775 Summer St. NE, Ste. 200 • Salem, OR 97301 • 503–986–0123 • fax 503 5815115 • biz.oregon.gov

Oregon Business Development Department
State of Oregon
Special Public Works Fund (SPWF) and Water Fund (WF)
Enterprise Funds

Annual Financial Report
Year Ended June 30, 2024

Oregon Business Development Department, State of Oregon
Special Public Works Fund (SPWF) and Water Fund (WF)
Enterprise Funds

Annual Financial Report
Year Ended June 30, 2024

Table of Contents

Financial Section	**Page**
Independent Auditor's Report	1
Basic Financial Statements	
Statement of Net Position	4
Statement of Revenues, Expenses and Changes in Net Position	5
Statement of Cash Flows	6
Notes to the Financial Statements	8
Other Report	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters	21

Financial Section

Oregon Secretary *of* State
Audits Division

Steve Bergmann
Division Director

Independent Auditor's Report

The Honorable Tina Kotek
Governor of Oregon

Sophorn Cheang, Director, Oregon Business Development Department
Infrastructure Finance Authority Board

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Special Public Works Fund and the Water Fund, enterprise funds of the State of Oregon, Oregon Business Development Department, as of and for the year ended June 30, 2024, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Special Public Works Fund and the Water Fund, enterprise funds of the State of Oregon, Oregon Business Development Department, as of June 30, 2024, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Oregon Business Development Department, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the combined Special Public Works Fund and the Water Fund, enterprise funds of the State of Oregon, Oregon Business Development Department and do not purport to, and do not, present fairly the financial position of the State of Oregon, Oregon Business Development Department, as of June 30, 2024, the changes in its financial position or its cash flows for the

255 Capitol St NE, Ste 180
Salem, Oregon 97310

Tobias Read
Oregon Secretary of State

Michael Kaplan
Deputy Secretary

Information (503) 986-2255
sos.oregon.gov/audits

year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and the disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Oregon Business Development Department's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issue our report dated March 20, 2025, on our consideration of the Oregon Business Development Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Oregon Business Development Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Oregon Business Development Department's internal control over financial reporting and compliance.

Office of the Secretary of State, Audits Division

State of Oregon
March 20, 2025

Basic Financial Statements

Oregon Business Development Department, State of Oregon
Special Public Works Fund (SPWF) and Water Fund (WF)
Statement of Net Position
(In Thousands)
June 30, 2024

	SPWF	WF	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 210,284	$ 38,708	$ 248,992
Investments	12,237	-	12,237
Securities Lending Collateral	330	61	391
Accounts and Interest Receivable (net)	5,135	678	5,813
Due From Other Funds	1,172	4,567	5,739
Loans Receivable (net)	9,903	3,262	13,165
Total Current Assets	239,060	47,276	286,337
Noncurrent Assets:			
Cash and Cash Equivalents - Restricted	1,118	-	1,118
Loans Receivable (net)	170,385	49,039	219,424
Net OPEB Asset	49	26	74
Total Noncurrent Assets	171,552	49,065	220,617
Total Assets	410,612	96,342	506,954
DEFERRED OUTFLOWS OF RESOURCES			
Related to Pensions	728	346	1,074
Related to OPEB	2	1	3
Total Deferred Outflows of Resources	730	347	1,077
LIABILITIES			
Current Liabilities:			
Accounts and Interest Payable	1,276	89	1,364
Obligations under Securities Lending	330	61	391
Due to Other Governments	21	298	319
Due to Other Funds	5,998	1,186	7,184
Compensated Absences Payable	106	7	113
Contracts, Mortgages and Notes Payable	15	6	21
Bonds Payable	3,225	-	3,225
Total Current Liabilities	10,969	1,647	12,616
Noncurrent Liabilities:			
Compensated Absences Payable	57	4	61
Arbitrage Rebate Liability	192	-	192
Contracts, Mortgages and Notes Payable	41	17	58
Bonds Payable	54,001	-	54,001
Net Pension Liability	1,801	844	2,644
Total OPEB Liability	22	10	32
Total Noncurrent Liabilities	56,113	875	56,988
Total Liabilities	67,083	2,521	69,604
DEFERRED INFLOWS OF RESOURCES			
Related to Pensions	142	67	209
Related to OPEB	17	8	26
Total Deferred Inflows of Resources	160	75	235
NET POSITION			
Restricted for:			
OPEB	49	26	74
Unrestricted	344,051	94,067	438,117
Total Net Position	$ 344,099	$ 94,092	$ 438,192

The accompanying Notes are an integral part of the financial statements

Oregon Business Development Department, State of Oregon
Special Public Works Fund (SPWF) and Water Fund (WF)
Statement of Revenues, Expenses and Change in Net Position
(In Thousands)
June 30, 2024

	SPWF	WF	Total
OPERATING REVENUES:			
Loan Interest Income	$ 6,071	$ 777	$ 6,848
Other	3	-	3
Total Operating Revenues	6,075	777	6,851
OPERATING EXPENSES:			
Salaries and Wages	2,272	1,023	3,295
Services and Supplies	362	151	513
Distibutions to Other Governments	3,633	2,618	6,251
Bonds - Interest	1,820	-	1,820
Total Operating Expenses	8,088	3,792	11,880
Operating Income (Loss)	(2,013)	(3,015)	(5,029)
NON-OPERATING:			
Investment Income (Loss)	11,152	1,908	13,059
Other Interest Expenses	(23)	(5)	(28)
Total Non-operating	11,128	1,903	13,031
Income (Loss) Before Contributions, Special Items, Extraordinary Items, and Transfers	9,115	(1,113)	8,002
Transfers from Other Funds	115	218	333
Transfers to Other Funds	(4,586)	(292)	(4,877)
Change in Net Position	4,645	(1,186)	3,458
Net Position - Beginning	339,455	95,279	434,733
Net Position - Ending	$ 344,099	$ 94,092	$ 438,192

The accompanying Notes are an integral part of the financial statements

Oregon Business Development Department, State of Oregon
Special Public Works Fund (SPWF) and Water Fund (WF)
Statement of Cash Flows
(In Thousands)
June 30, 2024

	SPWF	WF	Total
Cash Flows from Operating Activities:			
Payments to Employees for Services	$ (2,057)	$ (994)	$ (3,052)
Payments to Suppliers	(114)	(19)	(133)
Payments to Other Funds for Services	(217)	(118)	(336)
Loans Made	(19,866)	-	(19,866)
Distributions to Other Governments	(3,586)	(2,560)	(6,146)
Other Receipts (Payments)	(92)	-	(92)
Net Cash Provided (Used) in Operating Activities	(25,933)	(3,692)	(29,625)
Cash Flows from Noncapital Financing Activities:			
Principal Payments on Bonds/COPs	(3,100)	-	(3,100)
Principal Payments on Loans	(17)	(7)	(23)
Interest Payments on Bonds/COPs	(2,314)	-	(2,314)
Interest Payments on Loans	(4)	(2)	(6)
Transfers from Other Funds	115	218	333
Transfers to Other Funds	(3,100)	(292)	(3,392)
Net Cash Provided (Used) in Noncapital Financing Activities	(8,419)	(82)	(8,501)
Cash Flows from Investing Activities:			
Interest on Investments and Cash Balances	10,740	1,904	12,644
Interest Income from Securities Lending	19	3	23
Interest Expense from Securities Lending	(19)	(3)	(23)
Loan Principal Repayments	-	3,474	3,474
Loan Interest Received	5,900	1,017	6,917
Loans Made	9,895	(2,029)	7,866
Net Cash Provided (Used) in Investing Activities	26,535	4,367	30,902
Net Increase (Decrease) in Cash and Cash Equivalents	(7,817)	593	(7,224)
Cash and Cash Equivalents - Beginning	219,220	38,115	257,334
Cash and Cash Equivalents - Ending	$ 211,402	$ 38,708	$ 250,111

The accompanying Notes are an integral part of the financial statements

Continued on Page 7

Oregon Business Development Department, State of Oregon
Special Public Works Fund (SPWF) and Water Fund (WF)
Statement of Cash Flows
(In Thousands)
June 30, 2024

Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating Income (Loss)	$ (2,013)	$ (3,015)	$ (5,029)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Amortization of Bond/COP Premium and Discount	(354)	-	(354)
Interest Receipts Reported as Operating Revenue	(6,071)	(777)	(6,848)
Interest Payments Reported as Operating Expense	2,174	-	2,174
Net Changes in Assets and Liabilities:			
Accounts and Interest Receivable (net)	(2)	-	(2)
Due from Other Funds	(99)	(97)	(196)
Loans Receivable	(19,827)	(194)	(20,021)
Net OPEB Asset	-	(7)	(7)
Accounts and Interest Payable	203	(45)	157
Due to Other Funds	(3)	86	83
Due to Other Governments	20	297	317
Compensated Absences Payable	8	(67)	(58)
Net Pension Liability	817	304	1,121
Net OPEB Liability	(1)	-	(1)
Total OPEB Liability	2	1	3
Net Changes in Deferred Outflows of Resources:			
Related to pensions	(562)	(82)	(643)
Related to OPEB	(1)	2	1
Net Changes in Deferred Inflows of Resources:			
Related to Pensions	(214)	(95)	(309)
Related to OPEB	(9)	(3)	(12)
Total Adjustments	(23,920)	(676)	(24,596)
Net Cash Provided (Used) by Operating Activities	$ (25,933)	$ (3,692)	$ (29,625)

The accompanying Notes are an integral part of the financial statements

(Continued from Page 6)

Note 1 - Summary of Significant Accounting Policies

The accompanying financial statements of the Oregon Business Development Department's Special Public Works Fund (SPWF) and Water Fund (WF) have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). All applicable GASB pronouncements have been applied.

1.A - The Reporting Entity

A major focus of the Oregon Business Development Department (the Department) is to help communities plan, design, and construct municipally owned infrastructure such as safe drinking water systems, wastewater systems, and community facilities; and to enhance livability and economic prosperity for Oregon. The Department achieves these goals, in part, through the SPWF and the WF programs. These financial statements report the financial activity of the SPWF and WF programs. SPWF and WF are part of the State of Oregon reporting entity and are incorporated in Oregon's Annual Comprehensive Financial Report.

SPWF was created on July 1, 1985, as a program of the Intergovernmental Relations Division of the then Executive Department. The program was subsequently transferred to the Department on July 1, 1987. The SPWF program operates under the provisions of sections 285B.410 through 285B.482 of the Oregon Revised Statutes (ORS). The SPWF program makes loans and grants to municipalities for the design and construction of municipally owned infrastructure needed to support industrial and commercial development.

WF was created in 1993 as a program within the Department. The WF program operates under the provisions of ORS sections 285B.560 through 285B.599. The program is primarily intended to provide funding to municipalities to assist in the compliance with the Safe Drinking Water Act and the Clean Water Act. As a result, the WF program makes loans and grants to municipalities for the construction and improvement of water and wastewater collection systems to provide Oregon residents with safe drinking water and appropriate wastewater disposal.

1.B - Basis of Presentation

SPWF and WF programs are accounted for as Enterprise Funds, a proprietary fund type. Enterprise Funds account for operations financed and operated in a manner like private business enterprises.

The Department has chosen to report its basic financial statements in amounts that round to the nearest one thousand dollars. The natural round of all amounts, including subtotals and totals, has been maintained.

1.C - Measurement Focus and Basis of Accounting

All proprietary funds are accounted for on a flow of economic resources measurement focus and are maintained on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded at the time related liabilities are incurred.

All assets, any deferred outflows of resources, liabilities, and any deferred inflows of resources associated with the operation of the SPWF and WF are included on the statement of net position. Assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals net position.

The SPWF and WF statement of revenues, expenses, and changes in fund net position presents increases (e.g., revenues) and decreases (e.g., expenses) in net position.

Operating revenues and expenses generally result from providing services to municipalities. Significant operating income includes loan interest received. Operating expenses include salaries and wages, services and supplies, distributions to other governments, and interest paid on bonds outstanding. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses. The SPWF and WF are accounted for as separate programs; therefore, there is no internal activity.

1.D - Budgetary Accounting

The Oregon Legislature approves the State of Oregon's budget on a biennial basis. SPWF and WF program expenditures are monitored against approved budgets, quarterly allotments, and cash balances. Limitations lapse at the end of the biennium. The Emergency Board of the Legislature approves any necessary increases in budgets when the Legislature is not in session. The SPWF and WF have continuous spending authority under ORS 285B.455 and 285B.563.

1.E - Oregon Bond Discounts, Premiums, and Issuance Costs

Bond discounts and premiums are deferred and amortized over the term of the bonds using the straight-line method. Bond discounts are presented as a reduction to the face amount of bonds payable; premiums are presented as an addition to the face amount of bonds payable; issuance costs are expensed in the period incurred. SPWF and WF do not have any liability for bond arbitrage. The governmental units to which SPWF and WF provide financing are responsible for any arbitrage liability incurred on the bonds.

1.F - Cash Equivalents, and Investments (Including Restricted)

Cash deposits that are held in a cash management or investment pool are classified as cash and cash equivalents when the pool has the general characteristics of a demand deposit account. Cash and cash equivalents consist of cash and investments held by the Office of the State Treasurer in the Oregon Short-term Fund; and moneys held in money market funds held by a trustee.

Investments are reported at fair value. Changes in the fair value of investments are recognized as investment income (loss) in the current year.

1.G - Receivables

Receivables are amounts due representing revenues earned or accrued in the current period. Interest receivable includes interest due on loans to local governments and special districts. An allowance for uncollectible loans was established to estimate the potential loss from uncollectible loans. Actual loan losses may vary from estimated amounts.

(In Thousands)

Forgivable loans are expected to be forgiven once certain restrictions and obligations are met. However, until the conditions are met, forgivable loans are recorded as receivables with an offsetting allowance for doubtful accounts.

1.H - Intrafund Transactions

Intrafund activity (transfers to/from other funds) within each fund in the financial statements have been eliminated.

1.I - Compensated Absences

Employees accumulate earned but unused vacation and sick leave benefits. Accumulated vacation leave for employees is recorded as an expense and a liability of the SPWF and WF programs as benefits accrue to the employee. A liability for unpaid accumulated sick leave is not recorded. Employees are not paid for unused sick leave benefits when employees leave Department service.

1.J - Restricted Assets

Restricted assets consist of cash or another item of monetary value that is set aside for a particular purpose, primarily to satisfy regulatory or contractual requirements.

1.K - Net position

Net position is presented in two classifications: Restricted for OPEB and Unrestricted.

Note 2 - Cash and Cash Equivalents

At June 30, 2024, cash and cash equivalents consist of:

Office of the State Treasurer, Oregon Short-Term Fund	$	248,992
Debt Service funds held by Zions Bank, trustee		1,118
	$	250,111

Cash and cash equivalents are displayed in the financial statements as follows:

Current Assts:		
Cash and Cash equivalents	$	248,992
Noncurrent Assets:		
Cash and Cash equivalents - Restricted	$	1,118
	$	250,111

2.A - Deposits

As of June 30, 2024, the book balance of monies held in demand accounts in the OSTF was $248,992. The bank balance was $251,146. The Oregon State Treasurer maintains the OSTF, a cash and investment pool that is available for use by the Department. The bank and book balance with Zion Bank was $1,118.

2.B - Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the Department will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Department does not have a formal policy regarding custodial credit risk for deposits. However, banking regulations and Oregon law establish the insurance and collateral requirements for deposits in the OSTF.

A separate financial report for the OSTF is prepared by the Treasurer. Copies of the report may be obtained from the Oregon State Treasury, 867 Hawthorne Ave SE, Salem, OR 97301, or from the Treasury's website at:

https://www.oregon.gov/treasury/public-financial-services/oregon-short-term-funds/pages/default.aspx

The balance of money market accounts held by the Zions Bank (Oregon Bond Bank trustee) as agents for the Department totaled $1,118. The funds held by the Bond Trustee are not held in the Department's name but are held in bondholders' names. Each bondholder is insured by FDIC up to $250. The remaining funds are neither insured, nor collateralized and are thus exposed to custodial credit risk.

Note 3 - Investments

The Bond Indentures authorize the Department to invest in direct obligations of, or obligations guaranteed by, the United States of America: bonds, debentures, notes, participation certificates, or other similar obligations issued by specified Federal Agencies; and direct and general obligations of, or guaranteed by, the State: investments agreements, secured or unsecured, with any institution whose debt securities are rated at least equal to the then existing rating on the bonds by the rating agencies; and deposit on interest-bearing demand deposits, or certificates of deposit secured by obligations described above. These are permissible investments under State statute ORS 285B.455 which allows moneys in the SPWF to be invested as provided by ORS 293.701 to 293.857. Investment Standards for the State of Oregon are set in ORS 293.726 and require funds to be managed as a prudent investor would do. On June 30, 2024, the Department reported investments in SPWF of $12,237 which includes $2,237 of unrealized gains reported as investment income. Investments are with the Oregon Intermediate Term Pool (OITP).

OITP is not registered with the U.S. Securities and Exchange Commission as an investment company. Additional information about OITP, including its audited financial statements, can be found at:

https://www.oregon.gov/treasury/invested-for-oregon/Pages/Oregon-Intermediate-Term-Investments.aspx

The State's investment policies are governed by Oregon Revised Statutes and the Oregon Investment Council (Council). The State Treasurer is the investment officer for the Council and is responsible for all funds entrusted to OST. These funds must be invested, and the investments managed, as a prudent investor would, exercising reasonable care, skill, and caution. Investments in OITP are further governed by guidelines approved by the Council, establishing diversification percentages, and specifying the types and maturities of investments.

(In Thousands)

3.A - CREDIT RISK

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Department does not have a policy concerning credit risk. Investments are with the Oregon Intermediate Term Pool (OITP).

On June 30, 2024, OITP guidelines require that all investments meet minimum ratings requirements at the time of purchase. Minimum required ratings are subject to investment type as dictated by the guidelines.

3.B - INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Department does not have a policy concerning interest rate risk. Investments are with the OITP.

On June 30, 2024, OITP portfolio guidelines require that the portfolio's modified duration, a measure of interest rate risk, shall not exceed three years. The weighted average duration for the OITP was 3.43 years. The maximum maturity for any single investment should not be greater than 10.25 years from settlement date, with exceptions for asset-backed securities, mortgage-backed securities, and commercial mortgage-backed securities. These securities use weighted average life (WAL) as a proxy for maturity and are limited to a WAL of five years, or less, at the time of purchase.

3.C - SECURITIES LENDING

In accordance with State of Oregon investment policies, state agencies may participate in securities lending. Neither SPWF nor WF have any of its own securities lending activity but were allocated a share related to the OSTF securities lending activity. As of June 30, 2024, there were no securities lending activities to disclose for the OITP. Additional information about OSTF and OITP securities lending can be found in the audited financial statements. See links previously provided above. Securities lending information is provided in the following table:

Oregon Short Term Fund (OSTF)	
Securities Lending Cash Collateral	$ 391
Total cash and noncash collateral	3,086
Securities on loan	3,024
Investments purchased with cash collateral	391
The securities on loan from the OSTF included:	Percent
U.S. Agency Securities	87.39
Domestic Fixed Income Securities	12.61
	100.00

Note 4 - CHANGES IN LONG-TERM LIABILITIES

The following table summarizes the changes in long-term liabilities for activities for the fiscal year ended June 30, 2024:

(In Thousands)

	Beginning balance 7/1/2023	Increase	Decrease	Ending Balance 6/30/2024	Due in One Year
Bonds Payable:					
Principal	$ 51,550	$ -	$ 3,100	$ 48,450	$ 3,225
Premium	9,130	-	354	8,776	354
Total Bonds Payable	60,680	-	3,454	57,226	3,579
Compensated Absences	233	166	224	174	113
Contracts Mortgages and Notes Payable	102	-	23	79	21
	$ 61,014	$ 166	$ 3,702	$ 57,479	$ 3,713

Note 5 - Debt Service Requirements to Maturity

Debt service requirements for bonds as of June 30, 2024:

For the year ending June 30,	Principle	Interest	Total
2025	$ 3,225	$ 2,171	$ 5,396
2026	3,395	2,021	5,416
2027	3,545	1,862	5,407
2028	3,720	1,695	5,415
2029	3,900	1,519	5,419
2030-2034	14,805	5,114	19,919
2035-2039	7,510	2,412	9,922
2040-2044	4,985	1,020	6,005
2045-2049	2,900	260	3,160
2050-2054	465	21	486
	$ 48,450	$ 18,093	$ 66,543

(In Thousands)

Debt service requirements for contracts, mortgages, and notes payable as of June 30, 2024:

For the year endng June 30,	Principal	Interest	Total
2025	$ 21	$ 5	$ 26
2026	22	4	26
2027	24	2	26
2028	12	-	13
	$ 79	$ 11	$ 90

Note 6 - Oregon Bond Bank Bonds Issued and Outstanding

As of June 30, 2024, Oregon Bond Bank bonds totaling $48,450 are outstanding. Bond proceeds are lent to Oregon local governments (borrowers) to fund eligible SPWF and WF projects. Security for bond payment is primarily from repayment of these loans made to the Department by the borrowers. These bonds are not general obligations of the State of Oregon. Bonds payable reported on the statement of net position are recorded net of original issue premiums and discounts. Bond premiums of $8,776 and bond discounts of $0 are included in Bonds Payable as of June 30, 2024.

The following table summarizes the changes in bonds outstanding during the fiscal year ended June 30, 2024:

Series	Period	Interest	Original Issue	July 1, 2023	June 30, 2024	Increase	Decrease	Due in one year
2018A	2018-48	3.50-5.00	$ 31,275	$ 23,410	$ 21,650	$ -	$ 1,760	$ 1,830
2021A	2021-51	3.00-5.00	26,260	24,255	23,175	-	1,080	1,135
2021B	2021-41	0.27-2.57	4,365	3,885	3,625	-	260	260
			$61,900	$ 51,550	$48,450	$ -	$3,100	$3,225

Note 7 - Employee Retirement Plans

7.A - Plan Description

The Oregon Public Employees Retirement System (PERS) provides retirement plans for Department employees. PERS is administered by the Public Employees Retirement Board (Board), as required by ORS chapters 238 and 238A. Copies of the PERS annual financial reports may be obtained at:

http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx

7.B - Oregon Public ' Retirement System (PERS)

The Department's employees who were plan members before August 29, 2003, participate in PERS, a cost-sharing multiple-employer defined benefit pension plan. The PERS has two tiers of benefits. Employees hired before January 1, 1996 are in Tier One. Tier One employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Tier Two members are eligible for full benefits at age 60. Tier Two does not have the Tier One assumed earnings rate guarantee. The PERS retirement allowance is payable monthly for life and may be selected from several retirement benefit options as established by ORS chapter 238. Options include survivorship benefits and lump sum distributions. The PERS also provides death and disability benefits. Monthly benefits are adjusted annually through cost-of-living (COLA) changes. The COLA is capped at 2.0 percent for all benefit recipients.

(In Thousands)

7.C - Oregon Public Service Retirement Plan (OPSRP)

The 2003 Oregon Legislature created the Oregon Public Service Retirement Plan (OPSRP), also a cost-sharing multiple-employer plan. OPSRP is part of PERS and is administered by the PERS Board. OPSRP is a hybrid pension plan with two components: the Pension Program (defined benefit) and the Individual Account Program (defined contribution). Department employees hired after August 28, 2003, participate in OPSRP after completing six months of service. The OPSRP Pension Program provides a monthly pension payable for life as well as death and disability benefits as established by ORS chapter 238A.

Beginning January 1, 2004, PERS members became members of the Individual Account Program (IAP) portion of OPSRP. PERS members retain their existing PERS accounts, but member contributions are now deposited in the IAP account rather than into the member's PERS account. All covered employees are required by state statute to contribute a percentage of their salary to the IAP.

7.D - Plan Rates

For the PERS Pension and the OPSRP Pension, the Department must contribute actuarially computed amounts as determined by the Board. The funding policies provide for monthly employer contributions. Rates are subject to change because of subsequent actuarial valuations.

The required contribution rates as a percentage of subject salary are:

Year Ended June 30,	PERS	OPSRP	IAP
2024	21.78%	18.28%	6.00%
2023	22.38%	17.29%	6.00%
2022	22.38%	17.29%	6.00%
2021	20.76%	14.48%	6.00%

7.E - Annual Pension Cost

The annual pension cost is the actual contribution to PERS (which equals the required contribution) plus the 6% employee contribution. The annual pension cost for the year ended June 30, 2024, and the three preceding years are:

(In Thousands)

Year Ended June 30,	PERS	OPSRP	IAP
2024	195	156	51
2023	165	127	44
2022	119	96	34
2021	117	82	34

7.F - PENSIONS

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of PERS and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, revenues are recognized when earned. Contributions are recognized when due, pursuant to legal (or statutory) requirements. Benefits are recognized in the month they are earned, and withdrawals are recognized in the month they are due and payable. Plan investments are reported at fair value.

7.G - NET PENSION LIABILITY

On June 30, 2024, the State reported a liability of $5.4 billion for its proportionate share of the net pension liability. The Department's portion for SPWF and WF is $2,644. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The State's portion of the net pension liability was based on a projection of the State's long-term share of contributions of all participating employers, actuarially determined. On June 30, 2024, the Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between Expected and actual Earnings on Investments	$ 129	$ 10
Changes in Assumptions	235	2
Net difference between projected and actual earnings on investments	48	-
Changes in proportion and differences between contributions and proportionate share of contributions	290	197
Total (prior to post-measurement date contributions)	702	209
Net deferred outflow (inflow) of resources before contributions subsequent to measurement date	-	493
Contributions susequent to the measurement date	373	-
Net Deferred Outflow (inflow) of resources		$ (120)

The $493 reported as deferred outflows of resources related to pensions resulting from Department contributions after the measurement date will be recognized as a decrease to the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

(In Thousands)

Fund subsequent fiscal years	Deferred Outflow (Inflow) of Resources	
1st Fiscal Year	$	93
2nd Fiscal Year		(35)
3rd Fiscal Year		300
4th Fiscal Year		119
5th Fiscal Year		17
Thereafter		-
Total	$	493

Note 8 - Other Postemployment Benefit Plans

8.A - Plan Description

Department employees may be eligible to participate in health insurance plans and other benefit plans after retirement, collectively known as Other Postemployment Benefits (OPEB). OPEB plans are offered through PERS and the Public Employees Benefit Board (PEBB).

8.B - 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[1] toward the monthly cost of health insurance for eligible PERS members. To be eligible for the RHIA subsidy, the member must: (1) have eight years or more 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, (2) receive both Medicare parts A and B coverage, and (3) enroll in a PERS sponsored health insurance plan. The plan was closed to new entrants hired on or after August 29, 2003.

The Department is required by statute to contribute actuarially computed amounts as determined by PERS. The Department contributed 0.00% of PERS-covered salary for Tier One and Tier Two members to fund the normal cost portion of RHIA benefits. The Department also contributed 0.00% of all PERS-covered salary to amortize the unfunded actuarial accrued liability. These rates are embedded within the total PERS and OPSRP Pension Employer Rates.

The Department's contribution equaled the annual required contribution. The Oregon Legislature has sole authority to amend the benefit provisions and funding policy for the RHIA plan.

[1] This amount represents actual dollars and is not rounded to thousands

8.C - 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 a disability pension calculated as if they had eight or more years of qualifying service but are not eligible for federal Medicare coverage. The plan was closed to new entrants hired on or after August 29, 2003.

The Department is required by statute to contribute actuarially computed amounts as determined by PERS. The Department contributed 0.00% of PERS-covered salary for Tier One and Tier Two members to fund the normal cost portion of RHIPA benefits, respectively. The Department also contributed 0.00% of all PERS-covered salary to amortize the unfunded actuarial accrued liability. These rates are embedded within the total PERS and OPSRP pension employer rates.

The Department's contribution equaled the annual required contribution. The Oregon Legislature has sole authority to amend the benefit provisions and funding policy for the RHIPA plan.

8.D - Public Employees Benefit Board Plan

The Public Employees Benefit Board (PEBB) plan is a single-employer plan for financial reporting purposes, which offers medical, dental and vision benefits to eligible retired employees. Retired employees not eligible for Medicare are eligible for PEBB coverage if the retiree is receiving a service or disability benefit from PERS or another state system, is eligible to receive a retirement allowance from PERS and has reached the earliest retirement age under ORS Chapter 238 or is eligible to receive a service allowance or pension under any system offered by the state and has attained the earliest retirement age under that system. The PEBB Plan funding policy provides for contributions at amounts sufficient to fund benefits on a pay-as-you-go basis. Active employees do not make contributions. Participating retirees pay their own monthly premiums based on a blended premium rate since retirees are pooled together with active employees for insurance rating purposes. PEBB does not issue a separate, publicly available financial report.

Chapter 243 of the Oregon Revised Statutes assigns PEBB the authority to establish and amend the benefit provisions of the PEBB plan. As the administrator of the PEBB plan, PEBB has the authority to determine postretirement benefit increases and decreases.

8.E - Net OPEB Asset

On June 30, 2024, the Department reported an asset of $74 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2021.

(In Thousands)

8.F - Total OPEB Liability

On June 30, 2024, the Department reported a total OPEB liability of $32. The total OPEB liability was measured as of June 30, 2024 and was determined by an actuarial valuation as of July 1, 2022.

Note 9 - Risk Financing

The State of Oregon's Department of Administrative Services Risk Management Section (Risk Management) administers the State's property, liability, and workers' compensation insurance program. Risk Management has found it more economical to manage the risk of loss internally and, therefore, minimizes the purchase of commercial insurance policies to the extent possible.

The monies set aside by Risk Management under Chapter 278.405 of the Oregon Revised Statutes are used to service the following risks: direct physical loss or damage to state property; tort liability claims brought against the State, its officers, employees, or agents; workers' compensation; employee dishonesty; and faithful performance coverage for certain positions required by law to be covered and other key positions.

As a state agency, the Department participates in the self-insured property and liability program. Risk Management allocates the cost of claims and claims administration by charging an assessment to each State entity, based on its share of losses. Statewide risk charges are based on independent biennial actuarial forecasts and division expenses, less any available fund balance from the prior biennium.

For the SPWF and WF programs, the amount of claim settlements did not exceed insurance coverage for each of the past three years.

Note 10 - Commitments

The Department has signed contracts to fund various SPWF and WF projects. The amount of money committed but not disbursed on June 30, 2024, is:

SPWF	WF	Total
$ 105,085	$ 19,799	$ 124,884

Money for these projects is expected to be disbursed within three years. These commitments will be funded from current assets, future non-bond bank loan payments, and any amount provided from non-program sources, such as Oregon Lottery Revenue Bonds approved by the Oregon Legislature.

Note 11 - Loans and Forgivable Loans Receivable

The following table disaggregates loans receivable, forgivable loans, and the allowance for doubtful accounts reported in the financial statements as Loans Receivable (net).

Oregon Business Development Department, State of Oregon
Special Public Works Fund (SPWF) and Water Fund (WF)
Notes to the Basic Financial Statements
(In Thousands)
June 30, 2024

Current:	**SPWF**	**WF**	**Total**
Loans and Forgivable Loans	$ 9,903	$ 3,262	$ 13,165
Allowance for Forgivable Loans	-	-	-
Total Current	$ 9,903	$ 3,262	$ 13,165
Noncurrent:			
Loans and Forgivable Loans	$ 170,448	$ 49,039	$ 219,488
Allowance for Forgivable Loans	(64)	-	(64)
Total Noncurrent	$ 170,385	$ 49,039	$ 219,424

Oregon Secretary of State
Audits Division

Steve Bergmann
Division Director

Independent Auditor's 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*

The Honorable Tina Kotek
Governor of Oregon

Sophorn Cheang, Director
Oregon Business Development Department

We have audited, in accordance with the 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, the combined financial statements of the Special Public Works Fund and the Water Fund, enterprise funds of the State of Oregon, Oregon Business Development Department (department), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise basic financial statements, and have issued our report thereon dated March 20, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the department's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the department's internal control. Accordingly, we do not express an opinion on the effectiveness of the department's internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

255 Capitol St NE, Ste 180
Salem, Oregon 97310

Tobias Read
Oregon Secretary of State

Michael Kaplan
Deputy Secretary

Information (503) 986-2255
sos.oregon.gov/audits

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the department's financial statements are free from 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 financial statements. 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*.

Department Response to Finding

The department's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The department's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the department's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Office of the Secretary of State, Audits Division

State of Oregon
March 20, 2025

Schedule of Findings and Responses

Prepare reconciliations and improve controls over accounting

Criteria: OAM 10.15.00.PO.103; OAM 10.20.00.PO.101; OAM 10.30.00.PO.103

State accounting policy requires management to develop procedures to ensure that transactions are correctly recorded in the state's accounting system for financial reporting purposes. State accounting policy requires an independent reconciliation of cash balances and timely reconciliation of receivables. State agencies are also expected to follow the guidance provided by the Department of Administrative Services Statewide Accounting and Reporting Services (SARS) for year-end financial reporting.

During our FY 2024 financial audit work at the department, we identified the following errors in the accounting records and the department corrected the financial statements for these errors:

- The department did not perform its quarterly loan reconciliation between its loan subsidiary system, Portfol, and its accounting records. The June 2024 reconciliations for SPWF and WF were completed in January 2025 after the auditors requested it. As part of the reconciliation, the department identified various errors in both Portfol and the accounting records.
- The auditors inquired about cash with the bond bank trustee as the accounting records indicated it had a negative balance. The department identified it incorrectly recorded a $2.4 million cash/transfer to other funds entry in SPWF instead of a different program. The department did not identify this error as it was determined the reconciliations for this cash account were not performed during the year.
- Bond interest payable and bond interest expense for SPWF were overstated by $1.2 million, as a prior year audit adjustment was not reversed.
- The department did not record its loan interest receivable/income accrual year-end entry. As a result, SPWF and WF loan interest accounts were understated $4.4 million and $677 thousand, respectively.
- As part of year-end financial reporting procedures, transfer entries within the same fund are eliminated for financial reporting purposes. For SPWF, this entry was recorded backwards resulting in a $14.6 million audit adjustment.

According to management, the above errors were due to a combination of issues including vacancies in the accounting section, errors due to staff not always understanding accounting system coding, and reviews of entries and financial statements not identifying errors. In addition, while the department has some policies and procedures, it does not have a comprehensive checklist to ensure the various year end entries are prepared.

We recommend management ensure cash and loan reconciliations are completed timely, prepare comprehensive checklist of all the year-end closing entries needed to help ensure entries are recorded, ensure a review of financial statements and notes is completed, and continue to provide staff training and tools to help them perform their work accurately.

Agency Response: *See next page*

March 26, 2025

Steve Bergmann,
Director, Audits Division
Oregon Secretary of State
255 Capitol St. NE Suite 180
Salem, OR 97310

Dear Mr. Bergmann:

This is our management response with regards to the Fiscal Year (FY) 2024 Special Public Works Fund (SPWF) and Water-Wastewater Fund (WF) audit findings and recommendations below:

Audit Findings

1. The department did not perform its quarterly loan reconciliation between its loan subsidiary system, Portfol, and its accounting records. The June 2024 reconciliations for SPWF and WF were completed in January 2025 after the auditors requested it. As part of the reconciliation, the department identified various errors in both Portfol and the accounting records.
2. The auditors inquired about cash with the bond bank trustee as the accounting records indicated it had a negative balance. The department identified it incorrectly recorded a $2.4 million cash transfer to Other Funds entry in SPWF instead of a different program. The department did not identify this error as it was determined the reconciliations for this cash account were not performed during the year.
3. Bond interest payable and bond interest expense for SPWF were overstated by $1.2 million, as a prior year audit adjustment was not reversed.
4. The department did not record its loan interest receivable/income accrual year-end entry. As a result, SPWF and WF loan interest accounts were understated $4.4 million and $677,000 respectively.
5. As part of year-end financial reporting procedures, transfer entries within the same fund are eliminated for financial reporting purposes. For SPWF, this entry was recorded backwards resulting in a $14.6 million audit adjustment.

Audit Recommendation

Management ensure cash and loan reconciliations are completed timely, prepare comprehensive checklist of all the year-end closing entries needed to help ensure entries are recorded, ensure a review of financial statements and notes is completed, and continue to provide staff training and tools to help them perform their work accurately. Management should implement accounting review of quarterly reports before submitting to DAS.

Management Response

We agree with these findings.

Finding #1

With the turnover of accountants and a new accounting manager occurring shortly after the fiscal year-end closing month of August, the loan reconciliation between accounting records and Portfol (loan subsidiary system) for the quarter ended June 2024 was not done until January 2025. We continue to reconcile the following quarters and plan to complete this work by May 2025 to ensure current and accurate financial reporting. Moving forward we will eventually shift to monthly loan reconciliation of SPWF and WF funds. Any errors or reconciling items between Portfol and the accounting records for the SPWF and WF programs will be resolved and balances reconciled in a timely manner.

Finding #2
SPWF and WF funds have cash balances in GL0070-Cash in Treasury and not GL0077-Cash in Bank. The GL0077-Cash in Bank for SPWF-WF is normally a zero-balance account because accounting entries are set up to make deposits and disbursements to GL0070-Cash in Treasury, no cash reconciliation was ever done to General Ledger GL0077-Cash in Bank. Incorrect year-end accrual entries were done in FY2024 that resulted to inadvertently posting transactions into GL0077-Cash in Bank. A cash reconciliation for GL0077-Cash in Bank will be implemented immediately to clear GL0077-Cash in Bank balance to zero. An adjustment for this error was made in the FY2024 financial statement to reflect correct cash and transfer account balances. Our Accountant will work with the DAS SARS and SFMS team for any post-closing adjustment entries in order to analyze the impact on the transaction codes used in FY2024 and determine the appropriate correction entries in this current FY2025 period. We anticipate a completion date of April 30, 2025.

Finding #3
The accountant inadvertently used a transaction code in SFMA that does not auto-reverse the following fiscal year. In this coming FY2025 year-end closing, August 2025, our accountant will verify that a correct auto-reversing transaction code is used when recording accrual entries to ensure that the system-generated auto-reversal entry is posted in the following fiscal year. When preparing for financial statements in September - December 2025 for the FY0225 SPWF and WF, we will adjust the financial statement beginning Fund Balance and Bond Payable Balance to reflect a correct bond interest expense and Bond Payable Balance for the FY2025 reporting period.

Finding #4
This specific SPWF and WF task in the year-end process was missed by our accountant, to accrue loan interest earnings and recognize interest receivable for FY2024. The interest earned was received, but assigned in accounting records in the fiscal year it was received, versus the previous fiscal year it was accrued and should have been recorded. In this coming FY2025 year-end closing, August 2025, our accountant will enter the correct interest income/receivable accrual entry and verify that a correct auto-reversing transaction code is used when recording accrual entries to ensure that the system generated auto-reversal entry is posted in the following fiscal year. When preparing for financial statements in September through December 2025 for the FY2025 SPWF and WF programs, we will adjust the financial statement Beginning Fund Balance and Interest Receivable Balance to reflect a correct loan interest income and interest receivable balance for the FY2025 reporting period.

Finding #5
The error was corrected and the FY2024 financial statements have been adjusted or revised. In the next financial statement preparation (September to December 2025), the accounting manager or deputy CFO will thoroughly review the work of the accountant to ensure correct balances on financial statements and accounting checklist/procedures have been followed.

Going forward, management will ensure the year-end procedure and checklist have been followed, and a thorough review of the accountants' work has been implemented. The agency now has a Deputy Chief Financial Officer and additional staff that will help contribute to the success of these responsive actions.

Business Oregon staff responsible for the corrective action:

- Imee Anderson, Chief Financial Officer
- Mia Seo, Deputy Chief Financial Officer
- Rory Spencer, Accounting Manager

Sincerely,

Sophorn Cheang

Sophorn Cheang | Director