
Secretary of State

State of Oregon

STATE BOARD OF ARCHITECT EXAMINERS

For the Three Years Ended June 30, 2003



Audits Division

Secretary of State

State of Oregon

STATE BOARD OF ARCHITECT 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

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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 Architect Examiners
750 Front Street NE, Suite 260
Salem, Oregon 97301-1035

This report contains audited financial statements of the State Board of Architect 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 Architect 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

A handwritten signature in cursive script, appearing to read "Cathy Pollino".

Cathy Pollino
State Auditor

***STATE BOARD OF
ARCHITECT 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 ARCHITECT 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 Architect Examiners
750 Front Street NE, Suite 260
Salem, Oregon 97301-1035

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 State Board of Architect 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 Architect 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 Architect 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 16, 2003, on our consideration of the State Board of Architect 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 Architect 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 16, 2003

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

ASSETS

Cash	\$	320,376
Interest receivable		536
Investments		<u>151,050</u>
<i>Total Assets</i>	\$	<u><u>471,962</u></u>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$	17,790
Compensated absences		8,694
Accrued payroll liabilities		<u>3,907</u>
<i>Total Liabilities</i>		30,391

Fund Balance

Unreserved		<u>441,571</u>
<i>Total Liabilities and Fund Balance</i>	\$	<u><u>471,962</u></u>

STATE BOARD OF ARCHITECT 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	\$	765,450
Interest income		31,874
Other income		<u>50,742</u>
<i>Total Revenues</i>		848,066

EXPENDITURES

Licensing		781,351
Investigations		<u>42,193</u>
<i>Total Expenditures</i>		<u>823,544</u>

EXCESS OF REVENUES OVER EXPENDITURES 24,522

FUND BALANCE, July 1, 2000 417,049

FUND BALANCE, June 30, 2003 \$ 441,571

STATE BOARD OF ARCHITECT 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>	<i>Variance Favorable (Unfavorable)</i>
REVENUES			
Licenses and fees	\$ 765,450	\$ 767,700	\$ (2,250)
Interest income	31,874	50,000	(18,126)
Other income	<u>50,742</u>	<u>29,290</u>	<u>21,452</u>
<i>Total Revenues</i>	848,066	846,990	1,076
EXPENDITURES			
Personal services	421,116	434,610	13,494
Services and supplies	393,701	393,730	29
Capital outlay	<u>8,727</u>	<u>18,650</u>	<u>9,923</u>
<i>Total Expenditures</i>	<u>823,544</u>	<u>846,990</u>	<u>23,446</u>
EXCESS OF REVENUES OVER EXPENDITURES	24,522	-	24,522
FUND BALANCE, July 1, 2000	<u>417,049</u>	<u>417,049</u>	<u>-</u>
FUND BALANCE, June 30, 2003	<u>\$ 441,571</u>	<u>\$ 417,049</u>	<u>\$ 24,522</u>

STATE BOARD OF ARCHITECT 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 Board prescribes qualifications for the practice of architecture, conducts examination to qualify applicants prior to registration, issues certificates to those who qualify. The Board has authority to revoke certificates and assess civil penalties against unregistered individuals practicing without statutory authority. The Board is primarily concerned with the quality and safety of the buildings constructed within Oregon's borders.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The State Board of Architect Examiners (the Board) is a semi-independent agency of the State of Oregon. The Board was created in 1919 and operates under Oregon Revised Statutes (ORS) Chapter 671.010 - 671.220. The Board consists of seven members appointed by the governor for four-year terms. Five members are licensed architects and two members are public citizens.

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 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. 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.

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 budgets. 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.

STATE BOARD OF ARCHITECT 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)

Cash and Cash Equivalents

Cash and investments with maturities of less than three months are classified as cash equivalents.

Supplies

Supplies are charged as expenditures when purchased.

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.

CASH AND CASH EQUIVALENTS

Cash	\$	9
Deposits with financial institutions		<u>320,367</u>
	\$	<u><u>320,376</u></u>

Deposits with financial institutions are bank demand deposits. The total bank balance as shown on the bank's records at June 30, 2003 was \$325,944. These deposits were covered by federal depository insurance of \$100,000, and an additional \$750,000 collateralized with securities held by a financial institution acting as an agent for the Board in the Board's name. Oregon Revised Statutes require the depository institution to maintain on deposit with a collateral pool manager securities having a value of not less than 25% of the outstanding certificates of participation issued by the pool manager.

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

INVESTMENTS

Morgan Stanley, Liquid Asset Fund (Cost \$875)	\$ 875
Morgan Stanley, Capital Jumbo CD, matures January 8, 2004, 2.14% yield	100,175
Washington Federal Savings CD, matures June 18, 2004, 2.1% yield	25,000
Washington Federal Savings CD, matures December 20, 2004, 1.75% yield	<u>25,000</u>
	<u>\$ 151,050</u>

At June 30, 2003, the investment balance was partially uninsured.

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 \$278,793 and covered payroll was \$273,382 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 \$44,737, 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 upon current salary rates, was \$8,694 at June 30, 2003.

STATE BOARD OF ARCHITECT EXAMINERS
(A Semi-Independent Agency of the State of Oregon)
NOTES TO FINANCIAL STATEMENTS (Continued)
THREE YEARS ENDED 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 extension expiring June 30, 2004. Total lease payments for the three years ended June 30, 2003 were \$69,222. Future minimum lease payments for the year ending June 30, 2004 is \$23,686.

SUPPLEMENTAL INFORMATION

STATE BOARD OF ARCHITECT EXAMINERS**(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	\$ 641,875	\$ 664,150	\$ (22,275)
Registrations	31,425	29,800	1,625
Reciprocity	42,200	39,250	2,950
Fines and forfeits	37,200	22,500	14,700
Application fee	12,750	12,000	750
<i>Total Licenses and Fees</i>	765,450	767,700	(2,250)
<i>Other Income</i>	50,742	29,290	21,452
<i>Interest Income</i>	31,874	50,000	(18,126)
<i>Total Revenues</i>	848,066	846,990	1,076
EXPENDITURES			
Personal Services			
Employee payroll	272,943	285,600	12,657
Board stipend	5,850	16,360	10,510
Retirement	44,737	42,925	(1,812)
Payroll taxes	44,065	28,525	(15,540)
Insurance	52,215	53,000	785
Other	1,306	8,200	6,894
<i>Total Personal Services</i>	421,116	434,610	13,494
Services and Supplies			
Office supplies	11,764	9,500	(2,264)
Office services	2,332	1,350	(982)
Small equipment	588	500	(88)
Printing and reproduction	11,644	17,250	5,606
Postage and freight	22,468	20,675	(1,793)
Publicity and public relations	2,074	1,650	(424)
Professional fees	23,754	15,000	(8,754)
Investigator	63,273	54,500	(8,773)
Professional development	2,533	3,765	1,232
Repairs and maintenance	376	1,975	1,599
Attorney General services	62,449	52,500	(9,949)
Equipment rental	9,277	9,450	173
Telecommunications	14,560	17,250	2,690

STATE BOARD OF ARCHITECT EXAMINERS

(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>	<u>Variance- Favorable (Unfavorable)</u>
EXPENDITURES (Continued)			
Services and Supplies (Continued)			
Data processing and services	\$ 10,016	\$ 6,900	\$ (3,116)
Rent	70,154	71,500	1,346
Travel expenses	37,259	49,395	12,136
Conference registration	10,600	15,600	5,000
Dues and subscriptions	34,236	32,000	(2,236)
Transition costs	-	300	300
Other	<u>4,344</u>	<u>12,670</u>	<u>8,326</u>
<i>Total Services and Supplies</i>	393,701	393,730	29
Capital Outlay	<u>8,727</u>	<u>18,650</u>	<u>9,923</u>
<i>Total Expenditures</i>	<u>823,544</u>	<u>846,990</u>	<u>23,446</u>
EXCESS OF REVENUES OVER (UNDER) EXPENSES	24,522	-	24,522
FUND BALANCE, July 1, 2000	<u>417,049</u>	<u>417,049</u>	<u>-</u>
FUND BALANCE, June 30, 2003	<u>\$ 441,571</u>	<u>\$ 417,049</u>	<u>\$ 24,522</u>



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

***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 Architect Examiners
750 Front Street NE, Suite 260
Salem, Oregon 97301-1035

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

We have audited the financial statements of State Board of Architect Examiners, a semi-independent agency of the State of Oregon, as of and for the three years ended June 30, 2003, and have issued our report thereon dated October 16, 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 Architect 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 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 State Board of Architect Examiner's 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 the State Board of Architect Examiners, 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
October 16, 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.

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

If you received a copy of an audit report and no longer need it, you may return it to the Audits Division. We maintain an inventory of past audit reports. Your cooperation helps us save on printing costs.

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 State Board of Architect Examiners during the course of this audit were commendable and sincerely appreciated.

Auditing to Protect the Public Interest and Improve Oregon Government