



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, 2017

April 2018
2018-15

Secretary of State Dennis Richardson
Audits Division Director Kip Memmott

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Office of the Secretary of State

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Secretary of State

Leslie Cummings, Ph.D.
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Audits Division

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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, 2017, 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 13, 2018.

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 no exceptions as a result of the procedures performed.

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. 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
April 23, 2018

State of Oregon
OBDD, OHA, DEQ
Safe Drinking Water Revolving Loan Fund
Statement of Net Position
June 30, 2017

| | OBDD | OHA ¹ | DEQ | TOTAL |
|---|-----------------------|------------------|---------------|-----------------------|
| Assets and Deferred Outflows | | | | |
| <i>Current Assets:</i> | | | | |
| Cash | \$ 127,041,053 | \$ (1,764,265) | \$ (136,973) | \$ 125,139,815 |
| Interest Receivable | 1,559,720 | - | - | 1,559,720 |
| Securities Lending Collateral | 986,752 | - | - | 986,752 |
| Accounts Receivable - Federal | - | 4,066,011 | - | 4,066,011 |
| Due From Other Funds | 1,937,422 | 375,000 | 193,607 | 2,506,029 |
| Prepaid Items | - | - | 160 | 160 |
| <i>Total Current Assets</i> | <u>131,524,947</u> | <u>2,676,746</u> | <u>56,794</u> | <u>134,258,487</u> |
| <i>Noncurrent Assets:</i> | | | | |
| Loans Receivable, Net | 135,546,333 | - | - | 135,546,333 |
| <i>Total Noncurrent Assets</i> | <u>135,546,333</u> | <u>-</u> | <u>-</u> | <u>135,546,333</u> |
| <i>Deferred Outflows of Resources:</i> | | | | |
| Related to Pensions | 112,256 | - | - | 112,256 |
| Total Assets and Deferred Outflows | <u>267,183,536</u> | <u>2,676,746</u> | <u>56,794</u> | <u>269,917,076</u> |
| Liabilities, Deferred Inflows of Resources, and Net Position | | | | |
| <i>Current Liabilities:</i> | | | | |
| Accounts Payable | 18,564 | 117,466 | 5,472 | 141,502 |
| Securities Lending Collateral | 986,752 | - | - | 986,752 |
| Payroll Payable | - | 30,326 | 51,160 | 81,486 |
| Due to Other Funds | 375,039 | 2,528,954 | 2 | 2,903,995 |
| Vacation Payable | 13,540 | - | - | 13,540 |
| Contracts, Mortgages, and Notes Payable | 2,300 | - | - | 2,300 |
| <i>Total Current Liabilities</i> | <u>1,396,195</u> | <u>2,676,746</u> | <u>56,634</u> | <u>4,129,575</u> |
| <i>Noncurrent Liabilities:</i> | | | | |
| Vacation Payable | 7,291 | - | - | 7,291 |
| Net OPEB Obligation | 5,517 | - | - | 5,517 |
| Contracts, Mortgages, and Notes Payable | 45,890 | - | - | 45,890 |
| Net Pension Liability | 217,427 | - | - | 217,427 |
| <i>Total Noncurrent Liabilities</i> | <u>276,125</u> | <u>-</u> | <u>-</u> | <u>276,125</u> |
| <i>Deferred Inflows of Resources:</i> | | | | |
| Related to Pensions | 2,066 | - | - | 2,066 |
| Total Liabilities and Deferred Inflows | <u>1,674,386</u> | <u>2,676,746</u> | <u>56,634</u> | <u>4,407,766</u> |
| Net Position | | | | |
| Unrestricted Net Position | 265,509,150 | - | 160 | 265,509,310 |
| Total Net Position | <u>\$ 265,509,150</u> | <u>\$ -</u> | <u>\$ 160</u> | <u>\$ 265,509,310</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, 2017

| | OBDD | OHA ¹ | DEQ | TOTAL |
|---|----------------|------------------|-----------|----------------|
| Operating Revenues | | | | |
| Grant Income | \$ - | \$ 16,560,465 | \$ - | \$ 16,560,465 |
| Interest Income | 3,250,480 | - | - | 3,250,480 |
| Total Operating Revenues | 3,250,480 | 16,560,465 | - | 19,810,945 |
| Operating Expenses | | | | |
| Personal Services | 300,004 | - | - | 300,004 |
| Services and Supplies | 12,838 | - | - | 12,838 |
| Special Payments | 5,755,634 | - | - | 5,755,634 |
| Administrative Expenses | - | 272,670 | - | 272,670 |
| Technical Assistance | - | 245,503 | - | 245,503 |
| State Program Management | - | 1,344,444 | - | 1,344,444 |
| Local Assistance/Other State Programs: | | | | |
| Implementation of Protection | - | 919,808 | - | 919,808 |
| Implementation of Protection – DEQ | - | - | 728,263 | 728,263 |
| Water System Capacity Program | - | 386,009 | - | 386,009 |
| Total Operating Expenses | 6,068,476 | 3,168,434 | 728,263 | 9,965,173 |
| Operating Income (Loss) | (2,817,996) | 13,392,031 | (728,263) | 9,845,772 |
| Nonoperating Revenues (Expenses) | | | | |
| Investment Income (Loss) | 1,205,038 | - | - | 1,205,038 |
| Other Interest Expense | (3,448) | - | - | (3,448) |
| Other Nonoperating Items | (3,063) | - | - | (3,063) |
| Total Nonoperating Revenues (Expenses) | 1,198,527 | - | - | 1,198,527 |
| Income (Loss) Before Transfers | (1,619,469) | 13,392,031 | (728,263) | 11,044,299 |
| Transfers from Other Fund (State Match) | 514,416 | - | - | 514,416 |
| Transfers-out to DEQ | - | (728,423) | - | (728,423) |
| Transfers-out to OBDD | - | (13,038,608) | - | (13,038,608) |
| Transfers-out to OHA | (375,000) | - | - | (375,000) |
| Transfers-out to Other Fund | (11,971) | - | - | (11,971) |
| Transfers-in from OBDD | - | 375,000 | - | 375,000 |
| Transfers-in from Public Health | 13,038,608 | - | 728,423 | 13,767,031 |
| Change in Net Position | 11,546,584 | - | 160 | 11,546,744 |
| Net Position – Beginning | 253,962,566 | - | - | 253,962,566 |
| Net Position – Ending | \$ 265,509,150 | \$ - | \$ 160 | \$ 265,509,310 |

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, 2017

| | TOTAL ¹ |
|---|------------------------------|
| Cash Flows From Operating Activities | |
| Payments to Employees for Services | \$ (250,575) |
| Payments from Suppliers | 13,930 |
| Payments to Other Funds for Services | (7,562) |
| Distributions to Other Governments | (111,101) |
| Grant Receipts | 15,506,117 |
| Other Payments | (3,896,857) |
| Net Cash Provided (Used) in Operating Activities | <u>11,253,952</u> |
| Cash Flows from Noncapital Financing Activities | |
| Principal Payments on Loans | (2,265) |
| Interest Paid on Loans | (3,448) |
| Transfers from Other Funds | 13,658,378 |
| Transfers to Other Funds | (13,155,685) |
| Net Cash Provided (Used) in Noncapital Financing Activities | <u>496,980</u> |
| Cash Flows from Investing Activities | |
| Loan Principal Repayments | 32,850,508 |
| Loan Interest Received | 3,753,117 |
| Loans Made | (16,581,631) |
| Interest on Investments and Cash Balances | 1,200,474 |
| Interest Income from Securities Lending | 4,564 |
| Interest Expense from Securities Lending | (3,063) |
| Net Cash Provided (Used) in Investing Activities | <u>21,223,969</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 32,974,901 |
| Cash and Cash Equivalents-Beginning | <u>92,164,914</u> |
| Cash and Cash Equivalents - Ending | <u><u>\$ 125,139,815</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, 2017

| | TOTAL¹ |
|---|--------------------------|
| Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities: | |
| Operating Income (Loss) | \$ 9,845,772 |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | |
| Interest Receipts Reported as Operating Revenue | (3,753,117) |
| Net Changes in Assets and Liabilities and Deferred Inflows and Outflows of Resources: | |
| Accounts Receivable - Federal | (1,054,348) |
| Interest Receivable | 502,638 |
| Loans Receivable | 5,659,112 |
| Due from Other Funds | 400 |
| Prepaid Items | (160) |
| Deferred Outflows of Resources Related to Pensions | (86,504) |
| Net Pension Liability (Asset) | 117,537 |
| Accounts Payable | 16,218 |
| Due to Other Funds | 24 |
| Net OPEB Obligation | 132 |
| Deferred Inflows of Resources Related to Pensions | (22,255) |
| Employee Benefits and Vacation Payable | 28,503 |
| Total Adjustments | 1,408,180 |
| Net Cash Provided (Used) by Operating Activities | <u>\$ 11,253,952</u> |

¹ No audit of accuracy of line items was performed



Audit Team

Mary Wenger, CPA, Deputy Director

Kelly Olson, CPA, Audit Manager

Katie Hull, Senior Auditor

David Drohman, CPA, 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 his 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

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