
Secretary of State

State of Oregon

PHYSICAL THERAPIST LICENSING BOARD

For the Three Years Ended June 30, 2003



Audits Division

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

Secretary of State

State of Oregon

PHYSICAL THERAPIST LICENSING BOARD

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 Ted Kulongoski
Governor of Oregon
254 State Capitol
Salem, Oregon 97310-4047

The Board of Directors
Physical Therapist Licensing Board
800 NE Oregon Street, Suite 407
Salem, Oregon 97232

This report contains audited financial statements of the Physical Therapist Licensing Board, 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 Physical Therapist Licensing Boards' 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

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

PHYSICAL THERAPIST LICENSING BOARD
(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
Physical Therapist Licensing Board
800 NE Oregon Street, Suite 407
Portland, Oregon 97232

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 Physical Therapist Licensing Board, 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 Physical Therapist Licensing Board'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 Physical Therapist Licensing Board 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 December 11, 2003, on our consideration of the Physical Therapist Licensing Board'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 Physical Therapist Licensing Board. 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
December 11, 2003

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PHYSICAL THERAPIST LICENSING BOARD
(A Semi-Independent Agency of the State of Oregon)
BALANCE SHEET
JUNE 30, 2003

ASSETS

Cash and cash equivalents \$ 404,957

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable \$ 4,861

Compensated absences 7,004

Total Liabilities 11,865

Fund Balance

Unreserved 393,092

Total Liabilities and Fund Balance \$ 404,957

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

PHYSICAL THERAPIST LICENSING BOARD

(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	\$ 900,319
Interest income	6,225
Other income	<u>19,888</u>

Total Revenues 926,432

EXPENDITURES

Licensing	<u>786,149</u>
-----------	----------------

EXCESS OF REVENUES OVER EXPENDITURES 140,283

FUND BALANCE, July 1, 2000 252,809

FUND BALANCE, June 30, 2003 \$ 393,092

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

PHYSICAL THERAPIST LICENSING BOARD

(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	\$ 900,319	\$ 853,600	\$ 46,719
Interest income	6,225	10,000	(3,775)
Other income	<u>19,888</u>	<u>1,600</u>	<u>18,288</u>
<i>Total Revenues</i>	926,432	865,200	61,232
EXPENDITURES			
Personal services	408,021	462,554	54,533
Services and supplies	339,350	301,284	(38,066)
Capital outlay	<u>38,778</u>	<u>17,634</u>	<u>(21,144)</u>
<i>Total Expenditures</i>	<u>786,149</u>	<u>781,472</u>	<u>(4,677)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	140,283	83,728	56,555
FUND BALANCE, July 1, 2000	<u>252,809</u>	<u>252,809</u>	<u>-</u>
FUND BALANCE, June 30, 2003	<u>\$ 393,092</u>	<u>\$ 336,537</u>	<u>\$ 56,555</u>

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

PHYSICAL THERAPIST LICENSING BOARD
(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 professional physical therapy. The Board prescribes qualifications for the practice of professional physical therapy, setting standards for the examination of applicants for licensure, continuing education, and enforcement of the laws and regulations governing the practice of professional physical therapy. The Board issues licenses to those who do qualify, and has the authority to revoke licenses and assess civil penalties against unregistered individuals practicing professional physical therapy without authority and against those licensed professionals practicing improperly.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Physical Therapist Licensing Board (the Board) is a semi-independent agency of the State of Oregon. The Board operates under Oregon Revised Statutes (ORS) Chapter 688. The Board consists of seven members appointed by the governor for four-year terms. Four members are registered physical therapists, one member is a registered physical therapist assistant, one member is a physician and one member is a public citizen. 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 physical therapy 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 primarily from license renewals and fees.

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. 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.

PHYSICAL THERAPIST LICENSING BOARD
(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 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.

Cash and Investments

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.

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.

Licensee Fees

Licensee fees have been recorded on the basis of receipts due to the uncertainty of collectibility.

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

The Board's deposits are categorized to give an indication of the level of risk assumed by the Board. Category 1 deposits are insured or collateralized with securities held by the Board or by an agent of the Board in the Board's name. Category 2 deposits are collateralized with securities that are held by the pledging financial institution's trust department (Board's counterparty) or agent in the Board's name. Category 3 deposits are not collateralized but include deposits that are collateralized other than in the Board's name.

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

CASH (Continued)

At June 30, 2003, the Board's book balance in the general checking account was \$404,957 (Category 1), and the bank balance was \$415,361. The difference is due to transactions in process. Federal deposit insurance covers \$100,000 of the bank balance at each institution. The remaining amount is secured up to an additional \$300,000 by collateral in accordance with Oregon Revised Statutes. Oregon statutes require each depository, throughout the period of its possession of public funds, to maintain on-deposit securities having a value not less than 25 percent of the certificates issued by its collateral pool manager. Monies in excess of \$400,000 were not secured at times during the three years by a certificate of participation in the State of Oregon collateral pool as required by Oregon Revised Statutes.

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 \$288,355 and covered payroll was \$288,355 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 \$39,271, 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 \$7,004 at June 30, 2003.

PHYSICAL THERAPIST LICENSING BOARD
(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 its space on a month-to-month basis. The monthly lease payments are \$860. Total lease payments for the three years ended June 30, 2003 were \$27,476.

SUPPLEMENTAL INFORMATION

PHYSICAL THERAPIST LICENSING BOARD**(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 renewal fees	\$ 734,913	\$ 735,900	\$ (987)
Certificate fees	78,680	66,100	12,580
Examination fees	43,055	26,000	17,055
Other fees	43,671	25,600	18,071
<i>Total Licenses and Fees</i>	900,319	853,600	46,719
Interest Income	6,225	10,000	(3,775)
Other Income	19,888	1,600	18,288
<i>Total Revenues</i>	926,432	865,200	61,232
EXPENDITURES			
Personal Services			
Employee payroll	290,927	368,287	77,360
Board stipend	10,932	2,940	(7,992)
Retirement	39,271	24,782	(14,489)
Payroll taxes	27,633	18,683	(8,950)
Insurance	38,998	37,862	(1,136)
Other	260	10,000	9,740
<i>Total Personal Services</i>	408,021	462,554	54,533
Services and Supplies			
Office expenses	38,305	24,460	(13,845)
Postage	29,258	33,300	4,042
Professional fees	45,046	27,000	(18,046)
Attorney General fees	50,887	30,000	(20,887)
Insurance	1,098	1,200	102
Telecommunications	8,200	5,000	(3,200)
Contract services	72,874	76,145	3,271
Rent	28,336	24,421	(3,915)
Travel expenses	23,523	32,350	8,827
Dues and subscriptions	7,565	7,500	(65)
Publications	3,727	10,810	7,083
Other	2,996	5,000	2,004
Examination costs	27,535	24,098	(3,437)
<i>Total Services and Supplies</i>	339,350	301,284	(38,066)

PHYSICAL THERAPIST LICENSING BOARD

(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>
Capital Outlay			
Other capital items	\$ 38,778	\$ 17,634	\$ (21,144)
<i>Total Expenditures</i>	<u>786,149</u>	<u>781,472</u>	<u>(4,677)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENSES	140,283	83,728	56,555
FUND BALANCE, July 1, 2000	<u>252,809</u>	<u>252,809</u>	<u>-</u>
FUND BALANCE, June 30, 2003	<u>\$ 393,092</u>	<u>\$ 336,537</u>	<u>\$ 56,555</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
Physical Therapist Licensing Board
800 NE Oregon Street, Suite 407
Portland, Oregon 97232

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

We have audited the financial statements of Physical Therapist Licensing Board as of and for the year ended June 30, 2003, and have issued our report thereon dated December 11, 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 Physical Therapist Licensing Board'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 have considered the Physical Therapist Licensing Board'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. However, we noted other matters involving the internal control over financial reporting that we have reported to management in a separate letter dated December 11, 2003.

This report is intended solely for the information and use of Physical Therapist Licensing Board, 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.


CERTIFIED PUBLIC ACCOUNTANTS

Salem, Oregon
December 11, 2003

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.

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

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Auditing to Protect the Public Interest and Improve Oregon Government