

The background of the top half of the page features a large, faded seal of the State of Oregon. The seal is circular with the words "SEAL OF THE STATE OF OREGON" around the perimeter. Inside the seal, there is an eagle with spread wings perched on a shield. Below the shield, there is a landscape with a ship on the left, a sun with rays in the center, and a plow on the right. The year "1859" is at the bottom of the seal.

State of Oregon
Applying Agreed-Upon Procedures

**Oregon Health Authority
Safe Drinking Water Revolving
Loan Fund**

For Fiscal Year Ended June 30, 2016

Secretary of State
Dennis Richardson

Audits Division, Director
Kip Memmott

Report 2017 – 11
June 2017

Office of the Secretary of State

Dennis Richardson
Secretary of State

Leslie Cummings, Ph.D.
Deputy Secretary of State



Audits Division

Kip R. Memmott, MA, CGAP, CRMA
Director

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**Independent Accountant's Report
On Applying Agreed-Upon Procedures**

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, 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, 2016, 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.

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 22, 2017.

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 did not review the details of the line items.

We found no exceptions as a result of the procedures performed

3. We determined that 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, are in accordance with GAAP.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the financial statements. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. This report is intended solely for the information and use of the agency and the U.S. Environmental Protection Agency and is not intended to be and should not be used by anyone other than the specified parties.

Office of the Secretary of State, Audits Division

State of Oregon
June 16, 2017

STATE OF OREGON
OBDD, OHA, DEQ
SAFE DRINKING WATER REVOLVING LOAN FUND
STATEMENT OF NET POSITION
JUNE 30, 2016

	OBDD	OHA ¹	DEQ	TOTAL
Assets and Deferred Outflows				
<i>Current Assets:</i>				
Cash	\$ 93,235,488	\$ (993,416)	\$ (77,158)	\$ 92,164,914
Interest Receivable	2,062,358	-	-	2,062,358
Securities Lending Collateral	3,719,669	-	-	3,719,669
Accounts Receivable - Federal	-	3,011,663	-	3,011,663
Due From Other Funds	1,380,860	153	127,346	1,508,359
<i>Total Current Assets</i>	<u>100,398,375</u>	<u>2,018,400</u>	<u>50,188</u>	<u>102,466,963</u>
<i>Noncurrent Assets:</i>				
Loans Receivable, Net	157,474,321	-	-	157,474,321
<i>Total Noncurrent Assets</i>	<u>157,474,321</u>	<u>-</u>	<u>-</u>	<u>157,474,321</u>
<i>Deferred Outflows of Resources:</i>				
Related to Pensions	25,753	-	-	25,753
Total Assets and Deferred Outflows	<u>257,898,449</u>	<u>2,018,400</u>	<u>50,188</u>	<u>259,967,037</u>
Liabilities, Deferred Inflows of Resources, and Net Position				
<i>Current Liabilities:</i>				
Accounts Payable	20,589	100,703	3,992	125,284
Securities Lending Collateral	3,719,669	-	-	3,719,669
Payroll Payable	-	12,182	46,072	58,254
Due to Other Funds	15	1,905,515	124	1,905,654
Vacation Payable	10,114	-	-	10,114
Contracts, Mortgages, and Notes Payable	1,700	-	-	1,700
<i>Total Current Liabilities</i>	<u>3,752,087</u>	<u>2,018,400</u>	<u>50,188</u>	<u>5,820,675</u>
<i>Noncurrent Liabilities:</i>				
Vacation Payable	5,445	-	-	5,445
Net OPEB Obligation	5,385	-	-	5,385
Contracts, Mortgages, and Notes Payable	48,755	-	-	48,755
Net Pension Liability	99,890	-	-	99,890
<i>Total Noncurrent Liabilities</i>	<u>159,475</u>	<u>-</u>	<u>-</u>	<u>159,475</u>
<i>Deferred Inflows of Resources:</i>				
Related to Pensions	24,321	-	-	24,321
Total Liabilities and Deferred Inflows	<u>3,935,883</u>	<u>2,018,400</u>	<u>50,188</u>	<u>6,004,471</u>
Net Position				
Unrestricted Net Position	253,962,566	-	-	253,962,566
Total Net Position	<u>\$253,962,566</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$253,962,566</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, 2016

	OBDD	OHA ¹	DEQ	TOTAL
Operating Revenues				
Grant Income	\$ -	\$ 13,193,244	\$ -	\$ 13,193,244
Interest Income	3,729,117	-	-	3,729,117
Total Operating Revenues	3,729,117	13,193,244	-	16,922,361
Operating Expenses				
Personal Services	317,247	-	-	317,247
Services and Supplies	19,238	-	-	19,238
Special Payments	3,519,429	-	-	3,519,429
Administrative Expenses	-	306,491	-	306,491
Technical Assistance	-	184,481	-	184,481
State Program Management	-	1,226,561	-	1,226,561
Local Assistance/Other State Programs:				
Implementation of Protection	-	491,396	-	491,396
Implementation of Protection – DEQ	-	-	643,639	643,639
Water System Capacity Program	-	326,616	-	326,616
Total Operating Expenses	3,855,914	2,535,545	643,639	7,035,098
Operating Income (Loss)	(126,797)	10,657,699	(643,639)	9,887,263
Nonoperating Revenues (Expenses)				
Investment Income (Loss)	575,685	-	-	575,685
Other Interest Expense	(3,423)	-	-	(3,423)
Other Nonoperating Items	(15,952)	-	-	(15,952)
Total Nonoperating Revenues (Expenses)	556,310	-	-	556,310
Income (Loss) Before Transfers	429,513	10,657,699	(643,639)	10,443,573
Transfers-out to DEQ	-	(643,639)	-	(643,639)
Transfers-out to OBDD	-	(10,014,060)	-	(10,014,060)
Transfers-out to Other Fund	(11,071)	-	-	(11,071)
Transfers in from Public Health	10,014,060	-	643,639	10,657,699
Change in Net Position	10,432,502	-	-	10,432,502
Net Position - Beginning	243,530,064	-	-	243,530,064
Net Position - Ending	<u>\$253,962,566</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$253,962,566</u>

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, 2016**

	TOTAL¹
Cash Flows From Operating Activities	
Payments to Employees for Services	\$ (247,950)
Payments to Suppliers	(25,404)
Payments to Other Funds for Services	(12,635)
Distributions to Other Governments	(49,625)
Grant Receipts	10,811,562
Other Payments	(3,179,184)
Net Cash Provided (Used) in Operating Activities	<u>7,296,764</u>
Cash Flows from Noncapital Financing Activities	
Principal Payments on Loans	(1,731)
Interest Paid on Loans	(3,423)
Transfers from Other Funds	9,416,025
Transfers to Other Funds	(9,031,123)
Net Cash Provided (Used) in Noncapital Financing Activities	<u>379,748</u>
Cash Flows from Investing Activities	
Loan Principal Repayments	11,891,130
Loan Interest Received	4,114,342
Loans Made	(9,872,732)
Interest on Investments and Cash Balances	553,095
Interest Income from Securities Lending	22,590
Interest Expense from Securities Lending	(15,952)
Net Cash Provided (Used) in Investing Activities	<u>6,692,473</u>
Net Increase (Decrease) in Cash and Cash Equivalents	14,368,985
Cash and Cash Equivalents-Beginning	<u>77,795,929</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 92,164,914</u></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, 2016

	TOTAL¹
Reconciliation of Operating Income to Net Cash Provided	
(Used) by Operating Activities:	
Operating Income (Loss)	\$ 9,887,263
Adjustments to Reconcile Operating Income (Loss) to Net Cash	
Provided (Used) by Operating Activities:	
Interest Receipts Reported as Operating Revenue	(4,114,342)
Net Changes in Assets and Liabilities and Deferred Inflows and Outflows of Resources:	
Accounts Receivable - Federal	(2,381,682)
Interest Receivable	385,225
Loans Receivable	3,455,225
Due from Other Funds	(187)
Deferred Outflows of Resources Related to Pensions	(9,306)
Net Pension Liability (Asset)	144,328
Accounts Payable	(16,797)
Due to Other Funds	13
Net OPEB Obligation	(391)
Deferred Inflows of Resources Related to Pensions	(61,425)
Employee Benefits and Vacation Payable	8,840
Total Adjustments	<u>(2,590,499)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 7,296,764</u>

¹ No audit of accuracy of line items was performed

About the Secretary of State Audits Division

The Oregon Constitution provides that the Secretary of State shall be, by virtue of his office, Auditor of Public Accounts. The Audits Division exists to carry out this duty. The division reports to the elected Secretary of State and is independent of other agencies within the Executive, Legislative, and Judicial branches of Oregon government. The division is authorized to audit all state officers, agencies, boards, and commissions and oversees audits and financial reporting for local governments.

Audit Team

Kelly Olson, CPA, Audit Manager

Sarah Anderson, CPA, Principal Auditor

Roseanne Bravo, Staff Auditor

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

internet: <http://sos.oregon.gov/audits>

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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.