

ARKANSAS STATE MEDICAL BOARD
Little Rock, Arkansas
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
For The Years Ended June 30, 2017 and 2018
And
AUDITOR'S REPORT

**ARKANSAS STATE MEDICAL BOARD
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
For The Years Ended June 20, 2017 and 2018**

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INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
ARKANSAS STATE MEDICAL BOARD
1401 West Capitol Avenue, Suite 340
Little Rock, Arkansas 72201

We have audited the accompanying financial statements of the Arkansas State Medical Board, which comprise the statements of financial position as of June 30, 2017 and 2018, and the related statements of revenues, expenses, and changes in fund balances, and cash flows for the years then ended, and the related notes to the financial statements.

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 the 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 misstatements.

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 risk 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 the 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 Arkansas State Medical Board, as of June 30, 2017 and 2018, and the related statements of activities and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

To The Board of Directors
ARKANSAS STATE MEDICAL BOARD
May 22, 2019

Emphasis of Matter

As discussed in Note 1, the financial statements are intended to present the financial position, the changes in financial position, and cash flows of the the Arkansas State Medical Board. They do not purport to, and do not, present fairly the financial position of the State of Arkansas as of June 30, 2017 and 2018, changes in its financial position, or its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of revenues, schedules of expenses, schedules of cash, schedules of certificates of deposit, and schedule of board member and committee expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Management has omitted a Management Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2019, on our consideration of the Arkansas State Medical Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Arkansas State Medical Board's internal control over financial reporting and compliance.

Bonds & Company, P.A.

Bonds & Company, P.A.
Certified Public Accountants
Sherwood, Arkansas
May 22, 2019

**ARKANSAS STATE MEDICAL BOARD
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2017 AND 2018**

ASSETS

	<u>2017</u>	<u>2018</u>
CURRENT ASSETS		
Cash in Bank	\$ 2,983,594	\$ 4,070,437
Certificates of deposit	2,798,456	2,957,579
Accrued interest receivable	<u>348</u>	<u>5,417</u>
Total Current Assets	5,782,398	\$ 7,033,433
NON-CURRENT ASSETS		
Capital Assets, Net of Accumulated Depreciation	<u>493,190</u>	<u>514,555</u>
Total Non-Current Assets	<u>493,190</u>	<u>514,555</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Pension Outflows	<u>509,596</u>	<u>515,050</u>
Total Deferred Outflows of Resources	<u>509,596</u>	<u>515,050</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 6,785,184</u></u>	<u><u>\$ 8,063,038</u></u>

LIABILITIES

CURRENT LIABILITIES		
Accounts payable	\$ 12,565	\$ 24,209
Accrued vacation and compensated absences	112,160	103,912
Accrued payroll liability	65,101	63,667
Deferred income	<u>98,525</u>	<u>101,965</u>
Total Current Liabilities	<u>288,351</u>	<u>293,753</u>
LONG-TERM LIABILITIES		
Net Pension Liability	<u>1,948,082</u>	<u>2,150,339</u>
Total Long-Term Liabilities	<u>1,948,082</u>	<u>2,150,339</u>
Total Liabilities	<u>2,236,433</u>	<u>2,444,092</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred pension inflows	<u>70,830</u>	<u>42,965</u>
Total Deferred Inflows of Resources	<u>70,830</u>	<u>42,965</u>
FUND BALANCE – UNRESTRICTED		
Fund balance - unrestricted	<u>4,477,921</u>	<u>5,575,981</u>
Total Fund Balance - Unrestricted	<u>4,477,921</u>	<u>5,575,981</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u><u>\$ 6,785,184</u></u>	<u><u>\$ 8,063,038</u></u>

SEE ACCOMPANYING NOTES

**ARKANSAS STATE MEDICAL BOARD
STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2018**

	<u>2017</u>	<u>2018</u>
OPERATING REVENUES		
Registration Fees	\$ 3,632,480	\$ 3,736,575
Reciprocities	406,820	404,450
Other income	154,929	169,470
Therapist dues and fees	266,960	291,210
Temporary permits	16,690	17,510
Medical corporation dues and fees	<u>26,010</u>	<u>12,975</u>
Total Operating Revenues	<u>\$ 4,503,889</u>	<u>\$ 4,632,190</u>
OPERATING EXPENSES		
Salaries	\$ 1,437,271	\$ 1,422,461
Office expense	896,615	866,011
Employee benefits	674,423	725,128
Physicians Health Committee - Arkansas Medical Foundation contributions	244,625	258,150
Professional Fees	179,623	145,291
Other	85,686	82,194
Board member and committee expenses	56,723	45,350
Small equipment and software purchases	45,713	25,298
Investigator expense	<u>907</u>	<u>653</u>
Total Operating Expenses	<u>\$ 3,621,586</u>	<u>\$ 3,570,536</u>
OPERATING INCOME	882,303	1,061,654
NONOPERATING REVENUES		
Interest Income	<u>17,283</u>	<u>36,406</u>
Total Nonoperating Revenues	<u>17,283</u>	<u>36,406</u>
INCREASE (DECREASE) IN FUND BALANCE	\$ 899,586	\$ 1,098,060
FUND BALANCE - BEGINNING OF YEAR	<u>3,578,335</u>	<u>4,477,921</u>
FUND BALANCE - END OF YEAR	<u>\$ 4,477,921</u>	<u>\$ 5,575,981</u>

SEE ACCOMPANYING NOTES

**ARKANSAS STATE MEDICAL BOARD
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2018**

INCREASE IN CASH AND CASH EQUIVALENTS:

	<u>2017</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Cash received from fees and licenses	\$ 4,507,739	\$ 4,635,630
Cash paid to vendors and suppliers	(1,350,971)	(1,275,262)
Cash paid to employees	<u>(2,118,434)</u>	<u>(1,988,333)</u>
Net Cash (Used) Provided By Operating Activities	<u>1,038,334</u>	<u>1,372,035</u>
 Cash Flows from Capital and Related Financing Activities:		
Purchase of capital assets	<u>(46,033)</u>	<u>(157,406)</u>
Net Cash (Used) Provided by Capital and Related Financing Activities	<u>(46,033)</u>	<u>(157,406)</u>
 Cash Flows from Investing Activities:		
Proceeds from sale and maturity of CDs	556,329	-0-
Interest	17,467	22,214
Purchases of CDs	<u>(548,523)</u>	<u>(150,000)</u>
Net Cash (Used) Provided by Investing Activities	<u>25,273</u>	<u>(127,786)</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,017,574	1,086,843
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,966,020</u>	<u>2,983,594</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,983,594</u>	<u>\$ 4,070,437</u>
 <u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>		
Operating income	\$ 882,303	\$ 1,061,654
Adjustments to Reconcile Operating Income to Net Cash Provided (Used by) Operating Activities:		
Depreciation and amortization	168,789	136,041
Increase (decrease) in:		
Deferred Outflows	(274,302)	(5,454)
Accounts Payable	(9,868)	11,644
Other Accrued Liabilities	(808)	(1,434)
Compensated Absences	(88,245)	(8,248)
Net Pension Liability	457,465	202,257
Deferred Inflows	(100,850)	(27,865)
Deferred income	<u>3,850</u>	<u>3,440</u>
 NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,038,334</u>	<u>\$ 1,372,035</u>

SEE ACCOMPANYING NOTES

**ARKANSAS STATE MEDICAL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 and 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Business

The Arkansas State Medical Board (the Board) was formed for the purpose of regulating the medical profession in the State of Arkansas. The Board consists of fourteen (14) governor-appointed members. The Board receives most of its revenues from member and license fees.

Basis of Accounting and Presentation

The Boards' accounts are maintained, and these statements are presented, on an accrual basis. Fees are recognized when the licenses are approved.

Operating revenues consist primarily of fees for licenses and permits as well as other charges assessed to certain medical professionals. Operating expenses include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses

Fixed Assets

Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful life of each asset. Depreciation expense was \$168,789 and \$136,041 for 2017 and 2018, respectively.

Rent Expense

Rent expense was \$438,856 and \$413,813 for the years ended June 30, 2017 and 2018, respectively.

Non-Taxable Status

The Arkansas State Medical Board qualifies as an organization exempt from federal income taxes under various provisions of the Internal Revenue Code.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Board considers cash and cash equivalents to be cash on hand, demand deposits, and highly liquid investments with original maturities of three months or less at the time of acquisition.

**ARKANSAS STATE MEDICAL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 and 2018**

NOTE 2 - CONCENTRATION OF CREDIT RISK:

The Board maintains cash balances at several banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation for up to \$250,000. Certain financial institutions have pledged bonds and treasury notes with Arkansas Banker's Bank in the name of the Arkansas State Medical Board to insure all excess funds that are not insured by the Federal Deposit Insurance Corporation.

NOTE 3 - SUBSEQUENT EVENTS:

The Board has evaluated all subsequent events for potential recognition and disclosure through May 22, 2019, the date these financial statements were available to be issued.

NOTE 4 - RETIREMENT PLAN:

The Board participates in a cost-sharing multiple-employer defined benefit pension plan for qualified employees. Retirement expense for the years ended June 30, 2017 and 2018 was \$299,817 and \$386,448, respectively. See note 7 for additional information on this plan.

NOTE 5 - OPERATING LEASES:

The Board has entered into a 5-year lease agreement to lease office space, effective June 1, 2017. Minimum future rental payments under the non-cancelable operating lease having remaining terms in excess of one year, as of June 30, 2017, for each of the next five years and in the aggregate are:

June 30, 2019	355,815
June 30, 2020	361,152
June 30, 2021	366,569
June 30, 2022	340,637
June 30, 2023	<u>-0-</u>
Total	<u>\$1,424,173</u>

NOTE 6 - PUBLIC EMPLOYEES RETIREMENT SYSTEM:

Plan Description

The following brief description of the Arkansas Public Employees Retirement System (APERS or the System) is provided for general information purposes only. Participants should refer to Arkansas Code Annotated, Title 24 for more complete information.

APERS is a cost sharing, multiple employer, defined benefit plan which covers all State employees who are not covered by another authorized plan. The plan was established by the authority of the Arkansas General Assembly with the passage of Act 177 of 1957. The costs of administering the plan are paid out of investment earnings. The general administration and responsibility for the proper operation of the System is vested in

**ARKANSAS STATE MEDICAL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 and 2018**

NOTE 6 - PUBLIC EMPLOYEES RETIREMENT SYSTEM (continued):

the nine members of the Board of Trustees of the Arkansas Public Employees Retirement System (the Board). Membership includes three state and three non-state employees, all appointed by the Governor, and three ex-officio trustees, including the Auditor of the State, the Treasurer of the State and the Director of the Department of Finance and Administration.

Benefits Provided

Benefit provisions are set forth in Arkansas Code Annotated, Title 24, Chapters 5 and 6 and may only be amended by the Arkansas General Assembly. APERS provides retirement, disability and death benefits. Retirement benefits are determined as a percentage of the member's highest 3 year average compensation times the member's years of service. The percentage used is based upon whether a member is contributory or non-contributory as follows:

Contributory, prior to 7/1/2005	2.07%
Contributory, on or after 7/1/2005, but prior to 7/1/2007	2.03%
Contributory, on or after 7/1/2007	2.00%
Non-Contributory	1.72%

Members are eligible to retire with full benefits under the following conditions:

- at age 65 with 5 years of service,
- at any age with 28 years actual service,
- at age 60 with 20 years of actual service if under the old contributory plan (prior to July 1, 2005), or
- at age 55 with 35 years of credited service for elected or public safety officials.

Members may retire with a reduced benefit at age 55 with at least 5 years of actual service at age 55 or at any age with 25 years of service.

Members are eligible for disability benefits with 5 years of service. Disability benefits are computed as an age and service benefit, based on service and pay at disability. Death benefits are paid to a surviving spouse as if the member had 5 years of service and the monthly benefit is computed as if the member had retired and elected the Joint & 75% Survivor option. A cost-of-living adjustment of 3% of the current benefit is added each year.

Contributions

Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered (A.C.A. 24-2-701(a)). Members who began service prior to July 1, 2005 are not required to make contributions to APERS. Members who began service on or after July 1, 2005 are required to contribute 5% of their salary. Employers are required to contribute at a rate established by the Board of Trustees of APERS based on an actuary's determination of a rate required to fund the plan (A.C.A. 24-2-701(c)(3)). Employers contributed 14.76% of compensation for the

**ARKANSAS STATE MEDICAL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 and 2018**

NOTE 6 - PUBLIC EMPLOYEES RETIREMENT SYSTEM (continued):

fiscal year ended June 30, 2016. In some cases, an additional 2.5% of member and employer contributions are required for elected officials.

At June 30, 2018, the Arkansas State Medical Board had 37 eligible and 35 active participants. The Board's contributions for the years ended June 30, 2017 and 2018 were \$217,471 and \$217,438.

APERS Fiduciary Net Position

Detailed information about APERS's fiduciary net position is available in the separately issued APERS Financial Report available at <https://www.apers.org/annualreports>.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

The collective Net Pension Liability of \$2,584,140,480 was measured at June 30, 2017, and that total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Each employer's proportion of the net pension liability was based on the employer's share of contributions to the pension plan relative to the total contributions of all participating employers.

At June 30, 2017, the Arkansas State Medical Board reported deferred outflows of resources and deferred inflows of resources as of June 30, 2017, related to pensions as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 41,685	\$ (42,292)
Changes in Proportion and differences between employer contributions and proportionate share of contributions	37,273	(673)
Changes of assumptions	345,986	
Net difference between projected and actual earnings on pension plan investments	<u>90,106</u>	
	<u>\$ 515,050</u>	<u>\$ (42,965)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the Board's financial statements as follows:

June 30, 2018	\$ 128,750
2019	218,418
2020	140,598
2021	(15,682)
2022	-0-
Thereafter	-0-

**ARKANSAS STATE MEDICAL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 and 2018**

NOTE 6 - PUBLIC EMPLOYEES RETIREMENT SYSTEM (continued):

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level of Percent of Payroll, Closed (Level Dollar, Closed for District Judges New Plan and Paid Off Old Plan and District Judges Still Paying Old Plan)
Remaining Amortization Period	25 years (10.6 years for District Judges New Plan/Paid Off Old Plan and 19 years for District Judges Still Paying Old Plan)
Asset Valuation Method	4-year smoothed market; 25% corridor (Market Value for Still Paying Old Plan)
Investment Rate of Return	7.15%
Inflation	3.25% wage inflation, 2.50% price inflation
Salary Increases	3.25 – 9.85% including inflation (3.25% - 6.96% including inflation for District Judges)
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality Table	Based on RP-2000 Combined Healthy mortality table, projected to 2020 using Projection Scale BB, set-forward 2 years for males and 1 year for females
Average Service Life of All Members	4.3774

The long-term expected rate of return on pension plan 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 expense 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. Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2017 are summarized in the table below:

**ARKANSAS STATE MEDICAL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 and 2018**

NOTE 6 - PUBLIC EMPLOYEES RETIREMENT SYSTEM (continued):

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	37%	5.97%
International Equity	24%	6.54%
Real Assets	16%	4.59%
Absolute Return	5%	3.15%
Domestic Fixed	18%	0.83%
Total	100%	
Total Real Rate of Return		4.82%
Plus: Price Inflation- Actuary Assumption		2.50%
Net Expected Return		7.32%

Discount Rate

A single discount rate of 7.15% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.15%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these 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 Net Pension Liability to Changes in the Discount Rate

The following presents the proportionate share of the Net Pension Liability using the discount rate of 7.15%, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15%) or 1-percentage-point higher (8.15%) than the current rate:

Sensitivity of Discount Rate		
1% Lower	Discount Rate	1% Higher
6.15%	7.15%	8.15%
\$3,274,690	\$2,150,339	\$1,216,740

NOTE 7 - DEPOSITS, INVESTMENTS AND INVESTMENT INCOME:

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Board's deposit policy for custodial credit risk required compliance with the provisions of state law.

**ARKANSAS STATE MEDICAL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 and 2018**

NOTE 7 - DEPOSITS, INVESTMENTS AND INVESTMENT INCOME (continued):

Arkansas Code Annotated § 19-4-805 required that agencies holding monies not deposited in the state treasury, other than institutions of higher learning, abide by the recommendations of the State Board of Finance. The State Board of Finance promulgated cash management, collateralization, and investments policies and procedures effective July 14, 2012, as referenced in the Financial Management Guide issued by the Department of Finance and Administration for use by all state agencies. Deposits are to be made within the borders of the State of Arkansas and must qualify for Federal Deposit Insurance Corporation (FDIC) deposit insurance coverage. Polity requires a minimum of four bids to be sought on interest-bearing deposits in order to obtain the highest rate possible.

At June 30, 2017 and 2018, the Board's bank balances consisted of \$2,579,410 and \$3,678,930 "cash in bank", respectively. The Board's "cash in state treasury" was \$404,184 and \$391,507 as of June 30, 2017 and 2018, respectively. The cash in bank balances were fully insured as of June 30, 2017 and 2016. State Treasury Management Law governs the management of funds held in the state treasury and it is the responsibility of the Treasurer of the State to ensure these funds are adequately insured and collateralized.

NOTE 8 - CAPITAL ASSETS:

A summary of changes in property, plant, and equipment for the years ended June 30, 2017 and 2018 are as follows:

	Balance as of <u>06/30/2016</u>	<u>Increases</u>	<u>Decreases</u>	Balance as of <u>06/30/2017</u>
Leasehold Improvements	\$ 29,200	-0-	-0-	\$ 29,200
Furniture and Equipment	1,887,709	46,033	-0-	1,933,742
	<u>1,916,909</u>	<u>46,033</u>	<u>-0-</u>	<u>1,962,942</u>
Accumulated Depreciation				
Leasehold Improvements	-0-	(2,660)	-0-	(2,660)
Furniture and Equipment	(1,300,963)	(166,129)	-0-	(1,467,092)
	<u>(1,300,963)</u>	<u>(168,789)</u>	<u>-0-</u>	<u>(1,469,752)</u>
Capital Assets, Net	<u>\$ 615,946</u>	<u>\$ (122,756)</u>	<u>-0-</u>	<u>\$ 493,190</u>

**ARKANSAS STATE MEDICAL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 and 2018**

NOTE 8 - CAPITAL ASSETS (continued):

	Balance as of <u>06/30/2017</u>	<u>Increases</u>	<u>Decreases</u>	Balance as of <u>06/30/2018</u>
Leasehold Improvements	\$ 29,200	\$ 0	\$ 0	\$ 29,200
Furniture and Equipment	1,933,742	157,406	0	2,091,148
	<u>\$ 1,962,942</u>	<u>\$ 157,406</u>	<u>\$ 0</u>	<u>\$ 2,120,348</u>
Accumulated Depreciation				
Leasehold Improvements	\$ (2,660)	\$ (2,660)	\$ 0	\$ (5,320)
Furniture and Equipment	(1,467,092)	(133,381)	0	(1,600,473)
	<u>(1,469,752)</u>	<u>(136,041)</u>		<u>(1,605,793)</u>
Capital Assets, Net	<u>\$ 493,190</u>	<u>\$ 21,365</u>	<u>\$ 0</u>	<u>\$ 514,555</u>

SUPPLEMENTARY INFORMATION

**ARKANSAS STATE MEDICAL BOARD
SCHEDULES OF REVENUES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2018**

	<u>2017</u>	<u>2018</u>
REGISTRATION FEES	\$ 3,632,480	\$ 3,736,575
RECIPROCITIES	\$ 406,820	\$ 404,450
OTHER INCOME		
Miscellaneous (fines, background checks, late fees, etc.)	\$ 127,789	\$ 132,230
Certifications and verifications	<u>27,140</u>	<u>37,240</u>
Total Other Income	\$ 154,929	\$ 169,470
THERAPIST DUES AND FEES		
Occupational therapist	\$ 103,020	\$ 109,925
Respiratory therapist	85,530	91,055
Occupational therapist assistant	48,155	55,385
Physician trained assistant	29,700	33,990
Radiology assistant	<u>555</u>	<u>855</u>
Total Therapist Dues and Fees	\$ 266,960	\$ 292,210
TEMPORARY PERMITS	\$ 16,690	\$ 17,510
MEDICAL CORPORATION DUES AND FEES	\$ 26,010	\$ 12,975
TOTAL OPERATING REVENUES	<u>\$ 4,503,889</u>	<u>\$ 4,632,190</u>

SEE ACCOMPANYING NOTES

**ARKANSAS STATE MEDICAL BOARD
SCHEDULES OF EXPENSES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2018**

	<u>2017</u>	<u>2018</u>
SALARIES	\$ 1,437,271	\$ 1,422,461
OFFICE EXPENSE		
Rent	\$ 438,856	\$ 413,813
Other	171,488	218,468
Depreciation	168,789	136,041
Supplies and postage	84,358	62,413
Telephone expense	<u>33,124</u>	<u>35,276</u>
Total Office Expense	\$ 896,615	\$ 866,011
EMPLOYEE BENEFITS		
Retirement	\$ 299,817	\$ 386,448
Group insurance	226,800	226,800
Social security	112,448	103,309
Other	<u>35,358</u>	<u>8,571</u>
Total Employee Benefits	\$ 674,423	\$ 725,128
PHYSICIANS HEALTH COMMITTEE - ARKANSAS MEDICAL FOUNDATION		
Current year contributions	\$ 244,625	\$ 258,150
PROFESSIONAL FEES		
Attorney fees	\$ 106,716	\$ 106,296
Other professional fees	70,412	37,655
Court reporters and other expenses	<u>2,495</u>	<u>1,340</u>
Total Professional Fees	\$ 179,623	\$ 145,291
OTHER		
State service charge	\$ 51,174	\$ 50,473
Printing	5,489	5,696
Refunds of licenses and permits	1,848	1,781
Repairs and Maintenance	8,691	12,264
Other	11,372	5,070
Educational training and seminars	<u>7,112</u>	<u>6,910</u>
Total Other Expense	\$ 85,686	\$ 82,194
 SUB-TOTAL OF EXPENSES	 \$ 3,518,243	 \$ 3,499,235

SEE ACCOMPANYING NOTES

**ARKANSAS STATE MEDICAL BOARD
SCHEDULES OF EXPENSES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2018**

	<u>2017</u>	<u>2018</u>
SUB-TOTAL OF EXPENSES - carryforward	<u>\$ 3,518,243</u>	<u>\$ 3,499,235</u>
BOARD MEMBER AND COMMITTEE EXPENSES		
Per diem	\$ 38,577	\$ 26,317
Meals, lodging and other	<u>18,146</u>	<u>19,033</u>
Total Board Member and Committee Expense	<u>\$ 56,723</u>	<u>\$ 45,350</u>
SMALL EQUIPMENT AND SOFTWARE PURCHASES	<u>\$ 45,713</u>	<u>\$ 25,298</u>
INVESTIGATOR EXPENSE		
Mileage	<u>907</u>	<u>653</u>
Total Investigator Expense	<u>\$ 907</u>	<u>\$ 653</u>
TOTAL EXPENSES	<u>\$ 3,621,586</u>	<u>\$ 3,570,536</u>

SEE ACCOMPANYING NOTES

**ARKANSAS STATE MEDICAL BOARD
SCHEDULES OF CASH
FOR THE YEARS ENDED JUNE 30, 2017 AND 2018**

	<u>2017</u>	<u>2018</u>
Simmons Bank Checking	\$ 2,574,518	\$ 3,676,490
Regions Bank Checking	4,892	2,440
Arkansas Treasury Payroll Account	<u>404,184</u>	<u>391,507</u>
	<u>\$ 2,983,594</u>	<u>\$ 4,070,437</u>

SEE ACCOMPANYING NOTES

**ARKANSAS STATE MEDICAL BOARD
SCHEDULES OF CERTIFICATES OF DEPOSIT
FOR THE YEARS ENDED JUNE 30, 2017 AND 2018**

<u>Bank</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>2017</u>	<u>2018</u>
Eagle Bank	0.25%	11/22/2018	\$ 100,000	\$ 100,000
Citizens Bank	1.26%	05/25/2019	90,058	91,723
Citizens Bank	1.26%	06/03/2019	50,031	50,903
Citizens Bank	1.26%	06/03/2019	56,933	56,933
First Financial Bank	1.55%	07/24/2018	0	152,149
Bank of England	2.15%	09/30/2019	100,000	100,000
Bank of England	1.62%	06/29/2019	250,000	250,000
Bank of England	1.62%	06/29/2019	250,000	250,000
Bank of England	2.15%	01/26/2020	100,000	100,000
First Security Bank	1.15%	01/09/2019	300,000	300,000
First Security Bank	1.15%	12/18/2018	300,000	300,000
First Security Bank	1.15%	12/19/2018	200,000	200,000
Iberia Bank	1.0%	03/07/2019	250,000	250,000
Iberia Bank	0.80%	06/30/2018	250,505	0
Iberia Bank	0.80%	06/30/2018	300,605	0
Iberia Bank	0.80%	07/26/2018	0	555,496
Centennial Bank	0.20%	12/29/2017	200,324	200,375
			2,798,456	2,957,579

SEE ACCOMPANYING NOTES

**ARKANSAS STATE MEDICAL BOARD
SCHEDULE OF BOARD MEMBER AND COMMITTEE EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Total</u>
Catherine Acre	\$ 72
Robert Breving	1,100
Robert David Cannon	118
Bob Cogburn	1,684
Jeffery Clayton	295
William Duding	1,007
Rodney Griffin	2,550
Mary Ann Winter Herring	76
Veryl D. Hodges	2,668
Kelly A. Lueoers	358
Larry Lovell	2,424
Don Robert Phillips	784
John Scribner	1,999
Sylvia Simon	1,309
Stacie Smith	87
David Staggs	336
Ronald Tilley	275
John Weiss	1,412
Kimberly Turbeville	145
Total Expense for Members of Arkansas State Medical Board	\$ 18,699
Expenses for Other Committees and Boards- Pain Committee, CCVS Advisory Committee, and Respiratory Therapy Examining Board	334
Total Board Member and Committee Expenses	\$ 19,033

SEE ACCOMPANYING NOTES

Bonds & Company, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

3906 EAST KIEHL

SHERWOOD, ARKANSAS 72120

(501) 835-5222 ♦ FAX (501) 835-6812

INDEPENDENT AUDITOR'S 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

To Management and the Board of Directors
ARKANSAS STATE MEDICAL BOARD
1401 West Capitol Avenue, Suite 340
Little Rock, Arkansas 72201

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 Arkansas State Medical Board as of and for the years ended June 30, 2017 and 2018, and the related notes to the financial statements, which collectively comprise the statement of financial position, statement of activities, and the statement of cash flows, and have issued our report thereon dated May 22, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Arkansas State Medical 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 Arkansas State Medical Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Arkansas State Medical 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 may exist that have not been identified.

To Management and the Board of Directors
ARKANSAS STATE MEDICAL BOARD
May 22, 2019

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Arkansas State Medical Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bonds & Company, P.A.

Bonds & Company, P.A.
Certified Public Accountants
Sherwood, Arkansas
May 22, 2019