



Financial Statement
June 30, 2010 and 2009

**South Dakota Board of Medical and
Osteopathic Examiners**
An Enterprise Fund of the State of
South Dakota

SOUTH DAKOTA BOARD OF MEDICAL AND OSTEOPATHIC EXAMINERS

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CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
South Dakota Board of Medical and Osteopathic Examiners
Sioux Falls, South Dakota

We have audited the accompanying statements of net assets of South Dakota Board of Medical and Osteopathic Examiners, an enterprise fund of the State of South Dakota, as of June 30, 2010 and 2009, and the related statements of revenues, expenses, and changes in fund net assets and cash flows for the years then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 *Governmental 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 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.

As discussed in Note 1, these financial statements present only the South Dakota Board of Medical and Osteopathic Examiners, an enterprise fund of the State of South Dakota and do not purport to, and do not present fairly the financial position of the State of South Dakota as of June 30, 2010 and 2009, 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. Because the financial statements present only an enterprise fund and not the State of South Dakota, management has chosen not to present a Management's Discussion and Analysis for the enterprise fund that accounting principles generally accepted in the United States of America require to supplement, although not to be a part of, the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the South Dakota Board of Medical and Osteopathic Examiners, as of June 30, 2010 and 2009, and the revenues, expenses, and changes in its net assets and cash flows for the years then ended in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2011, on our consideration of the South Dakota Board of Medical and Osteopathic Examiners internal control over financial reporting and 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 the internal control over financial reporting or on 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.

Eide Bailly LLP

Sioux Falls, South Dakota
January 12, 2011

SOUTH DAKOTA BOARD OF MEDICAL AND OSTEOPATHIC EXAMINERS
STATEMENTS OF NET ASSETS – ENTERPRISE FUND
JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
CURRENT ASSETS		
Cash, checking account and petty cash	\$ 4,413	\$ 4,159
Investment in State Treasury Cash Management Pool	<u>1,149,460</u>	<u>1,444,500</u>
Total cash and cash equivalents (Note 1)	<u>1,153,873</u>	<u>1,448,659</u>
Accounts receivable	1,052	-
Interest receivable	55,975	59,441
Prepaid expenses	<u>14,606</u>	<u>15,934</u>
Total current assets	<u>1,225,506</u>	<u>1,524,034</u>
NONCURRENT ASSETS		
Capital assets		
Computer hardware and software	26,855	-
Software in development	<u>658,495</u>	<u>264,154</u>
Total noncurrent assets	<u>685,350</u>	<u>264,154</u>
TOTAL ASSETS	<u>\$ 1,910,856</u>	<u>\$ 1,788,188</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 69,992	\$ 118,160
Wages payable	27,366	19,233
Compensated absences	<u>15,964</u>	<u>12,857</u>
Total current liabilities	<u>113,322</u>	<u>150,250</u>
NONCURRENT LIABILITIES		
Compensated absences - long-term	<u>14,299</u>	<u>11,448</u>
Total liabilities	<u>127,621</u>	<u>161,698</u>
NET ASSETS		
Invested in capital assets	685,350	264,154
Unrestricted	<u>1,097,885</u>	<u>1,362,336</u>
Total net assets	<u>1,783,235</u>	<u>1,626,490</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,910,856</u>	<u>\$ 1,788,188</u>

SOUTH DAKOTA BOARD OF MEDICAL AND OSTEOPATHIC EXAMINERS
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS – ENTERPRISE
FUND
YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
OPERATING REVENUES		
Licenses, permits and fees	\$ 1,047,498	\$ 1,035,052
OPERATING EXPENSES		
Legal and investigation	163,331	109,453
Salaries	332,276	263,209
Contract services	139,934	108,715
Rent and occupancy	63,469	47,982
Travel	30,339	45,649
Employee benefits	50,346	35,840
Insurance	24,043	26,990
Payroll taxes	25,623	20,074
Credit card and bank fees	30,189	16,645
Office and supplies	26,561	16,304
Retirement	19,624	15,011
Postage and printing	14,744	11,773
Audit	5,500	5,500
Books, subscriptions and registration fees	5,443	5,354
Advertising	-	5,115
Telephone	3,961	3,656
Depreciation	7,291	-
Total operating expenses	<u>942,674</u>	<u>737,270</u>
OPERATING INCOME	104,824	297,782
NONOPERATING REVENUE		
Interest income	<u>51,921</u>	<u>59,681</u>
CHANGE IN NET ASSETS	156,745	357,463
NET ASSETS, BEGINNING OF YEAR	<u>1,626,490</u>	<u>1,269,027</u>
NET ASSETS, END OF YEAR	<u>\$ 1,783,235</u>	<u>\$ 1,626,490</u>

SOUTH DAKOTA BOARD OF MEDICAL AND OSTEOPATHIC EXAMINERS
STATEMENTS OF CASH FLOWS – ENTERPRISE FUND
YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
OPERATING ACTIVITIES		
Receipts from licensure fees	\$ 1,047,498	\$ 1,035,052
Payments to suppliers	(590,615)	(386,176)
Payments to employees	(413,778)	(322,593)
	<u>43,105</u>	<u>326,283</u>
NET CASH FROM OPERATING ACTIVITIES		
INVESTING ACTIVITIES		
Interest received	<u>55,387</u>	<u>48,354</u>
CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	<u>(393,278)</u>	<u>(168,480)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(294,786)</u>	<u>206,157</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,448,659</u>	<u>1,242,502</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,153,873</u>	<u>\$ 1,448,659</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 104,824	\$ 297,782
Changes in assets and liabilities:		
Accounts receivable	(1,052)	-
Prepaid expenses	1,328	4,568
Accounts payable	(76,086)	12,392
Wages payable	8,133	3,485
Compensated absences	5,958	8,056
	<u>\$ 43,105</u>	<u>\$ 326,283</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Acquisition of capital assets included in accounts payable	<u>\$ 27,918</u>	<u>\$ 95,674</u>

SOUTH DAKOTA BOARD OF MEDICAL AND OSTEOPATHIC EXAMINERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 1 - PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Principal Business Activity

The South Dakota Board of Medical and Osteopathic Examiners (the Board) is an enterprise fund of the South Dakota state government within the Department of Health. These financial statements present only this enterprise fund and do not purport to, and do not, present fairly the financial position of the State of South Dakota, and the changes in its financial position and its cash flows, where applicable, in conformity with accounting principles generally accepted in the United States of America. Because the financial statements present only an enterprise fund and not the State of South Dakota, management has chosen not to present a Management's Discussion and Analysis for the enterprise fund that accounting principles generally accepted in the United States of America require to supplement, although not to be part of, the basic financial statements.

The mission of the Board is to protect the health and welfare of the state's citizens by assuring that only qualified doctors of medicine, doctors of osteopathy, physical therapists, advanced life support personnel, physician assistants, athletic trainers, occupational therapists, respiratory therapists, nurse practitioners, nurse midwives, and dieticians are licensed to practice in South Dakota. Nine board members are appointed by the Governor to administer and enforce the rules and regulations regarding medical practice.

Reporting Entity

In accordance with Government Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, the Board should include all component units over which the Board exercises such aspects as (1) appointing a voting majority of an organization's governing body and (2) has the ability to impose its will on the organization, or (3) the potential for the organization to provide specific benefits to, or impose specific burdens on the Board. GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, an amendment of GASB Statement 14, further defined reporting units as a legally separate tax exempt affiliated organization that meet all of the following criteria:

- The economic resources of the organization entirely or almost entirely directly benefit the Board or its constituents, and
- The Board or its component units are entitled to or can otherwise access, a majority of the economic resources of the organization, and
- The economic resources that the Board is entitled to, or can otherwise access, are significant to the Board.

Based upon criteria set forth in GASB No. 14 and No. 39, no organizations were determined to be part of the reporting entity.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Board is presented in the accompanying financial statements as a proprietary fund type – an enterprise fund.

An enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public or other funds on a continuing basis be financed or recovered primarily through user charges. The Board recovers its costs through licenses, permits and fees to medical professionals and also earnings on funds.

As a proprietary fund type, the Board accounts for its transactions using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

NOTES TO FINANCIAL STATEMENTS

The accompanying financial statements of the South Dakota Board of Medical and Osteopathic Examiners follow the pronouncements of the Governmental Accounting Standards Board (GASB), which is the nationally accepted standard-setting body for establishing generally accepted accounting principles for governmental entities. In accordance with Governmental Accounting Standards Board Statement No. 20, the Authority follows all applicable GASB Pronouncements as well as following Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with GASB pronouncements.

The Board distinguishes operating revenues and expenses from nonoperating items. Operating revenues related to activities associated with medical professionals' licenses and renewals. Expenses include the costs of operating the Board, including personnel, 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 cash invested in state accounts. All resources from this activity are unrestricted.

Budgets

The Board is not legally required to adopt a budget; therefore, budgetary data is not included in the basic financial statements.

Cash and Cash Equivalents

Cash includes demand deposits and a participating interest in the State's internal investment pool held by the State Treasurer. The amount held in the State's internal investment pool is reported at fair value.

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 Department of Legislative Audit, 427 South Chapelle, c/o 500 East Capitol, Pierre, South Dakota 57501 .

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Board does not have a deposit policy for custodial credit risk. As of June 30, 2010 and 2009, the checking account deposits were fully insured.

Capital Assets

Depreciation is computed using the straight-line method over an estimated useful life of three to five years once the capital assets are placed into service.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issue. The South Dakota Investment Council does not have guidelines to limit its investment in any particular investment.

NOTES TO FINANCIAL STATEMENTS

Compensated Absences

Employees earn the right to be compensated during absences for vacation and illness. Unused vacation benefits are paid to employees upon separation from State service and are the responsibility of the State entity employing the individual at the time of their separation from State service. Employees who have been continuously employed by the State of South Dakota for at least seven years prior to the date of their retirement, voluntary resignation, or death will receive payment for one-fourth of their accumulated unused sick leave, not to exceed 480 hours. Accumulated benefits for compensated absences are based on the period of service with the State and are accrued at current salary rates. Accordingly, the Board may assume the liability for benefits accumulated for employees who transfer to the Board from other State agencies. The Board may be relieved of liability upon the transfer of an employee to another State agency. As of June 30, 2010, one of the employees qualified for the payment of unused sick leave. There were no eligible employees as of June 30, 2009.

Revenue Recognition

Fees are recognized as revenue when received, which approximates the time when an application for license is received, a license is renewed, or services are rendered.

Use of Estimates

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

Subsequent Events

The Board has evaluated subsequent events through January 12, 2011, the date which the financial statements were available to be issued.

NOTE 2 - RETIREMENT PLAN

The Board participates in the South Dakota Retirement System (SDRS), a cost sharing, multiple-employer defined benefit pension plan established to provide retirement, disability, and survivor benefits for employees of the State and its political subdivisions. Authority for establishing, administering, and amending plan provisions is found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements, footnote disclosures, and required supplementary information. That report may be obtained by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Employees are required by state statute to contribute six percent of their salary to the plan; State statute also required the employer to contribute an amount equal to the employee's contribution. The Board's share of contributions to the SDRS for the fiscal years ended June 30, 2010 and 2009 was \$19,624 and \$15,011, respectively, which was equal to the required contribution.

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - LONG TERM OBLIGATIONS

Changes in long-term liability activity for the year ended June 30, 2010, were as follows:

	Balance June 30, 2009	Additions	Reductions	Balance June 30, 2010
Compensated absences	\$ 11,448	\$ 11,887	\$ (9,036)	\$ 14,299

NOTE 4 - CAPITAL ASSETS

Property and equipment is summarized by major classifications as follows:

	2010	2009
Computer hardware (5 year life)	\$ 12,458	\$ -
Computer software (3 year life)	21,688	-
	<u>34,146</u>	<u>-</u>
Less, accumulated depreciation	7,291	-
	<u>\$ 26,855</u>	<u>\$ -</u>

NOTE 5 - 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 employees; and natural disasters. The Board is uninsured for property loss. The Board participates in the 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 1) 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, 2) coverage of employee medical claims through the State's health insurance program, 3) coverage for unemployment benefits through the State's Unemployment Insurance Fund, and 4) coverage for workers' compensation benefits through the State's Worker's Compensation Fund. Financial information relative to the self-insurance funds administered by the State is presented in the State of South Dakota Comprehensive Annual Financial Statement. The Board also purchases a professional liability private insurance policy for excess coverage of these risks.

NOTE 6 - COMMITMENTS AND CONTINGENCIES

Operating Lease

The Board leases the space used for its activities. In March 2009, the Board entered into a six year lease agreement for its office location, which includes all operating expenses associated with the leased premises and may be cancelled with 90 days notice. The Board has an option to renew the lease for an additional six years at the end of the initial six year period. Total rent expense for the years ended June 30, 2010 and 2009 was \$61,290 and \$40,559, respectively.

NOTES TO FINANCIAL STATEMENTS

Software Development

In June of 2008, the Board entered into a contract with a software company to develop a new software package for use in the Board's operations. The contracted amount for all payments is not to exceed \$658,500, of which \$394,341 and \$264,154 was incurred during 2010 and 2009, respectively. Management has properly elected to defer depreciation of these costs until the software is placed into service, which is expected to be towards the end of 2010.

Agreement with South Dakota Board of Nursing

The Board entered into an agreement with the South Dakota Board of Nursing regarding joint control and regulation of certified nurse practitioners and certified nurse midwives. The agreement calls for equal sharing of revenues and expenses relating to the activity of each Board as submitted to the Department of Health for approval annually. As a result, the Board may be required to reimburse the South Dakota Board of Nursing for expenditures incurred in excess of fees received from licensure of these individuals.

NOTE 7 - SUBSEQUENT EVENTS

The Board has evaluated subsequent events through January 12, 2011, the date which the financial statements were available to be issued.

Subsequent to year end, the Board has approved refunding \$21,400 of fines assessed prior to June 30, 2010 to the respective licensees. The Board is in the process of reviewing and possibly modifying governing regulations relating to the assessment of fines to licensees.



CPAs & BUSINESS ADVISORS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON THE AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors
South Dakota Board of Medical and Osteopathic Examiners
Sioux Falls, South Dakota

We have audited the accompanying financial statements of the South Dakota Board of Medical and Osteopathic Examiners, as of and for the year ended June 30, 2010, and have issued our report thereon dated January 12, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered SD Board of Medical and Osteopathic Examiners' internal control over financial reporting as a basis for designing our auditing procedures 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 SD Board of Medical and Osteopathic Examiners' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the SD Board of Medical and Osteopathic Examiners' internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 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. We consider the deficiencies listed in the accompanying summary of audit findings for South Dakota Board of Medical and Osteopathic Examiners' internal control to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SD Board of Medical and Osteopathic Examiners' 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*.

South Dakota Board of Medical and Osteopathic Examiners' response to the findings identified in our audit is described in the accompanying summary of audit findings. We did not audit South Dakota Board of Medical and Osteopathic Examiners; response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the board of directors, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties. However, as required by SDCL 4-11-11, this report is a matter of public record, and its distribution is not limited.

Eide Sully LLP

Sioux Falls, South Dakota
January 12, 2011

**SOUTH DAKOTA BOARD OF MEDICAL AND OSTEOPATHIC EXAMINERS
SUMMARY OF AUDIT FINDINGS
YEAR ENDED JUNE 30, 2010**

10-01 Preparation of Financial Statements

Criteria: Proper controls over financial reporting include the ability to prepare financial statements and accompanying notes to the financial statements that are materially correct.

Condition: The Board does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. We proposed several significant adjustments to the general ledger during the audit. This circumstance is not unusual in an organization of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Cause: The control deficiency could result in a misstatement to the presentation of the financial statements.

Effect: Inadequate controls over financial reporting of the Board result in the more than remote likelihood that the Board would not be able to draft the financial statements and accompanying notes to the financial statements that are materially correct without the assistance of the auditors.

Recommendations: While we recognize that this condition is not unusual for an organization your size, it is important that you be aware of this condition for financial reporting purposes. Management and the Board should continually be aware of the financial reporting of the Board and changes in reporting requirements.

Response: Since it is not cost-effective for an organization our size to have staff to prepare audit-ready financial statements, we have chosen to hire Eide Bailly, a public accounting firm, to prepare the audit financial statements as part of their annual audit of South Dakota Board of Medical and Osteopathic Examiners.

10-02 Adjusting Journal Entries

Criteria: Proper controls over financial reporting include the reconciliation of accounts and preparation and review of journal entries to the general ledger to ensure account balances are materially correct.

Condition: Several significant audit adjustments were needed to accurately reflect the prior year unrestricted net assets, current year software in development, compensated absences, and capitalization of capital assets and related depreciation expense which caused an aggregate increase to net assets of approximately \$78,000.

Cause: The control deficiency could result in a misstatement to the presentation of the financial statements.

Effect: Inadequate controls over financial reporting of the Board could result in the likelihood that the organization would not be able to identify necessary journal entries and post them to the general ledger.

Recommendation: Management should review and discuss entries that have been made, and ensure similar entries are posted at each period end to ensure accurate internal financial information is being presented.

Response: Management has agreed to make these changes going forward and will focus on making similar period end adjusting entries that have been proposed as audit adjustments in the past.

**SOUTH DAKOTA BOARD OF MEDICAL AND OSTEOPATHIC EXAMINERS
SUMMARY OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2010**

09-01 Preparation of Financial Statements

Condition: The Board does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. We proposed several significant adjustments to the general ledger during the audit. This circumstance is not unusual in an organization of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Status: Management agrees to the prior audit finding for South Dakota Board of Medical and Osteopathic Examiners regarding the inability to prepare the financial statements. Due to cost constraints, the Board will continue to have the auditors draft the financial statements and accompanying notes.

09-02 Adjusting Journal Entries

Condition: Several significant audit adjustments were needed to accurately reflect the prior year unrestricted net assets, current year interest receivable, accounts payable, wages payable, and compensated absences, which caused an aggregate increase to net assets by approximately \$234,000.

Status: Management has strived to have all material journal entries posted prior to providing the financial information to the auditor. There were material journal entries noted in the current year audit, however they had significantly less impact on the current year change in net assets than was noted in the prior year.