

Clean Water State Revolving Fund Loan Program

Enterprise Fund of the State of Oregon

Fiscal Year Ended June 30, 2025

June 2026



Document information

This document was prepared by Oregon Department of Environmental Quality

Financial Services

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FINANCIAL SECTION



Steve Bergmann
Division Director

Independent Auditor's Report

The Honorable Tina Kotek
Governor of Oregon

Leah Feldon, Director
Oregon Department of Environmental Quality

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Clean Water State Revolving Fund program, an enterprise fund of the State of Oregon, Department of Environmental Quality, as of and for the year ended June 30, 2025, 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 Clean Water State Revolving Fund program, as of June 30, 2025, 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 Department of Environmental Quality, 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 Clean Water State Revolving Fund program, and do not purport to, and do not, present fairly the financial position of the State of Oregon or the Department of Environmental Quality, as of June 30, 2025, the changes in its financial position or its cash flows for the 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.

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Salem, Oregon 97310

Tobias Read
Oregon Secretary of State

Michael Kaplan
Deputy Secretary of State

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

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 Department of Environmental Quality'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 issued our report dated May 12, 2026, on our consideration of the Department of Environmental Quality'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 Department of Environmental Quality'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 Department of Environmental Quality's internal control over financial reporting and compliance.

Office of the Secretary of State, Audits Division

State of Oregon

May 12, 2026

Oregon Department of Environmental Quality
Clean Water State Revolving Fund Loan Program
Enterprise Fund
Statement of Net Position
As of June 30, 2025

	Loan Fund	Administration Fund	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 313,239,150	\$ 2,194,587	\$ 315,433,737
Loans Receivable (net)	36,407,310	-	36,407,310
Loan Interest Receivable	1,773,501	-	1,773,501
Total Current Assets	351,419,961	2,194,587	353,614,548
Noncurrent Assets			
Loans Receivable (net)	555,663,504	-	555,663,504
Loans Interest Receivable	4,099,941	-	4,099,941
Capital Assets (Net)	-	844,482	844,482
Total Noncurrent Assets	559,763,445	844,482	560,607,927
Total Assets	911,183,406	3,039,069	914,222,475
LIABILITIES			
Current Liabilities			
Accounts Payable	54,395	35,717	90,112
Payroll Payable	-	51,961	51,961
Compensated Absences Payable	-	37,436	37,436
Bond Interest Payable	22,042	-	22,042
Bonds Payable	740,000	-	740,000
Due to Other Funds	-	162,730	162,730
Total Current Liabilities	816,437	287,844	1,104,281
Noncurrent Liabilities			
Compensated Absences Payable	-	64,107	64,107
Bonds Payable	2,140,468	-	2,140,468
Total Noncurrent Liabilities	2,140,468	64,107	2,204,575
Total Liabilities	2,956,905	351,951	3,308,856
NET POSITION			
Net Investment in Capital Assets	-	844,482	844,482
Unrestricted	908,226,500	1,842,636	910,069,136
Total Net Position	\$ 908,226,500	\$ 2,687,118	\$ 910,913,618

The accompanying notes are an integral part of the financial statements

Oregon Department of Environmental Quality
Clean Water State Revolving Fund Loan Program
Enterprise Fund
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Fiscal Year Ended June 30, 2025

	Loan Fund	Administration Fund	Total
OPERATING REVENUES			
Loan Interest	\$ 8,836,380	\$ -	\$ 8,836,380
Loan Fee	-	2,120,452	2,120,452
Operating Transfers	(659,000)	659,000	-
Total Operating Revenues	8,177,380	2,779,452	10,956,832
OPERATING EXPENSES			
Amortization	-	219,010	219,010
Bond Interest	19,375	-	19,375
Bond Issuance	79,453	-	79,453
Indirect Costs	-	528,492	528,492
Principal Forgiveness on Loans	8,191,568	-	8,191,568
Salaries and Benefits	-	2,057,693	2,057,693
Services and Supplies	-	378,468	378,468
Total Operating Expenses	8,290,396	3,183,663	11,474,060
Operating Income (Loss)	(113,016)	(404,212)	(517,228)
Other Revenues (Expenses)			
Federal Grants	44,522,640	-	44,522,640
Investment Income	14,349,214	84,064	14,433,278
Total Other Revenues (Expenses)	58,871,854	84,064	58,955,918
Changes in Net Position	58,758,838	(320,148)	58,438,690
Net Position - Beginning	849,467,662	3,009,905	852,477,567
Change in Accounting Principle	-	(2,639)	(2,639)
Net Position - Beginning Restated	849,467,662	3,007,266	852,474,928
Net Position - Ending	\$ 908,226,500	\$ 2,687,118	\$ 910,913,618

The accompanying notes are an integral part of the financial statements

Oregon Department of Environmental Quality
Clean Water State Revolving Fund Loan Program
Enterprise Fund
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2025

	Loan Fund	Administration Fund	Total
Cash Flows from Operating Activities			
Receipts from Loan Fees	\$ -	\$ 2,120,452	\$ 2,120,452
Payments to Vendors	-	(273,630)	(273,630)
Payments to Employees	-	(1,928,100)	(1,928,100)
Payments to Indirect Cost	-	(516,486)	(516,486)
Transfer to Admin Fund	(659,000)	659,000	-
Net Cash Flows Provided (Used) in Operating Activities	(659,000)	61,235	(597,765)
Cash Flows from Noncapital Financing Activities			
Receipts from Federal Grants	44,522,640	-	44,522,640
Receipts from Bonds	20,000,000	-	20,000,000
Bond Issuance Costs	(25,953)	-	(25,953)
Principal Payments on Bonds	(20,705,000)	-	(20,705,000)
Interest Payments on Bonds	(112,375)	-	(112,375)
Net Cash Provided (Used) in Non-Capital Financing Activities	43,679,312	-	43,679,312
Cash Flows from Investing Activities			
Receipts from Treasury Interest Credits	14,349,214	84,064	14,433,278
Repayments from Loan Interest	7,897,325	-	7,897,325
Repayments from Loan Principal	41,184,324	-	41,184,324
Disbursements to Borrowers	(64,342,777)	-	(64,342,777)
Net Cash Provided (Used) in Investing Activities	(911,913)	(84,064)	(827,849)
Cash Flows from Capital and Related Financing Activities			
Acquisition of Capital Assets	-	(119,530)	(119,530)
Net Cash Provided (Used) in Capital and Related Financing Activities	-	(119,530)	(119,530)

The accompanying notes are an integral part of the financial statements

Oregon Department of Environmental Quality
Clean Water State Revolving Fund Loan Program
Enterprise Fund
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2025

(Continued from previous page)

	Loan Fund	Administration Fund	Total
Net Increase (Decrease) in Cash and Cash Equivalents			
	\$ 42,108,399	\$ 25,769	\$ 42,134,168
Cash and Cash Equivalents, Beginning	271,130,751	2,168,818	273,299,569
Cash and Cash Equivalents, Ending	313,239,150	2,194,587	315,433,737
Reconciliation of Operating Income to Net Cash Provided (Used) in Operating Activities			
Operating Income (Loss)	(113,016)	(404,212)	(517,228)
Adjustments to Reconcile Operating Income			
Net Cash Provided (Used) in Operating Activities			
Loan Interest Receipts Reported as Operating Revenue	(7,897,325)	-	(7,897,325)
Adjustment for Depreciation / Amortization	-	219,010	219,010
Bond Interest Payments Reported as Operating Expense	112,375	-	112,375
Principal Forgiveness Expense Reported as Operating Expense	8,191,568	-	8,191,568
Bond Issuance Costs Reported as Operating Expense	25,953	-	25,953
Amortization of Bond Premium	(81,188)	-	(81,188)
Capital Assets Reported as Operating Expense		119,530	119,530
Net Changes in Assets and Liabilities			
Loan Interest Receivables	(939,055)	-	(939,055)
Capital assets	-	(119,530)	(119,530)
Accounts and Interest Payable	53,500	19,478	72,978
Payroll Payable	-	51,956	51,956
Due to Other Funds	-	147,398	147,398
Bond Interest Payable	(11,812)	-	(11,812)
Compensated Absences Payable	-	27,606	27,606
Total Adjustments	(545,984)	465,448	(80,536)
Net Cash Provided (Used) in Operating Activities	\$ (659,000)	\$ 61,236	\$ (597,764)

The accompanying notes are an integral part of the financial statements

Oregon Department of Environmental Quality
**Clean Water State
Revolving Fund Loan Program
Enterprise Fund**
Notes to the Basic Financial Statements
June 30, 2025

1 Summary of Significant Accounting Policies

The accompanying financial statements of the State of Oregon Department of Environmental Quality (DEQ) Clean Water State Revolving Fund (CWSRF) have been prepared in conformity with Generally Accepted Accounting Principles as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for establishing accounting and financial reporting principles. New GASB pronouncements for fiscal year 2025 include GASB 101, Compensated Absences and GASB 102, Certain Risk Disclosures.

1.1 Reporting Entity

The Oregon Clean Water State Revolving Fund (CWSRF) was established pursuant to Oregon Revised Statutes (ORS) (468.423 through 468.440) and the 1987 amendments to the federal Clean Water Act. The purpose of CWSRF is to provide below market rate interest loans to eligible public agencies and qualified institutions for the planning, design, and construction of eligible projects including wastewater treatment facilities, nonpoint source pollution control projects, and estuary projects. The loan repayment period is a maximum of 30 years and all repayments, including interest and principal, must be credited to the CWSRF program.

The CWSRF program is administered by the State of Oregon Department of Environmental Quality (DEQ). The CWSRF program consists of funds to record loans and related activity, and separate administrative funds that collect annual fees to pay the operating costs of the program. DEQ's primary responsibilities for the CWSRF program include obtaining capitalization grants from the U.S. Environmental Protection Agency (EPA), soliciting potential interested parties for loans, negotiating loan agreements with eligible borrowers, reviewing and approving payment requests from loan recipients, monitoring loan repayments, conducting planning and engineering reviews and construction inspections to ensure compliance with all applicable laws, regulations, and program requirements.

DEQ charges expenses related to CWSRF including staff time and operations and the program pays those expenses from the administration fund. The charges include salaries and benefits of employees, as well as indirect costs allocated to CWSRF. The rate of indirect cost is negotiated annually with EPA.

For State Fiscal Year (fiscal year) 2025, the Oregon Fund program did not use federal cap grant funds for administrative expenses. The program used loan repayments and admin funds for administrative expenses as allowed by EPA.

The Annual Financial Report is prepared for the EPA as an Enterprise Fund of the State of Oregon, which uses the accrual basis of accounting. The State of Oregon's Annual Comprehensive Financial Report (ACFR) includes the CWSRF in the Environmental Management Fund, which is reported as a

governmental special revenue fund using the modified accrual basis of accounting. Due to differences in the basis of accounting, there may be differences between the amounts reported in these financial statements and the State of Oregon's ACFR.

1.2 Basis of Presentation – Fund Accounting

DEQ programs and accounts are organized by “funds,” each of which is a separate accounting entity. Each major program utilizes a separate set of self-balancing accounts to record the assets, liabilities, net position, revenues, and expenses of their activities. DEQ's CWSRF program is classified as a proprietary fund for the purposes of these financial statements. Proprietary funds contain two types of funds: Enterprise Funds and Internal Service Funds. The CWSRF program is accounted for as an Enterprise Fund. Enterprise Funds account for and report any activity for which fees are charged to external users for goods and services. DEQ treats the CWSRF as a governmental fund for accounting purposes.

1.3 Measurement Focus and Basis of Accounting

The basic financial statements for CWSRF are presented as an Enterprise Fund. As such, CWSRF is accounted for using the economic resources measurement focus and is maintained on the accrual basis of accounting, in accordance with the Oregon Accounting Manual (OAM 15.40.00). Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded at the time the liabilities are incurred, regardless of the timing of the related cash flow. All revenues and expenses of the CWSRF are considered operating revenues and operating expenses, except for federal grant income and interest income, which are non-operating revenue. All assets and liabilities associated with the operations of CWSRF are included on the Statement of Net Position.

1.4 Cash and Cash Equivalents

All monies of CWSRF are deposited with the Office of the State Treasurer, which is responsible for maintaining these deposits in accordance with ORS 293.265. The program considers all such deposits to be cash and cash equivalents. Interest earnings on these deposits are received by the program monthly. CWSRF has no other cash deposits or investments.

1.5 Federal Funds

Oregon CWSRF has received additional federal funding in recent years as a result of the Infrastructure Investment and Jobs Act (IIJA) of 2021. IIJA provides additional federal capitalization grants for five years, federal fiscal year 2022-2026. This funding is in addition to the annual base capitalization grant Oregon CWSRF has received every year. In state fiscal year 2025, Oregon CWSRF received three federal capitalization grant awards: federal fiscal year 2023 IIJA supplemental capitalization grant for \$23,546,000; federal fiscal year 2023 IIJA emerging contaminants capitalization grant for \$2,402,000; and federal fiscal year 2024 annual base capitalization grant for \$9,222,000 for a total of \$35,170,000. The amount of funding the program received this year is relatively higher than previous years due to these awards.

1.6 Loans Receivable

Loans are funded by federal capitalization grants, state matching funds, loan repayments, and investment earnings. The CWSRF monies are disbursed to borrowers on a cost reimbursement basis. When borrowers have incurred qualifying expenses, they request a loan disbursement from CWSRF, resulting in a disbursement being made and recorded in the fund accounting records. Interest begins accruing when funds are disbursed to the borrower. After the project is complete, repayment begins with an interest only payment for accrued amounts while the loan was in disbursement. Loans are fully amortized to assure full repayment by the loan maturity date.

DEQ is required, under the terms of capitalization grant awards from EPA, to offer additional subsidization to eligible borrowers. DEQ has chosen to offer this subsidization in the form of principal forgiveness and has implemented this in Oregon Administrative Rule (OAR 340-054-0065) and in the program Intended Use Plan. The additional federal funds received also increased the amount of loan principal forgiveness the program provides for borrowers. Loans Receivable are stated net of the allowance for principal forgiveness.

1.7 Short-Term Obligations

Short term obligations of the CWSRF consist of overnight bonds to provide the required state matching funds for the federal capitalization grants. EPA requires CWSRF programs to provide a percentage of federal capitalization grants as State (non-federal) match. DEQ raises bonds to cover the CWSRF non-federal match requirement for capitalization grants. DEQ has raised "overnight" bonds, which means the bond proceeds are secured and then paid off on either the same day or overnight to minimize interest costs. CWSRF uses the amount of the bond as non-federal funds that are disbursed for loans in amounts to meet our match requirement each year, which is reported to the EPA. In May 2025, DEQ issued an overnight bond in the amount of \$20 million to use as state match as required by EPA for the program.

1.8 Long-Term Obligations

Long term obligations of the CWSRF consist of long term bonds issued in past years to provide the required state matching funds for the federal capitalization grants. These bonds issued on behalf of CWSRF are reported on the Statement of Net Position, net of the related premium. The bond premium is amortized over the life of the bond issue. The bond premium is reported in the Statement of Revenues, Expenses and Changes in Fund Net Position as bond interest expense. DEQ raised bonds in 2012 and 2015 due 2033 and 2026, respectively, described under Bonds Payable below.

1.9 Compensated Absences

Employees accumulate earned but unused vacation and sick leave benefits. While an employee can accumulate up to 350 hours of vacation leave, upon separation up to 300 hours will be paid out. Sick leave is accrued but not paid out upon separation. GASB 101 requires that liabilities for compensated absences be recognized for leave that has not been used if the leave is accrued based on services rendered and it is more likely than not to be used for time off or otherwise paid.

1.10 Capital Assets

Capital assets are recorded at cost. Depreciation is calculated using the straight-line method. A capitalization threshold of \$5,000, as established by OAM 15.60.30, is used when determining if an asset should be capitalized to ensure consistency, materiality, and effective management of resources. Assets below the applicable threshold are expensed in the period of acquisition. A gain or loss on the sale of an asset is determined by taking the difference between the carrying value (cost less depreciation) and the sale price. The CWSRF Hub software is depreciated over its useful life (5 years) as indicated by the contract. CWSRF does not carry any other assets.

2 Cash and Cash Equivalents

On June 30, 2025, the book balance of cash and cash equivalents was \$315,433,737 and the bank balance was \$314,983,777. All cash in the CWSRF is deposited in demand accounts with the State Treasurer in the Oregon Short-Term Fund (OSTF), a cash and investment pool for use by all state agencies.

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the State Treasurer will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The CWSRF does not have a policy regarding custodial credit risk for deposits; however, the insurance and collateral requirements for deposits in the OSTF are established by banking regulations and Oregon law.

Further details of the investments and a copy of the OSTF audited annual financial report may be obtained by writing to the Oregon State Treasury, 867 Hawthorne Ave. SE, Salem, Oregon 97301 or located at the following website:

[Treasury: Oregon Short Term Fund, Oregon Short Term Funds, State of Oregon](#)

3 Loans Receivable

CWSRF loans to public agencies and qualified entities at interest rates ranging from zero percent to the market rate (ORS 468.440). Interest rates vary depending on the length of the loan, type of loan, and program rules (OAR 340-054). Rates range from 25% of the bond rate for 5-year loans to 55% of the bond rate for 30-year loans. Recipients make semiannual or, in some cases, annual payments and must begin loan principal and interest repayments within one year of the date the facility is operationally complete and ready for the purpose it was planned, designed, and built for, or when DEQ determines that the project is completed. There is an allowance account for that portion of loan disbursements that will not be repaid due to principal forgiveness offered to eligible borrowers. Principal forgiveness is offered to borrowers based on criteria in OAR 340-054-0065 to comply with a requirement included in DEQ's grant agreements with EPA. There is no additional allowance account, as DEQ believes all existing borrowers will pay as agreed.

The details of loans receivable as of June 30, 2025, are as follows:

Loans Receivable	\$605,929,140
Less: Allowance for Doubtful Accounts	<u>(\$13,858,326)</u>
Net Loans Receivable, 6/30/2025	<u>\$592,070,814</u>

4 Bonds Payable

In July 2003, EPA agreed to the use of the CWSRF Fund assets to pay the principal and interest on general obligation bonds that were previously issued by the State to provide the 20 percent state matching funds as required by the Clean Water Act. The following table summarizes bonds with activity during State Fiscal Year 2025:

Original Issue

Series	Due Dates	Interest Range	Original Amount
2012A	2014-2033	1.5% - 5%	\$4,235,000
2015A	2016-2026	5%	4,040,000
2025B	2025	4.95%	20,000,000
Total:			\$28,275,000

Bonds Outstanding

Series	Balance 7/01/2024	Increases	Decreases	Balance 6/30/2025	Due Within One Year
2012A	\$2,395,000	\$ -	\$230,000	\$2,165,000	\$240,000
2015A	975,000	-	475,000	500,000	500,000
2025B	-	20,000,000	20,000,000	-	-
Total	\$3,370,000	\$20,000,000	\$20,705,000	\$2,665,000	\$740,000

The bond interest rates noted above differ depending on the term of the individual security. Securities with the longest term yield the highest interest rate.

The following table summarizes the amounts necessary to pay all future bonded debt principal and interest requirements for each year during the next five-year period, and in five-year increments thereafter.

Future Bond Debt Service

Year Ending 6/30/2025	Bond Principal	Bond Interest	Total Debt Service
2026	\$740,000	\$76,250	\$816,250
2027	250,000	54,000	304,000
2028	260,000	46,350	306,350
2029	265,000	38,475	303,475
2030	275,000	30,375	305,375
2031-2033	875,000	39,825	914,825
Totals	\$2,665,000	\$285,275	\$2,950,275

5 Changes in Long-Term Liabilities

The liability for compensated absences is calculated based on the leave accrual on June 30, 2025, for each employee whose duties include CWSRF related activities. Bonds payables include amounts payable on bonds issued to benefit the CWSRF and includes the unamortized amounts of bond premiums.

The long-term liability activity for the year ended June 30, 2025

	Beginning Balance 07/01/2024	Increases	Decreases	Ending Balance 06/30/2025	Due Within One Year
Bonds Payable	\$3,370,000	\$ -	\$705,000	\$2,665,000	\$740,000
Issuance Premium	296,656	-	81,188	215,468	-
Total Bonds Payable	3,666,656	-	786,188	2,880,468	740,000
Compensated Absences ^{1,2}	116,244	27,605	44,945	98,904	37,436
Total Long-Term Liabilities	\$3,782,899	\$27,605	\$831,133	\$2,979,372	\$777,436

¹ The difference between the beginning balance and ending balance is reported as the net change.

² Beginning balances have been restated due to the implementation of GASB Statement 101, Compensated Absences.

6 Loan Fees

To support administration and project management costs, annual fees are assessed on loans originating after 1992. A fee of 0.50 percent is assessed on the outstanding loan principal balance and is collected annually, beginning with the second loan payment.

Fees are deposited into a separate Treasury account and are used only for administrative and project management costs. Planning loans are not assessed annual fees to encourage Oregon communities to complete more planning.

7 Employee Retirement Plan

Plan Description

As part of the State of Oregon, the Public Employees Retirement System provides defined benefit and defined contribution retirement plans to the CWSRF program employees. PERS is a cost-sharing multiple-employer defined benefit pension plan. All benefits of PERS are established by the legislature pursuant to ORS Chapters 238 and 238A. Tier One/Tier Two Retirement Benefit plan, established by ORS Chapter 238 and is closed to new members hired on or after August 29, 2003. The Oregon Public Service Retirement Plan, established by ORS 238A, provides benefits to members hired on or after Aug. 29, 2003. The Individual Account Program is a defined contribution plan. Beginning Jan. 1, 2004, all member contributions are deposited into the members IAP account. The pension plans provide pension benefits, death benefits, and disability benefits.

PERS issues a separate, publicly available, audited financial report that may be obtained from the Fiscal Services Division, Public Employees Retirement System, PO Box 23700, Tigard, Oregon 97281-3700.

Contributions

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. The rates in effect for the fiscal year ended June 30, 2025, for state agencies general service members were: 21.78% (General Services rate) and 18.28% for OPSRP. There was no change from the prior year. The IAP member contribution as set by statute is 6% and is currently paid by members.

Employer contributions for the fiscal year ended June 30, 2025, were \$3,477 for Tier One and Tier Two and \$182,793 for OPSRP. Member contributions for the fiscal year ended June 30, 2025, were \$60,956.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

On June 30, 2025, the State reported a liability of \$6 billion for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2022. 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. Certain component units are considered by the pension plan to be part of the State. The State determined those component units' proportionate share of the net pension liability and allocated it to them. At the June 30, 2024 measurement date, the State's proportionate share, excluding those component units, was 27%, which is 1.6% lower than the proportion of 28.56% at the prior measurement date of June 30, 2023. Each governmental fund, excluding the debt service funds, is responsible for liquidating the liability not reported in the proprietary funds.

The CWSRF's portion of the net pension liability was not specifically identified. See the related note in the financial statements, Employee Retirement Plans, in the State of Oregon Annual Comprehensive Financial Report, for more detail.

8 Other Postemployment Benefit Plans

CWSRF 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 the Public Employees Retirement System as established by ORS 238 and the Public Employees Benefit Board as established by ORS 243. A copy of the audited annual financial report may be obtained from Fiscal Services Division, Public Employees Retirement System, PO Box 23700, Tigard, Oregon 97281-3700.

Retirement Health Insurance Account

The Retirement Health Insurance Account is a cost-sharing multiple employer OPEB plan which provides a payment of up to \$60 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 creditable service in PERS, 2) receive both Medicare Parts A and B coverage, and 3) enroll in a PERS-sponsored health insurance plan.

DEQ is required by statute to contribute actuarially computed amounts as determined by PERS. Rates are subject to change because of subsequent actuarial valuations. The rate of each covered employee's salary for the fiscal year end June 30, 2025, was 0.00% for Tier One and Tier Two 0.00% for OPSRP General Service Members. There was no change from the prior period. Combined employer contributions for the years ended June 30, 2025, 2024, 2023, was approximately \$0, \$0, and \$96, respectively, equal to the required contributions each year.

Retiree Health Insurance Premium Account

The Retiree Health Insurance Premium Account 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 by the PERS Board, and the 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.

DEQ is required by statute to contribute actuarially computed amounts as determined by PERS. Rates are subject to change as a result of subsequent actuarial valuations. The rate of each employee's covered salary for the fiscal year ended June 30, 2025, was 0.00% for Tier One and Tier Two and 0.00% for OPSRP General Service. The CWSRF actual contribution for the years ended June 30, 2025, 2024 and 2023 was approximately \$0, \$0, and \$2,106 respectively, which was equal to the actuarial contribution required.

Public Employees Benefit Board Plan

The Public Employees Benefit Board plan is a multi-employer plan which offers medical, dental and vision benefits to eligible retired employees. Chapter 243 of the Oregon Revised Statutes assigns PEBB the authority to establish and amend the benefit provisions of the PEBB Plan. The PEBB Plan allows qualifying retired employees to continue their healthcare on a self-pay basis until eligible for Medicare, usually at age 65. 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 activity is reported as part of the State of Oregon's annual report and does not issue a separate financial report.

The State of Oregon's liability for the primary government was \$97.3 million for the fiscal year ended June 30, 2025, and was determined by an actuarial valuation as of July 1, 2024. CWSRF's portion of this liability was not specifically identified.

9 Commitments

As of June 30, 2025, CWSRF has active loan agreements in the amount of \$365,249,280 and has disbursed a total of \$169,348,296 in cash to these borrowers. The amount of undisbursed loan commitments is \$195,900,984.

10 Risk Financing

The Department of Administrative Services, Enterprise Goods and Services, Risk Management section (Risk Management) administers the State's property, liability, and workers' compensation insurance program. Risk Management has found it is 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 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
- Inmate injury
- Workers' compensation
- Employee dishonesty
- Faithful performance bonds for key positions as required by law and additional positions as determined by agency policy

Risk Management purchases commercial insurance for specific insurance needs not covered by self-funding. For example, the self-insured property and liability program is backed by an excess property policy with a limit of \$425 million and a blanket commercial crime policy with a limit of \$5 million. The amount of claim settlements did not exceed commercial insurance coverage for each of the past three fiscal years.

All State agencies, commissions, and boards participate in the self-insured property and liability program. Risk Management allocates the cost of claims and claim administration by charging an assessment to each State agency, 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.

The CWSRF participates in this risk financing program through DEQ, which, as a state agency, is a participant. Settlements have not exceeded insurance coverage in each of the past three years.

11 Changes in Accounting Principle

For the fiscal year ended June 30, 2025, DEQ implemented a new accounting standard issued by the Governmental Accounting Standards Board (GASB).

GASB Statement No. 101, *Compensated Absences*, which requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. Refer to Section 1.9 of this note for additional general information regarding balances.

12 Subsequent Events

EPA has a fiscal year ended September 30th, while DEQ has a fiscal year ended June 30th. All dates related to grant awards are for the federal fiscal year ending September 30th.

On July 11, 2025, EPA awarded Oregon CWSRF the 2024 Infrastructure Investment and Jobs Act Emerging Contaminants capitalization grant in the amount of \$2,402,000. On July 17, 2025, EPA awarded Oregon CWSRF the IJA Supplemental 2024 capitalization grant in the amount of \$25,690,000. On August 27, 2025, EPA awarded Oregon CWSRF the 2025 Annual Base capitalization grant of \$17,922,000. These EPA capitalization grants were received after the end of June 2025. Oregon DEQ CWSRF staff will meet with EPA region 10 staff at least monthly for program coordination, updates and guidance to ensure program requirements are met during state fiscal year 2026.

13 Net Investment in Capital Assets

The net capital assets for the year ended June 30, 2025, were as follows.

	Beginning Balance 07/01/2024	Additions	Deletions	Ending Balance 06/30/2024
Capital Assets Being Depreciated:				
Internally Developed Software	\$1,066,836	\$119,530	-	\$1,186,366
Total Capital Assets Being Depreciated	1,066,836	119,530	-	1,186,366
Less Accumulated Amortization:				
Internally Developed Software	122,874	219,010	-	341,884
Total Accumulated Amortization	122,874	219,010	-	341,884
Total Capital Assets (Net)	\$943,962	(\$99,480)	\$ -	\$844,482

OTHER REPORTS

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

Leah Feldon, Director
Oregon Department of Environmental Quality

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 financial statements of the Clean Water State Revolving Fund (CWSRF) program, an enterprise fund of the State of Oregon, Department of Environmental Quality (department), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the CWSRF program's basic financial statements, and have issued our report thereon dated May 12, 2026.

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.

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. Given these limitations, during our audit we did not identify any

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deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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*.

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

May 12, 2026