

SOUTH DAKOTA STATE BOARD OF DENTISTRY

FINANCIAL STATEMENTS

JUNE 30, 2015

RONALD G. TEDROW
Certified Public Accountant

CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
Statement of Net Position – Cash Basis	3
Statement of Revenues, Expenses and Changes in Net Position – Cash Basis	4
Statement of Cash Flows – Cash Basis	5
Notes to the Financial Statements	6-8
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	 9-10
Schedule of Current Audit Findings	11
Schedule of Prior Audit Findings	12

RONALD G. TEDROW

CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

The Honorable Dennis Daugaard
Governor of South Dakota

and

South Dakota State Board of Dentistry

I have audited the accompanying cash-basis financial statements of the South Dakota Board of Dentistry (Board), an enterprise fund of the State of South Dakota, as of and for the year ended June 30, 2015, 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

The Board's management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Board'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 Board's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position on a cash basis of accounting of the South Dakota State Board of Dentistry, an enterprise fund of the State of South Dakota, as of June 30, 2015 and the changes in its financial position and its cash flows for the year then ended in accordance with the cash basis of accounting described in Note 1 to the financial statements.

Basis of Accounting

I draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinion is not modified with respect to this matter.

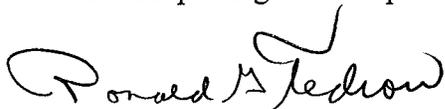
Other Matters

All Required Supplementary Information Omitted

Management has omitted a Management's Discussion and Analysis for the enterprise fund that accounting principles generally accepted in the United State 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 basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated September 14, 2015, on my consideration of the South Dakota State Board of Dentistry's internal control over financial reporting and my 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 my 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 South Dakota State Board of Dentistry's internal control over financial reporting and compliance.



Pierre, South Dakota
September 14, 2015

SOUTH DAKOTA STATE BOARD OF DENTISTRY

STATEMENT OF NET POSITION – CASH BASIS

June 30, 2015

	<u>2015</u>
ASSETS	
Cash, checking	\$ 14,982
Investments in State Treasury	<u>652,171</u>
Total Current Assets	<u>\$ 667,153</u>
LIABILITIES	
-	<u>\$ -</u>
NET POSITION	
Net Position, unrestricted	<u>667,153</u>
Total liabilities and net position	<u>\$ 667,153</u>

See notes to financial statements.

SOUTH DAKOTA STATE BOARD OF DENTISTRY

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION – CASH BASIS
For the Year Ended June 30, 2015**

	2015
Operating Revenues:	
Dentist licenses	\$ 103,231
Expanded/Radiology licenses	49,460
Hygienist licenses	103,245
Temporary licenses	1,950
Credential verifications	8,300
Anesthesia	-
Fines	-
Corporate licenses	6,150
Membership list	6,300
Other	5,672
Total operating revenues	284,308
Operating Expenses	
Anesthesia Inspection	2,687
Board member services	2,067
Travel	16,247
Grant	5,500
Contractual Services	241,051
Office supplies and materials	10,581
Dues and memberships	-
Other	347
Total operating expenses	278,480
Operating Income	5,828
Nonoperating Revenue	
Interest income	5,099
Total nonoperating revenue	5,099
Increase in net position	10,927
Net position, beginning of year	656,226
Net position, end of year	\$ 667,153

See notes to the financial statements.

SOUTH DAKOTA STATE BOARD OF DENTISTRY

**STATEMENT OF CASH FLOWS – CASH BASIS
For the Year Ended June 30, 2015**

	<u>2015</u>
Cash flows from Operating Activities	
Received from licensure, inspection fees and permits	\$ 284,308
Payments for:	
Anesthesia Inspection	(2,687)
Board member services	(2,067)
Travel	(16,247)
Grant	(5,500)
Contractual Services	(241,051)
Office supplies and materials	(10,581)
Dues and memberships	-
Other	(347)
Net cash provided by operating activities	<u>5,828</u>
Cash Flows from Investing Activities	
Interest Income	5,099
Net cash provided by investing activities	<u>5,099</u>
Net increase in cash and cash equivalents	10,927
Cash and Cash Equivalents	
Beginning of year	<u>656,226</u>
End of year	<u>\$ 667,153</u>

See notes to financial statements.

SOUTH DAKOTA STATE BOARD OF DENTISTRY

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Reporting Entity

The South Dakota State Board of Dentistry (the "Board") was created by South Dakota Codified Laws Chapter 36-6A to license and regulate all dentists, dental hygienists, and dental assistants. The Board is attached to the Department of Health for reporting purposes. These financial statements present only the South Dakota State Board of Dentistry.

Enterprise Fund

The accounts of the Board are organized as an enterprise fund of the State of South Dakota of which is considered a separate accounting entity, with its own self-balancing accounts that comprise its assets, liabilities, net position, revenues, and expenses, as appropriate. Enterprise funds are used to account for activities for which fees are charged to external users for goods or services to the general public on a continuing basis.

Cash Equivalents

The Board considers cash equivalents to include the State Treasury fund, which is recorded at fair value.

Basis of Accounting

The Board's accounts are maintained, and the accompanying financial statements are presented on the cash basis which is another comprehensive basis of accounting. Under this basis, revenues are recognized when collected rather than when earned, and expenses are recognized when paid rather than when incurred. Consequently, receivables, accounts payable, and other accrued expenses are not included in the financial statements. Accordingly, the accompanying financial statements are not intended to present financial position and results of operation and changes in net position balance in conformity with generally accepted accounting principles.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

Classification

The South Dakota State Board of Dentistry distinguishes operating revenues and expenses from nonoperating items. Operating revenues relate to activities associated with the licensure and regulation of dentistry. Expenses include the costs of operating the South Dakota State Board of Dentistry, including contractual services and administration. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses. Nonoperating revenues include interest income from such cash invested in state accounts.

In the Statement of Revenues, Expenses, and Changes in Net Position – Cash Basis, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows – Cash Basis. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues and expenses.

Deposits

The Board follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits – The Board deposits are made in qualified public depositories as defined by SDCL 4-6A-1.

Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA.

Deposits are reported at cost, plus interest, if the account is of the add-on type.

The bank balances at June 30, 2015, were as follows:

	2015
Insured (FDIC/NCAU)	\$ 20,399
Deposits held in State Treasury	652,171
	<u>\$ 672,570</u>

The carrying amount of deposits on the June 30, 2015, statement of net assets were \$ 667,153 respectively.

NOTES TO FINANCIAL STATEMENTS

Note 2. Cash

Cash at June 30, 2015 was comprised of the following:

	<u>2015</u>
Cash in Bank	\$ 14,982
Cash in State Treasury	<u>652,171</u>
	<u>\$ 667,153</u>

Management of the State's internal investment pool is the statutory responsibility of the South Dakota Investment Council (SDIC). The investment policy and required risk disclosures for the State's internal investment pool are presented in the SDIC's audit report, which can be obtained by contacting the South Dakota Department of Legislative Audit.

Note 3. Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to personnel; and natural disasters. The Board is uninsured for property loss. The Board participates in various programs administered by the State of South Dakota. These risk management programs are funded through assessments charged to participating entities. The risk management programs include coverage for risks associated with automobile liability and general tort liability (including public officials' errors and omissions liability, medical malpractice liability, law enforcement liability, and products liability) through the State's Public Entity Pool for Liability Fund. Financial information relative to the self-insurance funds administered by the State is presented in the State of South Dakota Comprehensive Annual Financial Report.

RONALD G. TEDROW

CERTIFIED PUBLIC ACCOUNTANT

**SOUTH DAKOTA STATE BOARD OF DENTISTRY
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***

The Honorable Dennis Daugaard
Governor of South Dakota

and

South Dakota State Board of Dentistry

I 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 cash basis of accounting financial statements of the South Dakota State Board of Dentistry (Board), an enterprise fund of the State of South Dakota, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued my report thereon dated September 14, 2015.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered South Dakota State Board of Dentistry's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the South Dakota State Board of Dentistry's internal control. Accordingly, I do not express an opinion on the effectiveness of the South Dakota State Board of Dentistry'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.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether South Dakota State Board of Dentistry's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my 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. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Pierre, South Dakota
September 14, 2015

SOUTH DAKOTA STATE BOARD OF DENTISTRY
SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES
For the Year Ended June 30, 2015

CURRENT AUDIT FINDING:

There are no findings in the current year.

SOUTH DAKOTA STATE BOARD OF DENTISTRY

SCHEDULE OF PRIOR AUDIT FINDING

For the Year Ended June 30, 2015

PRIOR AUDIT FINDING:

The prior audit finding related to the segregation of duties for the revenue and financial reporting functions. No similar finding is reported in the current year.