
Secretary of State

State of Oregon

OREGON BOARD OF OPTOMETRY

For the Three Years Ended June 30, 2003



Audits Division

Contract Auditor: Grove, Mueller & Swank, P.C.

Secretary of State

State of Oregon

OREGON BOARD OF OPTOMETRY

For the Three Years Ended June 30, 2003



Audits Division

OFFICE OF THE
SECRETARY OF STATE
Bill Bradbury
Secretary of State



AUDITS DIVISION
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State Auditor

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Auditing for a Better Oregon

The Honorable Ted Kulongoski
Governor of Oregon
State Capitol, Room 160
Salem, Oregon 97301-4047

Board of Directors
Oregon Board of Optometry
3218 Pringle Road SE, Suite 270
Salem, Oregon 97302-6306

This report contains audited financial statements of the Oregon Board of Optometry, a semi-independent agency of the State of Oregon, as of and for the three years ended June 30, 2003, and a report on the Oregon Board of Optometry's compliance with laws and regulations, contracts and grants and on internal control over financial reporting. The audit was performed by Grove, Mueller & Swank, PC for the Audits Division.

OREGON AUDITS DIVISION

Cathy Pollino
State Auditor

STATE BOARD OF OPTOMETRY
(A Semi-Independent Agency of the
State of Oregon)
FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
For the Three Years Ended June 30, 2003

OREGON BOARD OF OPTOMETRY
(A Semi-Independent Agency of the State of Oregon)
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GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Oregon Board of Optometry
3218 Pringle Road SE, Suite 270
Salem, Oregon 97302-6306

Catherine E. Pollino, State Auditor
Oregon Audits Division
255 Capitol Street NE, Suite 500
Salem, Oregon 97310

We have audited the accompanying financial statements of the Oregon Board of Optometry, a semi-independent agency of the State of Oregon, as of and for the three years ended June 30, 2003, as listed in the table of contents. These financial statements are the responsibility of the Oregon Board of Optometry's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Oregon Board of Optometry as of June 30, 2003, and the results of its operations for the three years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2003, on our consideration of the Oregon Board of Optometry's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit. That report is separately presented in the compliance section as listed in the table of contents.

The accompanying supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Oregon Board of Optometry. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

GROVE, MUELLER & SWANK, PC
CERTIFIED PUBLIC ACCOUNTANTS

By:

Charles A. Swank, A Shareholder
November 4, 2003

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OREGON BOARD OF OPTOMETRY
(A Semi-Independent Agency of the State of Oregon)
BALANCE SHEET
JUNE 30, 2003

ASSETS

Cash	\$	142,238
Accounts receivable		<u>250</u>
<i>Total Assets</i>	\$	<u><u>142,488</u></u>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$	2,713
Compensated absences		<u>14,974</u>
<i>Total Liabilities</i>		17,687

Fund Balance

Unreserved		<u>124,801</u>
<i>Total Liabilities and Fund Balance</i>	\$	<u><u>142,488</u></u>

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

OREGON BOARD OF OPTOMETRY
(A Semi-Independent Agency of the State of Oregon)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
THREE YEARS ENDED JUNE 30, 2003

REVENUES

Licenses and fees	\$ 544,395
Civil penalties	20,300
Interest income	11,474
Miscellaneous	<u>1,738</u>
<i>Total Revenues</i>	577,907

EXPENDITURES

Licensing	<u>587,433</u>
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EXCESS OF REVENUES OVER EXPENDITURES (9,526)

FUND BALANCE, July 1, 2000 134,327

FUND BALANCE, June 30, 2003 \$ 124,801

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

OREGON BOARD OF OPTOMETRY

(A Semi-Independent Agency of the State of Oregon)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

THREE YEARS ENDED JUNE 30, 2003

	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Licenses and fees	\$ 544,395	\$ 540,590	\$ 3,805
Civil penalties	20,300	19,570	730
Interest income	11,474	24,900	(13,426)
Miscellaneous	<u>1,738</u>	<u>2,200</u>	<u>(462)</u>
<i>Total Revenues</i>	577,907	587,260	(9,353)
EXPENDITURES			
Personnel services	415,791	398,714	(17,077)
Services and supplies	166,238	197,586	31,348
Capital outlay	<u>5,404</u>	<u>4,500</u>	<u>(904)</u>
<i>Total Expenditures</i>	<u>587,433</u>	<u>600,800</u>	<u>13,367</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(9,526)	(13,540)	4,014
FUND BALANCE, July 1, 2000	<u>134,327</u>	<u>134,327</u>	<u>-</u>
FUND BALANCE, June 30, 2003	<u>\$ 124,801</u>	<u>\$ 120,787</u>	<u>\$ 4,014</u>

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

OREGON BOARD OF OPTOMETRY
(A Semi-Independent Agency of the State of Oregon)
NOTES TO FINANCIAL STATEMENTS
THREE YEARS ENDED JUNE 30, 2003

NATURE OF THE ORGANIZATION

The Board's mission is to protect the people of the State of Oregon from the dangers of unqualified and improper practice of optometry. The Board prescribes qualifications for the practice of optometry, setting standards for the examination of applicants for licensure and certification, continuing education, and enforcement of the laws and regulations governing the practice. The Board issues certificates to those who do qualify, and has the authority to revoke certificates and assess civil penalties against unregistered individuals practicing optometry without authority and against those licensed optometrists practicing improperly.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Oregon Board of Optometry (the Board) is a semi-independent agency of the State of Oregon. The Board was created in 1905 and operates under Oregon Revised Statutes (ORS) Chapter 683. The Board consists of five members appointed by the governor for three-year terms. Four members are licensed doctors of optometry, and the fifth member is a public citizen representing health consumers. The Board examines applicants for licensure and imposes disciplinary proceedings against those who violate statutes. The Board also makes rules and enforces professional standards for the practice of optometry in Oregon.

Pursuant to Oregon Senate Bill 1127 adopted in 1999, the Board was granted semi-independent status by the Legislature.

Basis of Presentation

The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to government entities. The accounts of the Board are organized in a single special revenue fund which is used to account for the Board's activities. Revenues are from license fees, civil penalties and interest income.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. The Board's fund is accounted for on the flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues) and decreases (i.e., expenditures) in net current assets. Long-term assets and liabilities would be accounted for in account groups.

The Board uses the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets, except for licensee fees which are recognized when received. Expenditures are recognized under the modified accrual basis of accounting when the related liability is incurred.

Budget

The Board is required to adopt budgets on a biennial basis. The Board may adopt or modify a budget only after holding a public hearing and must give notice of budget hearings to all licensees.

OREGON BOARD OF OPTOMETRY
(A Semi-Independent Agency of the State of Oregon)
NOTES TO FINANCIAL STATEMENTS (Continued)
THREE YEARS ENDED JUNE 30, 2003

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budget (Continued)

Unlike most budgets in state government where the agency budgets are enacted into law by the legislature, the Board's budget is not subject to review and approval by the legislature or to future modification by the legislature or the Emergency Board. For this reason, the budgets adopted by the Board are considered to be a nonappropriated budget. The budgetary statement included herein compares the total of annualized nonappropriated budgets for fiscal years 2001, 2002 and 2003 to actual expenditures for the three years ended June 30, 2003.

Supplies

Supplies are charged as expenditures when purchased.

License Fees

License fees are billed monthly for an annual period based upon anniversary date. Fees are recognized when received.

Compensated Absences

Full-time, permanent employees are granted paid time off benefits of varying amounts to specified maximums depending on tenure with the Board.

Equipment

Equipment with a cost of more than \$5,000 is depreciated over its useful life. Currently, the Board does not have any equipment with a cost basis greater than \$5,000.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires that management make estimates and assumptions which affect the reported amounts of assets and liabilities, disclosure of contingent 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 those estimates.

DEPOSITS AND CASH EQUIVALENTS

The Board's deposits at year-end are covered by federal depository insurance and collateral agreement. The Federal Deposit Insurance Corporation generally limits insurance to \$100,000. Monies in excess of this amount were secured by a collateral agreement with a bank as required by Oregon Revised Statute 295.

The Board of Directors has adopted the State of Oregon's investment policies which restrict investment types and maturities. The Board's investments, which are shown below, comply with these restrictions. These accounts are classified as cash because of their liquidity.

<u>Investment Type</u>	<u>Amount</u>	<u>Rate</u>	<u>Due</u>
Checking	\$ 9,100	0.0%	Demand
Savings	<u>133,138</u>	.8%	Demand
	<u>\$ 142,238</u>		

OREGON BOARD OF OPTOMETRY
(A Semi-Independent Agency of the State of Oregon)
NOTES TO FINANCIAL STATEMENTS (Continued)
THREE YEARS ENDED JUNE 30, 2003

PENSION PLAN

The Board employees participate in the Oregon Public Employees Retirement System (PERS), a cost sharing multiple-employer defined benefit pension plan. All Board employees are eligible to participate in the system after completing six months of service. Total payroll was \$297,429 and covered payroll was \$281,683 for the three years ended June 30, 2003. PERS is administered by the Public Employees Retirement Board (PERB) under the guidelines of Oregon Revised Statutes, Chapter 238. The PERS retirement allowance, payable monthly for life, may be selected from thirteen retirement benefit options. Options include survivorship benefits and lump sum refunds. The basic benefit formula is 1.67 percent of a member's final average salary multiplied by the member's number of years of service. Benefits may also be calculated under either a money match or an annuity-plus-pension computation if a greater benefit results. PERS also provides death and disability benefits. A copy of the Oregon Public Employees Retirement System annual financial report may be obtained from PERS, P.O. Box 23700, Tigard, Oregon 97281-3700.

Covered employees are required by State statute to contribute 6.0 percent of their salary to the plan. The Board is required by statute to contribute actuarially computed amounts as determined by PERB. Rates are subject to change as a result of subsequent actuarial valuations. Currently, the rate is 9.49 percent of each covered employee's salary. The amount contributed by the Board for the three years ended June 30, 2003, was \$45,457, which was equal to the required contributions for the three years.

EMPLOYEE LEAVE

Vacation and sick leave paid time off are earned monthly at an annual rate of 24 to 35 days, depending upon length of service, with a maximum accumulation of 60 days for any one employee. The time off is vested when earned and recorded as an expenditure. Accumulated paid time off, based upon current salary rates, was \$14,974 at June 30, 2003.

INSURANCE

Insurance programs are administered for the Board by the Risk Management Division of the Oregon Department of Administrative Services, which provides insurance coverage to all state agencies with a blanket honesty and faithful performance bond, general liability and vehicle liability self-insurance, and self-insurance property damage program.

The cost of servicing insurance claims and payments is covered by charging an assessment to each State entity based upon its share of services provided in a prior period.

LEASE COMMITMENT

The Board leases its space under a joint lease involving seven other State agencies. The lease expires June 30, 2004. Total lease payments for the three years ended June 30, 2003, were \$63,542. Future minimum lease payments for the year ending June 30, 2004 is \$22,907.

SUPPLEMENTAL INFORMATION

OREGON BOARD OF OPTOMETRY**(A Semi-Independent Agency of the State of Oregon)****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
THREE YEARS ENDED JUNE 30, 2003**

	<u>Actual</u>	<u>Budget</u>	<u>Variance- Favorable (Unfavorable)</u>
REVENUES			
Licenses and fees			
Annual renewals	\$ 407,255	\$ 415,860	\$ (8,605)
New license applications	18,300	20,300	(2,000)
Disciplinary fees	57,665	54,720	2,945
Late payment fees	19,450	11,350	8,100
Continuing education	20,180	18,240	1,940
Other fees	<u>21,545</u>	<u>20,120</u>	<u>1,425</u>
<i>Total Licenses and Fees</i>	544,395	540,590	3,805
<i>Civil Penalties</i>	20,300	19,570	730
<i>Interest Income</i>	11,474	24,900	(13,426)
<i>Miscellaneous</i>	<u>1,738</u>	<u>2,200</u>	<u>(462)</u>
<i>Total Revenues</i>	577,907	587,260	(9,353)
EXPENDITURES			
Personnel Services			
Employee payroll	287,842	279,592	(8,250)
Board stipend	7,669	10,125	2,456
Retirement	45,458	44,760	(698)
Payroll taxes	22,119	22,164	45
Insurance	51,624	40,022	(11,602)
Other	<u>1,079</u>	<u>2,051</u>	<u>972</u>
<i>Total Personnel Services</i>	415,791	398,714	(17,077)
Services and Supplies			
In-state travel	8,680	10,500	1,820
Out-of-state travel	57	1,800	1,743
Office expense	31,728	36,148	4,420
Telecommunications	13,495	14,225	730
Professional development	408	1,125	717
Professional services	1,956	13,250	11,294
Attorney General services	38,243	42,000	3,757
Audit charges	5,172	12,000	6,828
Insurance	<u>1,649</u>	<u>1,488</u>	<u>(161)</u>

OREGON BOARD OF OPTOMETRY

(A Semi-Independent Agency of the State of Oregon)

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

(Continued)

THREE YEARS ENDED JUNE 30, 2003

	<u>Actual</u>	<u>Budget</u>	<i>Variance- Favorable (Unfavorable)</i>
EXPENDITURES (Continued)			
Services and Supplies (Continued)			
Intra-agency charges	\$ 485	\$ 1,000	\$ 515
Bank service charges	823	797	(26)
Facilities rent	<u>63,542</u>	<u>63,253</u>	<u>(2,289)</u>
<i>Total Services and Supplies</i>	166,238	197,586	31,348
Capital Outlay	<u>5,404</u>	<u>4,500</u>	<u>(904)</u>
<i>Total Expenditures</i>	<u>587,433</u>	<u>600,800</u>	<u>13,367</u>
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FUND BALANCE, June 30, 2003	<u>\$ 124,801</u>	<u>\$ 120,787</u>	<u>\$ 4,014</u>

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

Board of Directors
Oregon Board of Optometry
3218 Pringle Road SE, Suite 270
Salem, Oregon 97302-6306

Catherine E. Pollino, State Auditor
Oregon Audits Division
255 Capitol Street NE, Suite 500
Salem, Oregon 97310

We have audited the financial statements of Oregon Board of Optometry as of and for the year ended June 30, 2003, and have issued our report thereon dated November 4, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Oregon Board of Optometry's financial statements are free of material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Oregon Board of Optometry, internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might constitute material weaknesses. A material weakness is a condition in which the design or operation of one or more of the specific internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the combined financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting that we consider to be material weaknesses.

This report is intended solely for the information and use of Oregon Board of Optometry, the Governor of the State of Oregon, and Oregon Legislative Assembly, and is not intended to be and should not be used by anyone other than these specified parties.

Salem, Oregon
November 4, 2003


CERTIFIED PUBLIC ACCOUNTANTS

FACTS ABOUT THE SECRETARY OF STATE AUDITS DIVISION

The Oregon Constitution provides that the Secretary of State shall be, by virtue of his office, Auditor of Public Accounts. The Audits Division exists to carry out this duty. The division reports to the elected Secretary of State and is independent of the Executive, Legislative, and Judicial branches of Oregon government. The division audits all state officers, agencies, boards, and commissions and oversees audits and financial reporting for local governments.

Directory of Key Officials

<i>State Auditor</i>	Cathy Pollino, CGFM, MBA
<i>Deputy State Auditor</i>	Charles A. Hibner, CPA
<i>Deputy State Auditor</i>	Mary E. Wenger, CPA

This report, which is a public record, is intended to promote the best possible management of public resources.

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Oregon Audits Division
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Salem, Oregon 97310

We invite comments on our reports through our Hotline or Internet address.

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<http://www.sos.state.or.us/audits/audithp.htm>

The courtesies and cooperation extended by officials and employees of the [Agency] during the course of this audit were commendable and sincerely appreciated.

Auditing to Protect the Public Interest and Improve Oregon Government

