and 2004, the board's total revenues decreased by \$3,552 (or 21%) and \$180 (or 1%), respectively. For the years ended June 30, 2005 and 2004, the total cost of all programs and services increased by \$574 (or 5%) and \$582 (or 5%), respectively.

CAPITAL ASSETS AND DEBT ADMINISTRATION

At June 30, 2005 and June 30, 2004, the board did not have any reportable capital assets nor did the board have any bonds or notes outstanding.

**ECONOMIC FACTORS AND NEXT YEAR'S
BUDGETS AND RATES**

The board expects that next year's net assets will decrease because of a decrease in the number of sanitarians renewing their licenses. Fewer licensed sanitarians are expected because of increased continuing education requirements, displacement of many sanitarians living in areas affected by hurricanes Katrina and Rita, and fewer sanitarians entering the profession.

**CONTACTING THE LOUISIANA STATE BOARD OF EXAMINERS
FOR SANITARIANS' FINANCIAL MANAGEMENT**

This financial report is designed to provide residents, taxpayers, and customers with a general overview of the Louisiana State Board of Examiners for Sanitarians' finances and to show the board's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Merl Fagan, Louisiana State Board of Examiners for Sanitarians, 21454 Koop Drive, Suite 2C, Mandeville, Louisiana 70471 or call (985) 871-1378.

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**LOUISIANA STATE BOARD OF
EXAMINERS FOR SANITARIANS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA**

Statements of Net Assets, June 30, 2005 and 2004

	<u>As of June 30, 2005</u>	<u>As of June 30, 2004</u>
ASSETS		
Current assets:		
Cash and cash equivalents (note 2)	\$33,679	\$31,137
Accounts receivable		625
Accrued interest income	<u>41</u>	<u>34</u>
Total assets	<u>33,720</u>	<u>31,796</u>
LIABILITIES		
Current liabilities - accounts payable	<u>NONE</u>	<u>39</u>
NET ASSETS		
Unrestricted	<u><u>\$33,720</u></u>	<u><u>\$31,757</u></u>

The accompanying notes are an integral part of this statement.

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**LOUISIANA STATE BOARD OF
EXAMINERS FOR SANITARIANS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA**

**Statements of Revenues, Expenses, and
Changes in Fund Net Assets
For the Years Ended June 30, 2005 and June 30, 2004**

	For the Year Ended June 30, 2005	For the Year Ended June 30, 2004
	<u> </u>	<u> </u>
OPERATING REVENUES		
Licenses, permits, and fees	\$13,652	\$17,204
OPERATING EXPENSES		
Administrative	<u>11,858</u>	<u>11,284</u>
OPERATING INCOME	1,794	5,920
NONOPERATING REVENUES		
Interest income	<u>169</u>	<u>164</u>
INCREASE IN NET ASSETS	1,963	6,084
NET ASSETS AT BEGINNING OF YEAR	<u>31,757</u>	<u>25,673</u>
NET ASSETS AT END OF YEAR	<u><u>\$33,720</u></u>	<u><u>\$31,757</u></u>

The accompanying notes are an integral part of this statement.

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**LOUISIANA STATE BOARD OF
EXAMINERS FOR SANITARIANS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA**

**Statements of Cash Flows
For the Years Ended June 30, 2005 and 2004**

	<u>For the Year Ended June 30, 2005</u>	<u>For the Year Ended June 30, 2004</u>
Cash flows from operating activities:		
Cash received from fees assessed	\$14,277	\$16,579
Cash paid to suppliers for goods and services	<u>(11,897)</u>	<u>(11,283)</u>
Net cash provided by operating activities	2,380	5,296
Cash flows from investing activities -		
Interest received	<u>162</u>	<u>178</u>
Net increase in cash	2,542	5,474
Cash at beginning of year	<u>31,137</u>	<u>25,663</u>
Cash at end of year	<u><u>\$33,679</u></u>	<u><u>\$31,137</u></u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$1,794	\$5,920
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in assets and liabilities:		
(Increase) Decrease in accounts receivable	625	(625)
(Decrease) Increase in accounts payable	<u>(39)</u>	<u>1</u>
Net cash provided by operating activities	<u><u>\$2,380</u></u>	<u><u>\$5,296</u></u>

The accompanying notes are an integral part of this statement.

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INTRODUCTION

The Louisiana State Board of Examiners for Sanitarians (board) is a state board and component unit of the State of Louisiana reporting entity. The board was created under the provisions of Louisiana Revised Statutes (R.S.) 37:2101-2116. The board, as provided by R.S. 36:259(E), is under the supervision and control of the Louisiana Department of Health and Hospitals. The board is composed of seven members, four practicing sanitarians appointed by the governor who serve terms of four years and three ex-officio members. The board has no employees; however, services are provided by a part-time bookkeeper/secretary who is paid a monthly fee. The board is charged with the responsibility of screening applicants, preparing and administering examinations, and issuing licenses in the field of environmental sanitation. Operations of the board are funded with examination and license fees. No federal programs are administered by the board. As of June 30, 2005 and 2004, there were 502 and 550, respectively, licensed sanitarians in the state.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

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

The board applies all GASB pronouncements as well as applicable Financial Accounting Standards Board statements and interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. However, the board does not apply FASB pronouncements issued after November 30, 1989.

B. REPORTING ENTITY

Using the criteria in Section 2100 of the *GASB Codification of Governmental Accounting and Financial Reporting Standards*, the Division of Administration, Office of Statewide Reporting and Accounting Policy has defined the governmental reporting entity to be the State of Louisiana. The board is considered a component unit of the State of Louisiana because the state has financial accountability over the board since the governor appoints the majority of the members of the board and can impose his/her will on the board.

The accompanying financial statements present information only as to the transactions and activities of the Louisiana State Board of Examiners for Sanitarians. Annually, the State of Louisiana issues basic financial statements, which include the activity contained in the accompanying financial statements. The State of Louisiana's basic financial statements are audited by the Louisiana Legislative Auditor.

C. FUND ACCOUNTING

For financial reporting purposes, the board is treated as a special-purpose government engaged only in business-type activities. All activities of the board are accounted for within a single proprietary (enterprise) fund to report on its financial position, results of operation, and cash flows. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

D. BASIS OF ACCOUNTING

Basis of accounting refers to the timing of recognition of revenues and expenses in the accounts and reporting in the financial statements, regardless of the measurement focus applied. The transactions of the board are accounted for using the accrual basis of accounting and on a flow of economic resources measurement focus where the aim is to report all inflows, outflows, and balances affecting or reflecting an entity's net assets. Accordingly, revenues are recognized in the accounting period when they are earned and expenses are recognized when the related liability is incurred.

Licenses, which are the major source of revenue for the board, are reported as operating revenues. Transactions for which cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are reported as nonoperating revenue. Therefore, interest earnings from the demand account and certificate of deposit are considered nonoperating revenue. All expenses related to operating the board are reported as operating expenses.

E. BUDGET PRACTICES

Annually, the board adopts a budget that is submitted to various agencies as prescribed by R.S. 39:1331-1342, as required by R.S. 36:803. The budget is prepared on the cash basis of accounting. Although budget amounts lapse at year-end, the board retains its unexpended net assets to fund expenses of the succeeding year. Formal budgetary integration is employed as a management control device during the year. The board is not required to present a budgetary comparison schedule.

F. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at June 30, 2005 and June 30, 2004, consists of amounts in a demand deposit account, a savings account, and a time certificate of deposit. Under state law, the board may deposit funds within a fiscal agent bank organized under the laws of

the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. Furthermore, the board may invest in time certificates of deposit of state banks organized under the laws of the State of Louisiana, national banks having their principal offices in Louisiana, in savings accounts or shares of savings and loan associations and savings banks, and in share accounts and share certificate accounts of federally or state chartered credit unions.

G. CAPITAL ASSETS

In accordance with policy established by the Division of Administration, Office of Statewide Reporting and Accounting Policy, only equipment valued at or above \$5,000 is capitalized and depreciated for financial statement purposes. The board does not own any equipment valued at or above \$5,000.

H. LONG-TERM OBLIGATIONS

The board has no long-term obligations.

**I. COMPENSATED ABSENCES, PENSION BENEFITS,
AND POSTEMPLOYMENT HEALTH CARE
AND LIFE INSURANCE BENEFITS**

The board has no full-time employees. Therefore, no compensated absences, pension benefits, or postemployment benefits are provided by the board.

2. CASH AND CASH EQUIVALENTS

At June 30, 2005 and June 30, 2004, the board has cash and cash equivalents (book balance) totaling \$33,679 and \$31,137, respectively, as follows:

	<u>As of</u> <u>June 30, 2005</u>	<u>As of</u> <u>June 30, 2004</u>
Cash in demand account	\$11,788	\$9,413
Savings account	6,041	6,024
Certificate of deposit	<u>15,850</u>	<u>15,700</u>
Total	<u><u>\$33,679</u></u>	<u><u>\$31,137</u></u>

Under state law, these deposits (or the resulting bank balances) 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. At June 30, 2005 and 2004, the board has \$34,152 and \$31,187 in deposits (collected bank balance), which is fully secured from risk by federal deposit insurance.

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**LOUISIANA STATE BOARD OF
EXAMINERS FOR SANITARIANS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA**

**Supplemental Information Schedule
For the Years Ended
June 30, 2005 and 2004**

PER DIEM PAID BOARD MEMBERS

The schedule of per diem paid board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Regular Session of the Louisiana Legislature. Board members are paid \$40 for each day they are engaged in the discharge of their duties, as authorized by Louisiana Revised Statute 37:2104.

**LOUISIANA STATE BOARD OF
EXAMINERS FOR SANITARIANS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA**

**Schedule of Per Diem Paid Board Members
For the Years Ended June 30, 2005 and 2004**

	For the Year Ended June 30, 2005	For the Year Ended June 30, 2004
James Antoon		\$40
Vickie Collins	\$120	
Merl Fagan	80	40
Ron King	120	
D. Gary Lincecum	120	40
Don Riser		40
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Total	\$440	\$160
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OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

The following pages contain a report on internal control 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 reportable conditions and/or material weaknesses in internal control or compliance and other matters that would be material to the presented financial statements.

LOUISIANA STATE BOARD OF
EXAMINERS FOR SANITARIANS



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December 15, 2005

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*

**LOUISIANA STATE BOARD OF
EXAMINERS FOR SANITARIANS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA**
New Orleans, Louisiana

We have audited the basic financial statements of the Louisiana State Board of Examiners for Sanitarians, a component unit of the State of Louisiana, as of and for the years ended June 30, 2005 and 2004, and have issued our report thereon dated December 15, 2005. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Louisiana State Board of Examiners for Sanitarians' 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 an opinion on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. The board does not have any employees and that precludes an adequate segregation of duties and other features of an adequate system of internal control, although to employ such controls would not be cost beneficial. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Louisiana State Board of Examiners for Sanitarians' ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal

LOUISIANA STATE BOARD OF
EXAMINERS FOR SANITARIANS

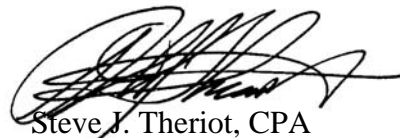
control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Louisiana State Board of Examiners for Sanitarians' financial statements are free of 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Louisiana State Board of Examiners for Sanitarians and its management and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

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