
Secretary of State

State of Oregon

STATE BOARD OF GEOLOGIST EXAMINERS

For the Three Years Ended June 30, 2003



Audits Division

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

Secretary of State

State of Oregon

STATE BOARD OF GEOLOGIST EXAMINERS

For the Three Years Ended June 30, 2003



Audits Division

OFFICE OF THE
SECRETARY OF STATE
Bill Bradbury
Secretary of State



AUDITS DIVISION
Cathy Pollino
State Auditor

(503) 986-2255
FAX (503) 378-6767

Auditing for a Better Oregon

The Honorable Theodore R. Kulongoski
Governor of Oregon
254 State Capitol
Salem, Oregon 97301

The Board of Directors
State Board of Geologist Examiners
1193 Royvonne Avenue SE, No. 24
Salem, Oregon 97302

This report contains audited financial statements of the State Board of Geologist Examiners, 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 State Board of Geologist Examiners' compliance with laws and regulations, contracts and grants and on internal control over financial reporting. The audit was performed by Grove, Mueller & Swank, P.C. for the Audits Division.

OREGON AUDITS DIVISION

Cathy Pollino
State Auditor

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

STATE BOARD OF GEOLOGIST EXAMINERS
(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
State Board of Geologist Examiners
1193 Royvonne Avenue SE, #24
Salem, Oregon 97302

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

We have audited the accompanying financial statements of the State Board of Geologist Examiners, 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 State Board of Geologist Examiners' 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 State Board of Geologist Examiners 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 October 18, 2003, on our consideration of the State Board of Geologist Examiners' 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 State Board of Geologist Examiners. 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
October 18, 2003

www.gmscpa.com

Mailing Address • P.O. Box 2122 • Salem, Oregon 97308-2122

Salem • 475 Cottage Street NE, Suite 200 • Salem, Oregon 97301-3814 • (503) 581-7788 • FAX (503) 581-0152
Albany • P.O. Box 663 • 519 S. Lyon Street • Albany, Oregon 97321-0570 • (541) 967-2315 • FAX (541) 926-5926

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STATE BOARD OF GEOLOGIST EXAMINERS
(A Semi-Independent Agency of the State of Oregon)
BALANCE SHEET
JUNE 30, 2003

ASSETS

Cash \$ 139,531

Total Assets \$ 139,531

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable \$ 1,771

Compensated absences 410

Total Liabilities 2,181

Fund Balance

Unreserved 137,350

Total Liabilities and Fund Balance \$ 139,531

STATE BOARD OF GEOLOGIST EXAMINERS
(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	\$ 367,095
Interest income	10,410
Other income	<u>403</u>
<i>Total Revenues</i>	377,908

EXPENDITURES

Licensing	314,038
Examinations	<u>35,076</u>
<i>Total Expenditures</i>	<u>349,114</u>

EXCESS OF REVENUES OVER EXPENDITURES 28,794

FUND BALANCE, July 1, 2000 108,556

FUND BALANCE, June 30, 2003 \$ 137,350

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

STATE BOARD OF GEOLOGIST EXAMINERS
(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	\$ 367,095	\$ 333,973	\$ 33,122
Interest income	10,410	16,440	(6,030)
Other income	403	5,400	(4,997)
<i>Total Revenues</i>	377,908	355,813	22,095
EXPENDITURES			
Personal services	174,573	169,466	(5,107)
Services and supplies	174,541	194,403	19,862
<i>Total Expenditures</i>	349,114	363,869	14,755
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	28,794	(8,056)	36,850
FUND BALANCE, July 1, 2000	108,556	108,556	-
FUND BALANCE, June 30, 2003	<u>\$ 137,350</u>	<u>\$ 100,500</u>	<u>\$ 36,850</u>

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

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

NATURE OF THE ORGANIZATION

The State Board of Geologist Examiners' objective is to safeguard the health, welfare, and property of Oregonians affected by the geologic fields of ground water, land-use planning, mineral exploration and development, geologic hazards and the further development of the science of geology. The Board has the authority to determine qualifications, examine and register geologists, certify those with engineering specialty, grant reciprocity for comparable requirements in other states, and suspend, revoke or refuse to renew registration or certification and assess civil penalties when warranted.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The State Board of Geologist Examiners (the Board) is a semi-independent agency of the State of Oregon. The Board operates under Oregon Revised Statutes (ORS) Chapter 672.505 - 672.991. The Board consists of five members appointed by the governor for three-year terms. Four members are registered geologists, and the fifth member is a public citizen. The State Geologist is an ex officio member of the Board. 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 geology in Oregon.

Pursuant to Oregon Senate Bill 546 adopted in 1997, the Board was granted semi-independent status by the Legislature; revised by Oregon Senate Bill 1127 in 1999.

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 governmental entities. The accounts of the Board are organized in a single 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. All funds of the Board are 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.

STATE BOARD OF GEOLOGIST EXAMINERS
(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 collected.

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 a collateral agreement. The Federal Deposit Insurance Corporation generally limits insurance to \$100,000 of deposits. Monies in excess of this amount were not secured at times during the period by a certification of participation in the State of Oregon collateral pool as required by Oregon Revised Statutes.

The Board of Directors has adopted the State of Oregon's investment policies which restrict investment types and maturities.

STATE BOARD OF GEOLOGIST EXAMINERS
(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 \$131,920 and covered payroll was \$131,920 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 \$21,407, which was equal to the required contributions for the three years.

EMPLOYEE LEAVE

Sick leave is earned at the rate of eight hours per month with no maximum limit. Accumulated sick leave at June 30, 2003 can be used in case of an employee's extended illness or injury. When the employee retires, any sick leave accrual terminates and no compensation is made for such hours. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Vacation time is earned, subject to a maximum accumulation of 250 to 350 hours depending on employee classification, at a rate of eight hours per month to 17.34 hours per month depending on employee classification and length of service. The time off is vested when earned and recorded as an expenditure. Accumulated paid time off, based on current salary rates, was \$410 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 space under a one year lease expiring May 1, 2004. Total lease payments for the three years ended June 30, 2003 were \$19,158. Future minimum lease payments for the year ending June 30, 2004 is \$3,880.

SUPPLEMENTAL INFORMATION

TATE BOARD OF GEOLOGIST EXAMINERS
(A Semi-Independent Agency of the State of Oregon)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
THREE YEARS ENDED JUNE 30, 2003

REVENUES

Licenses and fees

Renewal fees	\$ 309,605
Examination fees	39,675
Late payment fees	2,010
Other fees	<u>15,805</u>

Total Licenses and Fees 367,095

Interest Income

10,410

Other Income

403

Total Revenues 377,908

EXPENDITURES

Personal Services

Employee payroll	131,510
Board stipend	2,130
Payroll taxes and benefits	17,487
PERS	21,407
Accrued employee leave	410
Other	<u>1,629</u>

Total Personal Services 174,573

Services and Supplies

Bank fees	808
Government services	7,691
Rent	19,807
Examinations	25,700
Dues	8,900
Advertising	2,471
Travel	23,735
Office expenses	18,873
Telecommunications	3,236
Data processing	5,604
Training	3,173
Professional services	53,902
Capital outlay	<u>641</u>

Total Services and Supplies 174,541

Total Expenditures 349,114

**EXCESS OF REVENUES OVER (UNDER)
EXPENDITURES**

28,794

FUND BALANCE, July 1, 2000

108,556

FUND BALANCE, June 30, 2003

\$ 137,350

**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
State Board of Geologist Examiners
1193 Rayvonne Avenue SE, #24
Salem, Oregon 97302

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

We have audited the financial statements of State Board of Geologist Examiners as of and for the three years ended June 30, 2003, and have issued our report thereon dated October 18, 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 State Board of Geologist Examiners' 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 one instance of noncompliance that is required to be reported under *Government Auditing Standards*. Monies in excess of the Federal Deposit Insurance Corporation (FDIC) limit were not secured at times during the year. As of the date of this report, the Board has secured a certificate of participation to comply with the required Oregon Revised Statutes.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered State Board of Geologist Examiners, 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 State Board of Geologist Examiners, the Governor of 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
October 18, 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

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Oregon Audits Division
Public Service Building
255 Capitol Street NE • Suite 500
Salem, Oregon 97310

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

Ph. 503-986-2255
Hotline: 800-336-8218
Internet: Audits.Hotline@state.or.us

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

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