

Report No. 2009-31

December 2009



Kate Brown, Secretary of State  
Gary Blackmer, Director, Audits Division

# Secretary of State Audit Report

State of Oregon

**Board of Geologist Examiners**

A Semi-Independent Agency

For the Biennium Ended June 30, 2009

Contract Auditor: Moss Adams LLP

**STATE OF OREGON**  
**BOARD OF GEOLOGIST EXAMINERS**  
**INDEPENDENT AUDITOR'S REPORT**  
  
**AND**  
  
**FINANCIAL STATEMENTS**  
**(With Supplemental Information)**  
  
**FOR THE BIENNIUM ENDED**  
  
**JUNE 30, 2009**

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Commissioners  
Oregon State Board of Geologist Examiners

We have audited the accompanying financial statements of the governmental activities and the general fund of the Oregon State Board of Geologist Examiners (Board), a semi-independent agency of the State of Oregon, as of and for the biennium ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Oregon State Board of Geologist Examiners' management. Our responsibility is to express opinions 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal controls over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position and changes in financial position of the governmental activities and the general fund of the Oregon State Board of Geologist Examiners, as of June 30, 2009, and for the biennium then ended in conformity with accounting principles generally accepted in the United States of America.

The Oregon State Board of Geologist Examiners has not presented *Management's discussion and analysis* (MD&A) that accounting principles accepted in the United States of America have determined necessary to supplement, but are not required, to be part of the basic financial statements. The budgetary comparison information on page 12 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2009, on our consideration of the Oregon State Board of Geologist Examiners' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Audit Standards* and should be considered in assessing the results of our audit. That report is separately presented in the Other Reports section as listed in the table of contents.

Moss Adams LLP

Eugene, Oregon  
December 17, 2009

**OREGON STATE BOARD OF GEOLOGIST EXAMINERS**  
**(A Semi-Independent Agency of the State of Oregon)**  
**BALANCE SHEET - GENERAL FUND**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2009**

	<u>General Fund</u>	<u>Adjustments (Note 3 )</u>	<u>Statement of Net Assets</u>
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 147,538	\$ -	\$ 147,538
Investments	<u>68,000</u>	<u>-</u>	<u>68,000</u>
Total assets	<u>\$ 215,538</u>	<u>\$ -</u>	<u>\$ 215,538</u>
<b>LIABILITIES</b>			
Compensated absences	<u>-</u>	<u>2,498</u>	<u>2,498</u>
Total liabilities	<u>-</u>	<u>2,498</u>	<u>2,498</u>
<b>FUND BALANCE</b>			
Unreserved	<u>215,538</u>	<u>(215,538)</u>	<u>-</u>
Total fund balance	<u>215,538</u>	<u>(215,538)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 215,538</u>		
<b>NET ASSETS</b>			
Unrestricted		<u>(213,040)</u>	<u>213,040</u>
Total net assets		<u>\$ (213,040)</u>	<u>\$ 213,040</u>

**OREGON STATE BOARD OF GEOLOGIST EXAMINERS**  
**(A Semi-Independent Agency of the State of Oregon)**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE BIENNIUM ENDED JUNE 30, 2009**

	<u>General Fund</u>	<u>Adjustments (Note 3 )</u>	<u>Statement of Activities</u>
<b>REVENUES</b>			
Licenses and fees	\$ 319,851	\$ -	\$ 319,851
Administrative fees	153,600	-	153,600
Interest income	11,377	-	11,377
Other income	542	-	542
	<u>485,370</u>	<u>-</u>	<u>485,370</u>
<b>EXPENDITURES / EXPENSES</b>			
Personal services	290,376	(916)	291,292
Service and supplies	163,910	-	163,910
	<u>454,286</u>	<u>-</u>	<u>455,202</u>
Excess of revenues over expenditures	<u>31,084</u>	<u>-</u>	<u>30,168</u>
<b>OTHER FINANCING SOURCES</b>			
	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE/NET ASSETS</b>			
Fund balance /Net assets - June 30, 2007	184,454	1,582	182,872
Fund balance /Net assets - June 30, 2009	<u>\$ 215,538</u>	<u>\$ 2,498</u>	<u>\$ 213,040</u>

**OREGON STATE BOARD OF GEOLOGIST EXAMINERS**  
**(A Semi-Independent Agency of the State of Oregon)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE BIENNIUM ENDED JUNE 30, 2009**

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**NOTE 1 - NATURE OF THE ORGANIZATION**

The objective of the Oregon State Board of Geologist Examiners (The Board) 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 education and experience qualifications, examine and register geologists, certify those with an engineering specialty, grant reciprocity for comparable requirements in other states, and suspend, revoke, or refuse to renew registrations or certifications and to assess civil penalties when warranted.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity** - The Oregon State Board of Geologist Examiners is a semi-independent agency of the State of Oregon. The Board operates under Oregon Revised Statutes (ORS) Chapter 672.505 to 672.991 created in 1977. 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. Oregon's State Geologist serves as an ex-officio sixth 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. In the 1999 legislative session, Oregon senate Bill 1127 made additional revisions.

**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 on the basis of a governmental fund. Revenues are from license fees, service fees, civil penalties and interest income.

The Board presents both governmental fund financial statements and government-wide financial statements which report on separate measurement focuses. Due to these differences, certain adjustments are necessary to reconcile between governmental fund financial statements and the government-wide financial statements. Those adjustments are described in Note 3.

**Government-wide Statements** - The statement of net assets and the statement of activities display information about the Board as a whole. These statements include all the financial activities of the Board. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

**OREGON STATE BOARD OF GEOLOGIST EXAMINERS**  
**(A Semi-Independent Agency of the State of Oregon)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE BIENNIUM ENDED JUNE 30, 2009**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Governmental fund financial statements* - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available except for license fees which are recognized when received. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, long-term compensated absences are recorded only when payment is due.

*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 and interested parties.

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 non-appropriated budgets. The budgetary statement included herein compares the total of annualized non-appropriated budgets for fiscal years ending 2008 and 2009 to actual expenditures for the two years ended June 30, 2009.

*Cash and cash equivalents* - Cash includes cash on hand and demand deposits.

*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. An annual fiscal year-end analysis and subsequent general ledger journal entry is booked to maintain a relevant accrual liability for compensated absence that have been earned but not yet taken.

*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.

*Civil penalties* - The Board is authorized under state laws to impose civil penalties to enforce certain provisions and professional standards. Civil penalties are recognized upon board motion to impose disciplinary action.

**OREGON STATE BOARD OF GEOLOGIST EXAMINERS**  
**(A Semi-Independent Agency of the State of Oregon)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE BIENNIUM ENDED JUNE 30, 2009**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Use of 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.

**NOTE 3 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The governmental fund balance sheet includes reconciliation between the fund balance and net assets as reported in the government wide statement of net assets for the following:

Long-term liabilities are not due and payable in the current period and therefore are not reported in governmental funds:	\$ 2,498
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The governmental fund statement of revenues, expenditures, and changes in fund balance includes reconciliation between the government-wide statement of activities for the following:

Change in compensated absences	\$ (916)
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**NOTE 4 - CASH AND INVESTMENTS**

*Credit risk* - State Statutes authorize the Oregon State Board of Geologist Examiners to invest in general obligations of the U.S. Government and its agencies, certain debt obligations of Oregon, California, Washington, and Idaho, bank repurchase agreements, bankers' acceptances, and certain corporate debt obligations, among others.

*Concentration of credit risk* - All investments of the Board shall be made in accordance with Oregon Revised Statutes: ORS 182.470 (Depository accounts for moneys collected or received by semi-independent state agencies); ORS 294.035 (Investment of surplus funds of political subdivisions; approved investments), ORS 294.040 (Restriction on investments under ORS 294.035), ORS 294.135 (Investment maturity dates), and ORS 294.145 (Prohibited conduct for custodial officer). Any revisions or extensions of these sections of the ORS shall be assumed to be part of this investment policy immediately upon being enacted.

**OREGON STATE BOARD OF GEOLOGIST EXAMINERS**  
**(A Semi-Independent Agency of the State of Oregon)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE BIENNIUM ENDED JUNE 30, 2009**

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**NOTE 4 - CASH AND INVESTMENTS (Continued)**

The following is the investment balance as of June 30, 2009:

	<u>Fair Value</u>
Certificates of deposit	<u>\$ 68,000</u>
Total investments	<u><u>\$ 68,000</u></u>

***Interest rate risk*** - The Board currently does not have a formal investment policy that limits investments as a means of managing its exposure to fluctuating interest rates. However, the Board approves all investments on an individual basis and has invested in certificates of deposit in order to reduce interest rate risk as once the investment is made, the interest rate does not change.

***Custodial credit risk - deposits*** - HB 2901, which passed during the 2007 Legislative Session, significantly revised ORS 295 (Depositories of Public Funds and Securities) which governs the collateralization of public funds deposits. The changes streamline the collateralization process and eliminate the need to request and maintain Certificates of Participation (COP's). The Bill created a shared liability structure of the qualified depositories. Under the new law, government entities no longer have to request and maintain the issuance of a COP for balances over the \$250,000 FDIC insured amount when using a qualified depository. Government entities only need to verify that the bank they use as a depository appears on the list of qualified depositories with the State Treasurers Department. The Oregon State Board of Geologist Examiners funds depository institution is Pioneer Trust Bank. The balance in this account was less than the FDIC insurance limit and Pioneer Trust Bank has a branch in Oregon.

***Custodial credit risk - investments*** - For an investment, this is the risk that, in the event of the failure of the counterparty, the Board will not be able to recover the value of its investments or collateral securities, if any, that are in the possession of an outside party.

**OREGON STATE BOARD OF GEOLOGIST EXAMINERS**  
**(A Semi-Independent Agency of the State of Oregon)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE BIENNIUM ENDED JUNE 30, 2009**

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**NOTE 5 - DEFINED BENEFIT PENSION PLAN**

*Plan description* - The Board is a participating employer in the Oregon Public Employees Retirement System (PERS). Board employees hired after August 28, 2003, participate in the Oregon Public Service Retirement Plan (OPSRP). Employees hired on or before this date are PERS members. All Board employees who work over 600 hours per year are eligible to participate in the plans after completing six months of employment with a PERS/OPSRP covered employer. Both plans require actuarially determined contributions from the employer and an employee contribution of six percent of covered salary. The Board pays the employee's contribution as allowed by law. Both plans are administered by the Public Employees Retirement Board under the guidelines of Oregon Revised Statutes, Chapter 238 and 238A. Both plans provide retirement benefits and cost-of-living adjustments, as well as disability, post-employment healthcare, and death benefits to plan members and beneficiaries. A copy of the Oregon Public Employees Retirement System annual financial report may be obtained from PERS Fiscal Services Division, 11410 SW 68<sup>th</sup> Parkway, Tigard, Oregon 97223.

*Public Employees Retirement System (PERS)* - PERS plan members also participate in a cost-sharing multiple-employer defined benefit pension plan. The Board is required by statute to contribute actuarially computed amounts as determined by the PERS Board. The rates are subject to change as a result of subsequent actuarial valuations. During the two year biennium period ending June 30, 2009, the Board contributed 5.03% of covered salary.

*Oregon Public Service Retirement Plan (OPSRP)* - OPSRP is a cost-sharing multiple-employer defined benefit and defined contribution pension plan created by the Oregon Legislative Assembly in 2003 as a successor plan for PERS.

- The defined benefit pension plan is provided to members who were hired on or after August 29, 2003. Employer contributions are required by state statute and are made at actuarially determined rates as adopted by the PERB. The annual required contribution rates for the OPSRP defined benefit pension plan was 7.74% for general service employees as of July 1, 2007.
- The defined contribution pension plan (called the Individual Account Program or IAP) is provided to all members or their beneficiaries who are PERS or OPSRP eligible. State statutes require covered employees to contribute 6% of their annual covered salary to the IAP plan effective January 1, 2004. PERS members retain their existing PERS accounts; however, member contributions have been deposited in the member's IAP since the beginning of 2004 rather than into the member's PERS account.

**OREGON STATE BOARD OF GEOLOGIST EXAMINERS**  
**(A Semi-Independent Agency of the State of Oregon)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE BIENNIUM ENDED JUNE 30, 2009**

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**NOTE 5 - DEFINED BENEFIT PENSION PLAN (Continued)**

*Actuarial assumptions* - Required contributions are determined using the projected unit credit actuarial cost method. Under this method, the Tier 1/Tier 2 regular UAL and Retiree Healthcare UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed 20-year period. Gains and losses between subsequent odd-year valuations are amortized as a level percentage of combined valuation payroll over 20 years from the odd-year valuation in which they are first recognized. Amortization of a change in Tier 1/Tier 2 UAL and Retiree Healthcare UAL due to a change in the actuarial cost method is amortized as a level percentage of combined valuation over a rolling three-year period. Contributions are credited toward the payment of this change in UAL beginning July 1, 2007. For OPSRP UAL, amortization for gains and losses between odd-year valuations are amortized as a level percentage of combined payroll over 16 years from the odd-year valuation in which they are first recognized. The actuarial value of PERS assets is reported at fair market value. In order to reduce year-to-year volatility in contribution requirements due to changes in asset value, new contribution rates are confined to a collar based on the prior contribution rate. New contribution rates will not increase or decrease by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage drops below 80% or increases above 120%, the size of the collar doubles.

*Other charges* - Oregon General Obligation Pension Bonds were issued to fund the States' share of the Unfunded Actuarial Liability, and \$2 billion was delivered directly to PERS. Over the next 23 years the state will be obligated to make the principal and interest payments on the pension obligation bonds. All benefiting agencies are charged the same rate to pay this debt service. The rate is applied to subject salaries and during this biennium the rate fluctuated from 6.20% at the beginning of the biennium to 5.95% effective January 1, 2008. The Board's total Oregon General Obligation Pension Bond expense for the biennium ended June 30, 2009 was \$11,454.

*Annual pension cost* - Contributions actually made are equivalent the annual pension cost. The Board's contributions were equal to the annually required contributions. The following table presents three-year information related to funding of the Board's defined benefit pension plans

	2007	2008	2009
Board contribution rates	5.50%	5.50%	5.50%
Employee contribution paid by Board	6.00%	6.00%	6.00%
Payroll covered by PERS	\$ 79,057	\$ 85,740	\$ 13,483
Annual pension cost and bond assessment	17,243	15,270	19,151
Net pension obligation	-	-	-

**OREGON STATE BOARD OF GEOLOGIST EXAMINERS**  
**(A Semi-Independent Agency of the State of Oregon)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE BIENNIUM ENDED JUNE 30, 2009**

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**NOTE 6 - OTHER POSTEMPLOYMENT BENEFIT PLANS**

The Board's employees may be eligible to participate in health insurance plans and other benefit plans after retirement, collectively known as Other Postemployment Benefit Plans (OPEB). OPEB plans are offered through the Public Employees Retirement System (PERS) as established by Oregon Revised Statutes (ORS) 238.410 and the Public Employees Benefit Board (PEBB) as established by ORS 243.302. A copy of the Oregon Public Employees Retirement System annual financial report may be obtained from PERS Fiscal Services Division, 11410 SW 68<sup>th</sup> Parkway, Tigard, Oregon 97223.

***Retirement Health Insurance Account*** - The Retirement Health Insurance Account (RHIA) is a cost-sharing multiple-employer OPEB plan which provides a payment of up to \$60 toward the monthly cost of health insurance for eligible PER members. To be eligible for the RHIA subsidiary, the member must have eight years of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, receive both Medicare parts A and B coverage, and enroll in a PERS sponsored health insurance plan. The Board is required by statutes to contribute actuarially computed amounts as determined by PERS. Rates are subject to change as the result of subsequent actuarial valuations. The rate of each covered employees salary for the biennium ended June 30, 2009 was .37%, which is embedded within the PERS contribution rate as described above in Note 5.

***Retiree Health Insurance Premium Account*** - The Retiree Health Insurance Premium Account (RHIPA) is a single-employer OPEB plan that provides for payment of the average difference between the health insurance premiums paid by retired state employees, under contracts entered into by the PERS Board and health insurance premiums paid by state employees who are not retired. Retired state employees are qualified to receive the RHIPA subsidy if they had eight or more years of qualifying service in PERS at the time of retirement or are receiving disability pension calculated as if they had eight or more years of qualifying services, but are not eligible for federal Medicare coverage. The Board is required to contribute actuarially computed amounts as determined by PERS. Rates are subject to changes as the result of subsequent actuarially determined valuations. The rate of each covered employ's salary for the biennium ended June 30, 2009 was .10% which is embedded within the total PERS contribution rate as described in Note 5.

Board contributions to the plans for the years ended June 30, 2007, 2008 and 2009 were \$401, \$249, and \$304 respectively, equal to the required contributions each year.

**NOTE 7 - COMPENSATED ABSENCES**

***Sick Leave*** - Sick leave is earned at the rate of eight hours per month with no maximum limit. Accumulated sick leave at June 30, 2009 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 made for such hours. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

**OREGON STATE BOARD OF GEOLOGIST EXAMINERS**  
**(A Semi-Independent Agency of the State of Oregon)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE BIENNIUM ENDED JUNE 30, 2009**

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**NOTE 7 - COMPENSATED ABSENCES (Continued)**

*Vacation Leave* - Vacation time is earned, subject to a maximum accumulation of 250 to 350 hours depending on employee classification, at a rate of 8.0 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 \$2,498 at June 30, 2009.

**NOTE 8 - 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. The Board's total liability insurance expense for the biennium ended June 30, 2009 was \$500.

**NOTE 9 - LEASES**

*Operating lease* - The Board leased space under a year-to-year lease expiring June 30, 2009. Total lease payments for the year biennium ended, July 1, 2007 to June 30, 2009 were \$7,522.

The Board relocated effective July 1, 2009.

Future lease payments are based on a base rent of \$465 per month. However, the base rent will increase by 3% in year 2 (\$479); by 3% of year 2 base for year 3 (\$493).

**NOTE 8 - INTERAGENCY AGREEMENT**

For the period July 1, 2007 through June 30, 2009, the Board entered an Interagency Agreement to provide administrative support services for the Oregon State Landscape Architects Board (OSLAB) at a rate of \$5,500 per month for the first year. From July 1, 2008 to June 30, 2009 the rate increased to \$7,300.

**REQUIRED SUPPLEMENTAL INFORMATION**

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**OREGON 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**  
**FOR THE BIENNIUM ENDED JUNE 30, 2009**

	Biennial	Actual			Variance
	Budget				Positive
	Original &				(Negative)
	Final	FY 2007	FY 2008	Biennial	
<b>REVENUES</b>					
License and fees	\$ 315,915	\$ 159,594	\$ 160,257	\$ 319,851	\$ 3,936
Administrative fees	151,200	66,000	87,600	153,600	2,400
Interest income	8,400	6,807	4,570	11,377	2,977
Other income	5,600	42	500	542	(5,058)
Total revenues	481,115	232,443	252,927	485,370	4,255
<b>EXPENDITURES</b>					
Personal service	317,752	130,906	159,470	290,376	(27,376)
Service and supplies	163,363	71,146	92,764	163,910	547
Total expenditures	481,115	202,052	252,234	454,286	(26,829)
Revenues over expenditures	-	30,391	693	31,084	31,084
FUND BALANCE, BEGINNING	184,454	184,454	214,845	184,454	-
FUND BALANCE, ENDING	\$ 184,454	\$ 214,845	\$ 215,538	\$ 215,538	\$ 31,084

## **OTHER REPORTS**

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

We have audited the financial statements of the governmental activities and the general fund of the Oregon State Board of Geologist Examiners, as of and for the biennium ended June 30, 2009, which collectively comprise the Oregon State Board of Geologist Examiners' basic financial statements and have issued our report thereon dated December 17, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Oregon State Board of Geologist Examiners internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Oregon State Board of Geologist Examiners internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Oregon State Board of Geologist Examiners internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Oregon State Board of Geologist Examiners ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Oregon State Board of Geologist Examiners financial statements that is more than inconsequential will not be prevented or detected by the Oregon State Board of Geologist Examiners internal control. We consider the deficiency described in the accompanying Schedule of Findings and Responses to be a significant deficiency in internal control over financial reporting. This deficiency is listed as 2009-1.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Oregon State Board of Geologist Examiner's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe that the significant deficiency described above is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Oregon State Board of Geologist Examiners financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

Oregon State Board of Geologist Examiners response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit Oregon State Board of Geologist Examiners' response and, accordingly, we express no opinion on it.

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

Moss Adams LLP

Eugene, Oregon  
December 17, 2009

**OREGON STATE BOARD OF GEOLOGIST EXAMINERS**  
**(A Semi-Independent Agency of the State of Oregon)**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**JUNE 30, 2009**

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**Financial Statement Findings**

2009-1

Condition

The internal control structure of the Board has focused primarily on the objective of effectiveness and efficiency of operations. However, the system of internal control over the objectives of reliability of financial reporting contains certain deficiencies. A key element of financial reporting is the ability of management to select and apply the appropriate accounting principles to prepare financial statements in accordance with generally accepted accounting principles. For the biennium ended June 30, 2009, there was no one on staff with sufficient knowledge to prepare GAAP-based financial statements.

Management of the Board maintained accounting records primarily on a cash basis of accounting. Preparation of a GAAP-based financial statement for the Board requires a thorough knowledge of full accrual, modified accrual, and budget basis accounting. As a result, certain adjustments were required to be made to the financial statements subsequent to the start of the audit process. Adjustments included the recognition of differences between the government wide full accrual financial statements and the modified accrual fund financial statements.

Additionally, Management required assistance with certain disclosures that included the pension plans and other post employment benefits. As described in the *Independent Auditors Report*, Management has not presented *Management's discussion and analysis* (MD&A) that accounting principles accepted in the United States of America have determined necessary to supplement, the basic financial statements.

The cumulative effect of these observations regarding the lack of internal control over the financial close and reporting cycle could result in a material misstatement of the financial statements; this deficiency is deemed to be a material weakness.

Criteria

To minimize the risk of material errors in the financial statements, management should possess sufficient understanding of the basic reporting requirements as required under generally accepted accounting practices in the United States.

Effect

Lack of internal controls and management education about GAAP significantly increases the risk of material accounting errors in Board financial statements.

**OREGON STATE BOARD OF GEOLOGIST EXAMINERS**  
**(A Semi-Independent Agency of the State of Oregon)**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**JUNE 30, 2009**

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**Financial Statement Findings (Continued)**

Cause

Semi-independent State Board's such as the Oregon State Board of Geologist Examiners are required to produce GAAP financial statements on a biennium basis. The infrequent nature of financial reporting creates conditions which diminish the significance for possessing a thorough understanding about GAAP reporting requirements.

Recommendations

Management and the Agency's governing body should assess the adequacy of the design of its policies and procedures related to preparation of financial statements and design appropriate controls as necessary to rectify inadequacies.

Response

The Oregon State Board of Geologist Examiners agrees that the financial statements were not prepared by staff with GAAP-based knowledge. However, prior to the audit, the financial statements were reviewed by a neutral third party to confirm that the information was properly recorded. The Board notes the following statement on page 14 of the audit report: "The results of our test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*."

The audit's Financial Statement Findings presents a concern regarding a possible misstatement of the financial statement due to the lack of GAAP education and the possible cumulative effect of this lack of GAAP knowledge. The Board will take this concern into consideration at its next regularly scheduled meeting March 4, 2010. An assessment will be made by the Board to determine what policy or procedure might be established to address this finding relative to the preparation of financial statements.