



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, 2020

May 2021
Report 2021-16

Secretary of State Shemia Fagan
Audits Division Director Kip Memmott

Office of the Secretary of State

Shemia Fagan
Secretary of State

Cheryl Myers
Deputy Secretary of State



Audits Division

Kip R. Memmott, MA, CGAP, CRMA
Director

255 Capitol St. NE, Suite 500
Salem, OR 97310

(503) 986-2255

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, 2020, 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 March 11, 2021.

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 exceptions 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. 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 Secretary of State
May 12, 2021

State of Oregon
OBDD, OHA, DEQ
Safe Drinking Water Revolving Loan Fund
Statement of Net Position
June 30, 2020

	<u>OBDD</u>	<u>OHA¹</u>	<u>DEQ</u>	<u>TOTAL</u>
ASSETS				
Current Assets:				
Cash	\$ 138,952,762	\$ (772,757)	\$ (83,293)	\$ 138,096,712
Interest Receivable	1,713,042	-	-	1,713,042
Loans Receivable	10,701,576	-	-	10,701,576
Securities Lending Collateral	2,077,337	-	-	2,077,337
Accounts Receivable - Federal	-	1,240,983	-	1,240,983
Due From Other Funds	(61,250)	350	140,333	79,433
Total Current Assets	153,383,467	468,576	57,040	153,909,083
Noncurrent Assets:				
Net OPEB Asset	3,567	-	-	3,567
Loans Receivable, Net	146,514,808	-	-	146,514,808
Total Noncurrent Assets	146,518,375	-	-	146,518,375
Total Assets	299,901,842	468,576	57,040	300,427,458
DEFERRED OUTFLOWS OF RESOURCES				
Related to Pensions	89,595	-	-	89,595
Related to OPEB	909	-	-	909
Total Deferred Outflows of Resources	90,504	-	-	90,504
LIABILITIES				
Current Liabilities:				
Accounts Payable	5,975	53,472	134	59,581
Securities Lending Collateral	2,077,337	-	-	2,077,337
Payroll Payable	-	550	56,184	56,734
Due to Other Funds	53	414,554	722	415,329
Vacation Payable	10,472	-	-	10,472
Contracts, Mortgages, and Notes Payable	3,970	-	-	3,970
Total Current Liabilities	2,097,807	468,576	57,040	2,623,423
Noncurrent Liabilities:				
Vacation Payable	16,535	-	-	16,535
Net OPEB Liability	1,618	-	-	1,618
Total OPEB Liability	7,158	-	-	7,158
Contracts, Mortgages, and Notes Payable	34,253	-	-	34,253
Net Pension Liability	272,834	-	-	272,834
Total Noncurrent Liabilities	332,398	-	-	332,398
Total Liabilities	2,430,205	468,576	57,040	2,955,821
DEFERRED INFLOWS OF RESOURCES				
Related to Pensions	13,007	-	-	13,007
Related to OPEB	1,954	-	-	1,954
Total Deferred Inflows of Resources	14,961	-	-	14,961
NET POSITION				
Restricted Net Position for OPEB	3,567	-	-	3,567
Unrestricted Net Position	297,543,613	-	-	297,543,613
Total Net Position	\$ 297,547,180	\$ -	\$ -	\$ 297,547,180

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, 2020

	<u>OBDD</u>	<u>OHA¹</u>	<u>DEQ</u>	<u>TOTAL</u>
Operating Revenues				
Grant Income	\$ -	\$ 15,144,443	\$ -	\$ 15,144,443
Interest Income	2,689,884	-	-	2,689,884
Total Operating Revenues	2,689,884	15,144,443	-	17,834,327
Operating Expenses				
Personal Services	332,026	-	-	332,026
Services and Supplies	17,130	-	-	17,130
Special Payments	7,355,942	-	-	7,355,942
Bad Debt	3,489,000	-	-	3,489,000
Administrative Expenses	-	185,590	-	185,590
Technical Assistance	-	352,622	-	352,622
State Program Management	-	1,851,512	-	1,851,512
Local Assistance/Other State Programs:				
Implementation of Protection	-	153,825	-	153,825
Implementation of Protection--DEQ	-	-	647,207	647,207
Water System Capacity Program	-	536,837	-	536,837
Total Operating Expenses	11,194,098	3,080,386	647,207	14,921,691
Operating Income (Loss)	(8,504,214)	12,064,057	(647,207)	2,912,636
Nonoperating Revenues (Expenses)				
Investment Income (Loss)	2,968,919	-	-	2,968,919
Other Interest Expense	(2,974)	-	-	(2,974)
Other Nonoperating Items	(20,760)	-	-	(20,760)
Other Grants	357	-	-	357
Total Nonoperating Revenues (Expenses)	2,945,542	-	-	2,945,542
Income (Loss) Before Transfers	(5,558,672)	12,064,057	(647,207)	5,858,178
Transfers From Other Funds (State Match)	2,895,600	-	-	2,895,600
Transfers Out – To DEQ	-	(647,207)	-	(647,207)
Transfers Out – To OBDD	-	(11,416,850)	-	(11,416,850)
Transfers Out – Other Fund	(11,581)	-	-	(11,581)
Transfers In – From Public Health	11,416,850	-	647,207	12,064,057
Change in Net Position	8,742,197	-	-	8,742,197
Net Position – Beginning	288,804,983	-	-	288,804,983
Net Position – Ending	\$ 297,547,180	\$ -	\$ -	\$ 297,547,180

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, 2020

	<u>TOTAL</u>¹
Cash Flows From Operating Activities	
Payments to Employees for Services	\$ (294,064)
Payments to Suppliers	(4,990)
Payments to Other Funds for Services	(12,545)
Distributions to Other Governments	(277,556)
Grant Receipts	17,055,801
Other Payments	(3,747,430)
Net Cash Provided (Used) in Operating Activities	<u>12,719,216</u>
Cash Flows from Noncapital Financing Activities	
Principal Payments on Loans	(3,872)
Interest Paid on Loans	(2,975)
Transfers from Other Funds	16,717,782
Transfers to Other Funds	(13,895,472)
Net Cash Provided (Used) in Noncapital Financing Activities	<u>2,815,463</u>
Cash Flows from Investing Activities	
Loan Principal Repayments	7,292,374
Loan Interest Received	2,926,812
Loans Made	(20,286,751)
Interest on Investments and Cash Balances	2,941,134
Interest Income from Securities Lending	27,786
Interest Expense from Securities Lending	(20,759)
Net Cash Provided (Used) in Investing Activities	<u>(7,119,404)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	8,415,275
Cash and Cash Equivalents-Beginning	<u>129,681,437</u>
Cash and Cash Equivalents - Ending	<u>\$ 138,096,712</u>

¹ No 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, 2020

	<u>TOTAL¹</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	\$ 2,912,636
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Interest Receipt Reported as Operating Revenue	(2,926,812)
Bad Debt Expense	3,489,000
Net Changes in Assets and Liabilities and Deferred Inflows and Outflows of Resources:	
Accounts Receivable – Federal	1,911,358
Interest Receivable	236,928
Loans Receivable	7,080,332
Net OPEB Asset	(1,402)
Deferred Outflows of Resources Related to Pensions	937
Deferred Outflows of Resources Related to OPEB	1,145
Net Pension Liability	34,956
Net OPEB Liability	(749)
Total OPEB Liability	(1,826)
Accounts Payable	(30,268)
Due to Other Funds	53
Due to Other Governments	(4,241)
Employee Benefits Payable Vacation Payable	16,544
Deferred Inflows of Resources Related to Pensions	(363)
Deferred Inflows of Resources Related to OPEB	988
Total Adjustments	<u>9,806,580</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 12,719,216</u>

¹ No audit of accuracy of line items was performed



Audit Team

Mary Wenger, CPA, Deputy Director

Kelly Olson, CPA, Audit Manager

Michael Yamamoto, Senior Auditor

Aaron Hiddleston, Staff Auditor

The courtesies and cooperation extended by officials and employees of the Oregon Health Authority during 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:

Oregon Audits Division

255 Capitol St NE, Suite 500 | Salem | OR | 97310

(503) 986-2255

sos.oregon.gov/audits