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NEVADA STATE BOARD OF MEDICAL EXAMINERS
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
JUNE 30, 2002 AND 2001

**NEVADA STATE BOARD OF MEDICAL EXAMINERS
TABLE OF CONTENTS
JUNE 30, 2002 AND 2001**

	<u>Page</u>
Independent Auditors' Report	2
Financial Statements	
Balance Sheets	3
Statements of Revenues, Expenditures and Changes in Fund Balances	4 - 5
Statements of Revenues and Expenditures with Budget Comparison	6
Statements of Cash Flows	7
Notes to Financial Statements	8- 13

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INDEPENDENT AUDITORS' REPORT

Board Members

Nevada State Board of Medical Examiners
Reno, Nevada

We have audited the accompanying financial statements of the Nevada State Board of Medical Examiners (a state agency) as of and for the years ended June 30, 2002 and 2001, as listed in the table of contents. These financial statements are the responsibility of the Nevada State Board of Medical Examiner's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Nevada State Board of Medical Examiners as of June 30, 2002 and 2001, and the results of its operations, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Solari and Sturmer, LLC

August 2, 2002

**NEVADA STATE BOARD OF MEDICAL EXAMINERS
BALANCE SHEETS
JUNE 30, 2002 AND 2001**

ASSETS

	<u>2002</u>	<u>2001</u>
Current assets		
Cash (Note B)	\$ 2,942,475	\$ 2,902,763
Short-term investments (Note C)	<u>2,198,025</u>	<u>2,800,000</u>
	5,140,500	5,702,763
Other assets		
Prepaid expenses	<u>3,048</u>	<u>3,048</u>
Total assets	<u>\$ 5,143,548</u>	<u>\$ 5,705,811</u>

LIABILITIES AND FUND BALANCE

Accrued compensated absences and other liabilities	\$ 46,396	\$ 53,377
Deferred revenue	<u>1,738,407</u>	<u>2,819,085</u>
Total liabilities	1,784,803	2,872,462
Fund balance - unreserved	<u>3,358,745</u>	<u>2,833,349</u>
Total liabilities and fund balance	<u>\$ 5,143,548</u>	<u>\$ 5,705,811</u>

See accompanying notes and auditors' report.

**NEVADA STATE BOARD OF MEDICAL EXAMINERS
STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEARS ENDED JUNE 30, 2002 AND 2001**

	<u>2002</u>	<u>2001</u>
REVENUES		
LICENSES AND FEES		
Physician registration	\$ 1,402,100	\$ 1,416,700
Supervising collaborating physicians	64,400	78,300
Reinstatement	38,800	2,850
Physicians assistant registration	35,400	31,850
Respiratory care practitioner registration	24,368	-
Limited, locum tenens, special & temp	<u>9,600</u>	<u>6,350</u>
Total license and fees	<u>1,574,668</u>	<u>1,536,050</u>
APPLICATION FEES		
Physicians	169,400	201,150
Respiratory care practitioners	76,000	-
Physicians assistants	<u>18,200</u>	<u>10,950</u>
Total application fees	263,600	212,100
INTEREST INCOME	211,958	193,610
MISCELLANEOUS REVENUE	<u>98,076</u>	<u>77,181</u>
Total revenue	<u>2,148,302</u>	<u>2,018,941</u>
EXPENDITURES		
PERSONNEL SERVICES		
Staff salaries	767,015	662,281
Retirement (Note D)	133,409	113,730
Group health insurance	51,304	51,625
Payroll taxes	28,257	21,456
Board salaries	21,120	21,040
Secretary/treasurer salary	12,000	12,000
Personnel - other	<u>11,396</u>	<u>435</u>
Total personnel services	1,024,501	882,567
TRAVEL: OUT-OF-STATE	12,501	21,624
TRAVEL: IN-STATE	17,155	14,243

(Continued)

See accompanying notes and auditors' report.

**NEVADA STATE BOARD OF MEDICAL EXAMINERS
STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - CONTINUED
FOR THE YEARS ENDED JUNE 30, 2002 AND 2001**

	<u>2002</u>	<u>2001</u>
EXPENDITURES (Continued)		
OPERATING		
Consultants	75,000	112,500
Rent	66,264	62,833
Advertising	60,000	51,130
Telephone	45,162	40,559
Legal	38,647	75,389
Postage	35,570	24,867
Investigation	34,642	7,316
Operating supplies	27,970	22,249
Equipment rental	26,976	18,693
Printing and copying	22,210	10,226
Hearing officers	21,176	8,138
Host fund	13,586	16,130
Accounting and audit	12,497	10,269
Office maintenance	7,869	5,820
Dues and registrations	7,470	6,431
Insurance	3,385	4,971
Equipment maintenance	3,334	3,609
Department of administration budget	-	13,837
Total operating	<u>501,758</u>	<u>494,967</u>
CAPITAL OUTLAY		
Computer -- hardware and software	48,175	20,120
Office furniture and equipment	<u>18,816</u>	<u>7,157</u>
Total expenditures	<u>1,622,906</u>	<u>1,440,678</u>
Excess of revenues over expenditures	525,396	578,263
UNRESERVED FUND BALANCES, beginning of year	<u>2,833,349</u>	<u>2,255,086</u>
FUND BALANCES, end of year	<u>\$ 3,358,745</u>	<u>\$ 2,833,349</u>

See accompanying notes and auditors' report.

NEVADA STATE BOARD OF MEDICAL EXAMINERS
STATEMENTS OF REVENUES AND EXPENDITURES WITH BUDGET COMPARISON
FOR THE YEARS ENDED JUNE 30, 2002 AND 2001

	2002 ACTUAL	2002 BUDGET	VARIANCE OVER BUDGET (UNDER BUDGET)	2001 ACTUAL	2001 BUDGET	VARIANCE OVER BUDGET (UNDER BUDGET)
REVENUES						
License and fees	\$ 1,574,668	\$ 1,582,000	\$ (7,332)	\$ 1,536,050	\$ 1,629,330	\$ (93,280)
Application fees	263,600	175,000	88,600	212,100	254,825	(42,725)
Interest income	211,958	242,150	(30,192)	193,610	102,000	91,610
Miscellaneous revenues	98,076	110,000	(11,924)	77,181	148,674	(71,493)
Total revenues	2,148,302	2,109,150	39,152	2,018,941	2,134,829	(115,888)
EXPENDITURES						
PERSONNEL SERVICES						
Staff salaries	767,015	791,300	(24,285)	662,281	739,350	(77,069)
Retirement	133,409	149,000	(15,591)	113,730	138,650	(24,920)
Group health insurance	51,304	76,800	(25,496)	51,625	50,785	840
Payroll taxes	28,257	37,550	(9,293)	21,456	33,520	(12,064)
Board salaries	21,120	20,000	1,120	21,040	38,720	(17,680)
Secretary/Treasurer salary	12,000	12,000	-	12,000	12,000	-
Personnel - Other	11,396	-	11,396	435	-	435
Unallocated	-	73,500	(73,500)	-	451,364	(451,364)
Total personnel services	1,024,501	1,160,150	(135,649)	882,567	1,464,389	(581,822)
TRAVEL: OUT-OF-STATE	12,501	35,000	(22,499)	21,624	59,624	(38,000)
TRAVEL: IN-STATE	17,155	35,000	(17,845)	14,243	64,825	(50,582)
OPERATING						
Consultants	75,000	50,000	25,000	112,500	150,000	(37,500)
Rent	66,264	70,000	(3,736)	62,833	65,000	(2,167)
Advertising	60,000	60,000	-	51,130	60,000	(8,870)
Telephone	45,162	40,000	5,162	40,559	25,000	15,559
Legal	38,647	175,000	(136,353)	75,389	335,188	(259,799)
Postage	35,570	30,000	5,570	24,867	32,000	(7,133)
Investigation	34,642	60,000	(25,358)	7,316	60,000	(52,684)
Operating supplies	27,970	25,000	2,970	22,249	20,000	2,249
Equipment rental	26,976	30,000	(3,024)	18,693	16,800	1,893
Printing and copying	22,210	20,000	2,210	10,226	25,000	(14,774)
Hearing officers	21,176	25,000	(3,824)	8,138	40,000	(31,862)
Host fund	13,586	10,500	3,086	16,130	11,500	4,630
Accounting and audit	12,497	15,000	(2,503)	10,269	10,000	269
Office maintenance	7,869	12,000	(4,131)	5,820	10,000	(4,180)
Dues and registration	7,470	11,000	(3,530)	6,431	11,000	(4,569)
Insurance	3,385	7,500	(4,115)	4,971	5,000	(29)
Equipment maintenance	3,334	5,000	(1,666)	3,609	8,000	(4,391)
Diversion	-	75,000	(75,000)	-	-	-
Dept. of Administration Budget	-	12,000	(12,000)	13,837	13,837	-
Total operating	501,758	733,000	(231,242)	494,967	898,325	(403,358)
CAPITAL OUTLAY						
Office furniture and equipment	18,816	20,000	(1,184)	7,157	20,000	(12,843)
Computer-hardware and software	48,175	125,000	(76,825)	20,120	41,639	(21,519)
Total Expenditures	1,622,906	2,108,150	(485,244)	1,440,678	2,548,802	(1,108,124)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	\$ 525,396	\$ 1,000	\$ 524,396	\$ 578,263	\$ (413,973)	\$ 992,236

See accompanying notes and auditors' report.

7

**NEVADA STATE BOARD OF MEDICAL EXAMINERS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2002 AND 2001**

	<u>2002</u>	<u>2001</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 525,396	\$ 578,263
Adjustments to reconcile net income to cash Provided by operating activities:		
Decrease in interest receivable	-	9,968
(Decrease) increase in deferred revenue	(1,080,678)	1,341,850
(Decrease) increase in other payables	(6,981)	11,072
(Increase) in accounts payable	<u>-</u>	<u>(13,869)</u>
Net cash provided (used) by operating activities	(562,263)	1,927,284
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from certificates of deposit	<u>601,975</u>	<u>204,045</u>
Net cash provided by investing activities	601,975	204,045
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	39,712	2,131,329
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,902,763</u>	<u>771,434</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,942,475</u>	<u>\$ 2,902,763</u>

See accompanying notes and auditors' report.

**NEVADA STATE BOARD OF MEDICAL EXAMINERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002 AND 2001**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Nevada State Board of Medical Examiners (the Board) is regulated by Nevada Revised Statutes to function as an independent government agency. The Board is the licensing and regulatory agency for physicians, physician assistants and respiratory care practitioners in the State of Nevada.

The financial statements of the Board have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting principles. A summary of the Board's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Reporting Entity

The board reports its financial condition on an annual basis to the Department of Administration. The Board's financial statements are not included in the general purpose financial statements of the State of Nevada since the state does not exercise financial or administrative control over the Board.

2. Fund Accounting

The Board's general fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

3. Basis of Accounting

The Board maintains its accounting records on the modified accrual basis of accounting. This method provides for revenues to be recorded when they are measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recognized at the time liabilities are incurred, if measurable.

The major sources of revenue are licensing, registration and application fees from physicians, respiratory care practitioners and physician assistants, interest, and revenue from miscellaneous sources. Miscellaneous revenues are composed primarily of fees charged for copy requests, letters of good standing, physician listings and label requests, and legal fee recoveries.

4. Budgetary Data

The Board requires the preparation of an annual budget be approved for internal purposes. They also require approval for any amounts paid that exceed the budgeted expenditures.

(Continued)

NEVADA STATE BOARD OF MEDICAL EXAMINERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002 AND 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Comparative Data

Summaries of comparative data for the prior year have been presented in the accompanying financial statements to provide an understanding of changes in Nevada State Board of Medical Examiners' financial position and operations.

6. Cash

For purposes of the statement of cash flows, the Agency considers all highly liquid investments to be cash equivalents.

The balances in the cash accounts are available to meet current operating requirements and are readily identifiable. Cash in excess of current requirements is invested in various interest-bearing investment accounts as provided by NRS 630.110.4(a).

7. Short Term Investments

Short-term investments consist of certificates of deposits purchased and maturing at various dates.

8. Fixed Assets

Equipment, furniture, and fixtures purchased by the Board are part of the general fixed assets of the State of Nevada and are not reflected in the balance sheet. Acquisitions are considered expenditures in the year purchased.

9. Compensated Absences

Employees of the Board, depending on job classification, length of service and other factors, are entitled paid vacations and compensated absences at the employee's standard hourly rates. An accrual for accumulated and vested vacation and non-compensated time has been established as a liability in the accompanying financial statements.

It is the Board's policy to recognize the costs for sick days and other absences when taken by employees.

10. Deferred Revenue

The Board administers its licensing registration on biennial periods. Deferred revenue represents revenue from the biennial renewals of licenses and is recognized ratably over the renewal period.

**NEVADA STATE BOARD OF MEDICAL EXAMINERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002 AND 2001**

NOTE B - CASH

Cash consisted of the following as of June 30:

	<u>2002</u>	<u>2001</u>
Checking and money market accounts	\$ 2,942,275	\$ 2,902,563
Cash on hand	200	200
Total cash and cash equivalents	<u>\$ 2,942,475</u>	<u>\$ 2,902,763</u>

The Agency maintains its cash in bank deposit accounts and financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. The following is a summary of the total insured, collateralized, and uninsured cash balances as of June 30:

	<u>2002</u>	<u>2001</u>
Total cash held in Wells Fargo Bank	\$ 2,942,275	\$ 2,902,563
Portion insured by FDIC	(100,000)	(100,000)
Portion collateralized by Wells Fargo Bank	(2,842,275)	(2,424,537)
Uninsured cash balances	<u>\$ -</u>	<u>\$ 378,026</u>

Wells Fargo's collateralized balances are increased throughout the year to safeguard balances in excess of FDIC coverage.

NOTE C - SHORT-TERM INVESTMENTS

Short-term investments consist of the following as of June 30:

	<u>2002</u>	<u>2001</u>
Wells Fargo Investments		
Certificates of deposit	\$ 1,998,000	\$ 2,800,000
Sierra Schools Investments		
Certificates of deposit	100,025	-
State Farm Bank Investments		
Certificates of deposit	100,000	-
Total short -- term investments	<u>\$ 2,198,025</u>	<u>\$ 2,800,000</u>

(Continued)

**NEVADA STATE BOARD OF MEDICAL EXAMINERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002 AND 2001**

NOTE C - SHORT-TERM INVESTMENTS (Continued)

The following is summary of the insured and uninsured short-term investments balances as of June 30:

	2002	2001
Total short-term investments	\$ 2,198,025	\$ 2,800,000
Portion insured by FDIC	(1,598,025)	(2,200,000)
Government backed investments	(600,000)	(600,000)
Uninsured short-term investments	\$ -	\$ -

By provisions of statutes, the Board is authorized to deposit all money in banks or savings and loan associations located in the State of Nevada.

NOTE D - PENSION PLAN

The Board is a public employer participating in the Public Employees Retirement System of the State of Nevada (PERS), a defined benefit cost sharing multiple-employer program, and all full-time employees are covered under the system. The Board has no liability for unfunded obligation of the system, as provided by NRS 286.110. The Board's total payroll of \$767,015, reduced by current period accrued compensated absences and part-time employees of \$39,635, was covered by the system for the year ended June 30, 2002. Covered payroll for the year ended June 30, 2001 was \$611,710.

Benefits, as required by Statute, are determined by the number of years of accredited service at the time of retirement and the member's highest average compensation in any 36 consecutive months. Benefit payments to which participants may be entitled under the plan include pension benefits, disability benefits and death benefits.

Monthly benefit allowances for regular members are computed at 2.5% of average compensation (36 consecutive months of highest compensation) for each accredited year of service prior to retirement with a ceiling of 75% of the average compensation. PERS offers several alternatives to the unmodified service retirement allowance which, in general, allows the retirement employee to accept a reduced service retirement allowance payable monthly during his/her life and various optional monthly payments to a named beneficiary after his/her death.

(Continued)

**NEVADA STATE BOARD OF MEDICAL EXAMINERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002 AND 2001**

NOTE D - PENSION PLAN (Continued)

Regular members are eligible for retirement at age 65 with five years of service, at age 60 with ten years of service or at any age with thirty years of service. A member who retired on or after July 1, 1996, or is an active member whose effective date of membership is before July 1, 1985 and who has thirty-six years of service, is entitled to a benefit of up to 90% of his/her average compensation. When members are eligible for the earlier retirement due to the increased service years, the ceiling limitation on monthly benefit allowances increased from the normal 75% to a maximum of 90% of average compensation. Regular members become fully vested as to benefits upon completion of five years of service.

Member contribution rates are established by statute. The statute provides for yearly increases of up to 1% until such time as the actuarially determined unfunded liability of the plan is reduced to zero. These increases are based on the percentage increase in taxable revenues over the base year of 1983. The Board is enrolled in the employer paid contribution plan of PERS and is, therefore, required to contribute all amounts due under the plan. The contributions during the 2002 and 2001 fiscal years were 18.75% for regular employees on all covered payroll. The contribution for the year ended June 30, 2002 and 2001 was \$133,409 and \$113,730 respectively.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess PERS funding status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PERS and employers. PERS does not make separate measurements of assets and pension benefit obligation for individual employers.

**NEVADA STATE BOARD OF MEDICAL EXAMINERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002 AND 2001**

NOTE E - OPERATING LEASE

The Board leases office space in Reno, expiring June 30, 2007. Rent expense will increase \$.15 per square foot per year beginning July 1, 2004. Rent expense for the years ending June 30, 2002 and 2001 was \$61,139 and \$56,773, respectively.

The following is a schedule, by years, of future minimum rental payments required under the operating leases for the years ending June 30:

2003	\$	61,776
2004		61,776
2005		70,200
2006		73,008
2007		<u>75,816</u>
	<u>\$</u>	<u>342,576</u>

NOTE F - RESTRICTED FUNDS AND RECOVERY OF EXPENDITURES

The Board at times has periodically received restricted funds in connection with physician settlement agreements whereby the physician agrees to remit amounts to the Board to be used for public protection, enforcement and public awareness efforts. During the years ended June 30, 2002 and 2001, no funds were received.

The Board also receives funds from recovery of costs incurred. Per NRS 630.352 if the Board finds that a violation by a physician has occurred, it may order the physician to reimburse to the Board all costs relating to the disciplinary proceedings. During the years ended June 30, 2002 and 2001, the Board recovered approximately \$39,196 and \$20,208, respectively, relating to these costs.

NOTE G - INCOME TAXES

The Nevada State Board of Medical Examiners is a state agency and not subject to federal income taxes under Code Section 115(1), 1954 I.R.C.