Secretary of State Audit Report

Kate Brown, Secretary of State

Gary Blackmer, Director, Audits Division

State of Oregon

Appraiser Certification and Licensure Board

A Semi-Independent Agency

For the Biennium Ended June 30, 2009

Contract Auditor: Moss Adams LLP

2010-09
January 2010

STATE OF OREGON

APPRAISER CERTIFICATION

AND LICENSURE BOARD

INDEPENDENT AUDITOR'S REPORT

AND

FINANCIAL STATEMENTS
(With Supplemental Information)

FOR THE BIENNIUM ENDED

JUNE 30, 2009

Contents

INDEPENDENT AUDITOR'S REPORT

To Members of the Board
Appraiser Certification and Licensure Board

We have audited the accompanying financial statements of the governmental activities and the general fund of the Appraiser Certification and Licensure Board (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 Appraiser Certification and Licensure Board's 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 financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall 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 Appraiser Certification and Licensure Board, as of June 30, 2009, and for the biennium then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 11, net assets as of July 1, 2007 have been restated to recognize revenue associated with civil penalties receivable as of June 30, 2007.

The management's discussion and analysis and budgetary comparison information on pages 2 – 5 and page 16 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 January 15, 2010, on our consideration of the Appraiser Certification and Licensure Board's 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 Auditing 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
January 15, 2010

APPRAISER CERTIFICATION AND LICENSURE BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

As management of the Appraiser Certification and Licensure Board (the Board), we offer readers of the financial statements this narrative overview and analysis of the financial activities for the biennium ended June 30, 2009.

FINANCIAL HIGHLIGHTS

	For the biennium ended June 30,	
	2009	2007
Net assets	$ 668,707	$ 649,338
Fund balances	653,148	620,486
Change in net assets	19,369	130,208
Change in fund balances	32,662	144,733

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Board's basic financial statements. The Board's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Board's finances, in a manner similar to a private-sector business. These statements include:

The S*tatement of Net Assets.* The *statement of net assets* presents information on all of the assets and liabilities of the Board as of the date on the statement. Net assets are what remain after the liabilities have been paid off or otherwise satisfied. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Board is improving or deteriorating.

The *Statement of Activities.* The *statement of activities* presents information showing how the net assets of the Board changed over the most recent fiscal year by tracking revenues, expenditures and other transactions that increase or reduce fund net assets in total.

Fund financial statements. The fund financial statements provide more detailed information about the Board's funds, focusing on its most significant or "major" funds – not the Board as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Board uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Board has only one fund, the General fund.

The General fund is used to account for the same functions reported in the government-wide financial statements. However, unlike the government-wide financial statements, the General fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Board's near-term financing requirements.

As discussed more fully in Note 11 to the financial statements, the Board determined that certain receivables in a prior period should have been recorded, but were not. The cumulative effect of this error is reported separately in the financial statements as a prior period adjustment."

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information related to schedules of revenues, expenditures and changes in fund balance - budget and actual for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets The Statement of Net Assets is provided on a comparative basis.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Board, assets exceeded liabilities by $668,707 as of June 30, 2009. This is an increase of $19,369 over the previous biennium.

Unrestricted net assets are available for the general operations of the Board.

Statements of Net Assets
June 30,

	2009	2007
Assets:		
Cash and investments	$ 797,157	$ 632,002
Receivables	40,352	43,925
Total assets	837,509	675,927
Liabilities:		
Current liabilities	16,079	12,064
Other liabilities	152,723	14,525
Total liabilities	168,802	26,589
Net assets		
Unrestricted	$ 668,707	$ 649,338

Statement of Activities. During the current biennium, the Board's net assets increased by $19,369 as compared with an increase of $130,208 in the prior biennium. The key elements of the change in the Board's net assets for the biennium ended June 30, 2009 are as follows:

- Licenses and fees revenue increased by approximately $135,000.
- Other revenues decreased by approximately $16,000.
- Personal service expenses increased by approximately $279,000.
- Other expenses decreased by approximately $49,000.

	Statements of Activity Biennium ended June 30,	
	2009	2007
Revenues:		
Licenses and fees	$ 1,058,738	$ 923,732
Other income	117,346	133,498
Total revenues	1,176,084	1,057,230
Expenses:		
Personal services	776,687	497,691
Supplies and services	380,028	429,331
Total expenses	1,156,715	927,022
Change in net assets	19,369	130,208
Net assets, beginning of bienniun	649,338	519,130
Net assets, end of biennium	$ 668,707	$ 649,338

Financial Analysis of the Board's Funds

As noted earlier, the Board uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

General fund. The focus of the Board's General fund is to provide information on relatively short-term cash flow and funding for future basic services. Such information is useful in assessing the Board's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of the Board's net resources available for spending at the end of a fiscal period.

At June 30, 2009, the Board's General fund reported an ending fund balance of $653,148, an increase of $32,662 in comparison with the prior biennium.

General Fund Budgetary Highlights

The Board's budget is not enacted into law, nor is it subject to review and approval by the legislature, or to future modification by the Legislature or Emergency Board.

ECONOMIC FACTORS AND NEXT BIENNIUM'S BUDGET

The Board considered all the following factors while preparing the budget for the 2009-11 fiscal biennium.

- Expected revenues for licensing and collection of civil penalties assessed
- Staffing requirements and the desired level of service, and pay rate changes
- Estimated costs of state-provided services

REQUESTS FOR INFORMATION

This financial report is designed to present the user (citizens, taxpayers, investors, and creditors) with a general overview of the Board's finances and to demonstrate the Board's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Appraiser Certification and Licensure Board
3000 Market Street NE, Suite 541
Salem, Oregon 97301
(503) 485-2555

APPRAISER CERTIFICATION AND LICENSURE BOARD
(A Semi-Independent Agency of the State of Oregon)
BALANCE SHEET – GENERAL FUND
STATEMENT OF NET ASSETS
JUNE 30, 2009

	General Fund	Adjustments (Note 3)	Statement of Net Assets
ASSETS:			
Cash and cash equivalents	$ 27,164	$ -	$ 27,164
Investments	769,993	-	769,993
Receivables, net	40,352	-	40,352
Total assets	$ 837,509	$ -	$ 837,509
LIABILITIES			
Accounts payable	16,079	-	16,079
Due to other government	127,930	-	127,930
Compensated absences	-	24,793	24,793
Deferred revenue	40,352	(40,352)	-
Total liabilities	$ 184,361	$ (15,559)	$ 168,802
FUND BALANCE			
Unreserved	653,148	(653,148)	-
Total fund balance	653,148	(653,148)	-
Total liabilities and fund balance	$ 837,509		
NET ASSETS			
Unrestricted		668,707	668,707
Total net assets		$ 668,707	$ 668,707

APPRAISER CERTIFICATION AND LICENSURE BOARD
(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

	General Fund	Adjustments (Note 3)	Statement of Activities
REVENUES			
Licenses and fees	$ 1,058,738	$ -	$ 1,058,738
Civil penalty fines	77,472	(3,025)	74,447
Interest income	42,064	-	42,064
Other income	835	-	835
Total revenues	1,179,109	(3,025)	1,176,084
EXPENDITURES/EXPENSES			
Personal services	766,419	10,268	776,687
Service and supplies	380,028	-	380,028
Total expenditures/expenses	1,146,447	10,268	1,156,715
Excess of revenues over expenditures	32,662	(13,293)	19,369
NET CHANGE IN FUND BALANCE/NET ASSETS			
Fund balance /Net assets - June 30, 2007, as previously stated	620,486	(14,525)	605,961
Prior period adjustment (Note 11)	-	43,377	43,377
Restated fund balance/Net assets - June 30, 2007	620,486	28,852	649,338
Fund balance /Net assets - June 30, 2009	$ 653,148	$ 15,559	$ 668,707

See accompanying notes.

NOTE 1 - NATURE OF THE ORGANIZATION

The Appraiser Certification and Licensure Board (the Board) is responsible for the regulation of real estate appraisal activity in the State of Oregon. The Board licenses, certifies, supervises, and disciplines real estate appraisers and registers assistant appraisers in Oregon.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity - The Board was created in 1991 and operates under Oregon Revised Statutes (ORS) Chapter 674. Pursuant to Oregon Senate Bill 304 adopted in 2001, the Board was granted semi-independent status by the Legislature.

The Board consists of seven members that are appointed by the governor. Each member serves a four-year term and may not serve more than two consecutive terms. The Board examines applicants for licensing and imposes disciplinary proceedings against individuals who violate statutes and/or administrative rules. The Board also makes rules and enforces professional standards for the conducting real estate appraisal activity in Oregon.

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, consisting of one general fund (as defined by GASB and not to be confused with the State of Oregon).

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.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The Board uses the modified accrual basis of accounting for budget purposes. 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 biennium budget to actual expenditures for biennium ending June 30, 2009.

Fund balance - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally segregated for a specific future use. Fund balance reported as of June 30, 2009 was unreserved.

Net assets - Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the Board or through external restriction imposed by creditors, grantors, laws, or regulation of other governments. Net assets as of June 30, 2009 were unrestricted.

Cash and cash equivalents - The Board's cash and cash equivalents are considered to be cash on hand, demand deposits, and short term investments with an original maturity of three months or less from the date of acquisition.

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

License fees - License fees are paid to the Board on a bi-annual basis based upon anniversary date. Appraiser Assistant registration fees are generally paid on an annual basis.

Civil penalties - The Board is authorized under state laws to impose civil penalties to enforce certain provisions and professional standards.

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.

Compensated absences - Permanent employees are granted paid time off benefits of varying amounts to specified maximums depending on tenure with the Board.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Professional service agreements - The Board enters into professional service agreements with contractors to provide assistance with licensee investigations, information technology support services, and intergovernmental relations support. The agreements may be canceled by either party upon thirty days notice.

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:	$	24,793
Certain imposed civil penalties will be collected after year-end but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in governmental funds:		(40,352)

The governmental fund statement of revenues, expenditures, and changes in fund balance includes reconciliation between the government-wide statement of activities for the following:

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds:		
Change in civil penalty receivables, net		(3,025)
Change in compensated absences	$	10,268

NOTE 4 - CASH AND INVESTMENTS

Investments - The Board's investments as of June 30, 2009 consist of certificates of deposit.

Credit risk - State Statutes authorize the Board 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. During the 2007-2009 biennium the Board did not hold any outside investments. Its cash reserves were held either in a money market account or in a demand deposit account.

Concentration of credit risk - All investments of the Board shall be made in accordance with Oregon Revised Statutes: ORS 182.470 (Depository accounts for monies 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.

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 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 Treasurer's Department. The Board's funds depository institutions are Pioneer Trust Bank and West Coast Bank. These Banks appear on the State Treasurer Department's list of qualified depositors.

NOTE 5 - CIVIL PENALTY RECEIVABLES

As described in Note 2, the Board is authorized under state laws to impose civil penalties to enforce certain provisions and professional standards related to appraiser certifications and licensures. Civil penalty receivables as of June 30, 2009 consist of the following:

Uncollected civil penalties imposed by Board	$ 239,089
Less allowance and discounts	(198,737)
Total civil penalty receivables	$ 40,352

NOTE 6 - 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 68th 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 4.15% 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.

NOTE 6 - DEFINED BENEFIT PENSION PLAN (Continued)

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%. The Board's total Oregon General Obligation Pension Bond expense for the biennium ended June 30, 2009 was $24,790, and is included in the Board's annual pension cost described in the table below.

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 payrolls 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.

Annual pension cost - Contributions actually made are equivalent to 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 pension plans:

	2007	2008	2009
Board contribution rates - PERS	6.07%	6.07%	6.07%
Bond debt contribution rate - PERS	6.20%	5.95%	5.95%
Employee contribution paid by Board	6.00%	6.00%	6.00%
Payroll covered by PERS	$ 161,638	$ 201,360	$ 211,450
Annual pension cost and bond assessment	$ 31,103	$ 41,447	$ 39,825

NOTE 7 - 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 68th 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 PERS members. To be eligible for the RHIA subsidy, 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 employee's salary for the biennium ended June 30, 2009 was .26%.

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 employee's salary for the biennium ended June 30, 2009 was .03%.

Board contributions to the plans for the years ended June 30, 2007, 2008 and 2009 were $613, $584, and $468 respectively, equal to the required contributions each year.

NOTE 8 - COMPENSATED ABSENCES

Vacation leave paid time off is earned monthly, depending upon length of service, with a maximum accumulation of 250 hours for non-management and 350 hours for management employees. The time off is vested when earned and recorded as an expenditure. Accumulated paid time off, based upon current salary rates, was $24,793 at June 30, 2009.

NOTE 9 - 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, and is 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 $3,540.

NOTE 10 - LEASES

During the biennium, the Board signed a new five year lease for office space at 3000 Market Street, NE, Suite 541, Salem, Oregon. The agreement calls for monthly payments of approximately $2,939 and expires in July 2012. Total rental expense for the biennium ended June 30, 2009 was approximately $68,000. Future minimum lease payments under the agreement are as follows:

YEAR ENDING JUNE 30,	Amount
2010	$ 35,000
2011	36,000
2012	39,983
Total	$ 110,983

NOTE 11 - PRIOR PERIOD ADJUSTMENT

During the course of adjusting the Board's accounts as of June 30, 2009, it was determined that amounts imposed under civil penalties, as described in Note 5, had not been recognized. Management of the Board determined that the cumulative effect resulting from these corrections would have been material to the financial statements for the biennium ended June 30, 2007 and restated net assets as of July 1, 2007 to reflect this correction. Change in net assets for the statement of activities would have been approximately $6,000 higher for the biennium ended June 30, 2007. The following schedule summarizes the corrections made to record transactions which occurred in previous years:

To recognize civil penalty receivable as of June 30, 2007:	$ 243,622
To record allowance and discount as of June 30, 2007:	(200,245)
Increase in net assets as of July 1, 2007	$ 43,377

REQUIRED SUPPLEMENTAL INFORMATION

APPRAISER CERTIFICATION AND LICENSURE BOARD
(A Semi-Independent Agency of the State of Oregon)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FOR THE BIENNIUM ENDED JUNE 30, 2009

	Biennial Budget		Actual			Variance
	Original	Final	FY 2008	FY 2009	Biennial	Positive (Negative)
REVENUES						
License and fees	$ 1,151,960	$ 1,151,960	$ 567,782	$ 490,956	$ 1,058,738	$ (93,222)
Fines and forfeitures	90,000	90,000	33,757	43,715	77,472	(12,528)
Interest	6,000	61,200	22,289	19,775	42,064	(19,136)
Miscellaneous	450	450	440	395	835	385
Total revenues	1,248,410	1,303,610	624,268	554,841	1,179,109	(124,501)
EXPENDITURES						
Personal service	866,644	866,644	392,294	374,125	766,419	100,225
Service and supplies	559,830	559,830	191,119	188,909	380,028	179,802
Total expenditures	1,426,474	1,426,474	583,413	563,034	1,146,447	280,027
Revenues over expenditures	(178,064)	(122,864)	40,855	(8,193)	32,662	155,526
FUND BALANCE, BEGINNING	-	-	620,486	661,341	620,486	620,486
FUND BALANCE, ENDING	$ (178,064)	(122,864)	$ 661,341	$ 653,148	$ 653,148	$ 776,012

See accompanying notes.

OTHER REPORTS

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 Appraiser Certification and Licensure Board, as of and for the biennium ended June 30, 2009, which collectively comprise the Oregon Appraiser Certification and Licensure Board's basic financial statements and have issued our report thereon dated January 15, 2010. 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 Appraiser Certification and Licensure Board's 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 Appraiser Certification and Licensure Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Oregon Appraiser Certification and Licensure Board 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 Appraiser Certification and Licensure Board's 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 Appraiser Certification and Licensure Board's financial statements that is more than inconsequential will not be prevented or detected by the Oregon Appraiser Certification and Licensure Board's 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 Appraiser Certification and Licensure Board'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 identified above as 2009-1 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Oregon Appraiser Certification and Licensure Board's 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 Appraiser Certification and Licensure Board's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit Oregon Appraiser Certification and Licensure Board's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the audit committee, the Appraisers Certification and Licensure Board, 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
January 15, 2010

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 appropriate accounting principles to prepare financial statements in accordance with generally accepted accounting principles.

During the audit it was discovered that there were material errors contained in the Board's previously issued financial statements relating to revenue recognition. These errors were identified through auditing procedures and were not detected during the Board's financial statement closing process.

The cumulative effect of our observations regarding internal control over the financial close and reporting process could and did 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.

Cause

Semi-independent State Boards such as the Oregon Appraiser Certification and Licensure Board are required to produce GAAP financial statements on a biennial basis. The infrequent nature of financial reporting creates conditions which diminish the significance for possessing a thorough understanding about GAAP reporting requirements.

Financial Statement Findings (Continued)

Recommendations

Management and the Board'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 Board is a self-sustaining entity that does not have the resources to employ a staff accountant; however, we do have an ongoing relationship with a contracted accounting firm to assist with accounting issues that are not within the staff's expertise. The Board also relies on their expertise and assistance in the preparation of financial statement documents.

The primary revenue recognition deficiency noted herein is the result of unbooked accounts receivable, the largest of which is a $250,000 civil penalty imposed in November 2003. This was an uncollectible account that was referred to Department of Justice, Civil Enforcement Division (DOJ). It was not until May 2006 that DOJ advised the Board that they had received payment. DOJ had negotiated payment arrangement and the respondent has made monthly payments since that time. This should have been identified as an accounts receivable at that time, however, as explained in this report, it was not, and our contracted accounting firm would not have been aware of it in the regular course of business. It should also be noted that this account was a receivable as of the end of the last biennium; however, the 2005-2007 audit did not identify this deficiency. Had the Board been aware of this issue previously, corrective action would have been taken much sooner.

During the 2007-2009 biennium and with the downturn in the economy, some case resolutions have incorporated payment plans. These cases have been monitored manually to ensure that the assessed penalties are paid as outlined in the Final Orders. Furthermore, the Board has taken action against respondents that have failed to comply with the terms of their Orders.

To rectify the revenue recognition deficiencies, the Board will establish accounts for all outstanding accounts receivable in the accounting system retroactive to July 1, 2009.