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TEXAS STATE BOARD OF MEDICAL EXAMINERS

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Texas State Board of Medical Examiners

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AUSTIN, TEXAS 78711

(512) 452-1078

December 5, 1989

Honorable William Clements, Governor
Jim Oliver, Director, Legislative Budget Board
Lawrence F. Alwin, State Auditor
Honorable Bob Bullock, Comptroller of Public Accounts

Gentlemen:

We are pleased to submit the Annual Financial Report of the Texas State Board of Medical Examiners for the year ended August 31, 1989, in accordance with the General Provisions of the Appropriations Act, Article V, and in accordance with the requirements established by the Comptroller of Public Accounts.

The accompanying annual financial report will be audited by the State Auditor as part of the audit of the statewide annual financial report; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

If you have any questions, please contact Happy Almaguer at 452-1078.

Sincerely,

G. V. Brindley, Jr., M.D.
Executive Director

cc: Board Members
Legislative Reference Library
State Treasury

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EXHIBIT I

TEXAS STATE BOARD OF MEDICAL EXAMINERS
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 August 31, 1989
 (With Comparative Memorandum Totals at August 31, 1988)

	GOVERNMENTAL			TOTALS (Memorandum only)	
	FUND TYPES	ACCOUNT GROUPS			
	SPECIAL REVENUE (EXH A-1)	GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	1989	1988
ASSETS					
Cash and Temporary Investments:					
Cash on Hand	\$ 30.	\$	\$	\$ 30.	\$ 30.
Cash in Bank	127,555.			127,555.	105,573.
Cash in State Treasury	2,653,308.			2,653,308.	3,423,627.
Short-Term Investments	1,178,640.			1,178,640.	1,040,894.
Receivables:					
Interest and Dividends Receivables:					
Interest Receivable	3,947.			3,947.	1,792.
Accounts Receivable	393.			393.	745.
Consumable Inventories	9,999.			9,999.	15,631.
Furniture and Equipment		447,157.		447,157.	435,243.
Amts to be Provided in Future Years			79,324.	79,324.	88,523.
TOTAL ASSETS	\$ 3,973,872.	\$ 447,157.	\$ 79,324.	\$4,500,353.	\$5,112,058.

The accompanying notes to the financial statement are an integral part of this financial statement.

EXHIBIT I (Continued)

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	GOVERNMENTAL		ACCOUNT GROUPS		TOTALS	
	SPECIAL	REVENUE	GENERAL	GENERAL	(Memorandum only)	
	(EXH A-1)		FIXED ASSETS	LONG-TERM DEBT	1989	1988
LIABILITIES						
Payables:						
Accounts Payable	\$ 192,379.				\$ 192,379.	\$436,747.
Deferred Revenue	879,547.				879,547.	892,163.
Due to Other Funds (Note 10)	485,605.				485,605.	
Employees' Compensable Leave				79,324.	79,324.	88,523.
TOTAL LIABILITIES	1,557,531.			79,324.	1,636,855.	1,417,433.
FUND EQUITY						
Investment in General Fixed Assets			447,157.		447,157.	435,243.
FUND BALANCES (DEFICITS):						
Reserved For:						
Unencumbered Appropriations:						
Future Operations	65,781.				65,781.	110,425.
Imprest Account	30.				30.	30.
Inventories	9,999.				9,999.	15,631.
Unreserved:						
Undesignated:						
Available for Subsequent Years	2,340,531.				2,340,531.	3,124,296.
TOTAL FUND EQUITY	2,416,341.		447,157.		2,863,498.	3,604,625.
TOTAL LIABILITIES AND FUND EQUITY	\$3,073,872.	\$447,157.	\$79,324.	\$4,500,353.	\$5,112,058.	

The accompanying notes to the financial statements are an integral part of this financial statement.

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EXHIBIT II

TEXAS STATE BOARD OF MEDICAL EXAMINERS
 COMBINED STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND
 BALANCES, SPECIAL REVENUE FUND
 FOR THE YEAR ENDED AUGUST 31, 1989
 (With Comparative Totals - Year Ended August 31, 1988)

	<u>GOVERNMENTAL FUND TYPE</u>	
	<u>SPECIAL REVENUE</u>	
	<u>(EXH A-2)</u>	
REVENUES:	<u>1989</u>	<u>1988</u>
Registration Fees	3,967,491.	3,378,050.
Other: Local		
License Fees and Permits		
License and Examination Fees	1,281,094.	1,198,395.
Reinstatement Fees	44,800.	36,450.
Interest and Investment Income		
Depository Interest	8,581.	2,976.
Earnings on Investments	98,928.	81,743.
Sales of Goods and Services		
Photo Copies	35,295.	30,500.
Sales of Publications	11,093.	12,325.
Other Revenue		
Warrants Voided by Statute of Limitations	<u>0.</u>	<u>397.</u>
TOTAL REVENUES	<u>\$5,447,282.</u>	<u>\$4,740,836.</u>
 EXPENDITURES:		
Salaries and Wages	1,616,002.	1,509,780.
Payroll Related Costs:		
Unemployment Compensation	0.	7,175.
Retirement Contributions	111,685.	108,334.
Group Insurance - State Contribution	108,986.	90,286.
Social Security Matching Contributions	120,172.	113,063.
Social Security Payments by State (5.85%)	63,143.	60,083.
Professional Fees and Services		
Legal	100,058.	116,912.
Computer System Services	263,277.	198,052.
Other Professional Fees & Services	11,858.	13,785.
Travel	122,106.	135,664.
Materials and Supplies	109,893.	98,399.
Communication and Utilities	71,036.	64,918.
Repairs and Maintenance	17,447.	11,543.
Rentals and Leases		
Office Equipment	23,035.	20,719.
Office Space	76,713.	75,991.
Rental of Auditorium	13,414.	16,534.
Printing and Reproduction	57,925.	45,272.

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EXHIBIT II (Continued)

GOVERNMENTAL FUND TYPE

SPECIAL REVENUE
(EXH A-2)

Expenditures, continued

Other Operating Expenditures:

Contracted Temporary Services	3,597.	8,049.
Dues and Subscriptions	4,575.	1,993.
Employee Moving/Relocation	0.	2,567.
Employee Training	0.	3,437.
Examinations	482,815.	475,625.
Insurance and Bonds	1,406.	838.
Investigative Expense	7,262.	6,873.
Security Services	0.	64.
Services Rendered-Janitorial	6,274.	7,174.
Witness Fees and Expenses	26,207.	4,039.
Capital Outlay	<u>14,125.</u>	<u>217,451.</u>

TOTAL EXPENDITURES 3,433,011. 3,414,620.

EXCESS OF REVENUES
OVER EXPENDITURES \$2,014,271. \$1,326,216.

OTHER FINANCING SOURCES (USES)

Interfund Transfer Out-State's General Rev Fund 001(Mpte 1, part 2)	2,333,590.	123,200.
Interfund Transfer Out-State's General Rev Fund 001 (S.B. 6)	2,416.	0.

Net Change in Consumable Inventories	5,632.	486.
Other Changes in Fund Balances		
Restatements		
Prior Year Expenditures	30,069.	(389.)
Interfund Transfer Out-State's General Rev Fund 001 (Currently due)	<u>485,605.</u>	<u>0.</u>

TOTAL OTHER FINANCING SOURCES (USES) (2,857,312.) (123,306.)

EXCESS OF REVENUE & OTHER FINANCING
SOURCES OVER EXPENDITURES & OTHER
FINANCING USES (843,041.) 1,202,910.

FUND BALANCES - Sept 1, 1988 3,259,382. 2,056,472.

FUND BALANCES - AUGUST 31, 1989 2,416,341. \$3,259,382.

The accompanying notes to the financial statements are an integral part of this financial statement.

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EXHIBIT III

TEXAS STATE BOARD OF MEDICAL EXAMINERS
COMPARISON OF FUNDS BUDGETED TO FUNDS APPLIED AND ENCUMBERED
For the Year Ended August 31, 1989

ACTIVITY	FUNDS BUDGETED		
	<u>Legislative Appropriations</u>	<u>Additional Appropriations and Adjustments</u>	<u>Totals</u>
Legislative Appropriations			
Current Year			
Administration	848,051.	52,393.	900,444.
Licensure	879,172.	34,930.	921,102.
Enforcement	1,201,043.	25,454.	1,219,497.
Retirement Contributions & Related Costs		111,685.	111,685.
Social Security Contributions		183,315.	183,315.
Group Insurance Contributions		<u>108,986.</u>	<u>108,986.</u>
Total, Current Year Legislative Appropriations	\$2,928,266.	516,763.	3,445,029.
Services Rendered by Administrative and Service Depts & Agencies		<u>123,209.</u>	<u>123,209.</u>
TOTAL, Current Year Legislative Appropriations	\$2,928,266.	639,972.	3,568,238.
Prior Year Appropriations	<u>83,832.</u>		<u>83,832.</u>
TOTAL APPROPRIATIONS	\$3,012,098.	\$ 639,972.	\$3,652,070.

The accompanying notes to the financial statements are an integral part of this financial statement.

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Funds Applied and Encumbered

<u>Expenditures and Other Financing Uses</u>	<u>Totals</u>	<u>Variances</u>
899,888.	899,888.	556.
920,223.	920,223.	879.
1,208,914.	1,208,914.	10,583.
111,685.	111,685.	0.
183,315.	183,315.	0.
<u>108,986.</u>	<u>108,986.</u>	<u>0.</u>
3,433,011.	3,433,011.	12,018.
<u>123,209.</u>	<u>123,209.</u>	<u>0.</u>
3,556,220.	3,556,220.	12,018.
<u>30,069.</u>	<u>30,069.</u>	<u>53,763.</u>
\$3,586,289.	\$3,586,289.	\$ 65,781.

TEXAS STATE BOARD OF MEDICAL EXAMINERS

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF ACCOUNTING POLICIES

ENTITY

The Texas State Board of Medical Examiners operates under the authority of Tex. Rev. Civ. Stat. Ann. art. 4495b., (Vernon Supp. 1988) the 70th Legislature, effective January 1, 1988. The function of the Board is to regulate the practice of medicine in Texas, through examination, licensing, and enforcement.

BASIS OF PRESENTATION

The accompanying financial statements of the Texas State Board of Medical Examiners have been prepared to conform with Generally Accepted Accounting Principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

FUND STRUCTURE

The accounts of the Board of Medical Examiners are presented on the basis of funds and account groups, each of which is considered to be a separate accounting entity. The operations of a fund are accounted for by means of a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Governmental resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled.

Government Fund Types

The Board's funds and account groups consist of the following:

Special Revenue Funds - The Texas State Board of Medical Examiners operates with two general funds, which are described below:

Medical Licensing Fund. The Medical Licensing Fund is a fund, administered through a local bank account, which serves as a general operating fund for Board activities. This fund is supported by all revenues accruing to the Board except for registration fees.

Medical Registration Fund. The Medical Registration Fund in the State Treasury is also a general operating fund for Board activities. These activities of the Board are supported by annual registration fees.

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TEXAS STATE BOARD OF MEDICAL EXAMINERS

Account Groups

General Fixed Assets Account Group - Fixed assets by the Board of Medical Examiners are accounted for in the General Fixed Assets Account Group.

General Long-Term Debt Group - Liabilities expected to be financed from governmental funds in future periods are generally accounted for by means of a General Long-Term Debt Group.

Such non-current liabilities do not affect the measurement of results of operations, with which governmental funds are concerned, and are therefore reflected in this account group, the focus of which is the measurement of financial position. Included in the General Long-Term Debt Group of the Board are liabilities for compensable annual leave balances of employees.

MEMORANDUM TOTALS

Total columns on the Combined Balance Sheet - Governmental Fund Type and Account Groups are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data so captioned does not present financial position in conformity with generally accepted accounting principles. Neither is such data comparable to consolidation.

BASIS OF ACCOUNTING

Basis of accounting refers to the timing of the recognition of revenues and expenditures in the accounts and financial statements.

As governmental fund types, the Board's Medical Registration Fund and Medical Licensing Fund are accounted for using the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become available and measurable as net current assets. However, license renewal fees received in advance for a renewal period to begin in the following fiscal year and examination fees received in advance for an examination to be given in the following fiscal year are accounted for as deferred revenue. Expenditures are recognized in the accounting period in which the fund liability is incurred, except expenditures for compensated absences, which are not recognized until events occur which make payment necessary. The principal of the long-term liabilities is reported in the General Long-Term Debt Group.

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TEXAS STATE BOARD OF MEDICAL EXAMINERS

BUDGETS AND BUDGETARY ACCOUNTING

Prior to each regular legislative session, the Board submits a proposed spending budget for the Medical Registration Fund and Medical Licensing Fund to the Legislature for authorization and approval by the Governor for the following biennium. The Board's legal spending limits in that fund are those passed by the Legislature in the General Appropriations Act and other spending legislation. These appropriations are reduced by expenditures and encumbrances. The resulting unencumbered balances are generally lapsed by the Board during the next fiscal year, but they may be reinstated up to two years following the end of the year in which they were appropriated, if needed to liquidate accounts payable and encumbrances.

ASSETS, LIABILITIES, AND FUND EQUITY

Assets

Inventories

Purchases of postage and supplies are included in expenditures. Inventories on hand at August 31 are reflected in the Combined Balance Sheet - Governmental Fund Type and Account Groups as a current asset, offset by an equal reserved fund balance account. The reserve account indicates that although the inventories are a component of current assets, they are not a source of funds available for expenditures.

Fixed Assets

Purchases of fixed assets by the Texas State Board of Medical Examiners are reported as expenditures. They are capitalized at cost or, if not purchased, at appraised value on the date of acquisition. There is no provision for depreciation or obsolescence of these fixed assets since replacements are financed from current resources.

Liabilities

Accounts Payable represents the liability for the value of assets or services received at the balance sheet date for which payment is pending.

Employees' Compensable Leave Balances represents the liability that the Agency will be required to liquidate in the future for employees vacation time.

Reservations/Designations of Fund Equity

Reserved for Encumbrances represents commitments of the value of contracts awarded or assets ordered prior to year-end but not received as of that date. Encumbrances are not included with expenditures or liabilities. They represent current resources designated for specific expenditures in subsequent operating periods.

Inventories represents the amount of supplies, postage and prepaids held to be used in the next fiscal year.

Reserved for Unencumbered Appropriations:

Subject to Lapse represents the unencumbered balance of appropriated funds at fiscal year end which may not be encumbered in future periods.

For Future Operations represents the funds that can be used for future operations (Unexpended Balance (U.B.) authority for appropriations).

Unreserved/Undesignated

Available for Subsequent Years represents the unappropriated balance at year end of special funds (funds other than Fund 001).

INTERFUND TRANSACTIONS AND BALANCES

1. Quasi-external Transactions and Reimbursements

The following types of interfund transactions do not constitute transfers, but are appropriately accounted for as expenditures.

a. Quasi-external Transactions

These transactions are reported using the appropriate classification objects for expenditure/expenses as if being transacted with parties external to the state, i.e., they are not presented as transfers.

- (1) Internal service fund billings for services rendered and goods supplied by State Purchasing and General Services Commission.
- (2) Employee contributions to the Employees Retirement System for group insurance, retirement, and Social Security
- (3) Routine service charges for audit services performed by the State Auditor

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TEXAS STATE BOARD OF MEDICAL EXAMINERS

2. Transfers

All interfund transactions except loans or advances, quasi-external transactions, and reimbursements are transfers.

- a. Operating Transfers. Operating transfers represent routine transfers of resources. These transfers are reported in the Other Financing Sources (Uses) section of the Financial Statements.

NOTE: Examples of operating transfers involved the following transaction:

- (1) During FY89, \$123,209.00 was transferred to General Revenue for services rendered by Administration and Services Departments and Agencies and \$2,210,381.00 as mandated by S.B.1, 70th Leg. (excess of 33% of FY89 appropriations). Also, \$3,626,865.00 was transferred to General Revenue and \$1,208,955.00 to the Foundation School Fund as a result of the imposition of the Temporary Professional Fees for FY 88 and 89.

NOTE 2: PROPERTY, PLANT AND EQUIPMENT

General Fixed Assets

A summary of changes in General Fixed Assets for fiscal year 1989 follows.

	ASSET TYPE
	<u>FURNITURE</u>
	<u>EQUIPMENT</u>
BALANCE	
9-1-88	\$435,243.
ADDITIONS	14,125.
DELETIONS	<u>2,211.</u>
BALANCE	
8-31-89	\$447,157.
	=====

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TEXAS STATE BOARD OF MEDICAL EXAMINERS

ENDING BALANCES
CONTRIBUTED BY:

MEDICAL
LICENSING
FUND

\$174,539.

MEDICAL
REGISTRATION
FUND

\$272,618.

\$447,157.

=====

(EXH. I)

NOTE 3: INVESTMENTS

The Texas State Board of Medical Examiners operates the Medical Licensing Fund through a local bank account. All available funds not required for monthly expenditures are placed in Certificates of Deposit.

Total deposits of \$1,306,195. are insured by FDIC coverage and pledged U.S. Government securities held by the Board's agent in the Board's name.

<u>Type of Security</u>		<u>Carrying Amount</u>	<u>Market</u>
U.S. Government Securities	1,500,000.	1,500,000.	1,499,531.
FDIC Coverage	<u>200,000.</u>	<u>200,000.</u>	<u>200,000.</u>
TOTALS	<u>1,700,000.</u>	<u>1,700,000.</u>	<u>1,699,531.</u>

NOTE 4: EMPLOYEES COMPENSABLE LEAVE

The following is a summary of changes in employees' compensable leave balances, which reflect employees' accrued rights to future compensated absences. Changes and balances are stated in terms of hours:

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TEXAS STATE BOARD OF MEDICAL EXAMINERS

	<u>Annual Leave</u>	<u>FLSA Com- pensatory Time</u>	<u>State Com- pensatory Time</u>	<u>Totals</u>
Compensable Leave Hours - September 1, 1988	6162.00		161.00	6323.00
Leave Hours Earned	6442.00		1189.00	7631.00
Leave Hours Compensated By Time Off	6013.00		956.00	6969.00
Compensable Leave Hours - August 31, 1989	----- 6591.00 =====		----- 394.00 =====	----- 6985.00 =====

(Note: FLSA hours accumulated are one and one-half times hours worked)

The Texas State Board of Medical Examiners' monetary liabilities for compensable future absences as of August 31, 1989, as computed by multiplying the above ending balances by the year-end average hourly salary rate for all employees, were as follows:

	<u>General Long-Term Debt Account Group</u>
Annual Leave	\$ 74,850.
State Comp Time	<u>\$ 4,474.</u>
Total (Exh. I)	<u>\$ 79,324.</u> =====

NOTE 5: OPERATING LEASE OBLIGATIONS

Included in the expenditures or expenses reported in the financial statements are the following amounts of rent paid or due under operating leases:

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TEXAS STATE BOARD OF MEDICAL EXAMINERS

<u>Fund Type</u>	<u>Year Ended August 31,</u>	
	<u>1989</u>	<u>1988</u>
Special Revenue Funds	<u>\$ 76,713.</u>	<u>\$ 75,991.</u>
Totals - Memorandum Only	<u>\$ 76,713.</u> =====	<u>\$ 75,991.</u> =====

Minimum future lease rental payments under noncancellable operating leases having an initial term in excess of one year are as follows:

<u>Year Ended August 31,</u>	
1990	77,710.
1991	<u>77,710.</u>
Total Minimum Future Lease Rental Payments	<u>\$155,420.</u> =====

NOTE 6: EMPLOYEES RETIREMENT PLANS

The State has joint contributory retirement plans for substantially all its employees. The Agency participates in the plans administered by the Employees Retirement System of Texas. Future pension costs are the liabilities of the Retirement System. The System does not account for each State agency separately. Annual financial reports prepared by the System include audited financial statements and actuarial assumptions and conclusions.

The actuarial valuation of the Employees Retirement System as of August 31, 1989 reflects for the first time an overfunded actuarial accrued liability. When the system is overfunded, there is no amortization period. The contribution rates of employees (6%) and the State (7%), are set by the State Legislature.

Total cost to the State, related to the Agency for the year ended August 31, 1989, was \$111,685.

NOTE 7: DEFERRED COMPENSATION

At August 31, 1989, six employees of the Agency were participating in the State's Deferred Compensation Program. This program allows employees to defer a portion of their monthly salary for income tax and investment purposes. During the 1989 fiscal year, \$28,925.00 was

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TEXAS STATE BOARD OF MEDICAL EXAMINERS

withheld from employees' salaries to be invested in approved plans as designated by the employee. The State has no additional or unfunded liability for this program.

NOTE 8: INDIRECT COSTS

In addition to the direct expenditures as shown in Exhibit II, the only costs paid on behalf of the employees are for group insurance premiums by the Employees Retirement System from the Employees Life, Accident, and Health Insurance and Benefits Account. The amounts are \$0.00 and \$1,332.79 paid in 1989 and 1988, respectively.

NOTE 9: CONTINGENT LIABILITIES

A. Sick Leave

Sick leave, the accumulation of which is unlimited, is earned at the rate of eight hours per month and is paid to the employee only in the case of illness or to the employee's estate in the event of his/her death while employed by the Agency. The maximum sick leave that may be paid an employee's estate is one-half of the employee's accumulated entitlement, or 336 hours, whichever is less. The Agency's policy is to recognize the cost of any sick leave when paid. No liability is recorded in the General Long-Term Debt Account Group since experience indicates the probability of a material effect on any given year's operation, as a result of death or abnormally high rate of illness, is minimal.

NOTE 10: INTERFUND RECEIVABLES AND PAYABLES

As explained in Note 1 on Interfund Transactions and Balances there are numerous transactions between funds and agencies. At year-end amounts to be received or paid are reported as Due From or Due To Other Funds. Individual interfund receivable and payable balances at August 31, 1989 were as follows:

<u>GENERAL REVENUE</u>	<u>DUE TO OTHER FUNDS</u>
FUND 001	485,605.

Pursuant to Article 5429 5429c-5, V.A.C.S. (S.B.1322, 69th Leg., R.S., 1985) at the end of FY89, the Comptroller of Public Accounts shall transfer any fund balance in excess of 33% of the following year's appropriation and other Fund requirements from Fund 055 to the General Revenue Fund.

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TEXAS STATE BOARD OF MEDICAL EXAMINERS

NOTE 11: CONTINUANCE SUBJECT TO REVIEW

Under the provisions of the Texas Sunset Act, the Agency will be abolished effective September 1, 1993, unless continued in existence by the Seventieth Legislature as provided by the Act. If abolished, the Agency may continue until September 1, 1994, to close out its operations.

EXHIBIT A-1

TEXAS STATE BOARD OF MEDICAL EXAMINERS
 COMBINED BALANCE SHEET
 ALL SPECIAL REVENUE FUNDS
 August 31, 1989 AND 1988

	August 31, 1989		
	MEDICAL LICENSING FUND (999)	MEDICAL REGISTRATION FUND (055)	TOTALS (EXH I)
ASSETS			
Cash and Temporary			
Investments:			
Cash on Hand	\$ 30.	\$	\$ 30.
Cash in Bank	127,555.		127,555.
Cash in State Treasury		2,653,308.	2,653,308.
Short-Term Investments	1,178,640.		1,178,640.
Receivables:			
Interest and Dividends			
Receivables:			
Interest Receivable	3,947.		3,947.
Accounts Receivable		393.	393.
Consumable Inventories	<u>2,757.</u>	<u>7,242.</u>	<u>9,999.</u>
TOTAL ASSETS	\$1,312,929.	\$2,660,943.	\$3,973,872.
LIABILITIES			
Payables:			
Accounts Payable	53,966.	138,413.	192,379.
Deferred Revenue	77,920.	801,627.	879,547.
Due to Other Funds (Note 10)	<u> .</u>	<u>485,605.</u>	<u>485,605.</u>
TOTAL LIABILITIES	131,886.	1,425,645.	1,557,531.
FUND EQUITY			
FUND BALANCES (DEFICITS):			
Reserved For:			
Unencumbered Appropriations:			
Future Operations		65,781.	65,781.
Imprest Account	3,947.	393.	4,340.
Inventories	2,757.	7,242.	9,999.
Unreserved:			
Undesignated:			
Available for Subsequent			
Years	<u>1,174,339.</u>	<u>1,161,882.</u>	<u>2,336,221.</u>
TOTAL FUND EQUITY	<u>1,181,043.</u>	<u>1,235,298.</u>	<u>2,416,341.</u>
TOTAL LIABILITY AND			
FUND EQUITY	\$1,312,929.	\$2,660,943.	\$3,973,872.

The accompanying notes to the financial statements are an integral part of this financial statement.

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August 31, 1988

MEDICAL LICENSING FUND (999)	MEDICAL REGISTRATION FUND (055)	TOTALS (EXH I)
---------------------------------------	--	-------------------

\$ 30.	\$	\$ 30.
105,573.		105,573.
	3,423,627.	3,423,627.
1,040,894.		1,040,894.

1,792.		1,792.
225.	520.	745.
<u>7,829.</u>	<u>7,802.</u>	<u>15,631.</u>
\$1,156,343.	\$ 3,431,949.	\$4,588,292.

53,670.	383,077.	436,747.
<u>92,330.</u>	<u>799,833.</u>	<u>892,163.</u>
146,000.	1,182,910.	1,328,910.

49,643.	69,782.	119,425.
2,017.	520.	2,537.
<u>7,829.</u>	<u>7,802.</u>	<u>15,631.</u>

950,854.	2,170,935.	3,121,789.
1,010,343.	2,249,039.	3,259,382.
\$1,156,343.	\$3,431,949.	\$4,588,292.

"Unaudited"

EXHIBIT A-2

TEXAS STATE BOARD OF MEDICAL EXAMINERS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCES
 ALL SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED AUGUST 31, 1989

	August 31, 1989		
	MEDICAL LICENSING FUND (999)	MEDICAL REGISTRATION FUND (055)	TOTALS (EXH II)
REVENUES:			
Registration Fees		3,967,491.	3,967,491.
Temporary Fees		4,835,820.	4,835,820.
Other: Local			
Licenses, Fees, and Permits			
License and Examination Fees	1,281,094.		1,281,094.
Reinstatement Fees	44,800.		44,800.
Interest and Investment Income			
Depository Interest	8,581.		8,581.
Earnings on Investments	98,928.		98,928.
Sales of Goods and Services			
Photocopies	35,295.		35,295.
Sales of Publications, Lists	11,093.		11,093.
Other Revenue			
Warrants Voided by Statute of Limitations			
TOTAL REVENUES	<u>1,479,791.</u>	<u>3,967,491.</u>	<u>6,315,611.</u>
EXPENDITURES:			
Salaries and Wages	315,908.	1,300,094.	1,616,002.
Payroll Related Costs:			
Unemployment Compensation			
Retirement Contributions	19,753.	91,932.	111,685.
Group Insurance - State Contribution	13,704.	95,282.	108,986.
Social Security Matching Contributions	21,847.	98,325.	120,172.
Social Security Payments by State (5.85%)	9,216.	53,927.	63,143.
Professional Fees and Services			
Legal	100,058.		100,058.
Computer System Services	101,655.	161,622.	263,277.
Other Professional Fees & Services	11,858.		11,858.
Travel	64,554.	57,552.	122,106.
Materials and Supplies	42,525.	67,368.	109,893.
Communication and Utilities	431.	70,605.	71,036.
Repairs and Maintenance	8,153.	9,294.	17,447.
Rentals and Leases			
Office Equipment	1,895.	21,140.	23,035.
Office Space		76,713.	76,713.
Rental of Auditorium	13,414.		13,414.
Printing and Reproduction	38,639.	19,286.	57,925.

"Unaudited"

August 31, 1988		
MEDICAL LICENSING FUND (999)	MEDICAL REGISTRATION FUND (055)	TOTALS (EXH II)
\$	3,378,050.	\$3,378,050.
	4,484,480.	4,484,480.
\$1,198,395.	\$	\$1,198,395.
36,450.		36,450.
2,976.		2,976.
81,743.		81,743.
30,500.		30,500.
12,325.		12,325.
	397.	397.
<u>1,362,389.</u>	<u>3,378,447.</u>	<u>4,740,836.</u>
290,009.	1,219,771.	1,509,780.
296.	6,879.	7,175.
17,700.	90,634.	108,334.
11,230.	79,056.	90,286.
19,445.	93,618.	113,063.
8,982.	51,101.	60,083.
116,912.		116,912.
10,124.	187,928.	198,052.
13,785.		13,785.
69,860.	65,804.	135,664.
44,069.	54,330.	98,399.
5,194.	59,724.	64,918.
3,982.	7,561.	11,543.
2,606.	18,113.	20,719.
	75,991.	75,991.
16,534.		16,534.
22,236.	23,036.	45,272.

"Unaudited"

EXHIBIT A-2 (Continued)	August 31, 1989		TOTALS (EXH II)
	MEDICAL LICENSING FUND (999)	MEDICAL REGISTRATION FUND (055)	
Expenditures, continued			
Other Operating Expenditures:			
Contracted Temporary Services	3,597.		3,597.
Dues and Subscriptions	4,575.		4,575.
Employee Moving/Relocation	0.		0.
Employee Training	0.		0.
Examinations	482,815.		482,815.
Insurance and Bonds	1,406.		1,406.
Investigative Expense	7,262.		7,262.
Security Services	0.		0.
Services Rendered-Janitorial	0.	6,274.	6,274.
Witness Fees and Expenses	26,207.		26,207.
Capital Outlay	14,125.		14,125.
TOTAL EXPENDITURES	1,303,597.	2,129,414.	3,433,011.
EXCESS OF REVENUES OVER EXPENDITURES	176,194.	1,838,077.	2,014,271.
OTHER FINANCING SOURCES (USES)			
Interfund Transfer Out-State's General Rev Fund 001 (S.B. 1)		2,333,590.	2,333,590.
Interfund Transfer Out-State's General Rev Fund 001 (.S.B. 6)		2,416.	2,416.
Net Changes in Consumable Inventories	5,072.	560.	5,632.
Other Changes in Fund Balances Restatements			
Prior Year Expenditures	422.	29,647.	30,069.
Interfund Transfer Out-State's General Rev 001 (Currently due)		485,605.	485,605.
TOTAL OTHER FINANCING SOURCES (USES) (5,494.)		(2,851,818.)	(2,857,312.)
EXCESS OF REVENUES & OTHER FINANCING SOURCES OVER EXPENDITURES & OTHER FINANCING USES	170,700.	(1,013,741.)	(843,041.)
FUND BALANCES - SEPT 1, 1988	1,010,343.	2,249,039.	3,259,382.
FUND BALANCES - AUGUST 31, 1989	1,181,043.	1,235,298.	2,416,341.

The accompanying notes to the financial statements are an integral part of this financial statement.

"Unaudited"

August 31, 1988		
MEDICAL LICENSING FUND (999)	MEDICAL REGISTRATION FUND (055)	TOTALS (EXH II)
8,049.		8,049.
1,398.	595.	1,993.
2,567.		2,567.
3,437.		3,437.
475,625.		475,625.
838.		838.
6,873.		6,873.
64.		64.
	7,174.	7,174.
4,039.		4,039.
<u>3,241.</u>	<u>214,210.</u>	<u>217,451.</u>
1,159,095.	2,255,525.	3,414,620.
203,294.	1,122,922.	1,326,216.
	123,209.	123,209.
	0.	0.
(3,419.)	3,905.	486.
<u>79.</u>	<u>(468.)</u>	<u>(389.)</u>
<u>(3,340.)</u>	<u>(126,646.)</u>	<u>(123,306.)</u>
206,634.	996,276.	1,202,910.
<u>803,709.</u>	<u>1,252,763.</u>	<u>2,056,472.</u>
\$1,010,343.	\$2,249,039.	\$3,259,382.

TEXAS STATE BOARD OF MEDICAL EXAMINERS

ADDENDUM

FUNCTIONS, ORGANIZATION AND MISCELLANEOUS COMMENTS

FUNCTIONS

The Texas State Board of Medical Examiners was created by the Thirtieth Legislature in 1907 and re-established by the Sixty-seventh Legislature in 1981 for the purpose of licensing qualified physicians to practice medicine in the State either by examination or by reciprocity with other jurisdictions. The Board is charged with the responsibility of enforcing the provisions of the Medical Practice Act of 1988, effective January 1, 1988, [Tex. Rev. Civ. Stat. Ann. art. 4495b (Vernon Supp. 1988)] and is empowered to cancel, revoke or suspend the license of any physician found guilty of illegal or negligent medical practices.

The Board also gathers information and statistics on all professional liability claims filed or made against its licensees. It is also authorized to establish District Review Committees, made up of three physicians, whom are appointed by the Governor to the District Review Board, in each of several geographic regions, to assist the Board in determining illegal or negligent medical practices.

ORGANIZATION

The Medical Practice Act of 1981, effective August 5, 1981, as amended, expanded the former 12 member board to a 15 member board. The composition of the Board includes 12 members who must be physicians who have been (1) licensed to practice medicine in Texas for at least three years prior to appointment, (2) actively engaged in the practice of medicine for at least five years immediately preceding their appointment, and (3) graduated from a reputable school or college. Nine of the physician members must hold a degree of doctor of medicine, and three must hold a degree of doctor of osteopathic medicine. The remaining three members of the Board must be public representatives who are not licensed to practice medicine, who are not financially involved in any organization subject to the regulations of the Board, who are not providers of health

TEXAS STATE BOARD OF MEDICAL EXAMINERS

care as defined in the Act, and who have been residents of Texas for at least five years immediately preceding their appointment. The statute also prohibits any member from concurrently serving as an officer for, or being an employee of, a statewide organization incorporated for the purpose of representing the entire profession licensed to practice medicine in the State of Texas; from engaging in activities on behalf of a trade or professional association in the regulated profession which would require registration as a lobbyist; or, at the time of appointment, from being a stockholder, paid full-time faculty member or a member of the board of trustees of a medical school. All Board members must take the official oath and not be younger than 18 years of age. Members are appointed by the Governor and confirmed by the Senate for terms of six years. Terms are staggered so that five terms expire biennially.

At the first meeting of the Board after each biennial appointment, the officers of the Board, including president, vice-president and secretary-treasurer, are elected from its membership. The Board is required by law to meet at least four times a year, although special meetings may be held in accordance with rules adopted by the Board.

Effective September 1, 1985, the Legislature approved a new policy governing per diem, which authorizes \$30.00 per diem for each day a board member acts on behalf of the Board, within the limits established by the policy. Members are also entitled to reimbursement for actual travel and other necessary expenses incurred in the discharge of their duties, this amount not to exceed \$75.00 a day.

"Unaudited"

TEXAS STATE BOARD OF MEDICAL EXAMINERS

Board members serving at August 31, 1988, were:

<u>Name</u>	<u>Address (Texas)</u>	<u>Term Expires April 13,</u>
Gil Aguirre, M.D.	San Antonio	1995
Penny Angelo	Midland	1995
John C. Bagwell, M.D.	Dallas	1991
George S. Bayoud, M.D.	Garland	1993
John H. Boyd, D.O.	Eden	1993
June Coe	Dallas	1993
Robert M. Hilliard, M.D.	San Antonio	1989
Arthur M. Jansa, Sr., M.D.	Houston	1991
Cynthia Jenkins	Stowell	1991
Alfred R. Johnson, D.O.	Dallas	1993
James W. Lively, D.O.	Corpus Christi	1991
R.A.D. Morton, Jr., M.D.	El Paso	1991
Milam B. Pharo, M.D.	Dallas	1995
Luis M. Rios, M.D.	McAllen	1995
C. Richard Stasney, M.D.	Houston	1993

Effective September 1, 1984, G.V. Brindley, Jr., M.D., was hired by the Board to serve as the Executive Director, he received a salary of \$61,200.00 in fiscal year 1989.

TEXAS STATE BOARD OF MEDICAL EXAMINERS

Salaries and wages paid by the Board during the last month of each fiscal year, and the number of people employed, were as follows:

<u>Month of August</u>	<u>Number of Employees</u>	<u>Amount of Monthly Payroll</u>
1989	65	\$ 129,625.39
1988	65	\$ 127,966.00

DISCIPLINARY ACTIVITIES

S.B. 1, 70th Legislature, Second Called Session, Article I, page 322, Section 5 provides:

"Every occupational licensing agency at the time of its annual fiscal report shall also report the statistical analysis of its disciplinary activities and functions for the past year. The report shall contain, at a minimum, the number of complaints received, the number of complaints resolved and how the complaints were resolved, the categories and number of complaints received within a category, and the average length of time that was required to resolve each category of complaints. If a complaint within a category was not received during the reporting period, then the fact that no complaint in that category was received should also be reported. Significant trends should be noted."

"Unaudited"

The following statistics are provided accordingly:

Complaints Pending Resolution 09-01-88	1,035
Complaints Received	<u>1,767</u>
Total Complaints Received	2,802

No Jurisdiction	316
Lack of Evidence	865
Refer to Hearings	<u>369</u>

Total Resolved	<u>1,550</u>
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Still Pending 08-31-89	1,252
	=====

Types of Complaints	
Incompetency	461
Unprofessional Conduct	295
Recurring Liability Claims	155
Discipline by Peers	141
Nontherapeutic Prescribing	112
Other Allegations	<u>386</u>

Total Complaints	1,550
	=====

Average Length of Time to Resolve 312 Days.

MISCELLANEOUS COMMENTS

The Board's administrative offices leased from Amelang Partners of Travis County, Texas are located at Suite 201, 1101 Camino La Costa, Austin, Texas, 78752. The lease expires August 31, 1991. During FY89, total office space leased by the Board of Medical Examiners was 11,598 square feet at a monthly rate of \$6,392.76 or 55.12 cents per square foot. The Board anticipates leasing approximately an additional 2,000 square feet during FY90.

"Unaudited"

All employees of the Board are covered under an honesty blanket position bond written by Aetna Life & Casualty Fidelity Bond in the amount of \$2,500.00, which also provides additional coverage of \$7,500.00 on the position of Secretary-Treasurer. Other insurance coverage includes fire and extended coverage on the Board's furniture and equipment, comprehensive general automobile liability and comprehensive general liability.

The most recent request for permission to dispose of obsolete records was dated June 23, 1989.

"Unaudited"

TEXAS STATE BOARD OF MEDICAL EXAMINERS

SCHEDULE 1
PROFESSIONAL FEES
Years Ended August 31, 1989

	<u>Medical Licensing Fund (999)</u>	<u>Medical Registration Fund (055)</u>	<u>Totals</u>
	\$	\$	\$
Year Ended August 31, 1989			
Legal Fees:			
Martin & Hendricks	15,555.		15,555.
Paul Gavla	65,000.		65,000.
Wade Armstrong Wilson	4,619.		4,619.
Ode & Cooper	12,696.		12,696.
Small, Craig, & Werkenthin	<u>2,188.</u>		<u>2,188.</u>
TOTAL (EXH. A-2) (EXH. II)	100,058. =====		100,058. =====
Other Professional Fees:			
Medical Fees	11,858.		11,858.
TOTAL (EXH. A-2) (EXH. II)	<u>11,858.</u>		<u>11,858.</u>
Computer Programming Services State Purchasing & General Services Commission		46,622.	46,622.
Arthur Anderson	<u>101,655.</u>	<u>115,000.</u>	<u>216,655.</u>
TOTAL (EXH. A-2) (EXH. II)	101,655. =====	161,622. =====	263,277. =====

"Unaudited"

TEXAS STATE BOARD OF MEDICAL EXAMINERS

SCHEDULE 1
PROFESSIONAL FEES
Years Ended August 31, 1988

	Medical Licensing Fund (999)	Medical Registration Fund (055)	Totals
	\$	\$	\$
Year Ended August 31, 1988			
Legal Fees:			
Martin & Hendricks	14,876.		14,876.
Paul Gavia	65,000.		65,000.
Bunton, Nolan, Ode' & Cooper	9,596.		9,596.
Martin, Cox, Green	9,980.		9,980.
Wade Armstrong Wilson	8,023.		8,023.
Ode & Cooper	2,928.		2,928.
Small, Craig, & Werkenthin	4,933.		4,933.
Tiemann, Harren, Cecil	1,178.		1,178.
Guy Gebbia	<u>398.</u>		<u>398.</u>
TOTAL (EXH. A-2) (EXH. II)	<u>116,912.</u>	<u>=====</u>	<u>116,912.</u>
Other Professional Fees:			
Medical Fees	13,785.		13,785.
TOTAL (EXH. A-2) (EXH. II)	<u>=====</u>	<u>=====</u>	<u>=====</u>
Computer Programming Services State Purchasing & General Services Commission		54,767.	54,767.
Arthur Anderson	<u>10,124.</u>	<u>133,161.</u>	<u>143,285.</u>
TOTAL (EXH. A-2) (EXH. II)	<u>10,124.</u>	<u>187,928.</u>	<u>198,052.</u>

"Unaudited"

TEXAS STATE BOARD OF MEDICAL EXAMINERS

SCHEDULE 2
FEE RATES
Years Ended August 31, 1989 and 1988

	EFFECTIVE 09/18/87	EFFECTIVE 09/01/88	TEMPORARY FEES EFFECTIVE 09/01/87 <u>08/01/89</u>
Annual Registration	92.00	92.00	110.00
Institutional Permits, Per Year (Interns, Residents and Fellows)	25.00	25.00	
Licensure by Examination (Application Fee)	500.00*	500.00*	110.00
FLEX and Jurisprudence Exams	500.00	500.00	110.00
FLEX - Full			
SPEX	250.00	250.00	
Licensure by Reciprocity (Application Fee)	500.00**	500.00**	110.00
Jurisprudence Examination Only (Reciprocity)	30.00	30.00	
Temporary License	50.00	50.00	
Duplicate License	45.00	45.00	
Endorsement	40.00	40.00	
Reinstatement after Cancellation for Cause	150.00	150.00	
Reinstatement after Non-payment - Late Registration Penalty			
Up to and including One Year	100.00	100.00	
After One Year	200.00	200.00	
Distinguished Professor Annual Permit	50.00	50.00	
State Health Agency Annual Permit	50.00	50.00	
NEW FEES			
Physician Assistant (effective 1-1-88)		25.00	
Medical Radiologic Technologist (effective 1-1-89)		24.00	

* Includes one FLEX and jurisprudence examination fee
** Includes one jurisprudence examination fee

"Unaudited"

TEXAS STATE BOARD OF MEDICAL EXAMINERS

SCHEDULE 3
Section 3.09 Purchases

During FY89, purchases made in accordance with Article 601b, Section 3.09, V.A.C.S., and which SPGSC has taken exception are listed below:

<u>Product</u>	<u>Vendor</u>	<u>Amount</u>
Software	Cognos(Powerhouse)	\$5,500.00