



Secretary of State **Oregon Audits Division**

Applying Agreed-Upon Procedures
Oregon Health Authority
Safe Drinking Water Revolving Loan Fund
For Fiscal Year Ended June 30, 2018

May 2019
Report 2019-19

Secretary of State Bev Clarno
Audits Division Director Kip Memmott

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Independent Accountant's Report

To the Director and Management of the Oregon Health Authority:

As required by the U.S. Environmental Protection Agency, the State of Oregon submits financial statements for the Safe Drinking Water Revolving Loan Fund. Oregon's financial statements include three agencies: Oregon Business Development Department (OBDD), Oregon Health Authority (OHA), and the Department of Environmental Quality (DEQ).

We performed the procedures enumerated below, which were agreed to by the Oregon Health Authority (agency). No procedures were performed related to OBDD or DEQ information. The procedures were solely to provide the agency assurance that the agency's federal set-aside funds, reported as part of the Safe Drinking Water Revolving Loan Fund financial statements for the year ended June 30, 2018, were reported in accordance with generally accepted accounting principles. Agency management is responsible for preparing the financial statements and any required supplementary information, maintaining adequate accounting records, and selecting and applying appropriate accounting standards. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and generally accepted government auditing standards. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which the report has been requested or for any other purpose.

The objectives of our engagement and the results are discussed below. The procedures performed to achieve these objectives are documented in the engagement letter dated February 12, 2019.

1. We determined whether the balance sheet and operating statement, excluding note disclosures, were mathematically accurate and prepared in accordance with generally accepted accounting principles (GAAP).

We found no exception as a result of the procedures performed.

2. We determined whether the statement of cash flows was mathematically accurate, and was consistent with the formats currently required by GAAP.

We found no exceptions as a result of the procedures performed.

3. We determined whether financial accounts on the balance sheet and operating statement were derived from the state's accounting system and were adequately supported in accordance with GAAP.

We found all account balances agreed to the state's accounting system and were adequately supported. We identified errors in the agency's year-end adjustments made for financial reporting purposes. The financial statements, as adjusted by the agency, are in accordance with GAAP.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the financial statements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. The purpose of this report is solely to describe the objectives of our engagement and the results, for the use of the agency and the U.S. Environmental Protection Agency. Accordingly, this report is not suitable for any other purpose.

Office of the Secretary of State, Audits Division

State of Oregon
April 24, 2019

State of Oregon
OBDD, OHA, DEQ
Safe Drinking Water Revolving Loan Fund
Statement of Net Position
June 30, 2018

	OBDD	OHA ¹	DEQ	TOTAL
Assets and Deferred Outflows				
<i>Current Assets:</i>				
Cash	\$127,010,032	\$ (413,844)	\$ (62,208)	\$126,533,980
Interest Receivable	1,624,213	-	-	1,624,213
Loans Receivable	7,455,109	-	-	7,455,109
Securities Lending Collateral	2,650,025	-	-	2,650,025
Accounts Receivable - Federal	2,020	853,389	-	855,409
Due From Other Funds	(339,677)	-	99,576	(240,101)
<i>Total Current Assets</i>	<u>138,401,722</u>	<u>439,545</u>	<u>37,368</u>	<u>138,878,635</u>
<i>Noncurrent Assets:</i>				
Net OPEB Asset	851	-	-	851
Loans Receivable, Net	140,307,477	-	-	140,307,477
<i>Total Noncurrent Assets</i>	<u>140,308,328</u>	<u>-</u>	<u>-</u>	<u>140,308,328</u>
Total Assets	<u>278,710,050</u>	<u>439,545</u>	<u>37,368</u>	<u>279,186,963</u>
<i>Deferred Outflows of Resources:</i>				
Related to Pensions	88,107	-	-	88,107
Related to OPEB	1,887	-	-	1,887
<i>Total Deferred Outflows of Resources</i>	<u>89,994</u>	<u>-</u>	<u>-</u>	<u>89,994</u>
Liabilities, Deferred Inflows of Resources, and Net Position				
<i>Current Liabilities:</i>				
Accounts Payable	17,064	246,919	927	264,910
Securities Lending Collateral	2,650,025	-	-	2,650,025
Payroll Payable	-	-	35,621	35,621
Due to Other Funds	147	192,626	820	193,593
Vacation Payable	13,373	-	-	13,373
Contracts, Mortgages, and Notes Payable	2,700	-	-	2,700
<i>Total Current Liabilities</i>	<u>2,683,309</u>	<u>439,545</u>	<u>37,368</u>	<u>3,160,222</u>
<i>Noncurrent Liabilities:</i>				
Vacation Payable	7,201	-	-	7,201
Net OPEB Liability	3,080	-	-	3,080
Total OPEB Liability	8,120	-	-	8,120
Contracts, Mortgages, and Notes Payable	42,755	-	-	42,755
Net Pension Liability	243,450	-	-	243,450
<i>Total Noncurrent Liabilities</i>	<u>304,606</u>	<u>-</u>	<u>-</u>	<u>304,606</u>
Total Liabilities	<u>2,987,915</u>	<u>439,545</u>	<u>37,368</u>	<u>3,464,828</u>
<i>Deferred Inflows of Resources:</i>				
Related to Pensions	2,034	-	-	2,034
Related to OPEB	605	-	-	605
<i>Total Deferred Inflows of Resources</i>	<u>2,639</u>	<u>-</u>	<u>-</u>	<u>2,639</u>
Net Position				
Unrestricted Net Position	275,809,490	-	-	275,809,490
Total Net Position	<u>\$275,809,490</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$275,809,490</u>

¹ Agreed upon procedures performed only on OHA column

State of Oregon
OBDD, OHA, DEQ
Safe Drinking Water Revolving Loan Fund
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Fiscal Year Ended June 30, 2018

	OBDD	OHA ¹	DEQ	TOTAL
Operating Revenues				
Grant Income	\$ -	\$14,294,135	\$ -	\$14,294,135
Interest Income	2,638,297	-	-	2,638,297
Total Operating Revenues	2,638,297	14,294,135	-	16,932,432
Operating Expenses				
Personal Services	360,793	-	-	360,793
Services and Supplies	18,512	-	-	18,512
Special Payments	7,216,747	-	-	7,216,747
Administrative Expenses	-	285,545	-	285,545
Technical Assistance	-	318,201	-	318,201
State Program Management	-	1,038,239	-	1,038,239
Local Assistance/Other State Programs:				
Implementation of Protection	-	527,383	-	527,383
Implementation of Protection--DEQ	-	-	606,154	606,154
Water System Capacity Program	-	832,418	-	832,418
Total Operating Expenses	7,596,052	3,001,786	606,154	11,203,992
Operating Income (Loss)	(4,957,755)	11,292,349	(606,154)	5,728,440
Nonoperating Revenues (Expenses)				
Investment Income (Loss)	2,299,894	-	-	2,299,894
Other Interest Expense	(2,993)	-	-	(2,993)
Other Nonoperating Items	(14,066)	-	-	(14,066)
Total Nonoperating Revenues (Expenses)	2,282,835	-	-	2,282,835
Income (Loss) Before Transfers	(2,674,920)	11,292,349	(606,154)	8,011,275
Transfers From Other Funds (State Match)	2,305,854	-	-	2,305,854
Transfers Out – To DEQ	-	(605,994)	-	(605,994)
Transfers Out – To OBDD	-	(10,686,355)	-	(10,686,355)
Transfers Out – Other Fund	(12,768)	-	-	(12,768)
Transfers In – From Public Health	10,686,355	-	605,994	11,292,349
Change in Net Position	10,304,521	-	(160)	10,304,361
Net Position – Beginning	265,509,150	-	160	265,509,310
Prior Period Adjustments	(4,181)	-	-	(4,181)
Net Position – Beginning – As Restated	265,504,969	-	160	265,505,129
Net Position – Ending	\$275,809,490	\$ -	\$ -	275,809,490

¹ Agreed upon procedures performed only on OHA column

State of Oregon
OBDD, OHA, DEQ
Safe Drinking Water Revolving Loan Fund
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2018

	TOTAL¹
Cash Flows From Operating Activities	
Payments to Employees for Services	\$ (365,437)
Payments to Suppliers	(3,385)
Payments to Other Funds for Services	(10,508)
Distributions to Other Governments	(106,865)
Grant Receipts	17,506,757
Other Payments	(3,482,872)
Net Cash Provided (Used) in Operating Activities	<u>13,537,690</u>
Cash Flows from Noncapital Financing Activities	
Principal Payments on Loans	(2,735)
Interest Paid on Loans	(2,993)
Transfers from Other Funds	16,344,332
Transfers to Other Funds	(14,015,627)
Net Cash Provided (Used) in Noncapital Financing Activities	<u>2,322,977</u>
Cash Flows from Investing Activities	
Loan Principal Repayments	8,260,191
Loan Interest Received	2,573,804
Loans Made	(27,586,326)
Interest on Investments and Cash Balances	2,281,539
Interest Income from Securities Lending	18,356
Interest Expense from Securities Lending	(14,066)
Net Cash Provided (Used) in Investing Activities	<u>(14,466,502)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,394,165
Cash and Cash Equivalents-Beginning	125,139,815
Cash and Cash Equivalents - Ending	<u><u>\$126,533,980</u></u>

¹No audit of accuracy of line items was performed

(continued on next page)

State of Oregon
OBDD, OHA, DEQ
Safe Drinking Water Revolving Loan Fund
Statement of Cash Flows (continued)
For the Fiscal Year Ended June 30, 2018

	TOTAL¹
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	\$ 5,728,440
 Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Interest Receipt Reported as Operating Revenue	(2,573,804)
Net Changes in Assets and Liabilities and Deferred Inflows and Outflows of Resources:	
Accounts Receivable – Federal	3,212,622
Interest Receivable	(66,512)
Loans Receivable	7,109,882
Due From Other Funds	
Prepaid Items	160
Deferred Outflows of Resources Related to Pensions	24,149
Deferred Outflows of Resources Related to OPEB	(416)
Net Pension Liability	26,023
Accounts Payable	123,408
Due to Other Funds	108
Net OPEB Obligation	(821)
Deferred Inflows Of Resources Related to Pensions	(32)
Deferred Inflows of Resources Related to OPEB	605
Employee Benefits Payable Vacation Payable	(46,122)
 Total Adjustments	7,809,250
Net Cash Provided (Used) by Operating Activities	\$ 13,537,690

¹No audit of accuracy of line items was performed



Audit Team

Mary Wenger, CPA, Deputy Director

Kelly Olson, CPA, Audit Manager

Shelly Cardenas, CPA, Principal Auditor

Jeffrey Lieder, Staff Auditor

The courtesies and cooperation extended by officials and employees of the Oregon Health Authority during the course of this engagement were commendable and sincerely appreciated.

About the Secretary of State Audits Division

The Oregon Constitution provides that the Secretary of State shall be, by virtue of the office, Auditor of Public Accounts. The Audits Division performs this duty. The division reports to the elected Secretary of State and is independent of other agencies within the Executive, Legislative, and Judicial branches of Oregon government. The division has constitutional authority to audit all state officers, agencies, boards and commissions as well as administer municipal audit law.

This report is intended to promote the best possible management of public resources.
Copies may be obtained from:

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