Oregon

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2014

Oregon

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2014

John A. Kitzhaber, MD
Governor

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State Chief Operating Officer
Director, Department of Administrative Services

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
For The Year Ended June 30, 2014

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Introductory Section

Oregon
John A. Kitzhaber, MD, Governor

Department of Administrative Services
Chief Financial Office
155 Cottage Street NE U10
Salem, OR 97301

December 30, 2014

To the Honorable Governor John Kitzhaber, MD, and Citizens of the State of Oregon:

We are pleased to provide you with the Comprehensive Annual Financial Report of the State of Oregon for the fiscal year ended June 30, 2014. This report is published to fulfill the requirement for annual financial statements in Oregon Revised Statute 291.040.

This report consists of management's representations concerning the finances of the State of Oregon (State). Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the State has established a comprehensive internal control framework. The framework is designed to protect the State's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the State's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the State's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. We believe the information presented is accurate in all material respects.

The Secretary of State Audits Division, the constitutional auditor of public accounts in Oregon, audited the State's financial statements for the fiscal year ended June 30, 2014. The goal of the independent audit was to provide reasonable assurance that the financial statements are free of material misstatement. Based on the audit, the auditors concluded the financial statements for fiscal year 2014 are fairly presented in accordance with GAAP. The audit report is the first component in the financial section of this report.

The audit of the financial statements was part of a broader, federally mandated "Single Audit" designed to meet the needs of federal agencies that provide aid to the State. The standards governing single audit engagements require the auditor to report on the State's internal controls and compliance with legal requirements, particularly as they relate to federal awards. This information, also prepared by the Audits Division, will be available in a separately issued report on or about March 31, 2015.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A should be read in conjunction with the letter of transmittal.

Profile of the Government

The State provides services to Oregon's citizens through a wide range of programs, including education, human services, public safety, economic and community development, natural resources, transportation, consumer and business services, administrative support, legislative support, and judicial services. Oregon's primary government as reported in the accompanying financial statements consists of approximately 90 state agencies. In addition to the primary government, four entities are reported as discretely presented component units to emphasize that they are legally separate from the State. See Note 1 to the basic financial statements for a more detailed discussion of the reporting entity.

Oregon's Legislature adopts a budget on a biennial basis, where the biennium begins July 1 and ends June 30 of each odd-numbered year. This biennial budget serves as the foundation for the State's financial planning and control. Appropriation bills approved through the legislative process include one or more appropriations that may be at the agency, program, or activity level. Accordingly, the legal level of budgetary control is at one of these various levels depending on the Legislature's view of the activity. Legislative approval is required to

transfer expenditure authority between appropriations. Management can reallocate within an appropriation without legislative approval. The following budgeted appropriated fund types have been established to account for the State's budgetary activities: general funds, federal funds, lottery funds, and other funds. See the notes to the required supplementary information for additional information about the budget process and budgetary monitoring.

Local Economy

Oregon's labor market accelerated in 2013 and has already seen the stronger growth in jobs, wages and labor force that the national economy is still waiting for. Oregon's unemployment rate has remained essentially unchanged, and even risen, throughout 2014, however, this is not a cause for concern. The labor force – the number of Oregonians with a job or actively looking for a job – has surged. Even as job growth is strong, the number of Oregonians looking for work has increased even more, pushing the unemployment rate up, however for a good reason. This dynamic – the stronger job growth and higher wage gains leading to more Oregonians entering the labor market – is to be expected. Even the longer term concerns of labor force participation are primarily driven by demographic and structural changes, a cyclical response was and is to be expected. This is another indication that the labor market is healing and functioning closer to normal.

Currently, wages in Oregon are increasing at nearly 7 percent per year, which is on par with the mid-2000s expansion but below the 1990s gains of 8 percent per year. Average wages per worker are currently increasing over 3 percent per year, which is slightly above the rate of inflation. However real wages have increased less than one half of one percent since 2000. As economic conditions continue to improve, expectations are that real average wages will pick up as well.

As has been the case in the recovery from the Great Recession to date, jobs in the large service sector have led growth in terms of outright job gains and above-average growth rates. These include jobs in professional and business services, health services, and leisure and hospitality industries. These three industries have gained over 20 thousand jobs in the past year and account for 49 percent of all job gains across the State. The good news is this represents the smallest share these industries have contributed so far since employment began growing, as other industries continue to strengthen.

Manufacturing continues to add jobs in line with the average industry. Mining and logging and construction are growing at rates significantly faster than the average. All told, mining and logging firms have regained nearly half of their recessionary losses while construction firms have added back approximately one-third of their job losses so far.

Currently, five major industries, which account for 40 percent of statewide jobs, are at all-time highs. Private sector education, health, and food manufacturing never suffered recessionary losses – although their growth did slow during the recession. Professional and business services and leisure and hospitality have each regained all of their losses and are leading growth today.

Spending on education as reported by the State's governmental funds during fiscal year 2014 increased $536.9 million, or 13.8 percent, compared to fiscal year 2013 and over the last ten years, education spending has increased 38 percent. Human services spending by the State's governmental funds was up $1.4 billion, or 16.6 percent, compared to fiscal year 2013, but is more than double the amount spent in fiscal year 2005. Governmental fund expenditures for administration in fiscal year 2014 decreased $7.1 million, or 2 percent, compared to fiscal year 2013, and are 41.9 percent lower than in fiscal year 2005. Public safety expenditures increased $48.2 million from fiscal year 2013, or 3.9 percent. Compared to fiscal year 2005, public safety expenditures have grown 42.4 percent. The slower growth rate in expenditures for education and public safety, when compared to human services, reflects the continued demand for safety net programs as Oregon emerges from the recent recession, as well as opportunities to use state debt to spur economic growth. Governmental fund expenditures related to debt service, for example, have increased as the State expands its use of low-cost capital financing. Debt service expenditures in fiscal year 2014 were 67.8 percent larger than fiscal year 2005 debt service expenditures.

During this same ten-year period, tax revenues, while increasing in amount overall, decreased 5.4 percent as a percentage of total governmental fund revenues. The reason for this decline is the relative increase in governmental fund expenditures for federally supported programs (e.g., human services) versus governmental activities funded by taxes. As a percentage of total revenues, federal revenues were 7.1 percent higher than they were ten years ago, evidence of the State's continuing reliance on federal assistance programs.

Long-term Financial Planning

Budget for the 2013-15 Biennium

The legislatively approved budget for the State for the 2013-15 biennium, as adjusted during the 2013 special session and the 2014 regular session, and including authorized executive branch administrative actions, is $62.7 billion total funds, an increase of $2.8 billion from the 2013-15 budget adopted at the end of the 2013 session. The budget increase since the 2013 session was comprised of about $1.5 billion Federal Funds, mostly in human services programs, $981 million Other Funds, and $314 million in combined General Fund and Lottery Funds. Although Lottery Funds in the 2013-15 budget were down $212 million from 2011-13, primarily due to the use of $182 million of Education Stability Fund resources in the 2011-13 budget, combined General Fund and Lottery Funds were up by $2 billion in 2013-15, an increase of 13.7 percent. Federal Funds also increased substantially, up $2.5 billion, or an increase of 15.8 percent. The other component of the state budget, Other Funds, recorded an increase of $973 million between 2013-15 and 2011-13, a gain of 3.7 percent.

The March 2014 revenue forecast from the Office of Economic Analysis projects total 2013-15 biennium lottery resources of $1.1 billion, a $6.4 million, or 0.6 percent decline from the May 2013 forecast level used in the 2013 session to develop the legislatively adopted budget. With this revised lottery resource forecast, current biennium lottery resources are now $31 million, or 2.9 percent below the prior biennium level.

The December 2014 economic and revenue forecast projects $15.9 billion of General Fund gross revenues for the 2013-15 biennium. The projected General Fund ending balance for 2013-15 is $260.2 million. General Fund resources are forecasted to increase by 11.4 percent in the 2015-17 biennium and 8.5 percent in the 2017-19 biennium.

State Bonding

In January 2014, the State Debt Policy Advisory Commission (SDPAC) updated its recommended capacity limits for General Fund and Lottery Funds debt based on the December 2013 revenue forecast, new estimated interest rates, and the amount of bonds that were approved during the 2013 session. The new recommended remaining capacity was $215 million for General Fund bonds and $96 million for lottery revenue bonds.

The Legislature approved $161.5 million in Article XI-G general obligation bond authorization for the construction of research, clinical, and other related facilities for the Oregon Health and Science University's (OHSU) Cancer Institute. These Article XI-G bonds will be paired with $42 million in lottery revenue bonds for this project. Before either the Article XI-G or lottery bonds may be issued, OHSU must raise at least $800 million in gifts, grants and other revenues through the OHSU's Cancer Challenge campaign. The bond proceeds will be used to construct a research building on the Schnitzer Campus and for additional floors in the Center for Health and Healing II building already planned for construction for clinical trial space. OHSU plans to begin planning, design and permitting throughout 2014 and 2015, and construction is likely to begin in spring 2016. The 2015 Legislature will have to reauthorize the sale of these bonds under this schedule.

The Legislature increased the Department of Administrative Services Article XI-Q general obligation authority by $33.6 million for projects owned or operated by the State. The approved projects include: $3.2 million for utility tunnel failure and repair at the Oregon Institute of Technology and the University of Oregon; $21.3 million for deferred maintenance and seismic upgrades for buildings at Southern Oregon University; $5 million for Western Oregon University's acquisition of the Oregon Military Academy; and an additional $4.1 million designated for construction of a new three-story Jefferson County Courthouse.

The Legislature authorized the issuance of lottery revenue bonds to provide an additional $5 million to the Oregon Department of Energy, bringing a total of $10 million in lottery revenue bond proceeds to the Department for the 2013-15 biennium. The Legislature directed that the entire $10 million be deposited into the Jobs, Energy, and Schools Fund to provide a grant to Clean Energy Works Oregon for the purposes specified in Oregon Revised Statute 470.575, namely, the promotion of energy efficiency, renewable energy, and energy conservation projects.

There will be no debt service during the 2013-15 biennium on any of the new bonds that were approved. Estimated debt service for the new projects will total $29.2 million General Fund and $10.2 million Lottery Funds during the 2015-17 biennium.

With the approvals of the 2014 session, approved General Fund bonding totals $833.5 million and Lottery revenue bonding totals $219.7 million for the 2013-15 biennium.

Relevant Financial Policies

The State currently administers two general reserve accounts, the Oregon Rainy Day Fund and the Education Stability Fund.

Established by the 2007 Legislature, the Oregon Rainy Day Fund is funded from the General Fund's ending balance up to 1 percent of General Fund appropriations for the prior biennium. The Legislature may deposit additional funds as it did to create the fund, using surplus corporate income tax revenues from the 2005-07 biennium. The Rainy Day Fund also earns interest on the moneys in the fund. Withdrawals from the Rainy Day Fund require one of three specific economic triggers to occur plus approval of three-fifths of both chambers of the Legislature. Withdrawals are capped at two-thirds of the balance as of the beginning of the biennium in question, while fund balance is capped at 7.5 percent of General Fund revenues in the prior biennium.

The Education Stability Fund is the State's second general reserve fund. Its current reserve structure and mechanics are the result of a constitutional amendment in 2002. Amounts in the Education Stability Fund may be spent under the same conditions as those required for spending moneys in the Oregon Rainy Day Fund. However, if none of the conditions is met, the Education Stability Fund can also be used by the Legislature for public education in Oregon if the Governor declares an emergency and the expenditure is approved by a three-fifths majority in each chamber. This fund receives 18 percent of lottery earnings, deposited on a quarterly basis. The fund does not retain interest earnings. The fund balance is capped at 5 percent of General Fund revenues collected in the prior biennium.

The Rainy Day Fund started the 2013-15 biennium with a cash balance of $61.9 million. Because the General Fund's ending balance for 2011-13 was positive, 1 percent of budgeted appropriations, or $136.9 million, will be deposited in the Rainy Day Fund. In addition, Measure 67 directs revenue collected from corporate income and excise tax rates above 6.6 percent to be deposited in the Rainy Day Fund beginning with the 2013-15 biennium. The current estimate for the biennium is $10.4 million. The December 2014 economic and revenue forecast projects the Rainy Day Fund will end the 2013-15 biennium with a cash balance of $210.6 million.

The Education Stability Fund started the 2013-15 biennium with a cash balance of $7.4 million. The December 2014 economic and revenue forecast projects the Education Stability Fund will end the current biennium with a cash balance of $176.4 million, which includes deposits of $169 million based on lottery sales. No withdrawals are projected at this time.

Major Initiatives

Of the major projects and related efforts included in the 2013-2015 budget, several are of particular interest due to their overall cost, complexity and risk, importance to public safety and health, and/or cross-biennium timeframes. These projects include:

- Oregon Judicial Department's eCourt Program
- Oregon Department of Transportation's State Radio Project
- Oregon Department of Revenue's Core Systems Replacement Project

<u>Oregon Judicial Department's eCourt Program</u>

During 2012 and early 2013, the Judicial Department successfully implemented the new "court management" software in five of its initial pilot and early-adopter trial courts. As a result, the Legislature approved another $25.9 million (which is part of the estimated $97 million total one-time program cost) for the continued implementation of the Oregon eCourt Program. During the 2013-15 biennium, eCourt will be expanded to an additional fourteen courts, including the State's largest, the Multnomah County Circuit Court.

<u>Oregon Department of Transportation State Radio Project</u>

The 2011 Legislature directed the leadership of the State Radio Project to scale back the project to the first goal established in the original 2005 legislation, which was simply to upgrade all existing state radios and infrastructure to assure the continued proper operation of an "integrated statewide radio network." The scaled back project was estimated to cost a total of $209 million.

During the 2011-13 timeframe, the Department of Transportation completed a major portion of the requirements needed for the network. However, the original cost estimates for the remaining work were found to be

insufficient. As a result, the Department's budget bill for the 2013-15 biennium includes an additional $20 million in limitation to cover the remaining costs. The Department's goal during 2013-15 is to continue the shift from "project" to "operations" as the final work is completed.

Department of Revenue Core System Replacement Project

The Department of Revenue originally sought legislative approval for this project during the 2011 legislative session. A budget note directed that the agency report to the 2012 Legislature with completed foundational work to ensure project readiness and to re-evaluate the assumptions behind its benefits-based revenue model.

The Department of Revenue was interested in a software product used by a variety of other states to provide automated support for statewide tax, revenue collection, and management activities. However, the 2013 Legislature took a different direction and approved funding for a different project referred to as the Core Systems Replacement Project. The Legislature also changed the funding model from a benefits-based model to the standard funding model used for issuing Article XI-Q bonds. Finally, the Legislature directed a more conservative implementation that would focus on the much smaller corporate and tobacco tax programs rather than the personal income tax and compliance program as originally planned.

The primary vendor for the project was originally estimated to cost $29 million over three biennia; however, the Department of Revenue was able to negotiate a $27 million contract. The savings for the current biennium totals $2.3 million Other Funds, with $300 thousand of the savings needed in a future biennium. The bonding authority for the agency was not adjusted, so the $2.3 million in bond proceeds, once issued, will be available for future biennia project expenses.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Oregon for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013. This was the twenty-second consecutive year that the State has achieved this prestigious award. To receive the Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The Chief Financial Office takes great pride in the preparation of the Oregon Comprehensive Annual Financial Report. We greatly appreciate the professionalism, commitment, and effort of Statewide Accounting and Reporting Services and the other individuals involved. We also want to thank all state agencies for their continuing support in planning and conducting the financial operations of the State in a professionally responsible manner. Without the participation and cooperation of the agencies' fiscal units, the preparation of this report would not have been possible. In addition, we appreciate the contributions of the Office of Economic Analysis, the budget and policy section of the Chief Financial Office, the Oregon State Treasury, and the staff of the Secretary of State Audits Division.

Respectfully submitted,

George Naughton
Chief Financial Officer
State of Oregon

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

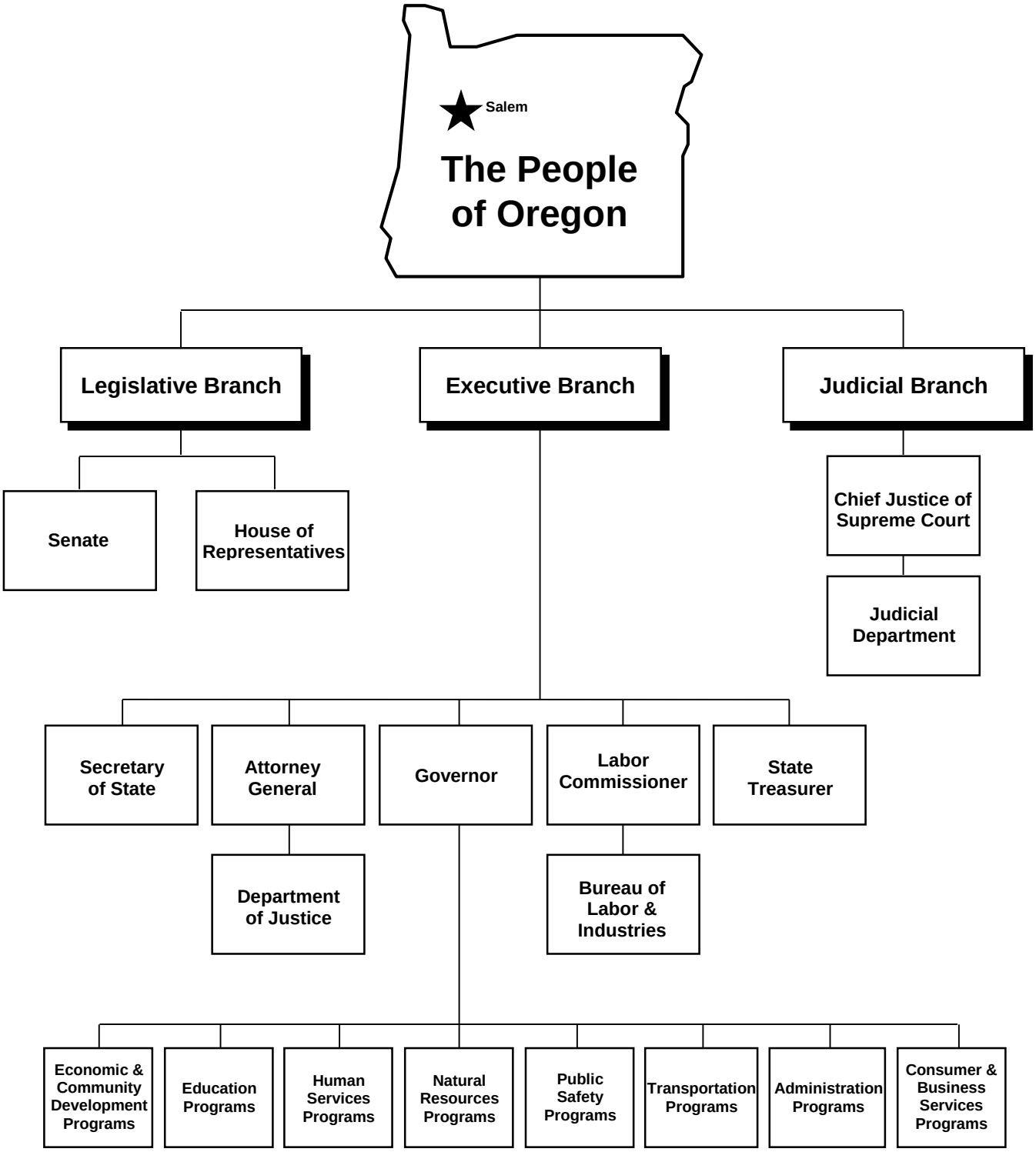
State of Oregon

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

STATE OF OREGON ORGANIZATION CHART



Principal State Officials

EXECUTIVE

John A. Kitzhaber, MD, Governor

Kate Brown, Secretary of State

Ted Wheeler, State Treasurer

Ellen F. Rosenblum, Attorney General

Brad Avakian, Commissioner, Labor and Industries

LEGISLATIVE

Peter Courtney, Senate President

Tina Kotek, Speaker of the House of Representatives

JUDICIAL

Thomas A. Balmer, Chief Justice of the Supreme Court

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Financial Section

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Kate Brown
Secretary of State

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INDEPENDENT AUDITOR'S REPORT

The Honorable John Kitzhaber
Governor of Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Oregon, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the State of Oregon's basic financial statements as listed in the table of contents.

Management's Responsibility 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; this includes 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

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the SAIF Corporation and the Oregon Health and Science University, which are discretely presented component units, the Oregon University System, the Common School Fund or the Public Employees Retirement System. Those financial statements represent the following percentage of the assets, liabilities, and revenues/additions of opinion units as indicated below:

Opinion Unit	Percent of Assets	Percent of Liabilities	Percent of Revenues/ Additions
Governmental Activities	6%	3%	1%
Business Type Activities	42%	57%	42%
Discretely Presented Component Units	82%	96%	87%
Common School – Major Governmental Fund	100%	100%	100%
University System – Major Enterprise Fund	100%	100%	100%
Aggregate Remaining Funds:			
Public Employees Retirement System	87%	59%	71%

Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the above opinion units, is based solely on the reports of the other auditors. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Oregon, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 section P, during the year ended June 30, 2014, the State of Oregon implemented the Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This action resulted in adjustments to beginning net position. The State of Oregon also implemented GASB Statement No. 67, *Financial Reporting for Pension Plans*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the schedule of funding progress, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Oregon's basic financial statements. The combining fund financial statements and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we will also issue our report dated December 29, 2014, on our consideration of the State of Oregon'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 in the Oregon Single Audit Report. The purpose of that report is 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 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 State of Oregon's internal control over financial reporting and compliance.

Office of the Secretary of State, Audits Division

State of Oregon
December 29, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis (MD&A) provides a narrative overview and analysis of the financial activities of the State of Oregon (State) for the fiscal year ended June 30, 2014. The MD&A is intended to serve as an introduction to the State's financial statements. It is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the State's financial activities, (c) identify any material changes from the original budget, and (d) highlight individual fund matters. The following presentation is by necessity highly summarized, and in order to gain a thorough understanding of the State's financial condition, the following financial statements, notes, and required supplementary information should be reviewed in their entirety.

We encourage readers to consider the information presented in this analysis in conjunction with the transmittal letter beginning on page 2 of this report.

FINANCIAL HIGHLIGHTS

- On June 30, 2014, the State's net position on a government-wide basis was over $18 billion. Of this amount, the unrestricted portion was $2.5 billion. The amount restricted for specific uses was $4.1 billion. The State's net investment in capital assets was $11.4 billion.
- The State's net position increased $1.1 billion compared to the prior year. Net position for governmental activities increased 3.8 percent, while net position for business-type activities increased 12.3 percent.
- As of June 30, 2014, the State's governmental funds reported combined ending fund balances of $5.6 billion. Of this total, approximately 1.5 percent was considered nonspendable and included amounts related to inventories, prepaid amounts, and permanent fund principal.
- Approximately 79 percent of ending governmental fund balances were classified as restricted and included amounts that were subject to constraints imposed by external parties, such as creditors, grantors, or the laws and regulations of other governments (including the federal government), or imposed by constitutional provisions or enabling legislation. Restricted fund balances totaled $4.4 billion.
- The remaining 19.5 percent of ending fund balances were classified as unrestricted and included the fund balance categories designated as committed, assigned, and unassigned. Committed fund balances are available for spending only with legislative approval, while assigned fund balances express legislative intent as indicated through the budget process. Unassigned fund balances may be spent at the government's discretion. Total unrestricted fund balances equaled $1.1 billion. Additional information on the classification of governmental fund balances may be found in Notes 1 and 21 in the notes to the financial statements.
- At fiscal year-end, unrestricted fund balance (committed, assigned, and unassigned categories) in the General Fund were $489.3 million.
- Outstanding debt (bonds and certificates of participation) increased by $326.4 million during fiscal year 2014. As part of an overall plan to reduce borrowing costs, the State was involved in four separate debt refunding issuances and refunded $322.7 million of previously existing debt with $402.2 million of new debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

In addition to the MD&A, the financial section of this annual report contains the *basic financial statements, required supplementary information*, and the *combining financial statements* for nonmajor funds, internal service funds, and fiduciary funds. A *statistical section* follows the combining fund statements.

The basic financial statements contain three components: government-wide financial statements, fund financial statements, and notes to the financial statements.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide a broad overview of the State's finances in a manner similar to a private-sector business. All of the State's activities are reported in the government-wide

statements except for activities accounted for in fiduciary funds because resources of those funds are not available to support the State's own programs.

- The *statement of net position* presents information on all of the State's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the residual balance reported as *net position*.
- The *statement of activities* presents information showing how the State's net position changed during the fiscal year. All of the changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Revenues are recognized when earned and expenses are recorded at the time liabilities are incurred. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (e.g., uncollected taxes).

Net position is one measure of the State's financial health, or financial position. Over time, increases or decreases in the State's net position may serve as a useful indicator of whether the State's financial position is improving or deteriorating. However, to assess the overall health of the State, the reader needs to consider additional non-financial factors such as changes in Oregon's income tax base and changes in Oregon's economy.

The activities reported in the government-wide financial statements are divided into three categories:

- *Governmental activities*. This category includes the basic services provided by the State to its citizens, such as K-12 schools and community colleges, public assistance programs, public safety, and public transportation. Income taxes and federal grants finance most of these activities. The State's internal service funds, which provide services to other state agencies, are included in governmental activities because these services predominately benefit governmental programs rather than business-type functions.
- *Business-type activities*. The State charges fees to customers to help cover the costs of certain services it provides. For example, the State administers loan programs to provide housing to citizens with low incomes and those who are elderly or disabled. The operation of the State's lottery and the Oregon University System are also reported under business-type activities.
- *Component units*. The State includes four other entities in its report: SAIF Corporation, Oregon Health and Science University, the Oregon University System Foundations, and the Oregon Affordable Housing Assistance Corporation. Although legally separate, these entities are reported as component units either because they are fiscally dependent on the State or because of the nature and significance of their relationship to the State. Financial information for the component units is reported separately from the financial information of the primary government.

The government-wide financial statements can be found on pages 30-33 of this report.

Fund Financial Statements

The fund financial statements provide detail information about the State's most significant funds (not the State as a whole). Funds are accounting mechanisms the State uses to keep track of specific sources of funding and spending for particular purposes. Similar to other state and local governments, the State uses fund accounting to demonstrate and ensure compliance with finance-related legal requirements. Some funds are required by state law (such as the Lottery Operations Fund) or by bond covenants. The State establishes other funds to control and manage money for particular purposes, such as health and social services, or to show that it is properly using certain taxes and grants, such as gas taxes for transportation.

All of the State's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Most of the State's basic services are included in governmental funds, which focus on (1) how cash and other financial resources that can be readily converted to cash flow in and out and (2) the balances remaining at year-end that are available to spend. Thus, the governmental fund statements provide a detailed short-term view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the State's programs. Because this information does not encompass the

long-term focus of the government-wide statements, additional information has been provided following each governmental fund statement that reconciles the government-wide focus to the governmental fund focus.

The State maintains 20 individual governmental funds. Information is presented separately in the governmental fund financial statements for the five major governmental funds, including the General Fund. Data from the other 15 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the combining statements presented later in this report. The basic governmental fund financial statements can be found on pages 34-41 of this report.

Proprietary funds. Services for which the State charges customers a fee, similar to a business operation, are generally reported in proprietary funds. Proprietary fund statements, like the government-wide statements, provide both long-term and short-term financial information. The State's enterprise funds (one type of proprietary fund) are the same as the business-type activities reported in the government-wide statements, except that the fund statements provide more detail and additional information, such as cash flows. The State also uses internal service funds (the other type of proprietary fund). The Central Services Fund, for example, is used to report activities that provide services to other agencies.

The proprietary fund financial statements provide separate information for the State's four major proprietary funds. Data from the other ten proprietary funds are combined into a single, aggregated presentation. All internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for each of the nonmajor proprietary funds and for each of the internal service funds is provided in the combining statements presented later in this report. The basic proprietary fund financial statements can be found on pages 42-51 of this report.

Fiduciary funds. Fiduciary funds account for resources held for the benefit of parties outside the government. The State is the trustee, or fiduciary, for its employees' pension plan. It is also responsible for other assets that, due to a trust arrangement, can be used only for the trust beneficiaries. Fiduciary funds are accounted for in a manner similar to proprietary funds. All of the State's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. These activities have been excluded from the State's government-wide financial statements because the State cannot use these assets to finance its operations.

The basic fiduciary fund financial statements include the private purpose trust fund, the short term investment trust fund, the intermediate term investment trust fund, the agency fund, and aggregated data for the State's pension and other employee benefit trust funds. Individual fund data for each of the pension and other employee benefit trust funds is provided in the combining statements presented later in this report. The basic fiduciary fund financial statements can be found on pages 52-53 of this report.

Discretely Presented Component Units

The State reports one major discretely presented component unit (DPCU) and three nonmajor DPCUs. Within the basic financial statements on pages 55-57, the major DPCU, SAIF Corporation, is presented separately while the nonmajor DPCUs are combined and reported in the aggregate. Individual information for each of the nonmajor DPCUs is provided in the combining statements presented later in this report. In the government-wide statements, the activities of the DPCUs are aggregated into a single column.

Notes to the Financial Statements

The basic financial statements also include notes that provide additional information essential to a full understanding of the data presented in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 59-144 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report presents a section of *required supplementary information* (RSI), beginning on page 148, which contains budget-to-actual comparison schedules for all of the State's budgeted appropriated funds as well as accompanying notes. This section also includes a Schedule of Funding Progress and accompanying notes for the Public Employees Benefit Board Plan, an agent multiple-employer postemployment healthcare benefit plan, and the Retiree Health Insurance Premium Account, a defined benefit single-employer postemployment healthcare benefit plan.

The combining financial statements referred to earlier are presented immediately following the required supplementary information beginning on page 160 of this report. These combining statements provide details about the nonmajor governmental funds, nonmajor enterprise funds, internal service funds, and nonmajor discretely presented component units each of which has been aggregated and presented in a single column in the basic financial statements. The combining financial statements also provide details about the pension and other employee benefit trust funds.

A statistical section containing information regarding financial trends, revenue capacity, and debt capacity, as well as demographic, economic, and operating information follows immediately after the combining statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position. The State's net position on a government-wide basis at June 30, 2014, was over $18 billion as shown in Table 1. Most of this balance was invested in capital assets, with infrastructure being the largest component. The net investment in capital assets was $11.4 billion. Restricted net position represents resources that are subject to external restrictions on how they may be used. At June 30, 2014, restricted net position totaled $4.1 billion. The remaining balance of $2.5 billion was classified as unrestricted net position.

Table 1
State of Oregon's Net Position
(In Millions)

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Capital assets	$12,866.2	$12,579.9	$ 3,420.4	$ 3,191.3	$16,286.6	$15,771.2
Other assets and deferred outflows	11,211.1	9,884.7	7,192.6	6,738.9	18,403.7	16,623.6
Total assets and deferred outflows	24,077.3	22,464.6	10,613.0	9,930.2	34,690.3	32,394.8
Long-term liabilities	8,561.5	8,245.6	4,045.5	4,099.0	12,607.0	12,344.6
Other liabilities and deferred inflows	3,116.2	2,275.5	931.9	813.6	4,048.1	3,089.1
Total liabilities and deferred inflows	11,677.7	10,521.1	4,977.4	4,912.6	16,655.1	15,433.7
Net investment in capital assets	9,982.1	10,636.7	1,443.1	1,383.5	11,425.2	12,020.2
Restricted	3,494.8	2,795.0	578.8	549.5	4,073.6	3,344.5
Unrestricted	(1,077.3)	(1,488.2)	3,613.7	3,084.6	2,536.4	1,596.4
Total net position	$12,399.6	$11,943.5	$ 5,635.6	$ 5,017.6	$18,035.2	$16,961.1

Changes in net position. The State's total net position increased $1.1 billion compared to the prior year. The net position of governmental activities increased 3.8 percent, while the net position of business-type activities increased 12.3 percent.

The ending net position of governmental activities for fiscal year 2014 was $12.4 billion compared to $11.9 billion reported in fiscal year 2013. Operating grants and contributions increased $1.2 billion, reflecting the increase in federal revenues received for health and social service programs.

Both personal and corporate income tax revenues were up in fiscal year 2014. This increase was due to a combination of factors, including an improving labor market as Oregon continues to emerge from the recession, strong growth in the investment income of individual taxpayers, and enhanced collection efforts. Year over year, charges for services decreased $120.2 million or 7.4 percent. This decrease is primarily the result of two instances that occurred within the judicial activities: first, there was an $85.3 million reduction in earned but unavailable revenue at Oregon Judicial Department, and second, an analysis of the Department's long-term receivables resulted in an increase to the allowance for doubtful accounts of $66.5 million.

Governmental activities expenses increased $2.2 billion, or 12.7 percent from fiscal year 2013. This increase was largely due to a combination of increases in expenses in education, human services and transportation, combined with a decrease in consumer and business services. Education expenses increased $537.1 million, or 13.8 percent, due primarily to three factors: the creation of two new divisions (Early Learning and Youth Development) within the Department of Education; certain strategic education initiatives; and the establishment of a Network of Quality Teaching and Learning. Human services expenses increased $1.4 billion, or 16.8 percent, due primarily to expansions in Medicaid enrollment under the Affordable Care Act. Transportation expenses grew by $148.3 million, or 10.5 percent, due primarily to a capital asset impairment of $84.9 million, which was the result of the permanent construction stoppage on the Columbia River Crossing I-5 Bridge Replacement project. Consumer and business services expenses decreased $120.7 million, or 29.9 percent, caused primarily by a large prior year increase in the claims loss liability of the Workers' Benefit Fund, that did not reoccur in the current year.

As shown in Table 2, the ending net position of business-type activities for fiscal year 2014 was $5.6 billion, compared to $5 billion reported in fiscal year 2013. Although federal funding for unemployment benefits (which is reported under operating grants and contributions) decreased year over year, it was more than offset by a reduction in unemployment compensation expenses, which dropped $404.7 million, or 32.8 percent. Together, these two changes reflect Oregon's slowly improving unemployment rate.

Table 2
State of Oregon's Changes in Net Position
(In Millions)

	Governmental Activities		Business-type Activities		Total	
Revenues:	2014	2013	2014	2013	2014	2013
Program revenues:						
Charges for services	$ 1,504.6	$ 1,624.8	$ 4,597.5	$ 4,556.2	$ 6,102.1	$ 6,181.0
Operating grants and contributions	9,055.5	7,816.7	851.2	1,139.9	9,906.7	8,956.6
Capital grants and contributions	17.8	30.7	158.9	60.0	176.7	90.7
General revenues:						
Personal income taxes	6,596.7	6,320.5	-	-	6,596.7	6,320.5
Corporate income taxes	506.9	463.0	-	-	506.9	463.0
Other taxes	2,411.5	2,287.9	17.6	16.4	2,429.1	2,304.3
Unrestricted investment earnings	5.5	4.9	-	-	5.5	4.9
Total revenues	20,098.5	18,548.5	5,625.2	5,772.5	25,723.7	24,321.0
Expenses:						
Education	4,420.7	3,883.6	-	-	4,420.7	3,883.6
Human services	9,880.3	8,459.7	-	-	9,880.3	8,459.7
Public safety	1,300.1	1,256.1	-	-	1,300.1	1,256.1
Economic & community development	385.5	423.2	-	-	385.5	423.2
Natural resources	724.2	637.9	-	-	724.2	637.9
Transportation	1,555.8	1,407.5	-	-	1,555.8	1,407.5
Consumer and business services	283.0	403.7	-	-	283.0	403.7
Administration	404.2	305.8	-	-	404.2	305.8
Legislative	37.2	40.8	-	-	37.2	40.8
Judicial	340.3	311.4	-	-	340.3	311.4
Interest on long-term debt	347.0	331.5	-	-	347.0	331.5
Housing and community services	-	-	56.5	67.9	56.5	67.9
Lottery operations	-	-	493.7	494.3	493.7	494.3
Unemployment compensation	-	-	831.9	1,236.6	831.9	1,236.6
University system	-	-	2,505.4	2,412.1	2,505.4	2,412.1
State hospitals	-	-	278.8	254.0	278.8	254.0
Liquor control	-	-	384.4	367.2	384.4	367.2
Other business-type activities	-	-	306.2	324.5	306.2	324.5
Total expenses	19,678.3	17,461.2	4,856.9	5,156.6	24,535.2	22,617.8
Increase (decrease) before contributions, special and extraordinary items, and transfers	420.2	1,087.3	768.3	615.9	1,188.5	1,703.2
Contributions to permanent funds	0.3	0.2	-	-	0.3	0.2
Additions to permanent endowments	-	-	0.8	0.2	0.8	0.2
Transfers	133.0	107.4	(133.0)	(107.4)	-	-
Increase (decrease) in net position	553.5	1,194.9	636.1	508.7	1,189.6	1,703.6
Net position – beginning	11,943.5	11,191.5	5,017.6	4,667.9	16,961.1	15,859.4
Prior period adjustments	(65.3)	(442.9)	(4.8)	(159.0)	(70.1)	(601.9)
Cumulative effect of accounting change	(32.1)	-	(13.3)	-	(45.4)	-
Net position – beginning – as restated	11,846.1	10,748.6	4,999.5	4,508.9	16,845.6	15,257.5
Net position – ending	$12,399.6	$11,943.5	$ 5,635.6	$ 5,017.6	$18,035.2	$16,961.1

Figure 1 below illustrates fiscal year 2014 revenues of the State as a whole, by source. Approximately 38.5 percent of total revenue was provided by other entities and governments in the form of operating grants and contributions (e.g., federal revenues). Personal and corporate income taxes provided 27.6 percent of total revenues, while charges for services accounted for 23.7 percent.

Figure 1
State of Oregon's Revenue by Source
For the Year Ended June 30, 2014

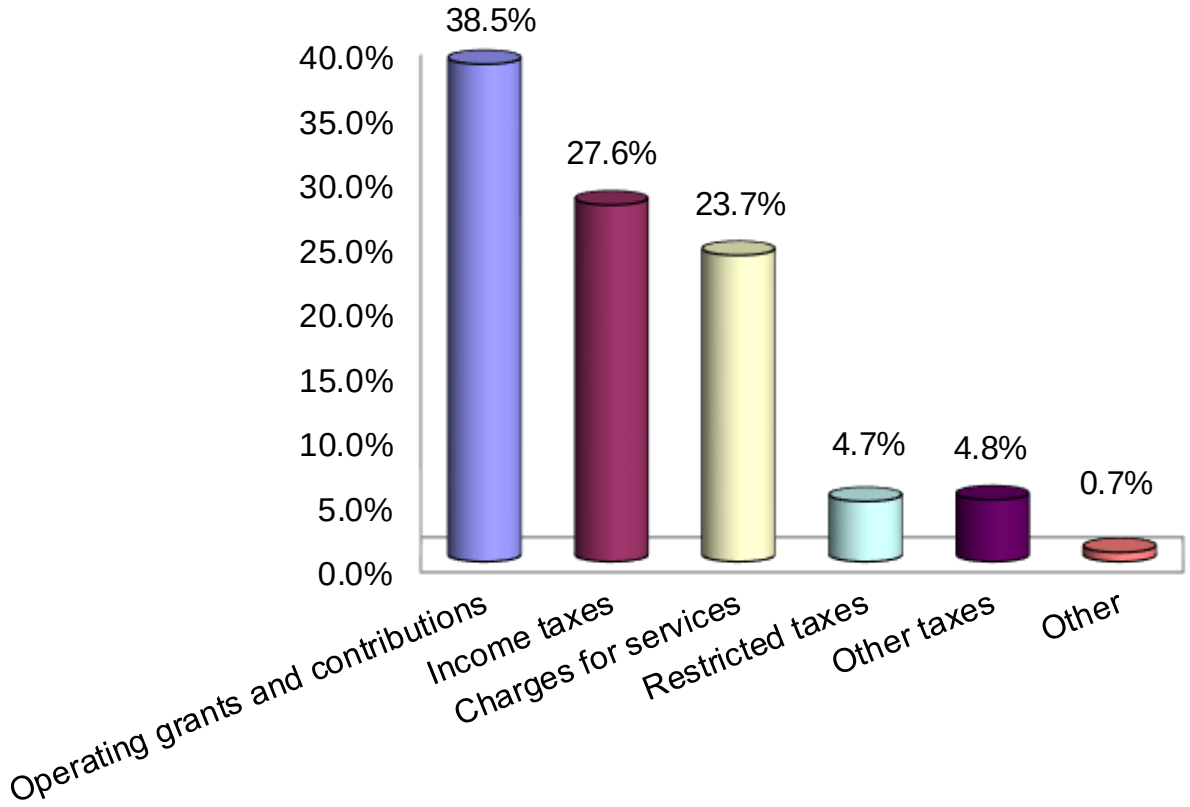
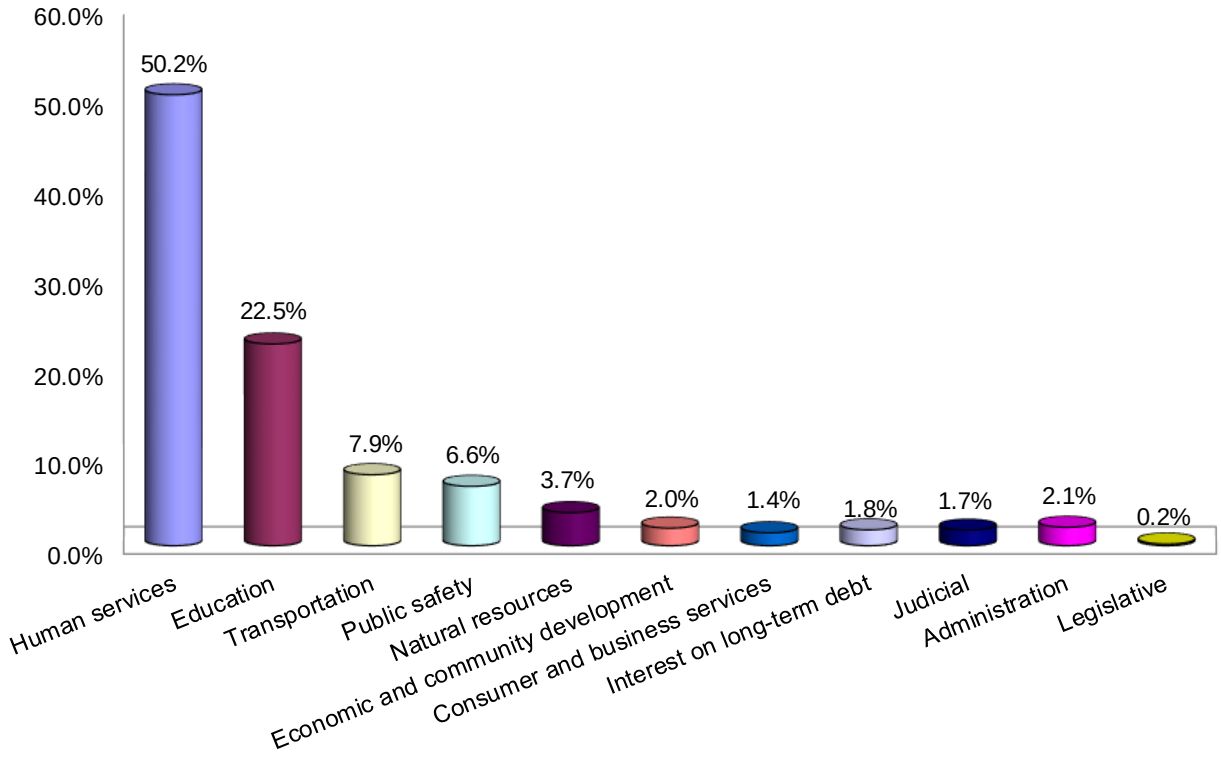


Figure 2 below shows governmental activity expenses for the State as a whole, by function. The cost of providing human services for Oregon citizens in need of assistance comprised 50.2 percent of total expenses. Elementary and secondary education accounted for 22.5 percent of the total.

Figure 2
State of Oregon's Governmental Expenses by Function
For the Year Ended June 30, 2014



FINANCIAL ANALYSIS OF THE STATE'S FUNDS

As noted earlier, the State of Oregon uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the State's governmental funds is to provide information on near-term inflows, outflows, and balances of *spendable* financial resources. In governmental funds, such information may serve as a useful measure of a government's net resources available for spending. At the end of fiscal year 2014, the State's governmental funds reported combined ending fund balances of $5.6 billion, up $622.4 million compared to the prior year.

Nonspendable fund balances of $85.2 million, or 1.5 percent, included amounts that were either not in spendable form or were legally or contractually required to be maintained intact, while restricted fund balances of $4.4 billion, or 79 percent, were restricted for specific purposes. These restrictions included, for example, vehicle-related taxes that must be used for transportation purposes; federal funding that must be spent in accordance with the underlying grants; and lottery revenues restricted by the Oregon Constitution for job creation, economic development, financing public education, and restoring and protecting Oregon's parks and beaches.

Committed fund balances of $679.3 million comprised 12.2 percent of total fund balances. This category represents amounts committed to specific purposes, such as residential assistance and community protection programs, as the result of constraints imposed by legislation. These amounts may not be used for other purposes unless the legislation is modified or rescinded by passing additional legislation. The assigned fund balance category of $24.6 million represents amounts constrained by the State's intent to use them for specific purposes. Intent is expressed by the Legislature via the budget process when there is no legislation other than

the budget bill imposing the constraints. The unassigned fund balance category of $376.8 million represents (1) the residual fund balance applicable to the General Fund and (2) negative unassigned fund balance in governmental funds other than the General Fund, which is the result of the combination of nonspendable fund balance, restricted fund balance and committed fund balance exceeding that fund's total fund balance.

The General Fund, which is the operating fund of the State, ended fiscal year 2014 with a total fund balance of $769.3 million. This represents a $14.6 million decrease from the prior year's ending fund balance. Total revenues grew by 6.5 percent, while transfers from other funds decreased 28.7 percent. Prior period adjustments of $59.4 million further decreased fund balance, the most significant being a $53.9 million adjustment to correct expenditures that were recognized in the incorrect period. Significant revenue contributors included personal income taxes, which rose $389.6 million, or 6.2 percent, and corporate income taxes, which gained $58.7 million, or 12.8 percent. Personal income tax collections grew strongly during the April 2014 filing season as the 2013 gains seen in stock markets and across other investments were realized for tax purposes. Spending on education increased $515.7 million, or 15.9 percent, due to primarily to three factors: the creation of two new divisions (Early Learning and Youth Development) within the Department of Education; certain strategic education initiatives; and the establishment of a Network of Quality Teaching and Learning.

Due to the implementation of GASB Statement No. 54, the State reports the Oregon Rainy Day Fund as part of the General Fund. Beginning fund balance for the separate Rainy Day Fund was $61.9 million. During the current fiscal year, the fund balance increased $335 thousand to $62.2 million, attributed entirely to investment earnings. The ending fund balance of the Rainy Day Fund is classified as committed fund balance.

In the Health and Social Services Fund, total revenues increased $1.3 billion, or 23.2 percent, due primarily to expansions in Medicaid enrollment under the Affordable Care Act, which resulted in higher federal grant revenues of $1.2 billion. Also because of the expansion, the related Medicaid eligibility payments also increased. These payments are reported as Human Services expenditures, which increased $1.4 billion, or 25.6 percent from fiscal year 2013. In addition, the State issued $67.2 million in general obligation bonds through this fund for the Junction City, Oregon portion of the Oregon State Hospital Replacement Project during the year.

Many of the revenues and expenditures of the Public Transportation Fund were comparable to the prior year. Total revenues did increase $85.8 million, or 5 percent, reflecting regular fluctuations in federal award activity, and slight increases in activities that generate motor fuel and other vehicle taxes. The primary cause of the $251.2 million increase in ending fund balance is the issuance of $409.8 million of highway user tax revenue bonds, which were issued as part of the Jobs and Transportation Act.

Ending fund balance in the Environmental Management Fund decreased $20.7 million, or 2.5 percent. Revenues increased $51.1 million (12 percent) due to a combination of increases in federal revenue, charges for services, and sales. Federal revenue increased $22.3 million, or 16.7 percent, due to revenues from the Federal Emergency Management Agency (FEMA) related to a larger than normal fire season. Charges for services increased $7.3 million, or 21 percent, due to energy supplier assessments charged by the Oregon Department of Energy, which generally are recognized in the first year of the biennium. Sales increased $7.7 million, or 9.1 percent, due primarily to increased timber sales. The major contributors to the decrease in fund balance were the $10.2 million increase in transfers to other funds, which was due to the significant fire season, as noted previously, and $17.1 million in prior period adjustments. The most significant prior period adjustment was made to correctly record supplies that were recorded as inventory in prior years.

The Common School Fund experienced a 19.2 percent growth in fund balance for fiscal year 2014. Due to improvements in market performance, financial assets returned $226.2 million in investment income in the current year compared to $143.3 million in the prior year, an increase of 57.9 percent.

Proprietary funds. The State's enterprise funds provide the same type of information presented for business-type activities in the government-wide financial statements, but in more detail.

Housing and Community Services finances home ownership and multi-family units for elderly, disabled, and low to moderate-income persons through the issuance of bonds. For fiscal year 2014, the Housing and Community Services Fund reported an operating loss of $1.5 million; reduced mortgage loan balances resulted in a decrease of $6.7 million, or 11 percent, in loan interest income; investment earnings increased $7.4 million from fiscal year 2013, with $1 million of the increase attributable to gains in investment fair values. In addition, operating expenses declined by $10.7 million, due primarily to an $8.8 million reduction in Bond and COP

interest expense, a result of smaller outstanding bond balances compared to the prior year. The net effect was a $3.1 million increase in net position for fiscal year 2014 before a prior period adjustment of $6.4 million and the cumulative effect of a change in accounting principle of $9 million. The prior period adjustment was the result of not previously deferring loan origination fees related to points and recognizing them over the life of the loan. The cumulative effect of a change in accounting principle was due to the State's implementation of Governmental Accounting Standards Board (GASB) Statement No. 65, which required that bond issuance costs be recognized as an expense in the period incurred, instead of being amortized over the life of the associated bond, as required under previous standards.

The net position of the Lottery Operations Fund increased $49.4 million in fiscal year 2014. This was due primarily to a $39.7 million reduction from the prior year in the amount transferred to the Economic Development Fund. This was due to the Lottery Commission retaining working capital for the Video Lottery℠ Terminal (VLT) Modernization Program. Overall, net product sales were lower by $15 million, or 1.4 percent below the prior year. There was a decrease of $20.4 million, or 6.2 percent, in sales of traditional games. This is due in part to the fluctuation of jackpot amounts between the years and their direct effect on sales. There was an increase of $5.4 million in Video Lottery℠ revenue over fiscal year 2013. During the year, new game sets were deployed on select Video Lottery℠ terminals to offer a wide variety of game choices that appeal to a diverse audience. This is the fourth consecutive year of slight gains in Video Lottery℠ revenue, as economic conditions have gradually improved. Operating expenses increased only 0.5 percent from the prior year.

For fiscal year 2014, assessments in the Unemployment Compensation Fund were comparable to those collected in fiscal year 2013 at $1 billion. While federal revenues declined for the fourth year in a row, down $321 million, or 62.3 percent, benefit payments to unemployed Oregonians continued to decrease, down $420.1 million, or 34 percent. These two factors reflect Oregon's declining unemployment rate and, in some cases, the expiration of extended benefits. Because of these changes, the net position of the Unemployment Compensation Fund increased $460 million, or 23.7 percent.

The University System Fund experienced an increase in fund net position of 5.6 percent from fiscal year 2013. Charges for services, which includes student tuition and fees, increased $68.1 million, or 8.2 percent, from the prior year, due primarily to higher tuition and fee rates. Salaries and wages increased 5.4 percent, or $80 million over the prior year, which was the primary reason for the $115.1 million increase in operating expenses from fiscal year 2013. Capital contributions increased $83.8 million from the prior year, due to the donation of a completed athletic facility at one of the institutions. The University System Fund received a transfer of $386 million from the General Fund, which contributed to an overall increase in net position of $83.2 for the year.

In fiscal year 2014, the other (nonmajor) proprietary funds realized increased operating revenues, primarily sales revenue in the Liquor Control Fund. Operating expenses also increased, by a larger percentage, resulting in an operating loss of $62.6 million. Transfers from the General Fund to the State Hospital Fund for $169.2 million helped nonmajor proprietary funds in total realize an increase in net position over fiscal year 2013.

At the end of fiscal year 2014, approximately 63.9 percent of the net position reported by the State's proprietary funds was classified as unrestricted and was available for spending on business-type activities. However, restrictions significantly affected the availability of resources in the Housing and Community Services Fund with 98 percent of the fund's net position restricted for debt service. In the University System Fund, the net investment in capital assets was 63 percent of net position, while 23.9 percent was restricted for education, debt service, capital construction, and purposes stipulated by donors.

Fiduciary funds. Fiduciary funds account for resources held for the benefit of parties outside the government. The net position of the Pension and Other Employee Benefit Trust Fund, which accounts for resources held in trust for the payment of retirement, disability, postemployment healthcare, and death benefits to members of the Public Employees Retirement System, increased by $8.4 billion, or 12.8 percent. The net appreciation in the fair value of investments of $10 billion, up $3.5 billion from the prior year, was the primary factor contributing to this increase. The net position of all fiduciary funds is reported as held in trust for particular purposes.

GENERAL FUND BUDGETARY HIGHLIGHTS

The State budgets on a biennial basis rather than an annual basis. Budgets are prepared on the cash basis utilizing encumbrance accounting. The original budget amounts reported for revenues in the budgetary statements represent original estimates, while budgeted expenditures represent the first complete appropriated budget adopted by the Legislature. The final budget amounts reported for revenues represent revised

estimates, while the final budgeted expenditures represent the original appropriated budget modified by legally authorized legislative and executive changes, as well as Emergency Board actions taken during the year. For the 2013-15 biennium, final estimated revenues for the General Fund increased slightly compared to the original estimate. The General Fund's final budgeted expenditures increased by $306 million, or 2 percent.

Because of Oregon's biennial process, budget to actual comparison are not final until the second year of the biennium. For the first year of the 2013-15 biennium, actual expenditures and other financing uses exceeded actual General Fund revenues and other financing source by $653.4 million, leaving an ending budget balance of $222 million. Actual revenues for the first year of the biennium were 47.1 percent of the final budgeted revenues, or $7.3 billion, while actual cash expenditures were 51 percent of those budgeted, or $8.1 billion.

To manage differences in the timing of cash flows, the State issued $590.2 million of tax anticipation notes in July 2014. These notes will be repaid with income tax revenue prior to the end of fiscal year 2015.

DEBT ADMINISTRATION

The State Debt Policy Advisory Commission advises the Governor and the legislative assembly regarding policies and actions that enhance and preserve the State's credit rating and maintain the future availability of low cost capital financing. The State's debt credit ratings, unchanged from the prior year at AA+ by Fitch, AA+ by Standard & Poor's, and Aa1 by Moody's, are an indication of the State's ability to repay its debt.

Debt outstanding for the years ended June 30, 2014 and 2013 is summarized in Table 3. In fiscal year 2014, the State issued general obligation bonds to finance or refinance the Oregon State Hospital Replacement Project, the Core System Replacement Project at the Department of Revenue, the acquisition and construction of new higher education facilities, the upgrade and renovation of the Oregon State Capitol building, for energy and conservation projects for the Department of Energy, and various other facilities and modernization projects.

During fiscal year 2014, revenue bonds were issued for both governmental activities and business-type activities. Within the governmental activities, the revenue bonds were issued for state and local highways, bridges, multi-modal and light rail projects. Revenue bonds were issued within the business-type activities to assist low-income families purchasing single-family housing.

The State made its final principal payment on general appropriation bonds during the year. Therefore, there are no further outstanding amounts for this type of debt.

The State was involved in four separate debt refunding issuances in fiscal year 2014 and refunded $322.7 million of previously existing debt with $402.2 million of new debt. Additional information on the State's long-term debt may be found in Note 9 of this report.

Table 3
State of Oregon's Outstanding Debt
For the Years Ended June 30, 2014 and 2013
(In Millions)

	2014	2013	2014 Over (Under) 2013 Amount	2014 Over (Under) 2013 Percent
General Obligation Bonds	$ 5,615.7	$ 5,403.6	$ 212.1	3.9%
Revenue Bonds	4,872.0	4,649.7	222.3	4.8%
Certificates of Participation	698.3	777.2	(78.9)	-10.2%
General Appropriation Bonds	-	29.1	(29.1)	-100.0%
Total	$ 11,186.0	$ 10,859.6	$ 326.4	3.0%

CAPITAL ASSETS

The State's investment in capital assets for its governmental and business-type activities as of June 30, 2014, was $16.3 billion (net of accumulated depreciation) as summarized in Table 4. Capital assets include land, buildings, improvements, equipment, construction in progress, highways, tunnels and bridges, and works of art and other nondepreciable assets. The State's investment in capital assets for fiscal year 2014 increased $515.4 million, or 3.3 percent.

Table 4
State of Oregon's Capital Assets, Net of Depreciation
(In Millions)

	Governmental Activities		**Business-type Activities**		**Total**	
	2014	2013	2014	2013	2014	2013
Land	$ 1,867.1	$ 1,844.4	$ 147.3	$ 142.2	$ 2,014.4	$ 1,986.6
Buildings, property and equipment	1,922.0	1,899.9	2,813.0	2,759.8	4,735.0	4,659.7
Construction in progress	1,445.5	1,285.6	320.3	148.5	1,765.8	1,434.1
Infrastructure	7,629.7	7,548.1	65.8	66.2	7,695.5	7,614.3
Works of art and other nondepreciable assets	1.9	1.9	74.0	74.6	75.9	76.5
Total	$ 12,866.2	$ 12,579.9	$ 3,420.4	$ 3,191.3	$ 16,286.6	$ 15,771.2

Major capital asset events during the fiscal year included the following:

- The State's outstanding construction commitments related to highway and bridge construction totaled $722.1 million at June 30, 2014.
- During the year, the methodology used by the Oregon Department of Transportation to estimate the value of the State's highway infrastructure was changed. This resulted in decreases to both the infrastructure account and the associated accumulated depreciation of approximately $4.5 billion within the governmental activities.
- The State permanently stopped construction on the Columbia River Crossing I-5 Bridge Replacement project, which resulted in the recognition of a capital asset impairment of $84.9 million in the governmental activities.
- The statewide increase in infrastructure along with buildings, property and equipment was primarily due to the completion of projects or project phases related to state highways, tunnels, bridges and higher education facilities.

Additional information on the State's capital assets may be found in Note 6 of this report.

ECONOMIC FACTORS AND NEXT BIENNIUM'S BUDGET

Oregon's unemployment rate for November 2014 was 7 percent compared to 7.3 percent in November 2013. The U.S. unemployment rate for November 2014 was 5.8 percent. Since reaching a high point of 11.6 percent in May and June 2009, the rate has slowly declined over the past four and a half years.

Job growth in Oregon continues to remain relatively strong to date in 2014, and the outlook is for growth to persist for two to three years before longer-run demographic trends weigh on growth rates. The most recent economic forecast anticipates that employment rates will be relatively unchanged through 2016 and some upward revisions to the out years. However, job growth is the most recent months has tracked behind forecast. While the unrevised employment data indicates a slowdown in Oregon, real-time wage information suggest otherwise.

An improved job market is fueling growth in tax revenues. In recent months, growth in personal taxes withheld from paychecks has returned to rates similar to those seen during the peak of the housing boom. In addition to gains in taxable labor income, corporate tax collections grew rapidly through much of the year, prior to running out of steam in the fall.

The 2013-15 biennium is far from over, and therefore significant uncertainty remains. One more income tax filing season remains between now and the end of the biennium. As such, many risks to the outlook remain. The primary downside risk facing the near-term revenue forecast is the uncertain future of the nationwide economic expansion. Should contractionary monetary policy or economic weakness among our trading partners derail the U.S. economy, the strong expected growth in Oregon's tax collections will not be realized.

Revenue growth in Oregon will face considerable downward pressure over the 10-year extended forecast horizon. As the baby boom population cohort works less and spends less, traditional state tax instruments such as personal income taxes will become less effective, and revenue growth will fail to match the pace seen in the past.

The December 2014 forecast for General Fund revenues for the 2013-15 biennium is $15.9 billion. This figure is $270 million above the amount forecasted at the close of the 2013 legislative session. The projected General Fund ending balance for the 2013-15 biennium is $260.2 million. The latest revenue forecast projects increases in General Fund revenues for the next two biennia, up 11.4 percent to $17.7 billion in 2015-17 and 8.5 percent to $19.2 billion in 2017-19.

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Basic Financial Statements

Statement of Net Position
June 30, 2014
(In Thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 2,853,831	$ 3,260,191	$ 6,114,022	$ 219,662
Cash and Cash Equivalents - Restricted	-	50,290	50,290	19,277
Investments	1,388,375	32,643	1,421,018	4,530,055
Investments - Restricted	-	94,199	94,199	-
Securities Lending Collateral	321,008	154,379	475,387	172,668
Accounts and Interest Receivable (net)	1,266,597	569,390	1,835,987	738,522
Taxes Receivable (net)	570,483	-	570,483	-
Pledges, Contributions, and Grants Receivable (net)	-	-	-	177,470
Internal Balances	117,909	(117,909)	-	-
Due from Component Units	-	22,090	22,090	-
Due from Other Governments	-	7,440	7,440	2,504
Due from Primary Government	-	-	-	15,142
Inventories	65,660	41,060	106,720	18,153
Prepaid Items	7,337	12,734	20,071	72,203
Foreclosed and Deeded Property	-	8,567	8,567	-
Total Current Assets	6,591,200	4,135,074	10,726,274	5,965,656
Noncurrent Assets:				
Cash and Cash Equivalents	-	66,765	66,765	-
Cash and Cash Equivalents - Restricted	1,216,715	345,772	1,562,487	-
Investments	173,938	121,775	295,713	691,830
Investments - Restricted	169,137	515,018	684,155	2,037,943
Custodial Assets	22,742	-	22,742	-
Taxes Receivable (net)	550,492	-	550,492	-
Interfund Loans	(179)	179	-	-
Advances to Component Units	-	38,438	38,438	-
Net Contracts, Notes, and Other Receivables	361,134	116,364	477,498	2,156
Loans Receivable (net)	610,757	1,797,291	2,408,048	-
Pledges, Contributions, and Grants Receivable (net)	-	-	-	84,934
Net Pension Asset	1,478,400	-	1,478,400	-
Capital Assets:				
Land	1,867,126	147,268	2,014,394	81,575
Buildings, Property, and Equipment	3,514,220	4,856,517	8,370,737	2,495,419
Construction in Progress	1,445,492	320,309	1,765,801	291,852
Infrastructure	12,374,627	128,234	12,502,861	-
Works of Art and Other Nondepreciable Assets	1,919	74,027	75,946	-
Less Accumulated Depreciation and Amortization	(6,337,159)	(2,105,919)	(8,443,078)	(1,278,222)
Total Noncurrent Assets	17,449,361	6,422,038	23,871,399	4,407,487
Total Assets	24,040,561	10,557,112	34,597,673	10,373,143
DEFERRED OUTFLOWS OF RESOURCES				
Hedging Derivatives	-	19,192	19,192	13,586
Loss on Refunding	36,750	36,738	73,488	3,048
Total Deferred Outflows of Resources	36,750	55,930	92,680	16,634

The notes to the financial statements are an integral part of this statement.

Statement of Net Position
June 30, 2014
(In Thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
LIABILITIES				
Current Liabilities:				
Accounts and Interest Payable	1,035,513	257,748	1,293,261	302,753
Obligations Under Securities Lending	321,008	154,379	475,387	172,633
Due to Component Units	15,124	-	15,124	-
Due to Other Governments	162,563	4,210	166,773	18,818
Due to Primary Government	-	-	-	33,012
Unearned Revenue	48,594	141,841	190,435	284,134
Matured Bonds/COPs and Coupons Payable	-	194	194	-
Tax Anticipation Notes Payable	650,744	-	650,744	-
Compensated Absences Payable	116,587	61,449	178,036	69,499
Reserve for Loss and Loss Adjustment Expense	-	-	-	251,185
Claims and Judgments Payable	118,268	18,492	136,760	20,303
Lottery Prize Awards Payable	-	32,413	32,413	-
Arbitrage Rebate Payable	-	12	12	-
Custodial Liabilities	273,466	53,299	326,765	12,573
Contracts, Mortgages and Notes Payable	37,200	22,740	59,940	1,960
Bonds/COPs Payable	327,611	179,081	506,692	14,006
Obligations Under Capital Lease	1,950	25	1,975	1,036
Pollution Remediation Obligation	7,080	147	7,227	-
Total Current Liabilities	3,115,708	926,030	4,041,738	1,181,912
Noncurrent Liabilities:				
Obligations Under Life Income Agreements	-	-	-	111,584
Compensated Absences Payable	60,060	13,542	73,602	-
Reserve for Loss and Loss Adjustment Expense	-	-	-	2,790,190
Claims and Judgments Payable	1,063,141	7,643	1,070,784	39,992
Lottery Prize Awards Payable	-	126,670	126,670	-
Arbitrage Rebate Payable	740	21,063	21,803	-
Custodial Liabilities	3,377	12,221	15,598	-
Contracts, Mortgages, and Notes Payable	375,360	137,368	512,728	58,098
Bonds/COPs Payable	6,995,589	3,681,751	10,677,340	715,399
Obligations Under Capital Lease	1,077	44	1,121	6,057
Advances from Primary Government	-	-	-	38,438
Pollution Remediation Obligation	9,821	-	9,821	-
Net OPEB Obligation	52,285	26,066	78,351	10,798
Derivative Instrument Liabilities	-	19,171	19,171	14,968
Total Noncurrent Liabilities	8,561,450	4,045,539	12,606,989	3,785,524
Total Liabilities	11,677,158	4,971,569	16,648,728	4,967,436
DEFERRED INFLOWS OF RESOURCES				
Hedging Derivatives	-	-	-	3,885
Loan Origination	512	5,905	6,417	-
Total Deferred Inflows of Resources	512	5,905	6,417	3,885
NET POSITION				
Net Investment in Capital Assets	9,982,055	1,443,136	11,425,191	818,503
Restricted-Nonexpendable	14,808	17,561	32,369	1,020,667
Restricted for:				
Health and Social Services Programs	76,764	-	76,764	-
Transportation Programs	739,143	-	739,143	-
Natural Resource Programs	724,757	484	725,241	-
Education	1,339,844	175,321	1,515,165	1,184,495
Community Protection	34,788	-	34,788	-
Consumer Protection	87,957	-	87,957	-
Employment Services	105,127	-	105,127	-
Workers' Compensation	-	-	-	1,378,147
Residential Assistance	122,242	2,019	124,261	-
Debt Service	544	287,064	287,608	-
Capital Projects	778	96,291	97,069	-
Other Purposes	248,099	-	248,099	-
Unrestricted	(1,077,265)	3,613,692	2,536,427	1,016,644
Total Net Position	$ 12,399,641	$ 5,635,568	$ 18,035,209	$ 5,418,456

Statement of Activities
For the Year Ended June 30, 2014
(In Thousands)

		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Functions/Programs					
Primary Government:					
Governmental Activities:					
Education	$ 4,420,704	$ 8,485	$ 670,577	$ -	$ (3,741,642)
Human Services	9,880,251	615,829	6,822,498	1,930	(2,439,994)
Public Safety	1,300,085	85,549	149,215	4,949	(1,060,372)
Economic and Community Development	385,464	33,564	251,064	-	(100,836)
Natural Resources	724,185	335,198	448,921	141	60,075
Transportation	1,555,822	171,154	529,946	10,746	(843,976)
Consumer and Business Services	283,039	126,482	17,535	-	(139,022)
Administration	404,182	92,358	163,576	-	(148,248)
Legislative	37,234	2,298	33	-	(34,903)
Judicial	340,313	33,722	2,099	-	(304,492)
Interest on Long-term Debt	347,010	-	-	-	(347,010)
Total Governmental Activities	19,678,289	1,504,639	9,055,464	17,766	(9,100,420)
Business-type Activities:					
Housing and Community Services	56,473	55,493	4,845	-	3,865
Lottery Operations	493,652	1,052,945	6,331	-	565,624
Unemployment Compensation	831,914	1,064,234	238,477	-	470,797
University System	2,505,392	1,527,836	589,872	138,610	(249,074)
State Hospitals	278,804	71,721	-	-	(207,083)
Liquor Control	384,491	524,218	-	-	139,727
Other Business-type Activities	306,212	301,130	11,674	20,317	26,909
Total Business-type Activities	4,856,938	4,597,577	851,199	158,927	750,765
Total Primary Government	$ 24,535,227	$ 6,102,216	$ 9,906,663	$ 176,693	$ (8,349,655)
Component Units:					
SAIF Corporation	$ 559,045	$ 462,881	$ 85,801	$ -	$ (10,363)
Other Component Units	2,483,213	1,842,062	1,003,734	5,135	367,718
Total Component Units	$ 3,042,258	$ 2,304,943	$ 1,089,535	$ 5,135	$ 357,355

The notes to the financial statements are an integral part of this statement.

Statement of Activities
For the Year Ended June 30, 2014
(In Thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Changes in Net Position:				
Net (Expense) Revenue	$ (9,100,420)	$ 750,765	$ (8,349,655)	$ 357,355
General Revenues:				
Taxes:				
Personal Income Taxes	6,596,708	-	6,596,708	-
Corporate Income Taxes	506,889	-	506,889	-
Tobacco Taxes	260,882	-	260,882	-
Healthcare Provider Taxes	485,584	-	485,584	-
Insurance Premium Taxes	85,196	-	85,196	-
Other Taxes	380,783	17,584	398,367	-
Restricted for Transportation Purposes:				
Motor Fuel and Other Vehicle Taxes	1,053,611	-	1,053,611	-
Restricted for Workers' Compensation and Workplace Safety Programs:				
Workers' Compensation Insurance Taxes	54,126	-	54,126	-
Employer-Employee Taxes	91,343	-	91,343	-
Total Taxes	9,515,122	17,584	9,532,706	-
Unrestricted Investment Earnings	5,516	-	5,516	-
Contributions to Permanent Funds	297	-	297	-
Additions to Permanent Endowments	-	776	776	-
Transfers - Internal Activities	133,008	(133,008)	-	-
Total General Revenues, Contributions, Special Items, Extraordinary Items, and Transfers	9,653,943	(114,648)	9,539,295	-
Change in Net Position	553,523	636,117	1,189,640	357,355
Net Position - Beginning	11,943,504	5,017,612	16,961,116	5,079,521
Prior Period Adjustments	(65,274)	(4,828)	(70,102)	14
Cumulative Effect of a Change in Accounting Principles	(32,112)	(13,333)	(45,445)	(18,434)
Net Position - Beginning - As Restated	11,846,118	4,999,451	16,845,569	5,061,101
Net Position - Ending	$ 12,399,641	$ 5,635,568	$ 18,035,209	$ 5,418,456

Balance Sheet
Governmental Funds
June 30, 2014
(In Thousands)

	General	Health and Social Services	Public Transportation
ASSETS			
Cash and Cash Equivalents	$ 872,602	$ 412,503	$ 788,004
Investments	12,220	-	78,757
Custodial Assets	-	-	-
Securities Lending Collateral	55,669	22,863	50,609
Accounts and Interest Receivable (net)	7,939	730,916	79,543
Taxes Receivable (net)	1,020,154	13,462	69,479
Due from Other Funds	769,288	54,961	3,630
Inventories	19,228	913	31,143
Prepaid Items	5,184	-	473
Advances to Other Funds	-	-	-
Net Contracts, Notes and Other Receivables	6,833	49,962	3,753
Loans Receivable (net)	-	35	25,119
Total Assets	$ 2,769,117	$ 1,285,615	$ 1,130,510
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts and Interest Payable	$ 304,199	$ 272,409	$ 128,638
Obligations Under Securities Lending	55,669	22,863	50,609
Due to Other Funds	224,629	556,448	16,881
Due to Component Units	-	15,031	-
Due to Other Governments	40,289	-	73,074
Unearned Revenue	-	221	15,845
Tax Anticipation Notes Payable	650,744	-	-
Custodial Liabilities	9,265	37,174	888
Contracts, Mortgages, and Notes Payable	-	-	-
Advances from Other Funds	584	-	-
Total Liabilities	1,285,379	904,146	285,935
Deferred Inflows of Resources:			
Unavailable Revenue	714,465	50,878	8,691
Total Deferred Inflows of Resources	714,465	50,878	8,691
Fund Balances:			
Nonspendable	24,430	965	31,591
Restricted by:			
Federal Laws and Regulations	2,116	111,612	32,539
Oregon Constitution	221,344	2,034	411,869
Enabling Legislation	14,618	77,319	49,923
Debt Covenants	17,461	41,276	309,962
Donors and Other External Parties	-	4,572	-
Committed	92,978	110,366	-
Assigned	1,327	-	-
Unassigned	394,999	(17,553)	-
Total Fund Balances	769,273	330,591	835,884
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 2,769,117	$ 1,285,615	$ 1,130,510

The notes to the financial statements are an integral part of this statement.

Environmental Management	Common School	Other	Total
$ 400,211	$ 89,101	$ 947,850	$ 3,510,271
-	1,342,175	228,875	1,662,027
1,109	9,838	11,795	22,742
26,082	71,295	41,249	267,767
82,774	18,282	263,527	1,182,981
-	-	17,880	1,120,975
17,049	126	189,240	1,034,294
9,667	-	3,265	64,216
108	-	1,050	6,815
-	300	-	300
38,563	1,083	260,937	361,131
392,432	-	193,155	610,741
$ 967,995	$ 1,532,200	$ 2,158,823	$ 9,844,260

$ 28,187	$ 35,282	$ 153,198	$ 921,913
26,082	71,295	41,249	267,767
8,044	26,160	41,086	873,248
-	-	93	15,124
14,806	-	34,394	162,563
8,628	-	5,925	30,619
-	-	-	650,744
2,944	207,851	13,666	271,788
20,000	-	-	20,000
300	-	48	932
108,991	340,588	289,659	3,214,698
38,563	1,083	261,575	1,075,255
38,563	1,083	261,575	1,075,255
9,830	-	18,342	85,158
564,491	-	86,022	796,780
14,000	892,976	390,421	1,932,644
121,707	297,494	332,536	893,597
50,185	-	307,088	725,972
3,888	59	30,976	39,495
50,043	-	425,887	679,274
6,297	-	17,001	24,625
-	-	(684)	376,762
820,441	1,190,529	1,607,589	5,554,307
$ 967,995	$ 1,532,200	$ 2,158,823	$ 9,844,260

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Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2014
(In Thousands)

Total fund balances of governmental funds		$ 5,554,307
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land	$ 1,857,796	
Buildings, property and equipment	2,918,660	
Construction in progress	1,435,659	
Infrastructure	12,373,990	
Works of Art and Other Nondepreciable Assets	1,757	
Accumulated depreciation and amortization	(5,991,958)	
Total capital assets		12,595,904
The net pension asset resulting from contributions in excess of the annual required contribution in 2004 are not financial resources and therefore are not reported in the funds. (See Note 15)		1,478,400
Some of the State's governmental revenues will be collected after year-end but are not available soon enough to pay the current year liabilities.		1,075,255
Gain or loss on debt refunding is reported as a deferred inflow of resources or a deferred outflow of resources, respectively, for govermental activities in the Statement of Net Position but are reported as expenditures in the funds.		
Deferred outflow-loss on refunding		33,627
Deferred inflow-gain on refunding		(512)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.		529,026
Unamortized debt insurance costs are reported as prepaid items for governmental activities in the Statement of Net Position but are reported as expenditures in the funds.		74
Some liabilities are not due and payable in the current year and therefore are not reported in the funds. Those liabilities consist of:		
Accounts and interest payable	(71,768)	
Compensated absences	(159,855)	
Claims and judgments	(967,551)	
Arbitrage rebate	(740)	
Contracts, mortgages and notes payable	(372,428)	
Bonds and COPS	(7,227,265)	
Pollution remediation obligation	(16,900)	
Net OPEB Obligation	(49,933)	
Total long-term liabilities		(8,866,440)
Net position of governmental activities		$ 12,399,641

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014
(In Thousands)

	General	Health and Social Services	Public Transportation
REVENUES			
Personal Income Taxes	$ 6,615,190	$ -	$ -
Corporate Income Taxes	517,410	-	-
Tobacco Taxes	66,637	193,855	-
Healthcare Provider Taxes	-	485,584	-
Insurance Premium Taxes	60,818	24,378	-
Motor Fuel and Other Vehicle Taxes	-	-	1,052,578
Employer-Employee Taxes	-	-	-
Workers' Compensation Insurance Taxes	-	-	-
Other Taxes	198,824	-	2,155
Licenses and Fees	99,482	18,093	89,781
Federal	139	5,632,525	558,543
Rebates and Recoveries	33	272,104	4,627
Charges for Services	15,377	91,419	30,059
Fines, Forfeitures, and Penalties	23,305	224	4,574
Rents and Royalties	679	4	6,003
Investment Income	5,516	2,091	9,072
Sales	1,522	4,986	17,460
Donations and Grants	1,847	1,535	19
Contributions to Permanent Funds	-	-	-
Tobacco Settlement Proceeds	-	86,924	-
Unclaimed and Escheat Property Revenue	-	-	-
Other	4,327	210,923	17,983
Total Revenues	7,611,106	7,024,645	1,792,854
EXPENDITURES			
Current:			
Education	3,764,106	-	-
Human Resources	1,722,738	7,030,914	-
Public Safety	1,013,079	-	-
Economic and Community Development	28,626	-	-
Natural Resources	128,225	-	-
Transportation	9,938	-	1,678,500
Consumer and Business Services	5,150	12	-
Administration	237,800	3	46,988
Legislative	35,407	-	-
Judicial	307,591	1,299	-
Capital Improvements and Capital Construction	-	-	-
Debt Service:			
Principal	89,999	-	9
Interest	58,012	-	504
Other Debt Service	1,174	586	2,420
Total Expenditures	7,401,845	7,032,814	1,728,421
Excess (Deficiency) of Revenues Over (Under) Expenditures	209,261	(8,169)	64,433
OTHER FINANCING SOURCES (USES)			
Transfers from Other Funds	971,248	173,054	25,365
Transfers to Other Funds	(1,165,757)	(122,784)	(286,430)
Insurance Recoveries	180	-	639
Long-term Debt Issued	25,670	67,223	409,775
Loan Proceeds	-	-	32
Debt Issuance Premium	2,749	8,807	42,566
Refunding Debt Issued	-	-	-
Refunded Debt Payment to Escrow Agent	-	-	-
Total Other Financing Sources (Uses)	(165,910)	126,300	191,947
Net Change in Fund Balances	43,351	118,131	256,380
Fund Balances - Beginning	783,882	233,627	584,669
Prior Period Adjustments	(59,375)	(21,180)	(6,980)
Fund Balances - Beginning - As Restated	724,507	212,447	577,689
Change in Inventories	1,415	13	1,815
Fund Balances - Ending	$ 769,273	$ 330,591	$ 835,884

The notes to the financial statements are an integral part of this statement.

Environmental Management	Common School	Other	Total
$ -	$ -	$ -	$ 6,615,190
-	-	-	517,410
-	-	-	260,492
-	-	-	485,584
-	-	-	85,196
-	-	-	1,052,578
-	-	91,344	91,344
-	-	54,126	54,126
22,960	-	156,210	380,149
133,616	767	154,035	495,774
156,106	-	2,275,823	8,623,136
1	-	16,040	292,805
42,265	254	71,364	250,738
1,055	85	78,083	107,326
2,620	5,863	2,124	17,293
10,970	226,185	21,027	274,861
91,749	188	8,166	124,071
816	-	40,155	44,372
-	-	297	297
-	-	-	86,924
-	24,360	-	24,360
13,820	4,317	30,461	281,831
475,978	262,019	2,999,255	20,165,857
-	-	657,125	4,421,231
-	-	1,205,806	9,959,458
-	-	276,153	1,289,232
-	-	355,766	384,392
496,031	18,730	42,371	685,357
-	-	9,980	1,698,418
-	-	294,763	299,925
-	-	56,758	341,549
-	-	912	36,319
-	-	37,820	346,710
-	-	73,976	73,976
-	-	240,737	330,745
478	-	280,482	339,476
45	-	534	4,759
496,554	18,730	3,533,183	20,211,547
(20,576)	243,289	(533,928)	(45,690)
93,081	3,657	957,511	2,223,916
(76,708)	(55,937)	(346,890)	(2,054,506)
219	797	4	1,839
-	-	36,177	538,845
-	-	-	32
-	-	3,489	57,611
-	-	266,635	266,635
-	-	(266,425)	(266,425)
16,592	(51,483)	650,501	767,947
(3,984)	191,806	116,573	722,257
841,132	998,734	1,489,911	4,931,955
(17,090)	(11)	928	(103,708)
824,042	998,723	1,490,839	4,828,247
383	-	177	3,803
$ 820,441	$ 1,190,529	$ 1,607,589	$ 5,554,307

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Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2014
(In Thousands)

Net change in fund balances of total governmental funds		$ 722,257
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlay is reported as an expenditure in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current year, these amounts are:		
Capital outlay	$ 614,019	
Depreciation expense	(357,666)	
Excess of depreciation over capital outlays		256,353
The net effect of sales, transfers, impairments, and donations of capital assets is a decrease to net position.		(12,321)
Bond proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Position.		(863,091)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		597,170
Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these become a component of Bonds/COPs payable and are amortized in the Statement of Activities.		6,280
Accrued interest on tax anticipation notes does not require the use of current financial resources and therefore is not reported as an expenditure in governmental funds.		(9,476)
Some expenses reported in the Statement of Activities do not require the use of current financial resources; thus, they are not reported as expenditures in governmental funds.		
Net pension asset	(72,000)	
Accounts and interest payable	(13,587)	
Compensated absences	7,057	
Claims and judgments payable	13,202	
Pollution remediation obligation	(4,365)	
Contracts, mortgages and notes payable	(22,057)	
Net OPEB obligation	(2,263)	
Total		(94,013)
Investment income related to rebatable arbitrage does not provide current financial resources and is not reported as revenue in the governmental funds.		534
Some revenues will not be collected for several months after the State's fiscal year ends. Therefore, they are not considered "available" revenues in the governmental funds.		(95,056)
Change in inventory is reported as a separate line after the change in fund balances in the governmental statements, but is included in expenses in the governmental activities.		3,803
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net expense of the internal service funds is reported within governmental activities.		41,083
Change in net position of governmental activities		$ 553,523

The notes to the financial statements are an integral part of this statement.

Statement of Net Position
Proprietary Funds
June 30, 2014
(In Thousands)

	Business-type Activities - Enterprise Funds		
	Housing and Community Services	Lottery Operations	Unemployment Compensation
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 4,060	$ 274,220	$ 2,078,813
Cash and Cash Equivalents - Restricted	10,171	-	72
Investments	-	12,245	-
Investments - Restricted	94,199	-	-
Securities Lending Collateral	3,394	67,865	1,464
Accounts and Interest Receivable (net)	5,633	23,778	274,339
Due from Other Funds	11	-	-
Due from Component Units	-	-	-
Due from Other Governments	-	-	7,440
Inventories	-	1,706	-
Prepaid Items	8	746	-
Foreclosed and Deeded Property	7,136	-	-
Total Current Assets	124,612	380,560	2,362,128
Noncurrent Assets:			
Cash and Cash Equivalents	-	66,765	-
Cash and Cash Equivalents - Restricted	54,611	-	1,894
Investments	-	121,775	-
Investments - Restricted	215,858	-	-
Advances to Other Funds	-	-	-
Advances to Component Units	-	-	-
Net Contracts, Notes, and Other Receivables	-	3,338	57,272
Loans Receivable (net)	1,009,416	-	-
Capital Assets:			
Land	-	-	-
Buildings, Property, and Equipment	178	189,660	-
Construction in Progress	-	-	-
Infrastructure	-	-	-
Works of Art and Other Nondepreciable Assets	-	-	-
Less Accumulated Depreciation and Amortization	(155)	(154,454)	-
Total Noncurrent Assets	1,279,908	227,084	59,166
Total Assets	1,404,520	607,644	2,421,294
DEFERRED OUTFLOWS OF RESOURCES			
Hedging Derivatives	17,276	-	-
Loss on Refunding	2,262	-	-
Total Deferred Outflows of Resources	19,538	-	-

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds			
University System	Other	Total	Governmental Activities Internal Service Funds
$ 456,891	$ 446,207	$ 3,260,191	$ 555,239
-	40,047	50,290	-
-	20,398	32,643	-
-	-	94,199	-
46,840	34,816	154,379	53,240
233,287	32,353	569,390	83,615
16,085	1,878	17,974	2,561
22,090	-	22,090	-
-	-	7,440	-
8,118	31,236	41,060	1,442
11,767	213	12,734	450
-	1,431	8,567	-
795,078	608,579	4,270,957	696,547
-	-	66,765	-
177,261	112,006	345,772	5,038
-	-	121,775	-
299,160	-	515,018	69,424
-	120,154	120,154	584
38,438	-	38,438	-
51,546	4,208	116,364	2
-	787,875	1,797,291	17
138,166	9,102	147,268	9,330
4,187,331	479,348	4,856,517	595,560
290,642	29,667	320,309	9,832
126,186	2,048	128,234	637
73,340	687	74,027	162
(1,859,381)	(91,929)	(2,105,919)	(345,202)
3,522,689	1,453,166	6,542,013	345,384
4,317,767	2,061,745	10,812,970	1,041,931
21	1,895	19,192	-
34,458	18	36,738	3,124
34,479	1,913	55,930	3,124

(continued on next page)

Statement of Net Position
Proprietary Funds
June 30, 2014
(In Thousands)

(continued from previous page)

	Business-type Activities - Enterprise Funds		
	Housing and Community Services	Lottery Operations	Unemployment Compensation
LIABILITIES			
Current Liabilities:			
Accounts and Interest Payable	21,499	21,285	13,844
Obligations Under Securities Lending	3,394	67,865	1,464
Due to Other Funds	47	140,644	1,184
Due to Other Governments	-	-	4,121
Unearned Revenue	1,540	2,922	-
Matured Bonds/COPs and Coupons Payable	-	-	-
Compensated Absences Payable	195	2,067	-
Claims and Judgments Payable	-	-	-
Lottery Prize Awards Payable	-	32,413	-
Arbitrage Rebate Payable	-	-	-
Custodial Liabilities	-	103	72
Contracts, Mortgages, and Notes Payable	16	298	-
Bonds/COPs Payable	82,980	-	-
Obligations Under Capital Lease	-	-	-
Pollution Remediation Obligation	-	-	-
Total Current Liabilities	109,671	267,597	20,685
Noncurrent Liabilities:			
Compensated Absences Payable	101	1,065	-
Claims and Judgments Payable	-	-	-
Lottery Prize Awards Payable	-	126,670	-
Arbitrage Rebate Payable	-	-	-
Custodial Liabilities	-	-	1,894
Contracts, Mortgages, and Notes Payable	585	6,276	-
Bonds/COPs Payable	1,087,878	-	-
Obligations Under Capital Lease	-	-	-
Advances from Other Funds	-	-	-
Net OPEB Obligation	88	723	-
Derivative Instrument Liabilities	17,276	-	-
Total Noncurrent Liabilities	1,105,928	134,734	1,894
Total Liabilities	1,215,599	402,331	22,579
DEFERRED INFLOWS OF RESOURCES			
Loan Origination	5,905	-	-
Total Deferred Inflows of Resources	5,905	-	-
NET POSITION			
Net investment in capital assets	22	35,206	-
Restricted-Nonexpendable	-	-	-
Restricted for:			
Natural Resource Programs	-	-	-
Education	-	-	-
Residential Assistance	2,019	-	-
Debt Service	196,448	-	-
Capital Projects	-	-	-
Unrestricted	4,065	170,107	2,398,715
Total Net Position	$ 202,554	$ 205,313	$ 2,398,715

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds			
University System	Other	Total	Governmental Activities Internal Service Funds
147,212	53,862	257,702	41,834
46,840	34,816	154,379	53,240
-	25,022	166,897	14,730
-	89	4,210	-
134,783	2,596	141,841	17,974
-	194	194	-
51,208	7,979	61,449	11,083
4,000	14,492	18,492	27,988
-	-	32,413	-
3	9	12	-
44,326	8,798	53,299	1,784
20,015	2,411	22,740	722
66,526	29,575	179,081	11,099
25	-	25	1,950
147	-	147	-
515,085	179,843	1,092,881	182,404
8,380	3,996	13,542	5,709
7,643	-	7,643	185,870
-	-	126,670	-
-	21,063	21,063	-
10,327	-	12,221	3,272
99,368	31,139	137,368	19,409
2,010,218	583,655	3,681,751	84,837
44	-	44	1,077
119,975	-	119,975	131
20,715	4,540	26,066	2,352
-	1,895	19,171	-
2,276,670	646,288	4,165,514	302,657
2,791,755	826,131	5,258,395	485,061
-	-	5,905	-
-	-	5,905	-
983,811	424,097	1,443,136	171,358
17,561	-	17,561	-
-	484	484	-
175,321	-	175,321	-
-	-	2,019	-
86,150	4,466	287,064	-
93,832	2,459	96,291	-
203,816	806,021	3,582,724	388,636
$ 1,560,491	$ 1,237,527	$ 5,604,600	$ 559,994

Some amounts reported for business-type activities in the statement of net position are different because certain internal service funds assets and liabilities are included within the business-type activities.	$ 30,968
Net position of business-type activities	$ 5,635,568

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2014
(In Thousands)

	Business-type Activities - Enterprise Funds		
	Housing and Community Services	Lottery Operations	Unemployment Compensation
OPERATING REVENUES:			
Assessments	$ -	$ -	$ 1,047,160
Licenses and Fees	2,019	-	-
Federal	-	-	194,078
Rebates and Recoveries	5	-	-
Charges for Services	380	-	-
Fines, Forfeitures, and Penalties	-	-	1,189
Rents and Royalties	-	-	-
Sales	-	1,052,810	-
Loan Interest Income	52,542	-	-
Gifts, Grants, and Contracts	-	-	-
Other	11	178	15,885
Gain (Loss) on Foreclosed Property	549	-	-
Total Operating Revenues	55,506	1,052,988	1,258,312
OPERATING EXPENSES:			
Salaries and Wages	4,251	39,443	-
Services and Supplies	8,823	240,787	-
Cost of Goods Sold	-	-	-
Distributions to Other Governments	-	-	-
Special Payments	647	201,395	815,535
Loan Interest Expense	25	-	-
Bond and COP Interest	43,280	-	-
Other Debt Service	-	-	-
Depreciation and Amortization	2	13,543	-
Bad Debt Expense	-	-	19,079
Total Operating Expenses	57,028	495,168	834,614
Operating Income (Loss)	(1,522)	557,820	423,698
NONOPERATING REVENUES (EXPENSES):			
Bond and COP Interest	-	-	-
Investment Income (Loss)	4,845	6,331	44,399
Other Grants	-	-	-
Other Taxes	-	-	-
Gain (Loss) on Disposition of Assets	-	(257)	-
Insurance Recovery	-	3	-
Loan Interest Income	-	-	-
Loan Interest Expense	-	-	-
Other Interest Expense	(39)	(315)	-
Other Nonoperating Items	(14)	(48)	(1)
Total Nonoperating Revenues (Expenses)	4,792	5,714	44,398
Income (Loss) Before Contributions, Special Items, Extraordinary Items, and Transfers	3,270	563,534	468,096
Capital Contributions	-	-	-
Additions to Permanent Endowments	-	-	-
Transfers from Other Funds	-	-	-
Transfers to Other Funds	(185)	(514,119)	(8,051)
Change in Net Position	3,085	49,415	460,045
Net Position - Beginning	214,936	155,898	1,938,670
Prior Period Adjustments	(6,448)	-	-
Cumulative Effect of Change in Accounting Principles	(9,019)	-	-
Net Position - Beginning - As Restated	199,469	155,898	1,938,670
Net Position - Ending	$ 202,554	$ 205,313	$ 2,398,715

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds			
University System	Other	Total	Governmental Activities Internal Service Funds
$ -	$ -	$ 1,047,160	$ -
-	7,926	9,945	-
309,784	8,018	511,880	-
-	107	112	-
903,230	301,096	1,204,706	1,119,271
-	671	1,860	714
-	869	869	46,753
467,312	542,442	2,062,564	2,861
-	35,586	88,128	-
63,593	-	63,593	-
38,513	8,094	62,681	9,237
-	263	812	-
1,782,432	905,072	5,054,310	1,178,836
1,573,424	248,794	1,865,912	243,341
559,846	169,514	978,970	789,359
-	278,071	278,071	9,769
-	61,088	61,088	-
152,086	178,212	1,347,875	3,983
-	-	25	-
-	19,350	62,630	5,142
-	8	8	-
145,268	11,802	170,615	25,685
-	788	19,867	-
2,430,624	967,627	4,785,061	1,077,279
(648,192)	(62,555)	269,249	101,557
(89,880)	-	(89,880)	-
45,128	3,657	104,360	4,880
171,367	-	171,367	-
-	17,584	17,584	-
(2,642)	(8)	(2,907)	(200)
44	47	94	1,193
-	-	-	38
-	(106)	(106)	(158)
(6,255)	(1,934)	(8,543)	(1,292)
118,737	(86)	118,588	(34)
236,499	19,154	310,557	4,427
(411,693)	(43,401)	579,806	105,984
138,610	21,389	159,999	44
776	-	776	-
397,073	216,591	613,664	1,371
(41,537)	(183,799)	(747,691)	(36,754)
83,229	10,780	606,554	70,645
1,477,262	1,229,441	5,016,207	494,015
-	1,620	(4,828)	(4,060)
-	(4,314)	(13,333)	(606)
1,477,262	1,226,747	4,998,046	489,349
$ 1,560,491	$ 1,237,527	$ 5,604,600	$ 559,994

Some amounts reported for business-type activities in the statement of activities are different because the net revenue (expense) of certain internal service funds is reported with the business-type activities.	$ 29,563
Change in net position of business-type activities	$ 636,117

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2014
(In Thousands)

	Business-type Activities - Enterprise Funds		
	Housing and Community Services	Lottery Operations	Unemployment Compensation
Cash Flows from Operating Activities:			
Receipts from Customers	$ 2,595	$ 1,053,681	$ -
Receipts from Other Funds for Services	-	-	-
Loan Principal Repayments	120,323	-	-
Loan Interest Received	54,751	-	-
Grant Receipts	-	-	-
Taxes and Assessments Received	-	-	1,069,620
Payments to Employees for Services	(4,176)	(38,539)	-
Payments to Suppliers	(5,182)	(235,079)	(151)
Payments to Other Funds for Services	-	-	-
Payments to Prize Winners	-	(202,680)	-
Claims Paid	-	-	(839,838)
Loans Made	(61,117)	-	-
Distributions to Other Governments	-	-	-
Other Receipts (Payments)	1,431	1,013	220,469
Net Cash Provided (Used) in Operating Activities	108,625	578,396	450,100
Cash Flows from Noncapital Financing Activities:			
Proceeds from Bond/COP Sales	139,606	-	-
Loan Principal Repayments	-	-	-
Loan Interest Received	-	-	-
Principal Payments on Bonds/COPS	(249,975)	-	-
Principal Payments on Loans	(1,516)	(128)	-
Interest Payments on Bonds/COPS	(46,745)	-	-
Interest Payments on Loans	(76)	(315)	-
Bond/COP Issuance Costs	(1,409)	-	-
Advances Received	-	-	-
Taxes and Assessments Received	-	-	-
Other Gifts and Private Contracts	-	-	-
Grant Receipts	-	-	-
Insurance Recoveries for Other than Capital Assets	-	-	-
Transfers from Other Funds	-	-	-
Transfers to Other Funds	(186)	(518,372)	(8,051)
Net Cash Provided (Used) in Noncapital Financing Activities	(160,301)	(518,815)	(8,051)
Cash Flows from Capital and Related Financing Activities:			
Proceeds from Bond/COP Sales	-	-	-
Principal Payments on Bonds/COPS	-	-	-
Interest Payments on Bonds/COPS	-	-	-
Principal Payments on Loans	-	(344)	-
Interest Payments on Loans	-	-	-
Other Interest Payments	-	-	-
Acquisition of Capital Assets	(15)	(12,415)	-
Payments on Capital Leases	-	-	-
Proceeds from Disposition of Capital Assets	-	102	-
Insurance Recoveries for Capital Assets	-	3	-
Capital Contributions	-	-	-
Transfers from Other Funds	-	-	-
Net Cash Provided (Used) in Capital and Related Financing Activities	(15)	(12,654)	-
Cash Flows from Investing Activities:			
Purchases of Investments	(390,462)	(15,485)	-
Proceeds from Sales and Maturities of Investments	440,623	13,369	-
Interest on Investments and Cash Balances	3,298	1,518	44,397
Interest Income from Securities Lending	38	217	4
Interest Expense from Securities Lending	(13)	(46)	(1)
Net Cash Provided (Used) in Investing Activities	53,484	(427)	44,400
Net Increase (Decrease) in Cash and Cash Equivalents	1,793	46,500	486,449
Cash and Cash Equivalents - Beginning	67,049	294,485	1,594,330
Prior Period Adjustments Restating Beginning Cash Balances	-	-	-
Cash and Cash Equivalents - Ending	$ 68,842	$ 340,985	$ 2,080,779

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds			
University System	Other	Total	Governmental Activities Internal Service Funds
$ 1,363,046	$ 799,850	$ 3,219,172	$ 61,488
-	88,544	88,544	1,289,454
-	91,844	212,167	-
-	38,016	92,767	-
390,760	1,000	391,760	-
-	-	1,069,620	-
(1,563,586)	(253,054)	(1,859,355)	(245,049)
(545,284)	(412,685)	(1,198,381)	(880,399)
-	(10,926)	(10,926)	(55,892)
-	-	(202,680)	-
-	(175,011)	(1,014,849)	(13,761)
(140,894)	(121,212)	(323,223)	-
-	(60,971)	(60,971)	-
2,947	(28,784)	197,076	4,265
(493,011)	(43,389)	600,721	160,106
-	18,855	158,461	-
-	-	-	38
-	-	-	38
-	(41,758)	(291,733)	(7)
-	(822)	(2,466)	(560)
-	(20,332)	(67,077)	(16)
-	(1,981)	(2,372)	(1,425)
-	(920)	(2,329)	-
-	-	-	19
-	17,554	17,554	-
117,566	-	117,566	-
169,738	-	169,738	-
16	47	63	-
341,856	245,313	587,169	(1,208)
(49,357)	(185,760)	(761,726)	(24,454)
579,819	30,196	(77,152)	(27,575)
226,243	-	226,243	-
(82,406)	(1,492)	(83,898)	(12,887)
(96,194)	(37)	(96,231)	(4,126)
-	-	(344)	-
-	-	-	(3)
-	(61)	(61)	-
(276,220)	(26,777)	(315,427)	(28,179)
-	(257)	(257)	(3,464)
8,999	22	9,123	1,224
28	-	31	1,199
51,177	17,827	69,004	-
52,712	-	52,712	-
(115,661)	(10,775)	(139,105)	(46,236)
(38,760)	(20,000)	(464,707)	(6,690)
120,189	7,000	581,181	21,887
37,641	3,299	90,153	4,689
127	93	479	97
(41)	(37)	(138)	(34)
119,156	(9,645)	206,968	19,949
90,303	(33,613)	591,432	106,244
543,849	631,420	3,131,133	453,992
-	453	453	41
$ 634,152	$ 598,260	$ 3,723,018	$ 560,277

(continued on next page)

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2014
(In Thousands)
(continued from previous page)

	Business-type Activities - Enterprise Funds		
	Housing and Community Services	Lottery Operations	Unemployment Compensation
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	$ (1,522)	$ 557,820	$ 423,698
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization	2	13,543	-
Amortization of Bond/COP Premium and Discount	(469)	-	-
Amortization of Other Bond/COP Related Costs	(1,048)	-	-
Bad Debt Expense	-	-	19,079
Interest Payments Reported as Operating Expense	43,528	-	-
Bond/COP Issuance Costs Reported as Operating Expense	1,303	-	-
Net Changes in Assets and Liabilities:			
Accounts and Interest Receivable	490	(795)	23,132
Due from Other Funds	-	-	-
Due from Other Governments	-	-	2,684
Inventories	-	(209)	-
Prepaid Items	6	(155)	-
Foreclosed and Deeded Property	(3,327)	-	-
Advances to Other Funds	-	-	-
Net Contracts, Notes, and Other Receivables	-	(310)	(8,949)
Loans Receivable	70,323	-	-
Accounts and Interest Payable	(28)	6,787	(8,181)
Due to Other Funds	-	-	344
Due to Other Governments	-	-	(1,807)
Unearned Revenue	(127)	2,502	-
Compensated Absences Payable	32	145	-
Claims and Judgments Payable	-	-	-
Lottery Prize Awards Payable	-	(975)	-
Custodial Liabilities	-	8	100
Contracts, Mortgages, and Notes Payable	-	-	-
Net OPEB Obligation	4	35	-
Increase/(Decrease) in Deferred Inflows of Resources:			
Loan Origination	(542)	-	-
Total Adjustments	110,147	20,576	26,402
Net Cash Provided (Used) by Operating Activities	$ 108,625	$ 578,396	$ 450,100
Noncash Investing and Capital and Related Financing Activities:			
Net Change in Fair Value of Investments	$ 955	$ (4,596)	$ -
Capital Assets Transferred from Governmental Funds	-	-	-
Capital Assets Acquired Through Long-Term Contracts	-	645	-
Capital Assets Contributed	-	-	-
Foreclosed Property	14,544	-	-
Loan Modifications	(1,112)	-	-

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds			
University System	Other	Total	Governmental Activities Internal Service Funds
$ (648,192)	$ (62,555)	$ 269,249	$ 101,557
145,268	11,802	170,615	25,685
-	(638)	(1,107)	(665)
-	25	(1,023)	1,769
-	788	19,867	-
-	20,370	63,898	4,124
-	920	2,223	-
(34,197)	(11,717)	(23,087)	(10,827)
-	5,337	5,337	(1,183)
-	-	2,684	-
249	(331)	(291)	108
12,790	24	12,665	842
-	(344)	(3,671)	-
-	(11,733)	(11,733)	-
184	1,313	(7,762)	9
-	(14,159)	56,164	-
14,007	40,399	52,984	1,461
-	(27,482)	(27,138)	5,879
-	89	(1,718)	-
8,454	1,696	12,525	16,986
-	(240)	(63)	5,449
-	-	-	7,174
-	-	(975)	-
-	2,816	2,924	1,558
8,426	-	8,426	(4)
-	231	270	184
-	-	(542)	-
155,181	19,166	331,472	58,549
$ (493,011)	$ (43,389)	$ 600,721	$ 160,106
$ 8,430	$ 134	$ 4,923	$ -
-	1,072	1,072	44
-	-	645	-
87,432	-	87,432	-
-	681	15,225	-
-	-	(1,112)	-

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014
(In Thousands)

	Pension and Other Employee Benefit Trust	Private Purpose Trust	Short Term Investment Trust	Intermediate Term Investment Trust	Agency
ASSETS					
Cash and Cash Equivalents	$ 3,412,027	$ 22,194	$ 5,269,668	$ 865	$ -
Investments					
Fixed Income	15,540,686	314	-	30,075	-
Public Equity	30,015,605	642	-	-	-
Real Estate	7,721,840	-	-	-	-
Annuity Contract	-	536	-	-	-
Private Equity	15,432,635	-	-	-	-
Alternative Equity	1,016,746	-	-	-	-
Opportunity Portfolio	900,094	-	-	-	-
Total Investments	70,627,606	1,492	-	30,075	-
Custodial Assets	-	4,875	-	-	1,326,012
Securities Lending Collateral	2,190,071	1,448	246,385	2,707	-
Receivables:					
Employer Contributions	31,210	-	-	-	-
Plan Member Contributions	9,341	-	-	-	-
Interest and Dividends	311,076	-	8,521	123	-
Member Loans	9,915	-	-	-	-
Investment Sales	1,268,881	-	20,140	-	-
Transitional Liability	595,168	-	-	-	-
Accounts	-	596	2,583	-	4,826
From Other Funds	6,834	-	-	-	-
Loans	-	-	8,040	-	-
Net Contracts, Notes, and Other Receivables	-	-	-	-	70,574
Total Receivables	2,232,425	596	39,284	123	75,400
Prepaid Items	1,006	-	-	-	-
Receivership Assets	-	-	-	-	68,878
Capital Assets (net of $17,585 accumulated depreciation):					
Land	944	14	-	-	-
Buildings, Property, and Equipment	35,350	-	-	-	-
Total Assets	78,499,429	30,619	5,555,337	33,770	1,470,290
LIABILITIES					
Accounts and Interest Payable	2,448,307	181	93,990	-	4
Obligations Under Securities Lending	2,192,217	1,448	246,385	2,707	-
Due to Other Funds	6,788	-	-	-	-
Due to Other Governments	-	-	-	-	6,345
Unearned Revenue	965	-	-	-	-
Custodial Liabilities	120,480	387	-	-	1,463,941
Contracts, Mortgages, and Notes Payable	-	1,762	-	-	-
Bonds/COPs Payable	1,943	-	-	-	-
Net OPEB Obligation	544	-	-	-	-
Total Liabilities	4,771,244	3,778	340,375	2,707	1,470,290
NET POSITION					
Restricted - Held in Trust for:					
Pension Benefits	71,858,610	-	-	-	-
Other Postemployment Benefits	392,905	-	-	-	-
Other Employee Benefits	1,476,670	-	-	-	-
External Investment Pool Participants	-	-	5,214,962	31,063	-
Individuals, Organizations and Other Governments	-	26,841	-	-	-
Total Net Position	$ 73,728,185	$ 26,841	$ 5,214,962	$ 31,063	$ -

The notes to the financial statements are an integral part of this statement.

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2014
(In Thousands)

	Pension and Other Employee Benefit Trust	Private Purpose Trust	Short Term Investment Trust	Intermediate Term Investment Trust
ADDITIONS				
Contributions:				
Employer	$ 969,640	$ -	$ -	$ -
Plan Members	634,796	-	-	-
Total Contributions	1,604,436	-	-	-
Investment Income:				
Net Appreciation (Depreciation) in Fair Value of Investments	9,955,647	11	7,158	207
Interest, Dividends and Other Investment Income	1,669,454	121	41,001	615
Total Investment Income	11,625,101	132	48,159	822
Less Investment Expense	507,170	1	2,440	13
Net Investment Income	11,117,931	131	45,719	809
Gifts, Grants, and Contracts	-	6	-	-
Veterans' Income	-	8,147	-	-
Unclaimed and Escheat Property Revenue	-	1,115	-	-
Other Income	6,324	521	-	-
Share Transactions:				
Participant Contributions	-	-	14,608,091	-
Participant Withdrawals	-	-	14,174,899	-
Net Share Transactions	-	-	433,192	-
Total Additions	12,728,691	9,920	478,911	809
DEDUCTIONS				
Benefits	4,252,256	-	-	-
Death Benefits	5,803	-	-	-
Contributions Refunded	25,560	-	-	-
Healthcare Premium Subsidies	39,039	-	-	-
Special Payments to State Agencies	-	2,294	-	-
Distribution to Participants	-	-	32,547	-
Administrative Expenses	40,393	7,699	-	-
Payments in Accordance with Trust Agreements	-	275	-	-
Total Deductions	4,363,051	10,268	32,547	-
Change in Net Position Held in Trust For:				
Pension Benefits	8,089,852	-	-	-
Other Postemployment Benefits	71,081	-	-	-
Other Employee Benefits	204,707	-	-	-
External Investment Pool Participants	-	-	446,364	809
Individuals, Organizations and Other Governments	-	(348)	-	-
Net Position - Beginning	65,362,545	27,549	4,768,598	-
Prior Period Adjustments	-	(360)	-	30,254
Net Position - Beginning - As Restated	65,362,545	27,189	4,768,598	30,254
Net Position - Ending	$ 73,728,185	$ 26,841	$ 5,214,962	$ 31,063

The notes to the financial statements are an integral part of this statement.

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Statement of Net Position
Discretely Presented Component Units
June 30, 2014
(In Thousands)

	SAIF Corporation	Other	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 59,615	$ 160,047	$ 219,662
Cash and Cash Equivalents - Restricted	-	19,277	19,277
Investments	4,323,985	206,070	4,530,055
Securities Lending Collateral	172,668	-	172,668
Accounts and Interest Receivable (net)	384,264	354,258	738,522
Pledges, Contributions, and Grants Receivable (net)	-	177,470	177,470
Due from Other Governments	-	2,504	2,504
Due from Primary Government	111	15,031	15,142
Inventories	80	18,073	18,153
Prepaid Items	-	72,203	72,203
Total Current Assets	4,940,723	1,024,933	5,965,656
Noncurrent Assets:			
Investments	-	691,830	691,830
Investments - Restricted	-	2,037,943	2,037,943
Net Contracts, Notes and Other Receivables	-	2,156	2,156
Pledges, Contributions, and Grants Receivable (net)	-	84,934	84,934
Capital Assets:			
Land	3,029	78,546	81,575
Buildings, Property, and Equipment	41,438	2,453,981	2,495,419
Construction in Progress	-	291,852	291,852
Less Accumulated Depreciation and Amortization	(29,391)	(1,248,831)	(1,278,222)
Total Noncurrent Assets	15,076	4,392,411	4,407,487
Total Assets	4,955,799	5,417,344	10,373,143
DEFERRED OUTFLOWS OF RESOURCES			
Hedging Derivitives	-	13,586	13,586
Loss on Refunding	-	3,048	3,048
Total Deferred Outflows of Resources	-	16,634	16,634
LIABILITIES			
Current Liabilities:			
Accounts and Interest Payable	84,611	218,142	302,753
Obligations Under Securities Lending	172,633	-	172,633
Due to Other Governments	1,863	16,955	18,818
Due to Primary Government	24,833	8,179	33,012
Unearned Revenue	217,434	66,700	284,134
Compensated Absences Payable	4,226	65,273	69,499
Reserve for Loss and Loss Adjustment Expense	251,185	-	251,185
Claims and Judgments Payable	-	20,303	20,303
Custodial Liabilities	12,573	-	12,573
Contracts, Mortgages, and Notes Payable	-	1,960	1,960
Bonds/COPS Payable	-	14,006	14,006
Obligations Under Capital Lease	-	1,036	1,036
Total Current Liabilities	769,358	412,554	1,181,912
Noncurrent Liabilities:			
Obligations Under Life Income Agreements	-	111,584	111,584
Reserve for Loss and Loss Adjustment Expense	2,790,190	-	2,790,190
Claims and Judgments Payable	-	39,992	39,992
Contracts, Mortgages, and Notes Payable	-	58,098	58,098
Bonds/COPS Payable	-	715,399	715,399
Obligations Under Capital Lease	-	6,057	6,057
Advances from Primary Government	-	38,438	38,438
Net OPEB Obligation	3,029	7,769	10,798
Derivative Instrument Liabilities	-	14,968	14,968
Total Noncurrent Liabilities	2,793,219	992,305	3,785,524
Total Liabilities	3,562,577	1,404,859	4,967,436
DEFERRED INFLOWS OF RESOURCES			
Hedging Derivatives	-	3,885	3,885
Total Deferred Inflows of Resources	-	3,885	3,885
Net Position			
Net Investment in Capital Assets	15,075	803,428	818,503
Restricted-Nonexpendable	-	1,020,667	1,020,667
Restricted for:			
Education	-	1,184,495	1,184,495
Workers' Compensation	1,378,147	-	1,378,147
Unrestricted	-	1,016,644	1,016,644
Total Net Position	$ 1,393,222	$ 4,025,234	$ 5,418,456

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenses, and Changes in Net Position
Discretely Presented Component Units
For the Year Ended June 30, 2014
(In Thousands)

	SAIF Corporation	Other	Total
Operating Revenues:			
Federal Revenue	$ -	$ 40,006	$ 40,006
Charges for Services	-	1,708,000	1,708,000
Premiums Earned (net)	435,671	-	435,671
Investment Income (net)	-	182,911	182,911
Gifts, Grants, and Contracts	-	652,047	652,047
Other Revenues	27,210	133,703	160,913
Total Operating Revenues	462,881	2,716,667	3,179,548
Operating Expenses:			
Salaries and Wages	-	1,355,040	1,355,040
Services and Supplies	-	875,104	875,104
Loss and Loss Adjustment Expense	316,818	-	316,818
Policyholders' Dividends	129,145	-	129,145
Underwriting Expenses	112,157	-	112,157
Mortgage Assistance Payments	-	40,551	40,551
Bond and COP Interest	-	22,829	22,829
Depreciation and Amortization	-	115,428	115,428
Other Expenses	925	74,261	75,186
Total Operating Expenses	559,045	2,483,213	3,042,258
Operating Income (Loss)	(96,164)	233,454	137,290
Nonoperating Revenues (Expenses):			
Investment Income	85,801	93,355	179,156
Other	-	359	359
State Appropriations	-	35,415	35,415
Total Nonoperating Revenues (Expenses)	85,801	129,129	214,930
Income (Loss) Before Capital Contributions	(10,363)	362,583	352,220
Capital Contributions	-	5,135	5,135
Change in Net Position	(10,363)	367,718	357,355
Net Position - Beginning	1,412,654	3,666,867	5,079,521
Prior Period Adjustments	-	14	14
Cumulative Effect of Change in Accounting	(9,069)	(9,365)	(18,434)
Net Position - Beginning - As Restated	1,403,585	3,657,516	5,061,101
Net Position - Ending	$ 1,393,222	$ 4,025,234	$ 5,418,456

The notes to the financial statements are an integral part of this statement.

Adjustments to Recast	Statement of Activities
$ (40,006)	$ -
596,943	2,304,943
(435,671)	-
(182,911)	-
437,488	1,089,535
(160,913)	-
214,930	3,394,478
-	1,355,040
-	875,104
-	316,818
-	129,145
-	112,157
-	40,551
-	22,829
-	115,428
-	75,186
-	3,042,258
214,930	352,220
(179,156)	-
(359)	-
(35,415)	-
(214,930)	-
-	352,220
-	5,135
-	357,355
-	5,079,521
-	14
-	(18,434)
-	5,061,101
$ -	$ 5,418,456

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The State of Oregon (State) was admitted to the Union in 1859 and is governed by an elected governor and a ninety-member elected legislative body. The accompanying financial statements present the State, including all agencies, boards, commissions, courts, and colleges and universities that are legally part of the State (primary government), and the State's component units. Component units are legally separate entities for which the primary government is financially accountable or entities that warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government.

Discretely Presented Component Units

The State reports discretely presented component units in a separate column in the government-wide financial statements to emphasize they are legally separate from the State. The component unit column in the government-wide financial statements includes the data of the State's four discretely presented component units.

SAIF Corporation (SAIF) is a public corporation created by an act of the Legislature. SAIF is authorized to write workers' compensation insurance coverage in Oregon and certain other jurisdictions as required by the Oregon Department of Consumer and Business Services and to service accounts in the assigned risk pool. SAIF is governed by a board of directors appointed by the Governor and is financed solely through policyholder premiums and investment income. The term of office for a board member is four years, but a member serves at the pleasure of the Governor. SAIF reports on a fiscal year ended December 31 and uses proprietary fund accounting principles. The December 31, 2013, financial information of SAIF is included in this report.

The Oregon Health and Science University (OHSU) is a governmental entity performing governmental functions and exercising governmental powers. OHSU is an independent public corporation governed by a board of directors appointed by the Governor and confirmed by the Senate. As an academic health center, OHSU provides education and training to healthcare professionals, conducts biomedical research, and provides patient care and public service. It is financed primarily through patient service fees, government grants and contracts, tuition charges, and other incidental fees. OHSU also receives General Fund moneys from the State. OHSU uses proprietary fund accounting principles.

The Oregon University System (OUS) Foundations are not-for-profit corporations that provide assistance in fundraising, public outreach, and other support for Oregon's seven public universities. The OUS foundations report under Financial Accounting Standards Board (FASB) Accounting Standards Codification 958, *Not-for-Profit Entities* (ASC 958). The OUS foundations are component units of the Oregon University System, a proprietary fund of the State, because the majority of resources that each foundation holds and invests can only be used by, or for the benefit of, the OUS universities. Combined, the foundations are discretely presented as a component unit of the State.

The Oregon Affordable Housing Assistance Corporation (OAHAC) is an Oregon not-for-profit public benefit corporation. The director of the Oregon Housing and Community Services Department (OHCSD) appoints two of the five OAHAC board members and approves the candidacy of the remaining at-large members. The at-large directors may be removed at any time by a vote of two-thirds or more of the directors then in office, and the government directors may be removed at any time by the director of OHCSD.

The primary purpose of OAHAC is to administer programs targeted to help prevent or mitigate the impact of foreclosures on low and moderate income persons; to help stabilize housing markets in Oregon; to provide resources of affordable or subsidized housing; to develop and administer programs related to housing permitted under the Emergency Economic Stabilization Act of 2008 (EESA), as amended; and act as an institution eligible to receive Troubled Asset Relief Program (TARP) funds under EESA. Currently, OAHAC administers Oregon's share of the Hardest Hit Fund programs, which are part of TARP. OAHAC reports on a fiscal year ended December 31 and has adopted ASC 958. The December 31, 2013, financial information of OAHAC is included in this report.

SAIF is reported as a major component unit due to the significant transactions between SAIF and the primary government. The remaining component units are reported as nonmajor. Readers may obtain complete financial statements for SAIF, OHSU, the OUS Foundations, and OAHAC from their respective administrative offices or

from the Oregon Department of Administrative Services, Chief Financial Office, 155 Cottage Street NE, Salem, Oregon 97301-3969.

Related Organizations

The following professional and occupational licensing boards are semi-independent: the Board of Architect Examiners, the Board of Examiners for Engineering and Land Surveying, the Landscape Architect Board, the Board of Geologist Examiners, the Board of Optometry, the Board of Massage Therapists, the Physical Therapists Licensing Board, the Appraiser Certification and Licensure Board, the Landscape Contractors Board, the Wine Board, and the Patient Safety Commission. Although the Governor appoints the administrators of these boards, the boards are all self-supporting and the State's accountability for these organizations does not extend beyond making the appointments. The State has no financial accountability for these related organizations.

The Oregon Utility Notification Center (OUNC) is an independent not-for-profit public corporation. Although the Governor appoints members to OUNC's board of directors, OUNC is funded through fees paid by operators of underground utilities who subscribe to OUNC. The OUNC receives no General Fund moneys, and the State has no financial accountability for OUNC.

The Oregon Health Insurance Exchange Corporation, dba Cover Oregon, is an independent public corporation established under the federal Affordable Care Act of 2010 that offers health insurance and coverage options to individuals, families, and small employers. It is governed by a nine-member board of directors, appointed by the Governor. The Exchange operates at no cost to the state. It is funded by federal grant dollars through 2014 and after that, it will be self-sustaining through an administrative fee charged to insurance carriers.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. The effect of interfund activity has been eliminated from these statements through consolidation, except for interfund activity that represents a true exchange of goods and services between funds. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Interfund activity within governmental and within business-type activities has been eliminated through consolidation; however, balances due and resource flows between governmental and business-type activities have not been eliminated. The *primary government* is reported separately from its *component units*.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Direct expenses include administrative overhead charges for centralized services charged to functions through internal service funds. *Program revenues* include (1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, (2) operating grants and contributions that are restricted to meeting the operational requirements of a particular function, and (3) capital grants and contributions that are restricted to meeting the capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The State uses the economic resources measurement focus and the accrual basis of accounting in preparing the government-wide financial statements, as well the financial statements of the proprietary funds, internal service funds, and fiduciary funds (except for agency funds, which have no measurement focus). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Income taxes are recognized as revenue, net of estimated refunds, in the year when the underlying exchange (earning of income) has occurred, to the extent such amounts are measurable. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The State uses the current financial resources measurement focus and the modified accrual basis of accounting in preparing the governmental fund financial statements. Revenues are recognized when they are both measurable and available. Revenues are considered available when they are collectible within the current year or soon enough thereafter to pay liabilities existing at the end of the year. For this purpose, the State considers revenues as available, if they are collected within 90 days of the end of the current fiscal year. Primary revenue sources susceptible to accrual are income taxes, excise taxes, fines, forfeitures, and federal revenues. Income tax revenue, net of estimated refunds, is recognized in the fiscal year in which the underlying exchange has occurred and it becomes measurable and available. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant eligibility requirements have been met. Revenue items not susceptible to accrual, such as licenses, fees, and the cash sales of goods and services, are considered measurable and available only when cash is received.

For governmental funds, expenditures generally are recognized when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The State reports the following major governmental funds:

General Fund

The *General Fund* is the State's primary operating fund and accounts for all financial resources of the general government, except those accounted for in another fund. Beginning in fiscal year 2011, the General Fund includes some activity previously accounted for in special revenue funds. The implementation of Governmental Accounting Standards Board (GASB) Statement No. 54 necessitated this change. Statement No. 54 clarifies that one or more specific restricted or committed revenues must comprise a substantial portion of the "inflows" reported in a special revenue fund. The state considers 30 percent as "substantial" for financial reporting purposes. In special revenue funds where a substantial portion of the inflows will not derive from specific restricted or committed revenue sources, the funds' activities are accounted for in the General Fund. The *Oregon Rainy Day Fund*, for example, was previously reported as an individual major special revenue fund but is now reported in the General Fund. The Rainy Day Fund relies on resources that are "transferred" from the General Fund in accordance with state law and which, along with investment income generated, can be appropriated by the Legislature only when certain specific criteria related to economic or revenue conditions have been met. The funding source for the Rainy Day Fund is not a specific restricted or committed revenue.

Special Revenue Funds

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

The *Health and Social Services Fund* accounts for programs that provide assistance, services, training, and healthcare to individuals and families who do not have sufficient resources to meet their basic needs. The primary sources of funding for these programs come from federal grants, tobacco taxes, healthcare provider taxes, and charges for services.

The *Public Transportation Fund* accounts for the planning, design, construction, and maintenance of highways, roads, bridges, and public systems relating to air, water, rail, and highway transportation. Funding is provided from dedicated highway user taxes and vehicle registration taxes, in addition to various federal highway administration funds.

The *Environmental Management Fund* accounts for programs that promote, protect, and preserve the State's forests, parks, wildlife, fish, and waterways. The main funding sources for these programs are user fees, federal grants, and sales revenue.

The *Common School Fund* accounts for programs to manage state-owned land, including a leasing program that generates annual revenues, for the benefit of the public school system. Estate funds that become the property of the State, unclaimed property, and income derived from unclaimed property are also accounted for in this fund. Statutory and constitutional provisions stipulate that the assets of the fund, including investment income, must be used for common school purposes. The primary funding sources for these programs include investment income, leasing revenues, forest management, unclaimed property receipts, and transfers from other funds.

The State reports the following major proprietary (enterprise) funds:

The *Housing and Community Services Fund* accounts for activities that finance multi-family rental housing and single-family mortgages for low to moderate-income families. Mortgage loans related to these activities are financed with the proceeds of bonds issued under various bond indentures of trust. Mortgage loan payments and interest earnings on invested bond proceeds are used to pay debt service on the bonds.

The *Lottery Operations Fund* accounts for the operation of the Oregon State Lottery which markets and sells Lottery products to the public. The primary objective of the Oregon State Lottery is to produce the maximum amount of net revenues to be used for creating jobs, furthering economic development, financing public education, and restoring and protecting Oregon's parks, beaches, watersheds, and critical fish and wildlife habitats.

The *Unemployment Compensation Fund* accounts for federal moneys and unemployment taxes collected from employers to provide payment of benefits to the unemployed.

The *University System Fund* accounts for the operations of Oregon's seven public universities, including the Chancellor's Office. Funding is from General Fund appropriations, tuition and fees, and auxiliary enterprise revenues, in addition to funds from external donors and federal agencies.

Proprietary funds distinguish operating revenues and expenses from nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Additionally, the State reports the following fund types:

Governmental Fund Types (reported as nonmajor funds)

Like major special revenue funds, nonmajor *special revenue funds* also account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt service funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest on long-term obligations.

The *Capital Projects Fund* accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities.

The *Permanent Fund* accounts for and reports resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the State and its citizenry.

Proprietary Fund Types (reported as nonmajor funds)

Nonmajor *enterprise funds* account for and report business-type activities for which fees are charged to external users for goods and services.

Internal service funds account for goods and services provided by state agencies to other state agencies and to other governmental units on a cost-reimbursement basis. These goods and services include central services such as accounting, budgeting, personnel, mail, printing, copy center, data center, property development, telecommunications, motor pool, and an insurance fund. Legal, banking, and audit services, as well as state employee health benefits programs, are also accounted for and reported in the internal service funds.

Fiduciary Fund Types

The *Pension and Other Employee Benefit Trust Fund* accounts for activities of the Public Employees Retirement System (PERS), which administers resources for the payment of retirement, disability, postemployment healthcare, and death benefits to members and beneficiaries of the retirement system.

The *Private Purpose Trust Fund* accounts for all trust arrangements, other than those properly reported in pension and other employee benefit trust funds or investment trust funds, under which principal and income benefit individuals, private organizations, or other governments.

The *Short Term Investment Trust Fund* is an investment trust fund, accounting for the portion of the Oregon Short-Term Fund (OSTF) belonging to entities other than the State. The OSTF is a cash and investment

pool, managed by the Oregon State Treasury, which is available for use by all funds and local governments. Oregon reports the State's portion of this pool within the funds of the State.

The *Intermediate Term Trust Fund* is an investment trust fund, accounting for the portions of the Oregon Intermediate Term Pool (OITP) belonging to entities other than the State. The OITP is an intermediate term fixed income investment vehicle managed by the Oregon State Treasury, and participants include several state agencies and one non-agency entity. State agencies have the opportunity to participate in the OITP subject to application requiring evidence of statutory authority to invest in the OITP and subsequent approval by the Oregon State Treasury. Oregon reports the State's portion of this pool within the funds of the State.

The *Agency Fund* accounts for assets held by the State as an agent for other governmental units, organizations, or individuals. For example, the Department of Consumer and Business Services holds deposits and investments to secure the faithful performance by insurers of insurance company obligations, including claims due to policyholders. Agency funds are custodial in nature (i.e., assets equal liabilities) and do not measure the results of operations.

D. Deposits and Investments

Deposits

Cash deposits not held in a cash management or investment pool are classified as cash and cash equivalents. 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 include: cash on hand, cash and investments held by the Oregon State Treasury in the OSTF, cash deposits held in demand deposit accounts with custodial banks, and cash deposits of debt proceeds in investment funds held by a trustee.

Investments – Excluding Oregon Public Employees Retirement Fund

Investments are reported at fair value with the following exceptions, which are reported using cost-based measures:

- Nonparticipating interest-earning investment contracts and certain investments not held for investment purposes.
- Investments in the OSTF with remaining maturities of up to 90 days are carried at amortized cost, which approximates fair value. The State reports these investments as cash and cash equivalents on the balance sheet or statement of net position, but as investments in Note 2.

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

The fair value of publicly traded debt and equity securities in active markets is determined by the custodian's pricing agent using nationally recognized pricing services. The custodian's pricing agent values equity securities traded on a national or international exchange at the last reported sales price and generally values debt securities by using evaluated bid prices. The fair value of publicly traded real estate investment trust (REIT) securities is determined by the custodian's pricing agent using recognized pricing services. For securities that do not have an active market, such as private placements or commingled investment vehicles, the value is stated at cost. The benchmark used to value a debt security, for example, typically has a coupon rate and maturity date comparable to the debt security being valued, as well as similar market risk. Real estate and restricted stock investments outside of external investment pools are stated at cost.

Investments – Oregon Public Employees Retirement Fund

Investments in private equities are recorded at fair value, as of June 30, 2014, as determined by PERS management based on valuation information provided by the general partner. Investments in private equities representing publicly traded securities are stated at quoted market price. Where observable market inputs are not available, valuation models are applied. The general partner determines fair value based on the best information available and by reference to information including, but not limited to, the following: projected sales, net earnings, earnings before interest, taxes, depreciation and amortization, balance sheets, public and private transactions, valuations for publicly traded comparable companies, and/or other measures, and consideration of any other pertinent information, including the types of securities held and the general partner's own assumptions regarding the investment. The methods used to determine the fair value of these investments

typically include (1) the market approach, whereby fair value is derived by reference to observable valuation measures for comparable companies or assets, and (2) the income approach (e.g., the discounted cash flow method).

Investments in real estate, with the exception of publicly traded REITs, for which observable market prices in active markets do not exist, are reported at fair value as of June 30, 2014, as determined by PERS management based on valuation information provided in good faith by the general partner. Direct investments in real estate are appraised every two to three years and, between appraisals, investment managers adjust values to reflect current and projected operating performance and financial transactions. In the absence of observable market prices, general partners determine the fair value of real estate partnerships using valuation methods considered most appropriate. A variety of factors are considered, including the nature of the investment, local market conditions, trading values on public exchanges for comparable investments, current and projected operating performance, and financing transactions subsequent to the acquisition of the investment.

Investments in the PERS Opportunity and Alternatives portfolios are recorded at fair value as of June 30, 2014, as determined by the respective general partner or account manager. (The Opportunity portfolio is an investment portfolio within the PERS Fund that utilizes investment approaches across a wide range of investment opportunities, while investments in the Alternatives portfolio represent alternative investment strategies, including infrastructure, natural resources, natural resource commodities, and hedge fund strategies.) Investments in these portfolios are reported at the net asset value of the general partner. Where observable market inputs are not available, valuation models are applied. The general partner or account manager determines fair value based on the best information available and by reference to information including, but not limited to, the following: projected sales, net earnings, earnings before interest, taxes, depreciation and amortization, balance sheets, public and private transactions, valuations for publicly traded comparable companies, and/or other measures, and consideration of any other pertinent information, including the types of securities held and the general partner's own assumptions regarding the investment. The methods used to determine the fair value of these investments typically include (1) the market approach, whereby fair value is derived by reference to observable valuation measures for comparable companies or assets, and (2) the income approach (e.g., the discounted cash flow method).

Due to the inherent uncertainty and the degree of judgment involved in determining certain private equity, Opportunity, Alternatives, and real estate portfolio investment valuations, the fair values reflected in the accompanying financial statements may differ significantly from values that would have been used had a readily determinable market value for the investments existed, and the difference could be material. In addition, these investments are generally considered illiquid long-term investments, and the recorded fair values may differ from the amounts that eventually may be realized from the sale or other disposition of these investments.

Derivatives

In accordance with State investment policies, the Oregon State Treasury participates in contracts that have derivative characteristics. Derivative instruments are used to lower the cost of borrowing, to hedge against fluctuations in foreign currency rates quickly and cost effectively replicate certain asset class exposures (e.g. stocks, bonds), and manage overall fund risk.

The fair value of *effective* hedging derivative instruments are reported on the proprietary funds statement of net position and the statement of fiduciary net position as assets and liabilities as applicable, with offsetting balances reported as deferred inflows of resources or deferred outflows of resources. The changes in fair value of effective hedging derivative instruments are also reflected on the proprietary funds statement of net position and the statement of fiduciary net position; such changes are not reported on the statement of revenues, expenses, and changes in proprietary fund net position and the statement of changes in fiduciary net position.

Ineffective hedging derivative instruments and derivatives purchased as investments are reported at fair value on the proprietary funds statement of net position and the statement of fiduciary net position. The related changes in fair value are reported on the statement of revenues, expenses, and changes in proprietary fund net position and the statement of changes in fiduciary net position.

E. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" or "advances to/from other funds." All other

outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Trade receivables consist of revenues earned or accrued in the current period and are shown net of estimated uncollectible amounts. Income tax receivables deemed reasonably estimable are reported, net of estimated uncollectible amounts, in the fiscal year when the underlying exchange has occurred. Income tax receivables that may arise in the future from audits of prior years and discovery of non-filers are not included in receivables or revenues in the financial statements because these transactions are not measurable.

F. Intrafund Transactions

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

G. Inventories

Inventories, which consist primarily of operating supplies, are stated at cost utilizing the first-in, first-out cost valuation method. In governmental funds, inventories are recorded as expenditures when purchased. Reported inventories in governmental funds are offset by nonspendable fund balance since the fund balance associated with inventory is not in spendable form. However, in the case of inventory held for resale, if the proceeds from the sale of the inventory are restricted, committed, or assigned to a specific purpose, the related fund balance is classified as restricted, committed, or assigned, as appropriate, rather than as nonspendable. In proprietary funds, inventories are expended when consumed rather than when purchased.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30 are recorded as prepaid items. In governmental funds and proprietary funds, prepaid items are accounted for using the consumption method. In governmental funds, a portion of fund balance equal to the prepaid items is classified as nonspendable to indicate that it is not in spendable form.

I. Restricted Assets

Certain proceeds of the State’s bond and certificate of participation (COP) issues, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants or COP financing agreements. Other restrictions on asset use may change the nature and availability of an asset. Various grant moneys, loan acquisition funds, customer deposits, and insurance funds, are also classified as restricted assets.

J. Foreclosed and Deeded Properties

Properties acquired through foreclosure proceedings or by acceptance of deeds in lieu of foreclosure are recorded at the lower of cost or market.

K. Receivership Assets

Net assets of insurance companies that have been placed into receivership under the control of the Department of Consumer and Business Services in accordance with Oregon Revised Statutes are recorded as receivership assets in the agency fund.

L. Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (i.e., highways, tunnels, bridges, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the State as assets with an initial cost of $5,000 or more and an estimated useful life of more than one year. Such assets, when purchased or constructed, are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. Infrastructure acquired prior to fiscal years ended after June

30, 1980, is reported. The costs of normal maintenance and repairs that do not add to the value of assets or significantly extend asset lives are expensed rather than capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Significant interest expense incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the primary government, as well as its component units, are depreciated over their estimated useful lives using the straight-line method, unless they are considered inexhaustible. Useful lives for buildings and related assets range from 10 to 75 years, while useful lives of equipment and machinery range from 3 to 50 years. For infrastructure assets, useful lives range from 5 to 75 years, with docks, dikes and dams having useful lives between 30 to 50 years. Useful lives for depreciable works of art and historical treasures range from 10 to 30 years, and useful lives for motor vehicles range from 3 to 30 years. Data processing software and hardware have useful lives ranging from 3 to 10 years.

M. Compensated Absences

Employees accumulate earned but unused vacation and sick leave benefits. There is no liability for unpaid accumulated sick leave since the State does not pay any amounts when employees separate from state service. A liability for vacation leave (compensated absences) is accrued when incurred in the government-wide, proprietary fund, and fiduciary fund financial statements. A liability for compensated absences is reported in governmental funds only if the liabilities have matured, for example, as the result of employee resignations and retirements.

N. Long-term Obligations

In the government-wide statement of net position, long-term debt and other long-term obligations are reported as liabilities for governmental activities or business-type activities, as applicable. In proprietary funds, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond or certificate of participation (COP) premiums and discounts are reported as a direct addition to or deduction from the applicable bond/COP payable and amortized over the term of the debt. Bond/COP issuance costs, except any portion related to prepaid insurance costs, are recognized as an expense in the period incurred. Prepaid insurance costs are reported as a prepaid item and are amortized over the duration of the related bond/COP.

In the fund financial statements, governmental funds recognize bond/COP premiums and discounts, as well as bond/COP issuance costs, in the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issues are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as other debt service expenditures.

O. Fund Equity

The difference between assets and liabilities is labeled “Net position” on the government-wide, proprietary fund, and fiduciary fund financial statements and “Fund Balance” on the governmental fund financial statements.

In governmental funds, fund balance is reported in five components: (1) Nonspendable, (2) Restricted, (3) Committed, (4) Assigned, and (5) Unassigned.

Nonspendable fund balances include amounts that cannot be spent because they are either not in *spendable* form or they are legally or contractually required to be maintained intact.

*Restricted fund balance*s are the result of constraints imposed by law through constitutional provisions or enabling legislation or by parties outside the State, such as creditors, grantors, contributors, or laws or regulations of other governments. Enabling legislation authorizes the State to levy, assess, charge, or otherwise mandate payment from external resource providers and includes a legally enforceable requirement that those resources be used only for specific purposes stipulated by the legislation. The restricted fund balance category has been further broken down on the face of the governmental fund financial statements to indicate the various sources of those constraints.

Committed fund balance results from constraints imposed by bills (passed by the Legislature and signed into law by the Governor) that are separate from the authorization to raise the underlying revenue.

Assigned fund balance represents amounts that are constrained by the State's intent to use them for specific purposes, which are neither restricted nor committed. Intent is expressed by the Legislature via the budget process when there is no legislation other than a budget bill imposing constraints.

Unassigned fund balance is the residual amount in the General Fund not included in the previous four categories. Deficit fund balances in other governmental funds are reported as unassigned. See Note 21 for additional information on fund equity.

In the government-wide statement of net position and the proprietary fund statement of net position, net position is reported in three components: (1) net investment in capital assets, (2) restricted, and (3) unrestricted. Restricted net position results from restrictions imposed on a portion of net position by law through constitutional provisions or enabling legislation or by parties outside the State, such as creditors, grantors, contributors, or laws or regulations of other governments.

For fund balance classification purposes, state agencies determine the appropriate classification of each of their detail-level funds based on the resources accounted for in those funds and the constraints on spending those resources. Agencies expend resources from the appropriate funds based on each fund's specific spending constraints. Ending fund balances, therefore, are the result of that spending. In the event that an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources are available for use, the individual state agencies determine the order in which those resources are spent, as there is no statewide flow assumption policy. The same is true of an expenditure incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available.

The state maintains two stabilization funds: the Oregon Rainy Day Fund within the General Fund and the Education Stability Fund within the Educational Support Fund, a nonmajor special revenue fund. The resources in both funds may be expended only when specific non-routine budget shortfalls occur. See Note 21 for additional information about the stabilization funds.

P. Changes in Accounting Principle

For the fiscal year ended June 30, 2014, the State implemented three new accounting standards issued by the Governmental Accounting Standards Board (GASB).

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, identifies the specific items previously reported as assets and liabilities that should be reclassified and reported as deferred outflows of resources, deferred inflows of resources, outflows of resources, or inflows of resources. The reclassifications are necessary to report financial statement elements in accordance with the definitions in GASB Concepts Statement No. 4. Implementation of this standard is reflected in the State's presentation of governmental fund, proprietary fund, and government-wide financial statements as well as in the notes to the financial statements.

GASB Statement No. 67, *Financial Reporting for Pension Plans* (an amendment to GASB Statement No. 25) builds upon the existing framework for financial reports of defined benefit pension plans and enhances note disclosures and required supplementary information for both defined benefit and defined contribution pension plans. This standard did not materially affect the State's financial statements because the scope of the standard included only defined benefit and defined contribution pension plans and not employers contributing to the plans.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, provides guidance on the recognition, measurement, and disclosure for state and local governments that extend or receive nonexchange financial guarantees in connection with other governments, organizations, or individuals. The State extends nonexchange financial guarantees to school districts, education service districts, and community college districts. See Note 22 for additional information.

Q. Pending Changes in Accounting Principle

Three new accounting standards are effective for the fiscal year ending June 30, 2015.

The purpose of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (an amendment of GASB Statement No. 27) is to improve the information provided by state and local governmental employers about the financial support for pension plans administered through certain trusts. For defined

benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. In addition, this Statement details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan. The State is currently evaluating the impact of this standard on future financial statements.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, establishes accounting and financial reporting standards for government combinations and disposals of government operations. The State is currently evaluating the impact of this standard on future financial statements.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* (an amendment of GASB Statement No. 68) addresses an issue regarding application of the transition provisions of GASB Statement No. 68, which relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The State is currently evaluating the impact of this standard on its June 30, 2015, financial statements.

2. DEPOSITS AND INVESTMENTS

The State's investment policies are governed by statute and the Oregon Investment Council (Council). The State Treasurer (Treasurer) is the investment officer for the Council and is responsible for the funds on deposit with the Oregon State Treasury (Treasury). In accordance with Oregon statutes, the investment funds are invested, and the investments of those funds managed, as a prudent investor would do, exercising reasonable care, skill, and caution. The Treasurer is authorized to use demand deposit accounts, fixed income investments, and direct equity investments, although the majority of equity investments are currently directed by external investment managers under contract with the Council. Furthermore, common stock investments are limited to not more than 50 percent of the moneys contributed to the Oregon Public Employees Retirement Fund (OPERF) and the Industrial Accident Fund (SAIF Corporation) and not more than 65 percent of the other trust and endowment funds managed by the Council or the Treasury. The Deferred Compensation Fund, the Education Stability Fund, the State Board of Higher Education, and Common School Fund may also invest in common stock.

The Treasurer maintains the Oregon Short-Term Fund (OSTF), a cash and investment pool that is available for use by all funds and local governments. Oregon reports the State's portion of the pool within the funds of the State. The portion of the pool belonging to local governments is reported in an investment trust fund. Because the pool operates as a demand deposit account, each fund's portion of the pool is classified on the financial statements as cash and cash equivalents. A separate financial report for the OSTF is prepared by the Treasurer. Copies of the report may be obtained from the Oregon State Treasury, 350 Winter Street NE, Suite 100, Salem, Oregon 97301-3896, or from the Treasury's website at:

http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-(OSTF).aspx

The Treasurer also maintains the Oregon Intermediate-Term Pool (OITP), an investment pool that is available for use by state agencies with statutory authority, and limited external participants. Oregon reports the State's portion of the pool within the funds of the State. The portion of the pool belonging to local governments is reported in an investment trust fund. A separate financial report for the OITP is prepared by the Treasurer. Copies of the report may be obtained from the Oregon State Treasury, 350 Winter St NE, Suite 100, Salem, Oregon 97301-3896, or from the Treasury's website at:

http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Intermediate-Term-Pool-(OITP)-.aspx

The Treasurer also makes short-term and long-term investments, which are held separately by several of the State's funds. The Treasury's direct investments in short-term securities are limited by portfolio rules established by the OSTF Board and the Council. Other investments are made directly by state agencies with the approval of the Treasurer.

A. Custodial Credit Risk

Custodial Credit Risk for Deposits

The custodial credit risk for deposits is the risk that, in the event of a depository financial institution failure, the State will not be able to recover deposits or collateral securities that are in the possession of an outside party. The State 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.

Oregon Revised Statutes (ORS), Chapter 295, governs the collateralization of public funds. Depositories are required to pledge collateral against any public fund deposits in excess of deposit insurance amounts. This requirement provides additional protection for public funds in the event of a depository failure or loss. ORS Chapter 295 sets the specific value of the collateral, as well as the types of collateral that are acceptable.

ORS Chapter 295 provides the statutory authority for the Public Funds Collateralization Program (PFCP). The Treasury uses an internally-developed web application to administer the PFCP and facilitate depository, custodian, and public official compliance with ORS Chapter 295. Under the PFCP, depositories are required to report quarterly to the Treasury, providing quarter-end public fund balances in excess of Federal Deposit Insurance Corporation (FDIC) or National Credit Union Administration (NCUA) limits. Depositories are also required to report their net worth and capitalization information. The FDIC or NCUA assigns each bank or credit union a capitalization category quarterly: well capitalized, adequately capitalized, or undercapitalized. Based on this information, the depository's minimum collateral required to be pledged with the custodian and the maximum liability in the pool of all depositories are calculated for the next quarter. The maximum liability is reported to the depository, the Treasury, and the custodian.

Barring any exceptions, a depository is required to pledge collateral valued at no less than 10 percent of its last reported uninsured public fund deposits if the depository is well capitalized and as much as 110 percent if the depository is adequately capitalized, undercapitalized, or assigned to pledge 110 percent by Treasury.

There are three exceptions to this calculation, and any exceptions are required to be collateralized at 100 percent.

1. A depository may not accept public fund deposits from one depositor in excess of the depository's net worth. If the depository has a drop in net worth that takes it out of compliance, the depository is required to post 100 percent collateral on any amount the depositor has in excess of the depository's net worth while working to eliminate that excess.
2. A depository may not hold aggregate public funds in excess of a percentage of the depository's net worth based on its capitalization category (100 percent for undercapitalized, 150 percent for adequately capitalized, 200 percent for well capitalized) unless approved for a period of 90 days or less by the Treasury.
3. A depository may hold in excess of 30 percent of all aggregate public funds reported by all depository's holding Oregon public funds, only if the excess is collateralized at 100 percent.

Where interest-bearing balances within the OSTF exceed the FDIC or NCUA amount of $250 thousand, the balances are covered by collateral held in the PFCP.

As of June 30, 2014, $1.9 billion in other depository balances were exposed to custodial credit risk as the balances were uninsured and uncollateralized.

Custodial Credit Risk for Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the State will not be able to recover the value of an investment or collateral securities in the possession of an outside party. The Council has no formal policy regarding the holding of securities by a custodian or counterparty. For the year ended June 30, 2014, the State had $295 million of investments exposed to custodial credit risk. Investments with the trustee of Oregon Housing and Community Services Department (OHCSD) consisted of $1.7 million in U.S. Treasury obligations, $288.1 million in U.S. Agency securities, and $5.2 million in municipal bonds. They are held at the Federal Reserve under the name of OHCSD's bond trustee for the benefit of OHCSD.

B. Investments – Primary Government (Excluding the OPERF)

Investments Managed by Treasury

Investments of the primary government (excluding the OPERF) held by the Treasurer require the exercise of prudent and reasonable care in the context of a fund's investment portfolio and as part of an overall investment strategy. The Treasurer is required to diversify investments unless it is not prudent to do so. In addition, the Treasurer must exercise reasonable care to incorporate risk and return objectives suitable to the particular investment fund. Each Treasury fund has a policy and procedure that addresses objectives and strategies.

Interest Rate Risk

Investment policy for fixed income investments under the direct management of the Treasurer generally limits the time horizon of the portfolio to an average maturity of 1 to 5 years. In addition, externally managed fixed income investment funds are required by policy to maintain an average bond duration level within 20 percent of the benchmark bond index. For investments not under the management of the Treasurer, there are no formal policies on interest rate risk. Investment objectives and strategies of the primary government (excluding the OPERF) are based on credit quality, asset diversification, staggered maturities, and in some portfolios duration. For variable rate securities, the next interest rate reset date is used instead of the maturity date.

Credit Risk

Investment policies for fixed income investments under the management of the Treasurer require that the portfolio maintain an average Standard and Poor's (S&P) credit quality of AA or A, as determined for each investment fund. For investments not under management of the Treasurer, there are no formal policies on credit risk.

The credit rating for the investments at Treasury held within the governmental funds, excluding the Common School Fund, and using the segmented time distribution method at June 30, 2014 (in thousands):

			Investment Maturities (in years)				
Reporting Fund[1]	Investment Type	Credit Rating[2]	Less than 1	1 to 5	6 to 10	More than 10 or none	Balance at June 30, 2014
Public Transportation	Asset Backed	AAA	$ -	$ 1,124	$ -	$ -	$ 1,124
			-	1,124	-	-	1,124
	U.S. Federal agency debt	AA	-	17,806	-	-	17,806
			-	17,806	-	-	17,806
	Corporate bonds	AA	-	1,014	-	-	1,014
		A	3,750	13,182	-	-	16,932
		BBB	21,804	20,077	-	-	41,881
			25,554	34,273	-	-	59,827
			25,554	53,203	-	-	78,757
Employment Services	U.S. Treasury securities[2]	Exempt	-	-	4,736	-	4,736
			-	-	4,736	-	4,736
	U.S. Federal agency debt	AA	-	17,488	1,931	-	19,419
			-	17,488	1,931	-	19,419
	U.S. Federal agency mortgages	Not rated	-	-	-	3,542	3,542
			-	-	-	3,542	3,542
	Asset backed securities	AAA	-	1,527	-	-	1,527
			-	1,527	-	-	1,527
	Collateralized mortgage obligations	AAA	3,536	-	-	-	3,536
			3,536	-	-	-	3,536
	Municipal bonds	AA	-	498	4,284	-	4,782
		B	-	-	230	-	230
			-	498	4,514	-	5,012
	Corporate bonds	AA	-	3,176	-	-	3,176
		A	4,010	9,276	3,756	-	17,042
		BBB	7,821	18,773	11,112	-	37,706
		B	-	7,829	-	-	7,829
			11,831	39,054	14,868	-	65,753
	Oregon Intermediate Term Pool[3]	Not rated	17,413	-	-	-	17,413
			17,413	-	-	-	17,413
	International debt securities	AAA	-	-	4,479	-	4,479
			-	-	4,479	-	4,479
			32,780	58,567	30,528	3,542	125,417
Residential Assistance	U.S. Federal agency debt	AA	-	5,055	-	-	5,055
	U.S. Treasury securities[2]	Exempt	-	10,273	-	-	10,273
			-	15,328	-	-	15,328
Business Development	Oregon Intermediate Term Pool[3]	Not rated	23,074	-	-	-	23,074
			23,074	-	-	-	23,074
			$ 81,408	$ 127,098	$ 30,528	$ 3,542	242,576
General	Alternative Equities	N/A					12,220
Educational Support	Alternative Equities	N/A					44,099
							56,319
Total							$ 298,895

[1] See separate Common School Fund schedule.

[2] Investments of $15,009 of U.S. Treasury obligations are explicitly guaranteed by the U.S. government and, therefore, are exempt from credit risk disclosure requirements.

[3] See separate Oregon Intermediate Term Pool schedule.

The credit rating for the Common School Fund's investments held at Treasury and using the segmented time distribution method at June 30, 2014 (in thousands):

		Investment Maturities (in years)				
Investment Type	**Credit Rating[1]**	**Less than 1**	**1 to 5**	**6 to 10**	**More than 10 or none**	**Balance at June 30, 2014**
U.S. Treasury obligations	Exempt	$ -	$ 3,419	$ 437	$ 5,949	$ 9,805
U.S. Treasury strips	Exempt	-	-	203	-	203
U.S. Treasury TIPS	Exempt	-	-	1,974	1,967	3,941
U.S. Federal agency debt	AA	-	-	-	121	121
	Not rated	3,000	-	-	-	3,000
U.S. Federal agency mortgages	AAA	18	-	-	-	18
	Not rated	3,399	119	29	42,170	45,717
		6,417	3,538	2,643	50,207	62,805
Non-U.S. government debt	A	-	-	448	-	448
	BBB	-	-	-	687	687
		-	-	448	687	1,135
Corporate bonds	AA	-	250	-	62	312
	A	311	3,275	4,817	2,414	10,817
	BBB	578	5,133	9,213	7,928	22,852
	BB	51	71	836	1,589	2,547
	B	-	79	128	77	284
	CCC	-	30	-	-	30
		940	8,838	14,994	12,070	36,842
International debt securities	AA	-	211	21	264	496
	A	-	891	2,070	2,140	5,101
	BBB	-	1,365	3,012	3,164	7,541
	BB	-	106	2,127	-	2,233
	B	-	-	10	143	153
	Not rated	-	61	-	789	850
		-	2,634	7,240	6,500	16,374
Asset backed securities	AAA	1,297	-	-	-	1,297
	AA	1,495	-	-	-	1,495
	A	1,901	-	-	43	1,944
	BBB	475	5	-	-	480
	BB	438	-	-	-	438
	B	332	-	-	-	332
	CCC	294	-	-	-	294
	CC	2,296	-	-	-	2,296
		8,528	5	-	43	8,576
Collateralized mortgage obligations	AAA	518	-	-	305	823
	AA	236	-	-	-	236
	A	1,438	-	-	292	1,730
	BBB	2,248	-	-	506	2,754
	BB	652	-	-	323	975
	B	4,234	-	-	309	4,543
	CCC	2,657	-	-	254	2,911
	CC	1,860	-	-	-	1,860
	Not rated	229	-	-	232	461
		14,072	-	-	2,221	16,293
Domestic mutual funds - debt	Not rated	-	-	-	223,382	223,382
International mutual funds - debt	Not rated	-	-	-	8,265	8,265
		$ 29,957	$ 15,015	$ 25,325	$ 303,375	373,672
Domestic equity securities	N/A					290,832
International equity securities	N/A					319,416
Domestic mutual funds - equity	N/A					229,490
Domestic real estate	N/A					6,647
International real estate	N/A					3,260
International rights and warrants	N/A					89
Lehman Brothers	N/A					22
Private equity holdings	N/A					117,646
						967,402
Total[2]						$ 1,341,074

[1] Investments of $9,805 in U.S. Treasury obligations, $203 in U.S. Treasury Strips, $3,941 in U.S. Treasury Inflation-Protected Securities (TIPS), and $8,351 in Government National Mortgage Association (GNMA), which are reported within U.S. Federal agency mortgages, are explicitly guaranteed by the U.S. government and, therefore, are exempt from credit risk disclosure requirements.

[2] $1,101 in real estate investments are held outside Treasury. See separate schedule.

The Oregon Intermediate Term Pool (OITP) is an external investment pool managed by the Treasurer. It is expected to provide a total return consistent with an investment grade quality, short duration diversified fixed income portfolio. The credit rating for the investments held within the OITP using the average modified duration method at June 30, 2014 (in thousands):

Investment Type	Credit Rating	Balance at June 30, 2014	Average Modified Duration (in years)
U.S. Federal agency debt	AA	$ 7,747	
		7,747	0.89
U.S. agency mortgage-backed securites	Not rated	5,465	
		5,465	2.27
Asset-backed securities	AAA	8,130	
		8,130	2.38
Corporate bonds	AA	3,577	
	A	29,082	
	BBB	52,696	
		85,355	1.73
Commercial mortgage-backed securites	AAA	13,772	
		13,772	2.34
Municipal debt	AA	3,602	
	A	4,522	
		8,124	3.37
Total		$ 128,593	

The credit rating for the investments at Treasury held within the proprietary funds, excluding the University System Fund, and using the segmented time distribution method at June 30, 2014 (in thousands):

			Investment Maturities (in years)				
Reporting Fund	**Investment Type**	**Credit Rating[2]**	**Less than 1**	**1 to 5**	**6 to 10**	**More than 10 or none**	**Balance at June 30, 2014**
Housing and Community Services[1]	U.S. Treasury obligations	Exempt	$ -	$ -	$ 1,086	$ 3,411	$ 4,497
	U.S. Federal agency debt	AA	-	-	-	10,545	10,545
			-	-	1,086	13,956	15,042
Lottery Operations	U.S. Treasury strips	Exempt	8,065	33,566	33,698	44,704	120,033
	U.S. Federal agency strips	Not rated	4,180	7,361	2,393	53	13,987
			12,245	40,927	36,091	44,757	134,020
Veterans' Loan	Oregon Intermediate Term Pool[3]	Not rated	10,145	-	-	-	10,145
			10,145	-	-	-	10,145
Central Services	U.S. Treasury obligations	Exempt	-	-	7,361	-	7,361
			-	-	7,361	-	7,361
	U.S. Federal agency debt	AA	-	17,886	-	-	17,886
			-	17,886	-	-	17,886
	U.S. Federal agency mortgages	Not rated	-	-	1,958	-	1,958
			-	-	1,958	-	1,958
	Asset backed securities	AAA	-	1,527	-	-	1,527
			-	1,527	-	-	1,527
	Corporate bonds	AA	2,510	7,940	1,561	-	12,011
		A	7,008	6,979	1,107	-	15,094
		BBB	1,891	1,427	2,625	-	5,943
			11,409	16,346	5,293	-	33,048
	Non-U.S. government debt	AAA	-	-	2,544	-	2,544
		AA	-	5,100	-	-	5,100
			-	5,100	2,544	-	7,644
			11,409	40,859	17,156	-	69,424
Special Public Works	Oregon Intermediate Term Pool[3]	Not rated	10,253	-	-	-	10,253
			10,253	-	-	-	10,253
Total			$ 44,052	$ 81,786	$ 54,333	$ 58,713	$ 238,884

[1] $295,015 in investments are held outside of Treasury. See separate schedule.

[2] Investments of $11,858 in U.S. Treasury obligations and $120,033 in U.S. Treasury strips are explicitly guaranteed by the U.S. government and, therefore, are exempt from credit risk disclosure requirements.

[3] See separate Oregon Intermediate Term Pool schedule.

The credit rating and average effective duration for the University System Fund's investments held at Treasury at June 30, 2014 (in thousands):

Investment Type	Credit Rating[1]	Balance at June 30, 2014	Average Effective Duration (in years)
U.S. Treasury securities	Exempt	$ 3,713	
		3,713	6.43
U.S. Federal agency debt	AA	31,643	
	Not rated	18,073	
		49,716	3.32
Corporate bonds	AA	9,528	
	A	36,305	
	BBB	20,784	
		66,617	3.05
Municipal bonds	AAA	3,940	
	AA	4,800	
		8,740	2.88
Mutual funds - Domestic fixed income	Not rated	61,793	
		61,793	3.24
Non-U.S. government securities	AAA	2,544	
	A	5,047	
		7,591	6.59
International corporate debt securities	AA	2,510	
	A	4,147	
	BBB	2,011	
		8,668	0.92
Collateralized mortgage obligations	AAA	17,034	
	AA	415	
		17,449	1.75
Asset backed securities	AAA	13,777	2.63
Money market fund	N/A	7,776	0.50
Equity investments	N/A	41,760	N/A
Real estate and real estate mortgages	N/A	2,693	N/A
Alternative equities	N/A	13,648	N/A
Less: University System amounts recorded as cash		(4,781)	
Total		$ 299,160	

[1] Investments of $3,713 in U.S. Treasury securities are explicitly guaranteed by the U.S. government and, therefore, are exempt from credit risk disclosure requirements.

Investments not Managed by Treasury

For investments held outside of the Treasury, statutes govern the placement of funds with outside parties as part of trust agreements or mandatory asset holdings by regulatory agencies. The credit rating and segmented time distribution for investments held outside Treasury as of June 30, 2014 (in thousands):

			Investment Maturities (in years)				
Reporting Fund	**Investment Type**	**Credit Rating[3]**	**Less than 1**	**1 to 5**	**6 to 10**	**More than 10 or none**	**Balance at June 30, 2014**
Common School	U.S. Treasury strips[1]	Exempt	$ 2	$ 2	$ 3	$ -	$ 7
	U.S. Federal agency strips[1]	AAA	-	-	1	-	1
	Municipal bonds[1]	AAA	5	14	-	-	19
	Domestic mutual funds - debt[1]	Not rated	3,120	-	-	-	3,120
			3,127	16	4	-	3,147
Revenue Bond	GICs[4]	N/A	-	18,433	-	2,524	20,957
			-	18,433	-	2,524	20,957
Housing and Community Services	U.S. Treasury obligations	Exempt	-	-	1,652	-	1,652
	U.S. Federal agency debt	AA	11,677	1,034	10,305	38,775	61,791
		A	225,156	1,201	-	-	226,357
			236,833	2,235	11,957	38,775	289,800
	Municipal bonds	AAA	-	-	-	1,200	1,200
		AA	-	-	-	4,015	4,015
			-	-	-	5,215	5,215
			236,833	2,235	11,957	43,990	295,015
Private Purpose Trust	U.S. Treasury obligations	Exempt	36	210	1	67	314
	Domestic mutual funds - debt	N/A	7	-	-	528	535
	Annuity contracts	N/A	-	-	-	536	536
			43	210	1	1,131	1,385
Agency	U.S. Treasury obligations[2]	Exempt	14,491	45,692	881	-	61,064
	Municipal bonds[2]	Not rated	2,019	3,489	-	-	5,508
			16,510	49,181	881	-	66,572
			$ 256,513	$ 70,075	$ 12,843	$ 47,645	387,076
Common School	Real estate	N/A					1,101
	Alternative equities[1]	N/A					13
	Domestic equity securities[1]	N/A					6,426
Private Purpose Trust	Domestic equity securities	N/A					107
Total							$ 394,723

[1] Some investments (along with certain cash deposits) are reported as part of custodial assets on the balance sheet.

[2] Some investments (along with certain cash deposits) are reported as receivership assets on the statement of fiduciary net position.

[3] Investments of $63,030 in U.S. Treasury obligations and $7 in U.S. Treasury strips are explicitly guaranteed by the U.S. government and therefore exempt from credit risk disclosure requirements.

[4] Guaranteed investment contracts.

Investments of the Oregon Short-Term Fund (OSTF)

The OSTF is a short-term investment vehicle. A number of local governments in Oregon as well as all state agencies participate in the OSTF. Because the OSTF acts as a demand deposit account, both the cash and investments within the OSTF are shown as cash and cash equivalents on the balance sheet and statement of net position. The external portion of the OSTF is reported within the Investment Trust Fund. The OSTF staff manages interest rate risk by limiting the maturity of the investments. The portfolio rules require that at least 50 percent of the portfolio mature or reset within 93 days; not more than 25 percent of the portfolio may mature or

reset in over a year; and no investments may mature or reset over three years from settlement date. For variable rate securities, the next interest rate reset date is used instead of the maturity date. For variable rate securities in a fixed rate period that will switch to variable rate at a later date, the maturity is based on the final maturity of the security, not the next variable reset date. For fixed rate securities with a put option, the date upon which the put option is fully exercisable for at least 100% of the face value is used instead of the maturity date, and for variable rate securities with a put option, the earlier of the next variable reset date or the put date is used instead of maturity date.

Interest rate and credit risk for the OSTF investments as of June 30, 2014 (in thousands):

		Investment Maturities				
Investment Type	**Credit Rating**	**Up to 93 Days**	**94 to 366 Days**	**One to Three Years**	**Greater Than Three Years**	**Balance at June 30, 2014**
U.S. Treasury notes	Exempt[3]	$ 606,297	$ 688,544	$ 940,806	$ -	$ 2,235,647
Federal agency debt	AA	772,545	277,631	624,815	-	1,674,991
	Not rated[3]	45,755	174,908	-	-	220,663
Federal agency discount notes	Not rated[3]	1,020,981	38,187	-	-	1,059,168
Commercial paper	A	130,000	-	-	-	130,000
Corporate bonds	AAA	50,024	-	-	-	50,024
	AA	776,779	-	335,638	-	1,112,417
	A	2,903,714	188,563	710,455	49,971	3,852,703
	BBB[1]	692,403	90,337	525,723	-	1,308,463
Municipal commercial paper	A	494,969	60,000	-	-	554,969
Municipals	AA	100,063	20,026	7,022	-	127,111
	A	-	25,062	15,000	-	40,062
Non-U.S. government commercial paper	A	64,995	-	-	-	64,995
Non-U.S. government debt	AAA	-	43,544	5,870	-	49,414
	AA	211,819	50,330	163,646	-	425,795
	A	12,081	-	46,900	-	58,981
Time certificates of deposit	Not rated[2]	87,700	-	-	-	87,700
Total		$ 7,970,125	$ 1,657,132	$ 3,375,875	$ 49,971	$ 13,053,103

[1] Securities rated BBB continue to meet the investment quality rules of the OSTF because they have at least one rating of S&P A-, Moody's A3 or Fitch A-.

[2] Time certificates of deposit are considered deposits for purposes of credit quality and are fully covered by FDIC and state PFCP programs.

[3] GASB Statement 40 states that U.S. federal debt is considered to be without risk. For credit quality rules, federal debt is considered to be the highest quality, except when rated differently, as shown above.

OSTF investment policies provide for a minimum composite weighted average credit quality rating for the fund's holdings to be the equivalent of an AA Standard and Poor's (S&P) rating. The current minimums for corporate notes are an S&P rating of A-, Moody's of A3, or Fitch of A-. Commercial paper is required to have a minimum short-term credit rating at the time of purchase from two of three ratings services with current minimum ratings from S&P of A-1, Moody's of P-1, and Fitch of F-1. Foreign government securities are required to have minimum credit ratings from S&P of AA-, Moody's of Aa3, or Fitch of AA-. Occasionally, securities are downgraded but OSTF policies allow them to be retained at the Senior Investment Officer's discretion. Rating groups were determined using the lowest actual rating from S&P, Moody's, or Fitch.

Interest Rate Sensitive Investments

As of June 30, 2014, the primary government held approximately $128.8 million in debt instruments backed by pooled mortgages, to-be-announced federal agency-issued mortgage pools, collateralized mortgage obligations, or fixed-rate mortgages. These securities represent a stream of principal and interest payments from underlying mortgages. Assets with these characteristics are susceptible to prepayment by the mortgage

holders, which may result in a decrease in total interest realized. The value of these securities can be volatile as interest rates fluctuate. Additionally, the risk of default exists and collateral held may potentially be insufficient to cover the principal due. In addition, the primary government held approximately $31.4 million of asset-backed securities collateralized primarily by automobile, equipment lease, and student loan receivables.

Concentration of Credit Risk

Investment policies for fixed income investments under the management of the Treasurer generally limit investments in a single issuer to 5 percent of the portfolio, with the exception of securities of the U.S. government and U.S. agencies. For investments not under the management of the Treasurer, there are no formal policies on concentration of credit risk. At June 30, 2014, there was one issuer that exceeded 5 percent of the primary government's holdings (excluding the OPERF): $1.6 billion (9.6 percent) in Federal Home Loan Bank (FHLB).

The Oregon Housing and Community Services Department also carried concentration of credit risk with 79.6 percent of the department's total investments in FHLB, and 6.4 percent in Federal National Mortgage Association (FNMA) securities.

The Oregon State Lottery's investments included $14 million (10.4 percent) in the Resolution Funding Corporation (RFC), a U.S. government agency. The U.S. government does not explicitly guarantee these investments. However, interest payments are backed by the U.S. government, and the principal is protected by the purchase of zero-coupon bonds with an equivalent face value.

None of the investments held by Oregon University System, other than securities of the U.S. government and U.S. agencies, exceeded 5 percent for any single issuer or individual issue.

The aggregated nonmajor enterprise fund total investments were $20.4 million (100 percent) invested in the Oregon Intermediate-term Pool.

Within the major governmental funds, the Public Transportation Fund's investments included $10.3 million (13.1 percent) in FNMA, $5.7 million (7.2 percent) in Caisse Centrale, $5.1 million (6.4 percent) in Tate & Lyle International Finance, $5 million (6.4 percent) in Goldman Sachs, and $5 million (6.3 percent) in the Federal Home Loan Mortgage Company (FHLMC).

The aggregated nonmajor governmental funds' total investments included $15 million (6.6 percent) in FHLMC. These funds also held nonparticipating guaranteed investment contracts with the following concentrations: $14.8 million (6.5 percent) in Bank of America and $6.2 million (2.7 percent) in American International Group.

The Central Services Fund held $17.9 million (25.8 percent) of its investments in FHLMC, $7.9 million (11.4 percent) in NCUA Guaranteed Notes, $5.1 million (7.4 percent) in Province of Ontario bonds, and $3.5 million (5.1 percent) in General Electric Capital.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Oregon state agencies are required to deposit moneys in state-qualified depositories under Oregon law. Exceptions due to foreign field offices and related circumstances are approved by the Treasurer. International debt securities denominated in U.S. dollars are not subject to currency risk if the investment's obligations will be paid in U.S. dollars. Investment policies for fixed income investments under the management of the Treasurer generally prohibit investments in non-dollar denominated securities. The Common School Fund is allowed to invest in non-dollar denominated securities. For investments not under the management of the Treasurer, there are no formal policies on foreign currency risk.

Deposits and investments exposed to foreign currency risk for the primary government (excluding the OPERF) as of June 30, 2014 (in thousands):

	Deposits and Investments (U.S. Dollars)						
Foreign Currency Denomination	**Deposits**	**International Equity Securities**	**International Debt Securities**	**Real Estate Investment Trust**	**Repos**	**Rights and Warrants**	**Total**
Australian dollar	$ 80	$ 12,336	$ -	$ 907	$ -	$ -	$ 13,323
Brazilian real	-	-	230	-	-	-	230
British sterling pound	40	36,488	-	298	-	-	36,826
Canadian dollar	87	27,607	-	-	-	-	27,694
Swiss franc	48	19,997	-	-	-	-	20,045
Danish krone	29	6,005	-	-	-	-	6,034
Euro	804	102,292	-	1,143	-	82	104,321
Hong Kong dollar	71	5,258	-	313	-	10	5,652
Israel new shekel	4	4,499	-	56	-	-	4,559
Japanese yen	449	57,766	-	542	-	-	58,757
Mexican peso	88	-	2,444	-	-	-	2,532
Norwegian krone	50	2,808	-	204	-	-	3,062
New Zealand dollar	21	-	-	-	-	-	21
Singapore dollar	59	1,738	-	174	266	-	2,237
Swedish krona	27	15,285	-	-	-	-	15,312
Total	$ 1,857	$ 292,079	$ 2,674	$ 3,637	$ 266	$ 92	$ 300,605

C. Investments – Primary Government – Oregon Public Employees Retirement Fund

The Council establishes policies for the investment of moneys in the OPERF. Policies are based on the primary investment class of each investment manager and do not reflect the classifications of individual holdings as presented in the financial statements. Contracts with individual investment managers provide additional guidelines that vary from manager to manager.

Investments in the OPERF as of June 30, 2014 (in thousands):

Investment Type	Fair Value
Repurchase agreements	$ 958
U.S. Treasury securities	2,222,263
U.S. Treasury strips	28,656
U.S. Treasury TIPS	200,249
U.S. Agency debt	205,389
U.S. Agency mortgages	905,027
U.S. Agency mortgage TBAs	622,483
U.S. Agency strips	54,496
International debt securities	2,181,351
Non-government debt securities	335,785
Corporate bonds	3,343,075
Bank loans	2,354,312
Municipal bonds	46,478
Collateralized mortgage obligations	1,088,247
Asset-backed securities	1,073,242
Guaranteed investment contracts	159,757
Mutual funds - domestic fixed income	646,450
Mutual funds - international fixed income	72,468
Total debt securities	15,540,686
Derivatives	33,999
Domestic equity securities	10,039,388
International equity securities	12,305,082
Mutual funds - domestic equity	2,987,680
Mutual funds - global equity	805,295
Mutual funds - international equity	3,429,200
Mutual funds - target date	410,146
Oregon Savings Growth Plan - self directed	4,816
Limited partnerships and leveraged buyouts	15,432,634
Real estate and real estate investment trusts	7,721,840
Alternative equity	1,016,745
Opportunity portfolio	900,095
Total investments	$ 70,627,606

Interest Rate Risk

Interest rate risk is managed within the OPERF using the effective duration methodology. Investment policies require that the fixed income manager positions will maintain a weighted average effective duration within a range of 20 percent of the benchmark's effective duration. There is no policy restriction for non-fixed income investment managers who may hold fixed income positions. As of June 30, 2014, the weighted average duration of the fixed income portfolio was 4.27 years and no individual fixed income investment manager portfolios were outside the policy guidelines.

At June 30, 2014, the OPERF held approximately $2 billion in debt instruments backed by pooled mortgages, collateralized mortgage obligations, or fixed-rate mortgages. These securities represent a stream of principal

and interest payments from underlying mortgages. Assets with these characteristics are susceptible to prepayment by the mortgage holders, which may result in a decrease in total interest realized. The value of these securities can be volatile as interest rates fluctuate. Additionally, the risk of default exists and collateral held may potentially be insufficient to cover the principal due. The OPERF also held approximately $622.5 million in to-be-announced federal agency-issued mortgage pools. An additional $1.1 billion of debt instruments are asset-backed securities backed primarily by automobile, consumer credit receivables, heavy equipment leases, and student loan receivables.

Debt investments of the OPERF as of June 30, 2014 (in thousands):

Investment Type	Balance at June 30, 2014	Weighted Average Duration (in years)
U.S. Treasury securities	$ 2,202,764	4.12
U.S. Treasury strips	9,034	3.70
U.S. Treasury TIPS	200,249	7.08
U.S. Agency debt	190,391	4.33
U.S. Agency mortgages	853,341	3.79
U.S. Agency mortgage TBAs	622,483	4.28
U.S. Agency strips	54,496	3.74
International debt securities	295,473	6.26
Non-U.S. government debt securities	13,284	10.32
Corporate bonds	3,193,134	4.37
Bank loans	1,701,721	5.47
Municipal bonds	41,262	10.00
Collateralized mortgage obligations	745,327	3.32
Asset-backed securities	965,471	1.80
No effective duration:		
U.S. Treasury securities	19,500	
U.S. Treasury strips	19,622	
U.S. Agency debt	14,998	
U.S. Agency mortgages	51,686	
International debt securities	1,885,878	
Non-U.S. debt securities	322,501	
Corporate bonds	149,941	
Bank loans	652,590	
Municipal bonds	5,216	
Collateralized mortgage obligations	342,920	
Asset-backed securities	107,771	
Guaranteed investment contract	159,757	
Mutual funds - domestic fixed income	646,450	
Mutual funds - international fixed income	72,468	
Repurchase agreements	958	
Total debt securities	15,540,686	
Cash equivalent - U.S. government short-term funds	1,632,677	40 days[1]
Cash Equivalent - Oregon Short-Term Funds	1,306,752	234 Days[1]
Total subject to interest rate risk	$ 18,480,115	

[1] Weighted average maturity

Credit Risk

Investment policy requires that no more than 30 percent of the OPERF fixed income positions be below investment grade. Securities with a quality rating below BBB- (S&P) are considered below investment grade. There is no policy restriction on other investment managers who may hold debt securities. As of June 30, 2014, the fair value of below grade investments, excluding unrated securities, is $3.4 billion, or 26.8 percent, of total securities subject to credit risk, and the weighted quality rating average is BBB. Overall credit quality deteriorated due to downgrades in both corporate bonds and non-agency mortgages. Unrated securities include $969.8 million in bank loans, $878.7 million in mutual funds, and $920.1 million in other debt securities.

Credit ratings for debt securities within the OPERF as of June 30, 2014 (in thousands):

Credit Rating	Balance at June 30, 2014
AAA	$ 1,230,470
AA	577,412
A	1,142,960
BBB	2,370,131
BB	748,313
B	2,019,042
CCC	582,690
CC	13,517
C	18,588
D	34,710
Not rated	2,768,558
Not rated[1]	1,223,664
Total subject to credit risk	12,730,055
U.S. government guaranteed securities	2,810,631
Total	$ 15,540,686

[1] Federal agency securities, which are not rated by the credit agencies as they carry an implicit guarantee of the U.S. Government

Concentrations of Credit Risk

The Council's investment policy pertaining to OPERF investments requires that investment managers maintain diversified portfolios. There is no limit on single issuer investments for domestic, global, and international equity fund managers. Policy requires that the asset classes be diversified across their respective markets. Additionally, both passive and active investing strategies are employed, and several external managers engage in active management. Policy provides the following limitations for fixed income investment manager positions:

- There are no restrictions on obligations issued or guaranteed by the U.S. government, U.S. agencies, or government-sponsored enterprises.
- No more than 10 percent of the debt investment portfolio per issuer may be invested in obligations of other national governments.
- No more than 10 percent of the debt investment portfolio per issuer or 25 percent in a single issuer, after meeting additional collateral requirements, can be invested in private mortgage-backed and asset-backed securities. The collateral must be credit-independent of the issuer and the security's credit enhancement generated internally.
- No more than 3 percent of the debt investment portfolio may be invested in other issuers, excluding investments in commingled investments.

At June 30, 2014, no single issuer debt investments exceeded the above guidelines, nor were there investments in any one issuer that represented 5 percent or more of total investments.

Foreign Currency Risk

Foreign currency and security risk of loss arises from changes in currency exchange rates. Foreign currency risk within the OPERF is controlled via contractual agreements with the investment managers. Investment policies require that no more than 15 percent of the fixed income manager positions may be invested in non-dollar denominated securities. Policies for the non-fixed portion of the OPERF are silent regarding this risk. As of June 30, 2014, approximately 3.5 percent of the debt investment portfolio was invested in non-dollar denominated securities.

The OPERF's exposure to foreign currency risk as of June 30, 2014 (in thousands):

	Deposits and Investments (U.S. Dollars)						
Foreign Currency Denomination	**Cash and Cash Equivalents**	**Debt Securities**	**Public Equity**	**Derivatives**	**Real Estate**	**Private Equity**	**Total**
Argentine peso	$ 41	$ -	$ -	$ -	$ -	$ -	$ 41
Australian dollar	1,076	25,590	394,796	-	79,800	-	501,262
Bolivar fuerte	3	-	-	-	-	-	3
Brazilian real	1,524	6,853	235,533	-	2,346	-	246,256
British sterling pound	22,054	76,451	1,935,490	-	82,808	-	2,116,803
Canadian dollar	3,393	16,869	716,809	38	27,400	-	764,509
Chilean peso	-	-	4,357	-	-	-	4,357
Chinese yuan	290	-	5,632	-	-	-	5,922
Colombian peso	-	-	4,148	-	-	-	4,148
Czech koruna	30	-	13,040	-	-	-	13,070
Danish krone	676	6	136,780	-	-	-	137,462
Egyptian pound	143	-	8,807	-	-	-	8,950
Euro	111,656	289,196	2,673,460	712	85,062	407,496	3,567,582
Hong Kong dollar	1,807	-	586,753	335	108,998	-	697,893
Hungarian forint	4	-	2,025	-	-	-	2,029
Indian rupee	427	-	159,500	-	-	-	159,927
Indonesian rupiah	59	-	51,033	-	-	-	51,092
Israeli shekel	244	-	47,834	1	-	-	48,079
Japanese yen	11,279	41,002	1,946,247	-	142,675	-	2,141,203
Kenya shilling	12	-	2,044	-	-	-	2,056
Malaysian ringgit	45	-	45,676	-	-	-	45,721
Mexican peso	1,497	68,685	49,655	-	8,946	-	128,783
New Zealand dollar	493	14,142	8,032	-	-	-	22,667
Nigerian naira	62	-	12,776	-	-	-	12,838
Norwegian krone	124	-	102,245	-	1,378	-	103,747
Pakistani rupee	-	-	2,854	-	-	-	2,854
Peruvian nuevo sol	-	-	1,369	-	-	-	1,369
Philippine peso	35	-	17,321	-	-	-	17,356
Polish zloty	5	-	26,122	-	-	-	26,127
Qatar riyal	-	-	3,162	-	-	-	3,162
Russian ruble	173	-	-	-	-	-	173
Singapore dollar	1,346	-	92,858	-	31,718	-	125,922
South African rand	67	-	196,728	-	-	-	196,795
South Korean won	202	-	337,398	176	-	-	337,776
Swedish krona	679	-	266,988	-	7,649	-	275,316
Swiss franc	1,181	-	625,094	-	7,413	-	633,688
Taiwan dollar	1,293	-	389,268	-	-	-	390,561
Thai baht	64	-	52,893	81	1,569	-	54,607
Turkish lira	347	-	69,649	-	5,103	-	75,099
United Arab Emirates dirham	9	-	10,549	-	-	-	10,558
Total	$ 162,340	$ 538,794	$ 11,234,925	$ 1,343	$ 592,865	$ 407,496	$ 12,937,763

D. Investments – Discretely Presented Component Units

SAIF Corporation (SAIF)

SAIF's investment policies are governed by statute and the Oregon Investment Council (Council). The State Treasurer (Treasurer) is the investment officer for the Council and is responsible for the funds on deposit in the State Treasury. In accordance with ORS 293.726, the investment funds are to be invested, and the investments of those funds managed, as a prudent investor would do, exercising reasonable care, skill, and caution. While the Treasurer is authorized to use demand deposit accounts and fixed income investments, equity investment transactions must be directed by external investment managers that are under contract with the Council. Common stock investments are limited to not more than 50 percent of the moneys contributed to the Industrial Accident Fund (SAIF Corporation). However, SAIF's adopted investment policy as approved by the Council limits equity holdings to a range of 7 to 13 percent of the market value of invested assets with a target allocation of 10 percent.

Bond, mortgage-backed, asset-backed, and equity security transactions are recorded on a trade-date basis, generally three business days prior to the settlement date. However, the number of days between trade and settlement dates for mortgage-backed securities can be up to 30 days or longer, depending on the security.

Interest Rate Risk: SAIF's policy for fixed income investments effective September 25, 2013, provides that a duration target be used to manage interest rate risk. The policy calls for the portfolio duration to be within 20 percent of the benchmark duration. The benchmark duration as of December 31, 2013, was 5.97 years, with an acceptable range of 4.78 to 7.16 years. As of that date, the fixed income portfolio's duration was 5.91 years.

The following 2013 maturity distribution schedule includes $1.2 billion in interest-rate sensitive securities. As of December 31, 2013, SAIF held $539 million of U.S. federal agency mortgage-backed securities and $333.6 million of collateralized mortgage obligations. These securities are based on cash flows from principal and interest payments on underlying mortgages. Therefore, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates. As of December 31, 2013, SAIF held $312.9 million of asset-backed securities, which consisted primarily of automobile loan and student loans. The value of these securities can be volatile as interest rates fluctuate. Additional risk inherent with these securities is the unpredictability of default on loans that are the collateral for the debt.

The following schedule presents SAIF's investments by maturity date as of December 31, 2013, using the segmented time distribution method (in thousands):

	Investment Maturities				
Investment Type	**Less than 1**	**1 to 5**	**6 to 10**	**More than 10 or none**	**Balance at December 31, 2013**
U.S. Treasury securities	$ 7,510	$ 72,083	$ 63,556	$ 38,347	$ 181,496
U.S. Agency debt	-	8,123	3,182	1,420	12,725
U.S. Agency mortgages	79,055	154,390	80,516	225,053	539,014
Corporate bonds	41,870	630,263	595,177	702,500	1,969,810
Municipal bonds	13,248	15,794	8,189	66,469	103,700
Collateralized mortgage obligations	64,861	166,805	74,700	27,223	333,589
Asset-backed securities	68,537	136,841	57,611	49,889	312,878
International debt securities	10,185	133,898	135,941	105,036	385,060
	$ 285,266	$ 1,318,197	$ 1,018,872	$ 1,215,937	3,838,272
BlackRock MSCI ACWI IMI index fund					485,713
Total					$ 4,323,985

Expected maturities will differ from contractual maturities, because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

Credit Risk: SAIF's credit risk policy is to maintain a well-diversified investment portfolio. Fixed income holdings shall be the largest component of the portfolio. The policy seeks to maintain an overall fixed income portfolio

quality of at least A or higher. The majority of SAIF's debt securities as of December 31, 2013, were rated by Moody's and Standard & Poor's, which are nationally recognized statistical rating organizations.

The following schedule represents the ratings of debt securities by investment type as of December 31, 2013, using Moody's or Standard & Poor's rating scale (in thousands):

Investment Type	Exempt	AAA	AA	A	BBB	BB	B or below	Not rated	Balance at December 31, 2013
U.S. Treasury securities[1]	$ 181,496	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 181,496
U.S. Agency debt[1]	8,515	-	1,028	-	-	-	-	3,182	12,725
U.S. Agency mortgages[1]	143,062	-	395,952	-	-	-	-	-	539,014
Corporate bonds	-	19,963	167,258	630,373	938,727	157,503	29,258	26,728	1,969,810
Municipal bonds	-	-	44,642	50,799	-	-	-	8,259	103,700
Collateralized mortgages	-	107,630	63,058	32,344	8,304	518	10,621	111,114	333,589
Asset-backed securities	-	152,042	88,369	-	-	-	378	72,089	312,878
International debt securities	-	7,955	8,392	116,778	215,802	19,791	15,425	917	385,060
Total	$ 333,073	$ 287,590	$ 768,699	$ 830,294	$1,162,833	$ 177,812	$ 55,682	$ 222,289	$ 3,838,272

[1] Investments of $181,496 in U.S. Treasury securities, $392 in U.S. Agency securities invested in Small Business Administration (SBA), $129,998 in U.S. Agency mortgages invested in GNMA, $13,064 in U.S. Agency mortgages invested in NCUA Guaranteed Notes, and $8,123 invested in PEFCO securities are explicitly guaranteed by the U.S. government and therefore exempt from credit risk disclosure requirements.

E. Repurchase Agreements

Investments in repurchase agreements made with cash collateral from securities lending transactions had the following fair values at June 30, 2014:

- $222 million, or 25.2 percent of the Oregon Short-Term Investment Fund, the cash collateral pool for all agencies, excluding OPERF.
- $165 million, or 7.6 percent of the OPERF cash collateral pool.

F. Securities Lending

The State participates in securities lending transactions in accordance with State investment policies. The Treasury has, through a Securities Lending Agreement, authorized State Street Bank and Trust Company (State Street) to lend the State's securities pursuant to a form of loan agreement. Both the State and borrowers maintain the right to terminate all securities lending transactions on demand. There were no significant violations of the provisions of securities lending agreements during the year ended June 30, 2014.

During the year, State Street had the authority to loan short-term, fixed income, and equity securities and to receive as collateral U.S. dollar and foreign currency cash, U.S. government and agency securities, and foreign sovereign debt of Organization of Economic Cooperation and Development countries. Borrowers were required to deliver collateral for each loan equal to not less than 102 percent of the market value of the loaned U.S. securities, international fixed income securities, or 105 percent in the case of international equity. The custodian did not have the ability to pledge or sell collateral securities absent a borrower default, and during the fiscal year the State did impose restrictions on the amount of loans the custodian made on its behalf. The State is fully indemnified against losses due to borrower default by its custodian. There were no losses during the year from the failure of borrowers to return loaned securities and no recoveries of amounts from prior losses.

State Street, as lending agent, has created a fund to reinvest cash collateral received on behalf of the OSTF and Oregon state agencies other than PERS. As permitted under the fund's Declaration of Trust (Declaration), participant purchases and redemptions are transacted at $1 per unit ("constant value") based on the amortized cost of the fund's investments. Accordingly, the securities lending collateral held and the obligation to the lending agent are both stated at constant value on the balance sheet and statement of net position.

The fair value of investments held by the fund is based upon valuations provided by a recognized pricing service. These funds are not registered with the Securities and Exchange Commission, but the custodial agent is subject to the oversight of the Federal Reserve Board and the Massachusetts Commissioner of Banks. No income from the funds was assigned to any other funds.

The maturities of investments made with cash collateral did not generally match the maturities of the securities loaned. Since the securities loaned are callable on demand by either the lender or borrower, the life of the loans at June 30, 2014, is effectively one day. On June 30, 2014, the State had no credit risk exposure to borrowers because the amounts the State owes to borrowers exceed the amounts borrowers owe the State.

Securities lending balances on loan, collateral received, and investments of cash collateral as of June 30, 2014, of the primary government, including the OPERF (in thousands):

Investment Type	Cash and Securities Collateral Received	Securities on Loan at Fair Value	Investments of Cash Collateral at Fair Value
U.S. Treasury and agency securities	$ 1,793,019	$ 1,757,297	$ 1,043,027
Domestic equity securities	1,054,164	1,031,265	991,450
International equity securities	752,935	718,435	474,060
Domestic fixed income securities	379,240	371,488	380,480
International fixed income securities	27,140	26,379	27,113
Total	$ 4,006,498	$ 3,904,864	$ 2,916,130

State Street, as lending agent, has also created a fund, solely owned by OPERF, to reinvest cash collateral received. OPERF bears the entire risk of loss and the reinvested cash collateral is stated at fair value in the Pension and Other Employee Benefit Trust Funds in the statement of fiduciary net position.

The credit risk of OPERF securities lending invested cash collateral as of June 30, 2014 (in thousands):

Quality Rating	Fair Value
AAA	$ 203,797
AA	342,138
A[1]	1,566,974
BBB	2,819
CCC	4,400
CC	13,405
Total subject to credit risk	2,133,533
Allocation from the Oregon Short-Term Fund	17,439
Cash	43,917
Total securities lending invested cash collateral	$ 2,194,889

[1] Commercial paper ratings of A-1+/A-1/P-1 as A.

The interest rate risk of OPERF securities lending invested cash collateral as of June 30, 2014 (in thousands):

Security Type	Fair Value	Effective Weighted Duration Rate (in days)[1]
Asset backed securities	$ 454,881	33
Certificates of deposit	150,025	28
Collateralized mortgage obligations	115,993	28
Commercial paper	446,927	44
Corporate bonds	217,731	38
International debt securities	165,000	1
Repurchase agreement	582,976	35
Total subject to interest rate risk	2,133,533	33
Allocation from the Oregon Short-Term Fund	17,439	
Cash	43,917	
Total securities lending invested cash collateral	$ 2,194,889	

[1] Weighted average days to maturity or next reset date.

As of December 31, 2013, the fair values of securities on loan and collateral held for SAIF Corporation were $168.8 million and $172.7 million, respectively.

G. Restricted Assets

Included in deposits and investments are amounts which are committed for specific purposes, including loan acquisitions, payment of debt service, lottery prizes, and deferred compensation. At June 30, 2014, the primary government had restricted assets of $1.6 billion in deposits and $778 million in investments. The discretely presented component units had restricted assets of $2 billion in investments.

3. DERIVATIVES

Derivatives are financial instruments whose value is derived from underlying assets, reference rates, or indexes. A derivative generally takes the form of a contract in which two parties agree to make payments at some later date based on the value of the underlying assets, reference rates, or indexes. The main types of derivatives are futures, forwards, options, and swaps. The State uses derivative instruments as hedges against certain risks, for example, to counter increases in interest costs, and as investments. For investment derivatives, the Office of the State Treasurer (Treasury) policy allows, with some restrictions, for the use of derivative instruments in the prudent management of the State's investments. Certain external management firms are allowed, through contract, to invest in derivative instruments in order to carry out their investment management activities.

A. Hedging Derivatives (Excluding the Oregon Public Employees Retirement Fund)

Housing and Community Services Department

The Oregon Housing and Community Services Department (OHCSD) has entered into pay-fixed, receive-variable interest rate swaps to hedge against changes in variable rate interest and to lower borrowing costs compared to fixed rate bonds. OHCSD had twelve swaps at the end of the fiscal year. The fair value of the swaps on June 30, 2014, totaled negative $17.3 million and the notional amount totaled $262.7 million.

The fair value of the hedging derivative instruments at the end of the fiscal year totaled negative $17.3 million. It is shown on the proprietary funds statement of net position and the government-wide statement of net position under deferred outflows of resources and derivative instrument liabilities. During the fiscal year the fair value increased by $9.5 million.

The fair values were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for the hypothetical zero-coupon bonds due on the date of each future net settlement on the swap. This methodology is believed to be consistent with accepted practice in the market for interest rate swaps.

The terms, fair values, counterparties, and credit ratings of OHCSD's outstanding swaps as of June 30, 2014 (dollars in thousands):

Bond Series	Notional Amounts	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Value	Swap Term Date	Counterparty	S&P
Multifamily housing revenue bonds								
2004 B	$ 13,725	12/16/04	3.89%	64% of 1-mo LIBOR[1] + .27%	$ (471)	7/1/46	Merrill Lynch	A-
Mortgage revenue bonds								
2004 L	15,000	5/27/10	3.43%	64.8% of 3-mo LIBOR + .22%	(407)	7/1/35	Royal Bank of Canada	AA-
2005 C	10,500	5/27/10	3.35%	64.8% of 3-mo LIBOR + .22%	(278)	7/1/35	Royal Bank of Canada	AA-
2006 C	17,650	2/28/06	4.18%	64% of 1-mo LIBOR + .29%	(1,107)	7/1/36	Morgan Stanley	A-
2006 F	17,200	7/18/06	4.43%	64% of 1-mo LIBOR + .29%	(984)	7/1/37	Bank of America	A
2006 G	16,105	7/18/06	3.83%	64% of 1-mo LIBOR + .19%	(1,067)	7/1/16	Merrill Lynch	A-
2007 E	30,000	7/31/07	4.39%	64% of 1-mo LIBOR + .29%	(2,677)	7/1/38	JP Morgan Chase	A+
2007 H	30,000	11/20/07	4.06%	64% of 1-mo LIBOR + .30%	(2,629)	7/1/38	Merrill Lynch	A-
2008 C	35,000	2/26/08	3.75%	64% of 1-mo LIBOR + .30%	(2,569)	7/1/38	Bank of America	A
2008 F	30,500	5/13/08	3.74%	64% of 1-mo LIBOR + .31%	(2,096)	7/1/39	Bank of America	A
2008 I	34,650	8/26/08	3.72%	64% of 1-mo LIBOR + .31%	(2,991)	7/1/37	Bank of America	A
Total	$250,330				$(17,276)			

[1] London Interbank Offered Rate

The multifamily housing revenue bonds (MF) 2004 B swap has a call option where OHCSD has the right to "call" (cancel) the swap in whole or in part semiannually beginning on July 1, 2015. The mortgage revenue bonds (MRB) swaps include options giving OHCSD the right to call the swaps in whole or in part, depending on the exercise date, semiannually beginning on July 1, 2012 (2004 I), January 1, 2013 (2006 C), July 1, 2013 (2006 F and 2008 F), July 1, 2014 (2007 E), January 1, 2015 (2007 H and 2008 C), July 1, 2015 (2004 L and 2005 C), or January 1, 2016 (2008 I). These options provide flexibility to manage the prepayments of loans and the related bonds.

Basis risk is the risk that arises when variable interest rates on a derivative and the associated bond are based on different indexes. All variable interest rates on OHCSD's tax-exempt bonds are determined weekly by a remarketing agent. OHCSD is exposed to basis risk when the variable rates received, which are based on the one or three-month London Interbank Offered Rate (LIBOR) rates, do not offset the variable rates paid on the bonds. As of June 30, 2014, the one-month LIBOR was 0.15 percent and the three-month LIBOR rate was 0.23 percent. OHCSD's variable rates as of June 30, 2014, can be found in Note 9.

Termination risk is the risk of an unscheduled termination of a swap prior to its planned maturity. OHCSD or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the swap agreement. If any of the swaps are terminated, the associated variable rate bonds would no longer carry synthetic fixed interest rates and OHCSD would then be exposed to interest rate risk. In addition, if any of the swaps had a negative value at termination, OHCSD would be liable to the counterparty for a payment equal to the fair value of the swap.

Rollover risk is the risk that occurs when the swap termination date does not extend to the maturity date of the associated debt. OHCSD is exposed to rollover risk for the MRB 2006 G swap, which has a swap termination date of July 1, 2016. The associated bonds do not mature until 2028.

Debt service requirements of the variable rate debt and net swap payments of OHCSD, using interest rates as of June 30, 2014 (in thousands):

Year Ending June 30,	Principal	Interest	Interest Rate Swaps (Net)	Total
2015	$ 25,705	$ 199	$ 8,809	$ 34,713
2016	215	187	8,421	8,823
2017	220	187	7,741	8,148
2018	235	187	7,450	7,872
2019	240	187	7,442	7,869
2020-2024	8,210	921	36,797	45,928
2025-2029	51,100	835	33,967	85,902
2030-2034	78,530	562	24,324	103,416
2035-2039	87,075	212	8,880	96,167
2040-2044	6,630	20	683	7,333
2045-2049	1,820	3	97	1,920
Total	$ 259,980	$ 3,500	$ 144,611	$ 408,091

OHCSD's swaps, except for the MF 2004 B and the MRB 2007 E swaps, include provisions that require collateral to be posted if the rating on the senior bonds issued under the 1988 indenture (MRB) is not above either Baa1 (Moody's) or BBB+ (S&P). If the bonds are at or below these levels, collateral in the amount of the current swap fair value (rounded to the nearest $10 thousand) must be posted. The minimum transfer amount is $100 thousand or $0 if neither rating agency rates the bonds. The total fair value on June 30, 2014, of the swaps that include these provisions is negative $14.1 million. At June 30, 2014, the bonds subject to these provisions are rated Aa2 by Moody's; the bonds are not rated by S&P.

Oregon University System

Deposits in foreign currency run the risk of changing value due to fluctuations in foreign exchange rates. In the course of providing students and faculty opportunities for international studies and research abroad, the Oregon University System (OUS) has established foreign bank accounts in several countries. To mitigate foreign currency risk for these activities, OUS periodically enters into forward foreign currency contracts.

The terms of the OUS forward contracts outstanding at June 30, 2014 (in thousands):

Currency	Notional Amount	Principal Amount	Effective Date	Maturity Date	Contract Rate	Fair Value
British pound sterling	$ 152	$ 256	4/2/2014	3/31/2015	$ 1.71	$ 3
Euro	158	221	4/2/2014	3/31/2015	1.37	(5)
	437	615	4/30/2014	3/31/2015	1.37	(17)
Japanese yen	12,203	123	5/13/2014	3/31/2015	0.01	(2)
Total	$ 12,950	$ 1,215				$ (21)

Department of Veterans' Affairs

The Veterans' Loan Fund, a nonmajor enterprise fund managed by the Department of Veterans' Affairs (DVA), has an interest rate swap in connection with a portion of its Loan Program General Obligation Veterans' Welfare Bonds, Series 84. The swap and underlying floating rate bonds together create synthetic fixed rate debt. During fiscal year 2014, DVA did not enter into, terminate, or have any maturities of derivatives. The fair value balance of interest rate swap is reported on the proprietary funds statement of net position and the government-wide statement of net position under deferred outflows of resources and derivative instrument liabilities.

Changes to the fair value balance during the year ending June 30, 2014 (dollars in thousands):

Description	Notional Amount	Fair Value June 30, 2013	Fair Value Increase/ (Decrease)	Fair Value June 30, 2014
Series 84	$ 25,000	$ (2,250)	$ 355	$ (1,895)

Because of interest rate decreases after the swap was executed, the fair value as of June 30, 2014, is negative. The fair value of the interest rate swap is estimated using the zero-coupon method. This method calculates the future payments required by the swap by assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the swap.

The terms and objectives of DVA outstanding derivative instruments as of June 30, 2014 (in thousands):

Type	Objective	Notional Amount	Effective Date	Termination Date	Fixed Rate Paid	Variable Rate Received	Fair Value
Pay-fixed interest rate swap	Hedge of changes in cash flows on the Series 84 bonds, specifically related to changes in municipal tax-exempt interest rates	$25,000	3/1/2008	6/1/2040	3.67%	62.6% of 1-month LIBOR + .265%	$(1,895)

The Series 84 swap was structured with an option that gives the DVA the right to cancel or terminate the swap at par on any payment date, in whole or in part, commencing June 1, 2017. This option enhances asset/liability matching and provides flexibility to adjust the outstanding notional amount of the swap over time.

Credit risk is the risk that a counterparty will not fulfill its obligations. The DVA interest rate swap is with Morgan Stanley Capital Services (counterparty), which is rated A- and Baa2 by S&P and Moody's, respectively. If the counterparty's credit rating falls below certain levels, the counterparty is required to post collateral to the lower of the following ratings (in thousands):

S & P Rating	Moody's Rating	Threshold	Minimum Transfer Amount
AA- or higher	Aa3 or higher	Infinite	N/A
A+	A1	$ 10,000	$ 1,000
A	A2	5,000	1,000
A-	A3	2,500	1,000
BBB+ or below or not rated	Baa1 or below or not rated	-	100[1]

[1] Minimum transfer amount shall be $0 if, and for as long as, neither Moody's nor S&P rate the long-term unsecured, unsubordinated debt, securities of Morgan Stanley.

Since the fair value of the swap as of June 30, 2014, is negative, the counterparty is not required to post collateral. The State may require collateralization or other credit enhancements to secure any or all swap payment obligations where the Office of the State Treasurer determines such security is necessary to limit the credit risk or otherwise protect the interests of the State.

The DVA is exposed to interest rate risk on its pay-fixed, receive-variable interest rate swap. As the one-month LIBOR rate decreases, the net payment on the swap increases.

The DVA is exposed to basis risk because the variable rate bonds, which are hedged by the interest rate swap, are variable rate demand obligation (VRDO) bonds that are remarketed weekly. The DVA becomes exposed to basis risk because the variable rate payments received by the DVA are based on a rate other than the interest rate paid on the VRDO bonds. At June 30, 2014, the interest rate on the variable rate hedged debt is 0.05 percent, while the 62.6 percent of one-month LIBOR plus 0.265 percent is 0.36 percent.

The DVA or its counterparties may terminate the interest rate swap if the other party fails to perform under the terms of the contract thereby exposing the DVA to termination risk.

As interest rates fluctuate, variable rate bond interest payments and net swap payments will differ between the fixed payments paid to the counterparty and the variable rate paid to the DVA. Using interest rates as of June 30, 2014, the following table presents the debt service requirements of the variable rate debt (on the notional amount of the swap) and net swap payments (in thousands):

Year Ending June 30,	Principal	Interest	Interest Rate Swap (Net)	Total
2015	$ -	$ 12	$ 828	$ 840
2016	410	12	818	1,240
2017	445	12	803	1,260
2018	480	12	787	1,279
2019	505	12	771	1,288
2020-2024	3,085	55	3,566	6,706
2025-2029	4,245	46	2,955	7,246
2030-2034	5,850	33	2,113	7,996
2035-2039	8,035	16	956	9,007
2040	1,945	1	16	1,962
Total	$ 25,000	$ 211	$ 13,613	$ 38,824

If the State's unsecured, unenhanced, general obligation debt rating reaches certain levels, the DVA is required to post collateral to the lower of the following ratings (in thousands):

S&P Rating	Moody's Rating	Threshold	Minimum Transfer Amount
A- or higher	A3 or higher	Infinite	N/A
BBB+ or below	Baa1 or below	$ -	$ 100 [1]

[1] Minimum transfer amount shall be $0 if, and for so long as, neither Moody's nor S&P rate the applicable department's debt.

B. Investment Derivatives (Excluding the Oregon Public Employees Retirement Fund)

Housing and Community Services Department

During the fiscal year the mortgage revenue bonds (MRB) 2003 L, MRB 2004 C, and MRB 2004 I swaps were reclassified from the hedging derivative instruments to investment derivative instruments when the associated bonds were refunded. A total of $766 thousand was reclassified from Hedging Derivatives to Loss on Debt Refundings. The MRB 2003 L and MRB 2004 C swaps were optionally terminated at the next optional termination date after the refunding. They were terminated pursuant to optional par terminations in each swap agreement. The fair value of the investment derivative instruments at the end of the fiscal year was negative $1 thousand. The fair value increased by $765 thousand during the fiscal year and is included in investment income.

The terms, fair values, counterparties, and credit ratings of OHCSD's outstanding swaps as of June 30, 2014 (dollars in thousands):

Bond Series	Notional Amounts	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Value	Swap Term Date	Counterparty	S&P
Mortgage Revenue Bond								
2004 I	$ 12,365	1/24/06	4.01%	64% of 1-mo LIBOR + .29%	$ (1)	7/1/34	Morgan Stanley	A-

Oregon University System

OUS has entered into foreign currency exchange contracts to offset the foreign currency risk associated with its investments in international debt and equity securities. A foreign currency exchange contract is a forward contract that is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. Foreign currency forward contracts are privately negotiated contracts with customized terms and are transacted in over-the-counter markets. Risk associated with such contracts includes adverse changes in the value of the currency and the failure of the counterparty to perform.

The following schedule presents the OUS foreign currency exchange contracts as of June 30, 2014 (in thousands):

Description	Delivery Dates	Notional Value	Fair Market Value
Foreign currency exchange contracts purchased:			
Australian dollar	9/17/2014	$ 39	$ 39
British pound sterling	9/17/2014	1,654	1,684
Canadian dollar	9/17/2014	1,895	1,948
Danish krone	9/17/2014	960	967
Hong Kong dollar	9/17/2014	25	25
Israeli shekel	9/17/2014	5	5
Japanese yen	9/17/2014	367	370
New Zealand dollar	9/17/2014	1,072	1,110
Norwegian krone	9/17/2014	31	31
Singapore dollar	9/17/2014	33	32
Swedish krona	9/17/2014	113	113
Swiss franc	9/17/2014	7	7
Total contracts purchased		6,201	6,331
Foreign currency exchange contracts sold:			
Australian dollar	9/17/2014	259	262
British pound sterling	9/17/2014	112	113
Canadian dollar	9/17/2014	162	163
Euro	9/17/2014	1,882	1,893
Hong Kong dollar	9/17/2014	205	205
Israeli shekel	9/17/2014	715	721
Japanese yen	9/17/2014	834	843
Norwegian krone	9/17/2014	342	335
Singapore dollar	9/17/2014	199	200
Swedish krona	9/17/2014	944	945
Swiss franc	9/17/2014	804	812
Total contracts sold		6,458	6,492
Total foreign currency exchange contracts		$ 12,659	$ 12,823

The fair value of all derivatives held by OUS is reported as investments on the proprietary funds statement of net position. The change in fair value for all OUS derivatives is reported with investment income on the proprietary funds statement of revenues, expenses, and changes in fund net position.

Common School Fund

In the Common School Fund (CSF) portfolio, forward currency exchange contracts may be used to gain exposure or hedge against the effects of fluctuations in foreign currency exchange rates. A foreign currency exchange contract is a forward contract that is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. Foreign currency forward contracts are privately negotiated contracts with customized terms and are transacted in over-the-counter markets. Risk associated with such contracts includes movement in the value of foreign currencies and the failure of the counterparty to perform.

The following schedule shows the foreign currency exchange contracts within the Common School Fund as of June 30, 2014 (in thousands):

		Currency Forward Contracts		
Currency	**Options**	**Net Receivables**	**Net Payables**	**Total Exposure**
Australian dollar	$ -	$ -	$ (44)	$ (44)
British pound sterling	-	358	(5)	353
Canadian dollar	-	477	-	477
Danish krone	-	67	-	67
Euro	79	-	(142)	(63)
Hong Kong dollar	10	-	-	10
Israeli shekel	-	-	(45)	(45)
Japanese yen	-	15	(95)	(80)
New Zealand dollar	-	353	-	353
Norwegian krone	-	-	34	34
Singapore dollar	-	-	(3)	(3)
Swedish krona	-	(2)	(3)	(5)
Swiss franc	-	-	(77)	(77)
Total	$ 89	$ 1,268	$ (380)	$ 977

In the CSF portfolio, rights and warrants are often obtained and held due to existing investments. Rights are the right, but not the obligation, to purchase newly issued equity shares, often in proportion to the number of shares currently owned, in a specified company, at a pre-established price on or within a pre-determined date. A warrant provides the holder the right, but not the obligation, to purchase securities from the issuing entity at a specific price and within a certain period. Rights and warrants are privately transacted in over-the-counter markets. Both are subject to general market risk and liquidity risk. The change in fair value for the CSF's rights and warrants for the year ended June 30, 2014, was $2.4 million.

The fair value of rights and warrants within the CSF portfolio as of June 30, 2014 (in thousands):

	Changes in Fair Value[1]		Fair Value at June 30, 2014		
	Classification	**Amount**	**Classification**	**Amount**	**Notional[2]**
Rights	Investment Revenue	$ 137	Common Stock	$ 89	$ 121
Warrants	Investment Revenue	2,228	Long Term Instruments	888	124,940
Total fair value		$ 2,365	Total	$ 977	

[1] Excludes future margin payments

[2] Notional may be a dollar amount or size of underlying for futures and options

The fair value of all derivative instruments is reported on the balance sheet as investments, accounts and interest receivable, and accounts and interest payable, and the changes in fair value derivative instruments are reported on the statement of revenues, expenditures, and changes in fund balances as investment income.

C. Investment Derivatives - Oregon Public Employees Retirement Fund (OPERF)

Oregon Investment Council policy allows, with some restrictions, for the use of derivative instruments in the prudent management of the Public Employees Retirement System (PERS) investments. Certain internally and externally managed accounts are allowed, through contract and policy, to invest in derivative instruments in

order to carry out their investment management activities. Risks inherent with derivatives are managed through investment management's adherence to contractual and policy prescribed terms that are consistent with the OPERF's investing objectives. All derivatives instruments held by OPERF are considered investments. The fair value of the derivative investments is reported in equity investments, investment sales receivable, and accounts and interest payable on the statement of fiduciary net position. Changes in fair value during the fiscal year are reported in the net appreciation (depreciation) in fair value of investments line on the statement of changes in fiduciary net position.

The following schedule presents the related appreciation/(depreciation) in fair value amounts and the notional amounts of derivative instruments outstanding as of June 30, 2014 (in thousands):

Investment Derivatives	Net Appreciation/ (Depreciation) in Fair Value of Investments[1, 4]	Classification	Fair Value[2]	Notional Value[3]
Credit Default Swaps Bought	$ (9,282)	Public Equity	$ (883)	$ 88,102
Credit Default Swaps Written	5,138	Public Equity	1,157	31,221
Fixed Income Futures Long	28,217	Public Equity	-	2,504,000
Fixed Income Futures Short	(15,169)	Public Equity	-	(735,301)
Fixed Income Options Bought	(3,847)	Public Equity	1,800	195,035
Fixed Income Options Written	4,888	Public Equity	(1,538)	(225,223)
Foreign Currency Options Bought	(295)	Public Equity	-	-
Foreign Currency Options Written	477	Public Equity	(12)	(300)
Futures Options Bought	(2,371)	Public Equity	178	4,186
Futures Options Written	4,293	Public Equity	(284)	(2,627)
Foreign Exchange Forwards	14,565	Public Equity	(997)	4,454,534
Index Futures Long	152,236	Public Equity	-	519
Index Futures Short	(35,415)	Public Equity	-	(2,033)
Index Options Written	697	Public Equity	-	-
Pay Fixed Interest Rate Swaps	1,361	Public Equity	(1,143)	293,080
Receive Fixed Interest Rate Swaps	476	Public Equity	(775)	159,885
Rights	4,072	Public Equity	809	1,422
Total Return Swaps Bond	13	Public Equity	-	-
Total Return Swaps Equity	138,982	Public Equity	21,630	(417,596)
Warrants	(4,741)	Public Equity	8,264	4,860
Total	$ 284,295		$ 28,206	$ 6,353,764

[1] Negative values (in brackets) refer to losses

[2] Negative values refer to liabilities

[3] Notional may be a dollar amount or size of underlying for futures and options, negative values refer to short positions

[4] Excludes futures margin payments

A forward foreign currency exchange contract is a forward contract that is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. The fair value of a foreign currency forward is determined by the difference between the contract exchange rate and the closing exchange rate, at the end of reporting period. Risks associated with such contracts include movement in the value of foreign currencies and the ability of the counterparty to perform.

A futures contract represents a commitment to purchase or sell an underlying asset at a future date and at a specified price. Futures contracts have standardized terms and are traded on exchanges. The counterparty credit risk for futures is generally less than for privately negotiated forward contracts, since the clearinghouse, which is the issuer or counterparty to each exchange-trade future, settles daily the net change in the futures contract's value in cash with the broker and results in the contract itself having no fair value at the end of any trading day.

A swap is an agreement that obligates two parties to exchange a series of cash flows or the net value of cash flows at specified intervals based upon, or calculated by, reference to changes in specified prices or rates for a

specified amount of an underlying asset. Swaps are privately negotiated contracts with customized terms and are transacted in over-the-counter markets. OPERF held various types of swaps including credit default, interest rate, and total return swaps. The payment flows are usually netted against each other, with the difference being paid by one party or another. In addition, collateral may be pledged or received by OPERF in accordance with the terms of the respective swap agreements to provide value and recourse to OPERF or its counterparties. Swaps are subject to general market risk, liquidity risk, credit risk, interest rate risk and the risk that the counterparty may fail to perform.

An option is an instrument that gives one party the right, but not the obligation, to buy or sell an underlying asset from or to another party at a fixed price over a specified period of time. In writing an option, OPERF bears the market risk of an unfavorable change in the price of the underlying investment of the written option. Exercise of an option written by OPERF could result in OPERF selling or buying an asset at a price different from the current market value. Options may be subject to interest rate risk, general market risk, liquidity risk, credit risk, foreign currency risk, and, for non-exchange traded options, the risk of the counterparty's ability to perform.

Rights are the right, but not the obligation, to purchase newly issued equity shares, often in proportion to the number of shares currently owned, in a specified company, at a pre-established price on or within a pre-determined date. A warrant provides the holder the right, but not the obligation, to purchase securities from the issuing entity at a specific price and within a certain time period. In the OPERF portfolio, rights and warrants are often obtained and held due to existing investments and are subject to general market risk and liquidity risk.

Counterparty Credit Risk

The following schedule presents a summary of counterparty credit rating relating to derivative instruments as of June 30, 2014:

Counterparty Name	Percentage of Net Exposure	S&P Rating	Fitch Rating	Moody's Rating
Bank of America N.A.	43.16%	A	A	A2
Credit Suisse International	18.96%	A	A	A1
State Street Bank and Trust Company	9.49%	AA-	A+	Aa3
UBS AG	8.49%	A	A	A2
Royal Bank of Scotland PLC	8.32%	A-	A	Baa1
Deutsche Bank AG London	5.39%	A	A+	A2
Royal Bank of Canada (U.K.)	1.31%	AA-	AA	Aa3
HSBC Bank	1.20%	A+	AA-	Aa3
Barclay's Bank PLC Wholesale	0.63%	A	A	A2
BNP Paribas SA	0.60%	A+	A+	A1
Goldman Sachs Capital Markets LP	0.41%	A-	A	Baa1
JP Morgan CME	0.32%	A	A+	A3
Citibank N.A.	0.30%	A	A	A2
JP Morgan Chase Bank N.A.	0.24%	A+	A+	Aa3
Bank of America N.A.	0.20%	A	A	A2
Standard Chartered Bank	0.20%	AA-	AA-	A1
Morgan Stanley and Co Inc.	0.13%	A-	A	Baa2
Bank of New York	0.11%	A+	AA-	A1
Morgan Stanley and Co. International PLC	0.11%	A-	A	Baa2
HSBC Bank U.S.A.	0.09%	AA-	AA-	A1
Deutsche Bank AG New York	0.08%	A	A+	A2
Barclays de Zoete Wedd Limited	0.07%	A	A	A2
Deutsche Bank Securities Inc.	0.05%	A	A+	A2
Goldman Sachs and Co.	0.04%	A-	A	Baa1
JP Morgan Chase Bank	0.04%	A+	A+	Aa3
Bank of Montreal	0.03%	A+	AA-	Aa3
Morgan Stanley Bank, N.A.	0.03%	A	A	A3
Brown Brothers Harriman and Co.[1]	0.00%	NR	A+	NR
Morgan Stanley Capital Services Inc.[1]	0.00%	A-	A	Baa2
	100.00%			

[1] The Percentage of Net Exposure is less than 0.01%

Interest Rate Risk

As of June 30, 2014, OPERF is exposed to interest rate risk on its various swap arrangements and options.

The following schedule presents a segmented time schedule of those instruments as of June 30, 2014 (in thousands):

		Investment Maturities (in years)			
Investment Type	**Fair Value**	**Less Than 1**	**1 - 5**	**6 - 10**	**More Than 10**
Credit Default Swaps Bought	$ (883)	$ -	$ (883)	$ -	$ -
Credit Default Swaps Written	1,156	24	1,012	120	-
Fixed Income Options Bought	1,800	235	1,565	-	-
Fixed Income Options Written	(1,537)	(12)	(1,525)	-	-
Pay Fixed Interest Rate Swaps	(1,143)	-	(607)	(125)	(411)
Receive Fixed Interest Rate Swaps	(775)	(394)	(381)	-	-
Total Return Swaps Equity	21,630	21,630	-	-	-
Total	$ 20,248	$ 21,483	$ (819)	$ (5)	$ (411)

The following schedule presents derivative instruments that were highly sensitive to interest rate changes as of June 30, 2014 (in thousands):

Investment Type	**Reference Rate**	**Fair Value**	**Notional Value**
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.0425%	$ -	$ 24,730
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 1.565%	(560)	76,900
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 1.4825%	(104)	30,800
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.8885%	-	14,340
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 3.5825%	(202)	3,700
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 3.58375%	(209)	3,800
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 1.088%	(19)	7,790
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.817%	-	10,200
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 1.738%	(18)	7,200
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 1.575%	94	91,600
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.247%	-	6,020
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.7%	(125)	16,000
Receive Fixed Interest Rate Swaps	Receive Fixed 8.64%, Pay Variable Brazilian CDI	(189)	3,720
Receive Fixed Interest Rate Swaps	Receive Fixed 8.16%, Pay Variable Brazilian CDI	(394)	17,831
Receive Fixed Interest Rate Swaps	Receive Fixed 8.94%, Pay Variable Brazilian CDI	(257)	5,263
Receive Fixed Interest Rate Swaps	Receive Fixed 1.5525%, Pay Variable 3-month LIBOR	65	70,000
Receive Fixed Interest Rate Swaps	Receive Fixed 3.245%, Pay Variable 3-month LIBOR	-	24,073
Receive Fixed Interest Rate Swaps	Receive Fixed 4.274%, Pay Variable 3-month LIBOR	-	33,148
Receive Fixed Interest Rate Swaps	Receive Fixed 2.6275%, Pay Variable 3-month LIBOR	-	5,850
Total Return Swaps Equity	Pay Variable 3-month LIBOR, Receive Russell 1000 Index	21,630	(417,596)
		$ 19,712	$ 35,369

Foreign Currency Risk

OPERF is exposed to foreign currency risk on derivative instruments. The following schedule presents a summary of derivative instruments subject to foreign currency risk as of June 30, 2014 (in thousands):

Currency Name	Net Receivables	Net Payables	Options	Swaps	Total Exposure
Australian dollar	$ 1,206	$ (1,899)	$ -	$ -	$ (693)
Brazilian real	213	(493)	-	(840)	(1,120)
British pound sterling	3,882	(5,615)	-	-	(1,733)
Canadian dollar	6,635	(3,014)	38	-	3,659
Chinese yuan	(126)	(65)	-	-	(191)
Danish krone	467	(43)	-	-	424
Euro	1,753	(4,105)	711	(628)	(2,269)
Hong Kong dollar	(7)	8	335	-	336
Indonesian rupiah	(30)	-	-	-	(30)
Israeli shekel	52	(122)	1	-	(69)
Japanese yen	705	(2,636)	-	-	(1,931)
Malaysian ringgit	28	-	-	-	28
Mexican peso	34	(1,483)	-	-	(1,449)
New Zealand dollar	9,626	(276)	-	-	9,350
Norwegian krone	(4,723)	460	-	-	(4,263)
Peruvian nouveau sol	63	-	-	-	63
Polish zloty	40	(103)	-	-	(63)
Russian ruble	135	(182)	-	-	(47)
Singapore dollar	(61)	(2)	-	-	(63)
South Korean won	99	-	176	-	275
Swedish krona	(1,321)	216	-	-	(1,105)
Swiss franc	1	(314)	-	-	(313)
Thailand baht	-	-	81	-	81
Total subject to foreign currency risk	$ 18,671	$ (19,668)	$ 1,342	$ (1,468)	$ (1,123)

4. RECEIVABLES AND PAYABLES

A. Receivables

The following tables disaggregate receivable balances reported in the fund financial statements as accounts and interest receivable (net) and net contracts, notes, and other receivables. Contracts, notes, and other receivables are not expected to be collected within one year of the date of the financial statements.

Receivables reported for governmental activities at June 30, 2014 (in thousands):

	General	Health and Social Services	Public Transportation	Environmental Management	Common School	Other	Total	Internal Service
Governmental activities								
General accounts	$ 7,940	$ 173,784	$ 10,656	$ 27,077	$ 5,031	$ 124,254	$ 348,742	$ 83,787
Due from federal government	17	450,046	68,368	28,070	350	138,231	685,082	-
Interest	-	-	548	1,075	1,712	26,392	29,727	307
Health-care Provider Tax	-	120,407	-	-	-	-	120,407	-
Broker receivable	-	-	-	-	11,189	-	11,189	-
Notes	-	-	-	100	-	-	100	-
Contracts	-	-	290	242	1,134	-	1,666	-
Mortgages	-	7,418	-	6	-	-	7,424	-
Benefit recoveries	-	41,776	-	-	-	-	41,776	-
Medicaid drug rebate	-	18,198	-	-	-	-	18,198	-
FEMA Claims - Forest Fires	-	-	-	64,912	-	-	64,912	-
Fines, forfeitures, and penalties	17,037	-	-	-	-	98,175	115,212	-
Court fines and fees	-	-	-	-	-	1,024,204	1,024,204	-
Child support recoveries	-	-	-	-	-	294,952	294,952	-
Workers' compensation assessment	-	-	-	-	-	745	745	-
Other	6,621	4,802	3,757	7,470	-	48,490	71,140	15
Gross receivables	31,615	816,431	83,619	128,952	19,416	1,755,443	2,835,476	84,109
Allowance for doubtful accounts	(16,843)	(35,553)	(323)	(7,615)	(51)	(1,230,979)	(1,291,364)	(492)
Total receivables, net	$ 14,772	$ 780,878	$ 83,296	$ 121,337	$ 19,365	$ 524,464	$ 1,544,112	$ 83,617

Receivables reported for business-type activities at June 30, 2014 (in thousands):

	Housing and Community Services	Lottery Operations	Unemployment Compensation	University System	Other	Total
Business-type activities						
General accounts	$ 189	$ 23,921	$ 280,224	$ 165,059	$ 27,132	$ 496,525
Due from federal government	-	-	2,037	44,577	3,115	49,729
Interest	5,444	-	-	-	11,789	17,233
Broker receivable	-	-	-	103	-	103
Mortgages	46	-	-	-	-	46
Loans	-	-	-	16,593	-	16,593
Loans - long-term	-	-	-	60,137	-	60,137
Benefit recoveries	-	-	65,275	-	-	65,275
Other	-	3,338	6,335	51,546	4,346	65,565
Gross receivables	5,679	27,259	353,871	338,015	46,382	771,206
Allowance for doubtful accounts	(46)	(143)	(22,260)	(53,182)	(9,821)	(85,452)
Total receivables, net	$ 5,633	$ 27,116	$ 331,611	$ 284,833	$ 36,561	$ 685,754

Receivables reported for fiduciary funds at June 30, 2014 (in thousands):

	Agency
Fiduciary fund activities	
Restitution	$ 515,126
Gross receivables	515,126
Allowance for doubtful accounts	(444,552)
Total receivables, net	$ 70,574

B. Payables

The following tables disaggregate payables reported in the fund financial statements as accounts and interest payable and contracts, mortgages, and notes payable.

Payables reported for governmental activities at June 30, 2014 (in thousands):

	General	Health and Social Services	Public Transportation	Environmental Management	Common School	Other	Total	Internal Service
Governmental activities								
General accounts	$ 304,199	$ 272,409	$ 128,638	$ 28,187	$ 4,108	$ 153,198	$ 890,739	$ 41,202
Interest	-	-	-	-	-	-	-	631
Broker payable	-	-	-	-	31,174	-	31,174	-
Pension-related debt	-	-	-	-	-	-	-	19,937
Contracts - retainage	-	-	-	-	-	-	-	195
Loans	-	-	-	20,000	-	-	20,000	-
Total payables	$ 304,199	$ 272,409	$ 128,638	$ 48,187	$35,282	$ 153,198	$ 941,913	$ 61,965

Payables reported for business-type activities at June 30, 2014 (in thousands):

	Housing and Community Services	Lottery Operations	Unemployment Compensation	University System	Other	Total
Business-type activities						
General accounts	$ 798	$ 21,285	$ 13,844	$ 115,547	$ 48,675	$ 200,149
Interest	20,701	-	-	31,597	5,187	57,485
Broker payable	-	-	-	68	-	68
Pension-related debt	601	4,870	-	96,620	31,397	133,488
Contracts - retainage	-	-	-	16,070	-	16,070
Contracts - other	-	1,704	-	6,693	2,153	10,550
Total payables	$ 22,100	$ 27,859	$ 13,844	$ 266,595	$ 87,412	$ 417,810

Payables reported for fiduciary funds at June 30, 2014 (in thousands):

	Pension and Other Employee Benefit Trust	Private Purpose Trust	Investment Trust	Agency
Fiduciary fund activities				
General accounts	$ 6,134	$ 181	$ 93,990	$ 4
Benefits payable	324,096	-	-	-
Broker payable	2,079,816	-	-	-
Investment fees	36,583	-	-	-
Compensated absences payable	1,664	-	-	-
Interest	14	-	-	-
Mortgages	-	1,762	-	-
Total payables	$ 2,448,307	$ 1,943	$ 93,990	$ 4

5. JOINT VENTURE

The Multi-State Lottery Association (MUSL) was established in 1987 to coordinate lottery games with larger prizes than the individual states could offer by themselves. The Oregon Lottery has been a participating member since the inception of MUSL. Each participating state sells its choice of MUSL products and keeps all profits earned. Participating states contribute amounts necessary to fund the estimated and actual prizes won, reserve prize pools, and fees for services of MUSL. For fiscal years ended June 30, 2014 and 2013, the Oregon Lottery's share of MUSL's fees was $39.3 thousand and $255.7 thousand, respectively.

MUSL is a non-profit, government-benefit association owned and operated by its member lotteries. It is governed by a board on which each member lottery is represented. Each member lottery has one vote. The board's responsibilities to administer multi-state lottery games are performed through product groups, advisory committees, or panels staffed by officers and independent contractors as appointed by the board. These officers and consultants serve at the pleasure of the board and the board prescribes their powers, duties, and qualifications. MUSL is subject to annual audits conducted by independent auditors retained by the board. Upon termination of the MUSL's existence, if such termination should occur, the member lotteries would receive any proceeds determined available for distribution by the board.

Long-term liabilities of MUSL are limited to prize annuities due, which are fully funded through investments in U.S. government securities. The following schedule presents the summarized financial activity of MUSL as of June 30, 2014 and 2013 (in thousands).

	2014	2013
Assets	$ 706,151	$ 554,028
Liabilities	$ 695,948	$ 542,004
Net assets - unrestricted	10,203	12,024
Total liabilitites and net assets	$ 706,151	$ 554,028
Unrestricted revenues	$ 3,170	$ 17,259
Unrestricted expenses	4,991	5,390
Total change in unrestricted net assets	$ (1,821)	$ 11,869

Separate financial statements for MUSL may be obtained from the Multi-State Lottery Association, Attention: Chuck Strutt, 4400 NW Urbandale Drive, Urbandale, Iowa, 50322.

6. CAPITAL ASSETS

Capital Asset Activity

Capital asset activity for the primary government for the year ended June 30, 2014 (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated:				
Land	$ 1,844,447	$ 33,287	$ 10,608	$ 1,867,126
Construction in progress	1,285,577	427,145	267,230	1,445,492
Works of art and other nondepreciable assets	1,924	-	5	1,919
Total capital assets not being depreciated	3,131,948	460,432	277,843	3,314,537
Capital assets being depreciated:				
Buildings, property, and equipment	3,412,619	166,006	64,405	3,514,220
Infrastructure[1]	16,577,384	326,355	4,529,112	12,374,627
Total capital assets being depreciated	19,990,003	492,361	4,593,517	15,888,847
Less accumulated depreciation for:				
Buildings, property, and equipment	1,512,771	126,501	47,042	1,592,230
Infrastructure[1]	9,029,258	256,850	4,541,179	4,744,929
Total accumulated depreciation	10,542,029	383,351	4,588,221	6,337,159
Total capital assets being depreciated, net	9,447,974	109,010	5,296	9,551,688
Total capital assets, net	$ 12,579,922	$ 569,442	$ 283,139	$ 12,866,225

[1] During the year, the methodology used to estimate the value of the State's highway infrastructure was changed. The value had originally been estimated using a deflated cost approach but is now derived using actual costs from historical records. As a result, both the infrastructure asset account and the associated accumulated depreciation account decreased by approximately $4.5 billion.

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated:				
Land	$ 142,219	$ 9,640	$ 4,591	$ 147,268
Construction in progress	148,524	348,304	176,519	320,309
Works of art and other nondepreciable assets	74,630	1,347	1,950	74,027
Total capital assets not being depreciated	365,373	359,291	183,060	541,604
Capital assets being depreciated:				
Buildings, property, and equipment	4,662,133	231,455	37,071	4,856,517
Infrastructure	123,647	4,587	-	128,234
Total capital assets being depreciated	4,785,780	236,042	37,071	4,984,751
Less accumulated depreciation for:				
Buildings, property, and equipment	1,902,352	165,698	24,578	2,043,472
Infrastructure	57,530	4,917	-	62,447
Total accumulated depreciation	1,959,882	170,615	24,578	2,105,919
Total capital assets being depreciated, net	2,825,898	65,427	12,493	2,878,832
Total capital assets, net	$ 3,191,271	$ 424,718	$ 195,553	$ 3,420,436

	Beginning Balance	Increases	Decreases	Ending Balance
Fiduciary fund activities				
Capital assets not being depreciated:				
Land	$ 958	$ -	$ -	$ 958
Total capital assets not being depreciated	958	-	-	958
Capital assets being depreciated:				
Buildings, property, and equipment	52,190	754	9	52,935
Total capital assets being depreciated	52,190	754	9	52,935
Less accumulated depreciation for:				
Buildings, property, and equipment	15,091	2,503	9	17,585
Total accumulated depreciation	15,091	2,503	9	17,585
Total capital assets being depreciated, net	37,099	(1,749)	-	35,350
Total capital assets, net	$ 38,057	$ (1,749)	$ -	$ 36,308

Depreciation Expense

Depreciation expense charged to functions of the primary government (in thousands):

Governmental activities	Amount
Education	$ 903
Human services	10,287
Public safety	36,526
Economic and community development	945
Natural resources	18,710
Transportation	281,291
Consumer and business services	799
Administration	3,228
Legislative	1,681
Judicial	3,296
Subtotal	357,666
Internal service funds	25,685
Total depreciation expense	$ 383,351

Business-type activities	Amount
Housing and Community Services	$ 2
Lottery Operations	13,543
University System	145,268
Other business-type activities	11,802
Total depreciation expense	$ 170,615

Fiduciary fund activities:	Amount
Pension and Other Employee Benefit Trust	$ 2,503
Total depreciation expense	$ 2,503

Construction Commitments

The State has active construction projects, which will be funded through either general fund appropriations, federal grants, lottery resources, or other funding sources as noted in the schedule below. The State's construction commitments with contractors as of June 30, 2014 (in thousands):

			Remaining Commitment Source of Funds			
Project	**Spent-to-Date**	**Remaining Commitment**	**General**	**Federal**	**Lottery**	**Other**
Military facilities	$ 46,593	$ 4,305	$ 28	$ 4,042	$ -	$ 235
Oregon State Hospital facility	443,540	39,881	-	-	-	39,881
Veterans' Home facility	29,180	7,874	-	7,682	-	192
Prison construction and upgrades	59,751	3,174	777	-	-	2,397
University building construction and upgrades	822,473	338,529	36,308	751	26,979	274,491
Road and bridge construction	925,951	722,120	-	466,235	-	255,885
State park facilities	4,008	6,391	-	322	5,673	396
Upgrade and maintenance of various facilities	85,933	120,784	12	2,592	-	118,180
Total construction commitments	$ 2,417,429	$ 1,243,058	$ 37,125	$ 481,624	$ 32,652	$ 691,657

Collections Not Capitalized

Certain collections of historic artifacts and works of art are not reported in the accompanying financial statements. These assets include highway maintenance equipment displayed at various district and regional offices; printing equipment displayed at the Salem print plant; historic documents displayed at the Oregon State Archives; a museum of military artifacts at Camp Withycombe in Clackamas, Oregon; a collection of historic buildings, furniture, paintings, and ancestral artifacts displayed at various state parks; a collection of wildlife mounts displayed at various Department of Fish and Wildlife locations; and a collection of photographs portraying various Oregon locales displayed at the Oregon Liquor Control Commission headquarters. These assets have not been capitalized because they meet the conditions to qualify as collections that are not subject to capitalization. These conditions are:

1. The collections are held for public exhibition or education in the furtherance of public service, not held for financial gain;
2. The collections are protected, kept unencumbered, cared for, and preserved; and
3. The collections are subject to state agency policy that requires the proceeds from sales of collection items to be used to acquire other items for the collections.

Insurance Recoveries

In the government-wide statement of activities, program revenues include insurance recoveries of the applicable functions (in thousands):

Governmental activities	**Amount**
Public safety	$ 181
Natural resources	1,033
Transportation	639
Administration	1,179
Total insurance recoveries	$ 3,032

Business-type activities	**Amount**
Lottery Operations	$ 15
University System	1,528
Other business-type activities	47
Total insurance recoveries	$ 1,590

Idle Impaired Capital Assets

At fiscal year end, the Department of Corrections' Deer Ridge Correctional Institution, a medium security facility with a carrying value of $108.4 million, and the Oregon State Penitentiary minimum security facility with a carrying value of $1.9 million were temporarily idle due to budget constraints and a delay in the implementation of Ballot Measure 57, the Mandatory Prison Sentences for Three or More Felonies Act.

The Columbia River Crossing (CRC) I-5 Bridge Replacement project was a long-term, comprehensive solution to address seismic risk, safety and congestion problems on I-5 between Portland, Oregon and Vancouver, Washington. Permitting and engineering work, as well as a legal and financial reviews, were completed. This work was to be used to evaluate an Oregon-led, phased I-5 bridge replacement project. On March 7, 2014, the Oregon Legislature adjourned without reinstating construction funds for this project. Without the necessary funding in place to move the project to construction, the CRC project was closed in May 2014. A total of $84.9 million was spent when construction was permanently stopped.

7. LEASES

A. Operating Leases

The State has entered into various non-cancelable rental agreements that are accounted for as operating leases because the agreements do not meet the criteria to be classified as capital leases. Operating lease payments are chargeable as rent expense and reported in services and supplies. Rental costs for operating leases for the year ended June 30, 2014, were $98.1 million for the primary government.

Future minimum rental payments for operating leases in effect as of June 30, 2014 (in thousands):

Year Ending June 30,	Amount
2015	$ 83,244
2016	68,190
2017	55,738
2018	41,286
2019	33,912
2020-2024	102,325
2025-2029	10,217
2030-2034	2,731
2035-2039	1,962
2040-2044	1,398
2045-2049	1,258
2050-2054	1,258
2055-2059	5,381
Total future minimum rental payments	$ 408,900

B. Capital Leases

A capital lease is accounted for similar to a purchase on a long-term contract. The underlying property is capitalized at an amount equal to the present value of the minimum lease payments and a corresponding liability is recorded. The liability for capital leases is reported as obligations under capital lease on the government-wide statement of net position. The expense resulting from the amortization of assets recorded under capital leases is included in depreciation expense.

Carrying value of assets subject to an outstanding capital lease or lease purchase contract as of June 30, 2014 (in thousands):

Asset Class	Governmental Activities	Business-type Activities
Buildings, property, and equipment	$ 14,345	$ 109
Less accumulated depreciation	(10,936)	(31)
Total carrying value	$ 3,409	$ 78

Future minimum lease payments for capital leases and the related net present value as of June 30, 2014 (in thousands):

Year Ending June 30,	Governmental Activities	Business-type Activities
2015	$ 2,155	$ 32
2016	656	29
2017	238	18
2018	232	1
Total future minimum lease payments	3,281	80
Less amounts representing interest	(254)	(11)
Present value of minimum lease payments	$ 3,027	$ 69

C. Lease Receivables

The State receives rental income from land, property, and equipment leased to non-state entities. For the year ended June 30, 2014, the State received rental income of $12.9 million on leased assets with a carrying value of $53.1 million, net of $14.2 million in accumulated depreciation.

Future minimum lease revenues for non-cancelable operating leases as of June 30, 2014 (in thousands):

Year Ending June 30,	Amount
2015	$ 9,266
2016	7,036
2017	6,203
2018	5,240
2019	4,388
2020-2024	14,933
2025-2029	16,239
2030-2034	17,229
2035-2039	19,808
2040-2044	11,331
2045-2049	3,913
2050-2054	3,326
2055-2059	3,318
Total future minimum lease revenues	$ 122,230

8. DONOR-RESTRICTED ENDOWMENTS

Oregon University System

Oregon Revised Statute 351.130 gives the Oregon University System (OUS) authority to use the interest, income, dividends, or profits from donor-restricted endowments for the benefit of the designated institution. The OUS board's current spending policy calls for the annual distribution of 4 percent of the preceding 20-quarter

moving average of the market value of the endowment funds. For the year ended June 30, 2014, the amount of net appreciation available for authorization for expenditure was $23.8 million. The amount available for distribution during fiscal year 2015 is estimated to be $2.7 million. The corpus of the endowment funds is reported as nonexpendable net position on the proprietary funds balance sheet and the government-wide statement of net position. Expendable endowment funds are reported as part of expendable net position restricted for education.

9. SHORT AND LONG-TERM DEBT

A. Short-Term Debt

During the year, the Oregon Department of Forestry made a loan from the Oregon Short-Term Fund (OSTF) to cover cash flow needs related to a heavy wild fire season. Also, the State issued tax anticipation notes (TANS) on August 7, 2013, to meet seasonal cash management needs within fiscal year 2014. The TANS were repaid on July 31, 2014. In addition, the Oregon Health Authority and the Oregon Military Department repaid loans from the OSTF made to cover end of biennium cash flow needs.

Short-term debt activity for the year ended June 30, 2014 (in thousands):

	Beginning Balance	Additions	Deductions	Ending Balance
Governmental activities				
Human Services treasury loan	$ -	$ 6,000	$ 6,000	$ -
Military treasury loan	3,000	-	3,000	-
Health Authority treasury loan	111,000	-	111,000	-
Forestry treasury loan	-	20,000	-	20,000
Tax anticipation notes	-	650,744	-	650,744
Total short-term debt activity	$ 114,000	$ 676,744	$ 120,000	$ 670,744

B. General Obligation Bonds

The State issues general obligation bonds to provide funds for a variety of projects as authorized by the Oregon Constitution. General obligation bonds are secured by a pledge of the full faith, credit, and taxing power of the State.

Specific provisions of the Oregon Constitution authorize general obligation debt to be issued for governmental activities. Article XI-G provides authorization to finance buildings and projects for community colleges. Debt service requirements for community colleges are financed through an appropriation from the General Fund. Obligations issued for highway construction pursuant to Article XI, Section 7, are fully self-supporting. Article XI-H authorizes the financing of pollution abatement and control facilities, as well as pollution control and disposal activities. Facilities acquired under the pollution control program are required to conservatively appear to be at least 70 percent self-supporting and self-liquidating from revenues, gifts, federal grants, assessments, user charges, and other fees. Article XI-O provides authorization to finance pension liabilities through the issuance of general obligation bonds. Article XI-M provides authorization to finance seismic rehabilitation projects for public education buildings and XI-N for emergency services buildings. Article XI-Q provides authorization to finance real or personal property projects to be owned or operated by the State.

The Oregon Constitution also authorizes general obligation debt to be used for business-type activities. Article XI-A authorizes the creation of the Oregon War Veterans' Fund to finance farm and home loans for eligible veterans. Financing of multi-family housing for elderly and disabled persons is authorized in Article XI-I (2). Article XI-J provides authorization to finance loans for the development of small-scale local energy projects. Issuance of general obligation bonds to finance higher education building projects is authorized in Article XI-F (1). The preceding bonds of business-type activities are fully self-supporting. Article XI-G authorizes financing of higher education facilities and institution activities. Debt service requirements for these higher education obligations are financed through an appropriation from the General Fund.

Debt service requirements for general obligation bonds as of June 30, 2014 (in thousands):

	Governmental Activities		Business-type Activities		Fiduciary Fund Activities	
Year ending June 30,	**Principal[1]**	**Interest**	**Principal[2]**	**Interest**	**Principal**	**Interest**
2015	$ 124,985	$ 162,426	$ 85,256	$ 99,940	$ 565	$ 88
2016	144,652	156,489	90,350	99,240	585	60
2017	154,501	149,549	87,875	97,663	615	31
2018	168,067	141,607	89,617	92,408	-	-
2019	181,230	132,615	94,372	86,305	-	-
2020-2024	1,100,045	505,263	477,785	356,772	-	-
2025-2029	938,262	173,468	487,434	243,191	-	-
2030-2034	171,166	38,329	413,520	142,178	-	-
2035-2039	77,245	7,590	333,335	61,905	-	-
2040-2044	-	-	128,415	9,569	-	-
2045-2049	-	-	5,025	88	-	-
Total	$ 3,060,153	$ 1,467,336	$ 2,292,984	$ 1,289,259	$ 1,765	$ 179

[1] Includes $1,894 million in pension bond debt.

[2] Includes a total of $165.4 million of bonds with variable interest rates adjusted daily or weekly based on the rates determined by the remarketing agent. The interest rates at the end of the fiscal year were 0.04 percent for $96.5 million of these bonds and 0.05 percent for $68.9 million.

C. Revenue Bonds

Oregon Revised Statutes (ORS) authorize the State to issue revenue bonds. Revenue bonds are secured by a pledge of revenues derived from the operation of the programs funded by the issuance of these obligations. The resulting bond obligations are not general obligations of the State.

ORS 286A.560 through 286A.585, 327.700 through 327.711, and 348.716 authorize the State to issue revenue bonds that are supported by unobligated net lottery proceeds. To date, lottery revenue bonds have been issued for infrastructure improvements, state parks, expansion and refurbishment of school facilities, light rail transportation, improvements to state fair facilities, acquisition of state forestland, watershed project grants, and economic development in rural and distressed communities. Lottery revenue bonds have been issued for both governmental and business-type activities.

ORS 367.605 through 367.665 authorize the Oregon Department of Transportation to issue highway user tax bonds for governmental activities to build and maintain public roads. Debt service payments for these bonds are funded by highway user taxes and vehicle registration fees.

ORS 456.645 authorizes the Oregon Housing and Community Services Department to issue revenue bonds for financing single-family mortgage loans and multi-family housing projects. Mortgage payments and fees and rental revenues support these bonds. ORS 285B.467 through 285B.482 authorize the Oregon Business Development Department to issue revenue bonds for financing infrastructure improvement projects through the Special Public Works Fund, while ORS 285B.572 through 285B.599 authorize the issuance of revenue bonds for financing water projects through the Water Fund. Loan repayments support the bonds associated with these business-type activities.

Debt service requirements for revenue bonds as of June 30, 2014 (in thousands):

	Governmental Activities		Business-type Activities	
Year ending June 30,	Principal[1]	Interest	Principal[2,3]	Interest
2015	$ 137,403	$ 148,520	$ 88,292	$ 39,904
2016	125,583	143,116	38,292	39,570
2017	129,568	138,016	39,787	38,620
2018	122,838	133,069	40,487	37,535
2019	126,272	128,027	40,518	36,336
2020-2024	634,703	557,564	245,192	158,143
2025-2029	771,149	388,496	296,136	104,293
2030-2034	793,598	183,080	268,102	55,940
2035-2039	535,335	21,953	198,295	25,692
2040-2044	-	-	71,420	7,618
2045-2049	-	-	7,150	874
2050-2054	-	-	1,725	172
Total	$ 3,376,449	$ 1,841,841	$ 1,335,396	$ 544,697

[1] Includes a total of $265.5 million of bonds with variable interest rates adjusted weekly based on the rates determined by the remarketing agent. The interest rate at the end of the fiscal year was 0.37 percent.

[2] Includes bonds with variable interest rates adjusted monthly based on the London Interbank Offered Rate (LIBOR) plus 0.4 percent not to exceed 11 percent for $765 thousand of the bonds and LIBOR plus 0.4 percent not to exceed 11.5 percent for $1.3 million. The interest rate at the end of the fiscal year for these bonds was 0.56 percent.

[3] Includes bonds with variable interest rates adjusted weekly based on the rates determined by the remarketing agent, not to exceed 12 percent. The interest rates at the end of the fiscal year were 0.06 percent for $26.6 million of these bonds, 0.07 percent for $164.9 million, 0.09 percent for $8.3 million, and 0.10 percent for $83.4 million.

D. Certificates of Participation

ORS 283.085 through 283.092 authorize the State to enter into financing agreements through the issuance of certificates of participation. The State has issued certificates of participation to provide funds for the acquisition of computer and telecommunication systems, and the acquisition, construction, or remodeling of State facilities. Certificates of participation have been issued for governmental and business-type activities.

Debt service requirements for certificates of participation as of June 30, 2014 (in thousands):

	Governmental Activities		Business-type Activities	
Year ending June 30,	Principal	Interest	Principal	Interest
2015	$ 65,222	$ 28,355	$ 5,533	$ 3,704
2016	51,217	25,579	4,938	3,460
2017	44,546	23,441	4,774	3,236
2018	36,341	21,612	4,594	3,041
2019	31,025	20,095	3,875	2,857
2020-2024	157,720	79,080	19,785	11,680
2025-2029	84,030	48,951	23,785	6,390
2030-2034	99,315	24,302	6,725	1,746
2035-2039	30,615	3,342	1,510	93
Total	$ 600,031	$ 274,757	$ 75,519	$ 36,207

E. Changes in Long-Term Debt

Changes in long-term debt for governmental activities for the year ended June 30, 2014 (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds/certificates payable:					
General obligation bonds	$ 3,048,203	$ 130,190	$ 118,240	$ 3,060,153	$ 124,986
Revenue bonds	3,092,860	675,290	391,701	3,376,449	137,403
Certificates of participation	671,938	-	71,907	600,031	65,222
General appropriation bonds	28,195	-	28,195	-	-
Less amounts[1]:					
For issuance discounts	(2,423)	-	(140)	(2,283)	-
For issuance premiums	258,649	57,610	27,409	288,850	-
Total bonds/certificates payable	$ 7,097,422	$ 863,090	$ 637,312	$ 7,323,200	$ 327,611

Changes in long-term debt for business-type activities for the year ended June 30, 2014 (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities					
Bonds/certificates payable:					
General obligation bonds	$ 2,182,978	$ 200,885	$ 90,879	$ 2,292,984	$ 85,256
Revenue bonds	1,454,065	135,590	254,259	1,335,396	88,292
Certificates of participation	82,267	-	6,748	75,519	5,533
Less amounts[1]:					
For issuance discounts	(791)	-	(105)	(686)	-
For issuance premiums	100,993	25,214	8,218	117,989	-
Accreted interest	46,159	3,671	10,200	39,630	-
Total bonds/certificates payable	$ 3,865,671	$ 365,360	$ 370,199	$ 3,860,832	$ 179,081

Changes in long-term debt for fiduciary fund activities for the year ended June 30, 2014 (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Fiduciary fund activities					
Bonds/certificates payable:					
General obligation bonds	$ 2,310	$ -	$ 545	$ 1,765	$ 565
Less amounts[1]:					
For issuance premiums	241	-	63	178	-
Total bonds/certificates payable	$ 2,551	$ -	$ 608	$ 1,943	$ 565

[1] Gains and losses on refunding are reported as deferred inflows of resources and deferred outflows of resources, respectively, in accordance with GASB Statement 65 and are recognized as a component of interest expense in a systematic and rational manner.

F. Demand Bonds

Oregon Department of Veterans' Affairs

Included in long-term debt are the following State of Oregon, General Obligation, Veterans' Welfare Variable Rate Demand Bonds, along with selected terms of their standby bond purchase agreements (SBPAs) at June 30, 2014 (dollars in thousands):

Series	Outstanding Amount	Liquidity Provider	Expiration Date	Commitment Fee	Remarketing Agent	Remarketing Fee
83	$ 10,965	Bank of Tokyo-Mitsubishi UFJ, Ltd.	12/30/2016	0.4250%	JP Morgan Securities Inc.	0.05%
84	30,000	Bank of Tokyo-Mitsubishi UFJ, Ltd.	12/30/2016	0.4250%	JP Morgan Securities Inc.	0.05%
85	15,140	U.S Bank National Association	5/31/2016	0.3300%	JP Morgan Securities Inc.	0.07%
86	31,320	U.S Bank National Association	5/31/2016	0.3300%	JP Morgan Securities Inc.	0.07%
87C	9,045	U.S Bank National Association	5/31/2016	0.3300%	JP Morgan Securities Inc.	0.07%
88B	30,000	U.S Bank National Association	5/31/2016	0.3300%	JP Morgan Securities Inc.	0.07%
90B	38,885	Bank of Tokyo-Mitsubishi UFJ, Ltd.	12/30/2016	0.4250%	JP Morgan Securities Inc.	0.07%

These bonds are general obligations of the State and are payable from revenues and reserves of the Veterans' Loan program. The bondholders may tender these bonds on specified dates at a price equal to principal plus accrued interest.

The Oregon Department of Veterans' Affairs (DVA) remarketing agent is authorized to use their best efforts to sell the repurchased bonds at face value by adjusting the interest rate on a daily or weekly basis based on the applicable mode. The designated remarketing agent for such bonds will determine the interest rate borne by each series of bonds. DVA pays its designated remarketing agent a fee for this service.

In the event the bonds cannot be remarketed, they will be purchased as specified by the respective SBPA. Under the SBPA for Series 83, 84, and 90B, the Bank of Tokyo-Mitsubishi UFJ, Ltd. will commit to purchase any Series 83, 84, or 90B unremarketed bonds, subject to certain conditions. Under the SBPA for Series 85, 86, 87C, and 88B, U.S. Bank National Association, will commit to purchase any Series 85, 86, 87C, or 88B unremarketed bonds, subject to certain conditions.

If a tender advance does occur under the Series 83, 84, and 90B SBPA, it will accrue interest at the bank's base rate (either a prime lending rate plus 1 percent, or the federal funds rate plus 2 percent, or 7.5 percent, whichever is higher) for the time period up to 30 days; at the bank's base rate plus 0.5 percent for the time period covering 31 days up to 60 days; and at the bank's base rate plus 1 percent for the time period thereafter. If the tender advance is in default, interest will accrue at the bank's base rate plus 2 percent. Interest on a tender advance must generally be repaid first before the principal portion of a tender advance is repaid. In most cases, tender advances are required to be repaid on the earliest of (a) the date the applicable bonds are paid in full; (b) the conversion date of all or a portion of the applicable bonds to a fixed rate, an indexed rate, or a non-covered interest rate, or (c) the effective date of delivery of a substitute alternative liquidity facility. Tendered bonds that are unremarketed by the 91st day after the purchase date of the tender advances must be paid in full over a four year period in eight equal (or nearly equal) semi-annual installments, unless and until the bonds are remarketed or redeemed. If repayment of any tender advance does not occur within the specified timeframe contained in the Series 83, 84, and 90B SBPA, a default has occurred.

No tender advances or draws were necessary to purchase unremarketed bonds under the Series 83, 84, and 90B SBPA for fiscal year 2014. Therefore, no tender advances or draws were outstanding as of June 30, 2014.

If a tender advance does occur under the Series 85-88B SBPA, it will accrue interest at the bank's base rate (either a prime lending rate plus 1 percent, the federal funds rate plus 2 percent, the Securities Industry and Financial Markets Association (SIFMA) rate plus 1 percent or 7 percent for the time period 31 days after the purchase date and thereafter, whichever is higher) for the time period up to 30 days; at the bank's base rate plus 1 percent for the time period covering 31 days up to 90 days; and at the bank's base rate plus 1.5 percent for the time period thereafter. If the tender advance is in default, interest will accrue at the bank's base rate plus 3 percent. Interest on a tender advance must generally be repaid first before the principal portion of a tender advance is repaid. In most cases, tender advances are required to be repaid on the earliest of (a) the date the applicable bonds are paid in full; (b) the conversion date of all or a portion of the applicable bonds to a fixed rate, an indexed rate, or a non-covered interest rate; or (c) the effective date of delivery of a substitute alternative

liquidity facility. Tendered bonds that are unremarketed by the 91st day after the purchase date of the tender advance must be paid in full over a four year period in eight equal (or nearly equal) semi-annual installments, unless and until the bonds are remarketed or redeemed. If repayment of any tender advance does not occur within the specified timeframe contained in the Series 85-88B SBPAs, a default has occurred.

No tender advances or draws were necessary to purchase unremarketed bonds under the Series 85-88B SBPA for fiscal year 2014. Therefore, no tender advances or draws were outstanding as of June 30, 2014.

Oregon Housing and Community Services Department

Included in Oregon Housing and Community Services Department's (OHCSD) long-term debt is $283.2 million in variable rate demand bonds. OHCSD's variable rate demand bonds are remarketed weekly by a remarketing agent. Bondholders may elect to tender their bonds by providing written notice to the remarketing agent as specified in the official statement for the series. On the date that bonds are tendered, the remarketing agent will use its best effort to sell the bonds or may purchase the bonds for its own account.

OHCSD has entered into standby bond purchase agreements (SBPAs) to provide liquidity in the event that the remarketing agent is unable to sell the tendered bonds and does not choose to buy the bonds for its own account. The SBPAs require the liquidity provider to provide funds for the purchase of the tendered bonds. On the purchase date, the bonds become known as liquidity provider bonds or bank bonds and bear interest at the bank rate in accordance with the SBPAs. The maximum rate is 12 percent (Bank of America, N.A., State Street Bank and Trust Company, and JPMorgan Chase Bank, N.A.). The bonds remain bank bonds until they are sold by the remarketing agent or the remarketing agent purchases them for its own account. If the bonds are not remarketed or purchased by the remarketing agent for its own account, mandatory redemption in ten equal installments are to be paid on the first business day of January and July, commencing on the first such date to occur after the bonds become liquidity provider bonds (State Street Bank and Trust Company) or at least ninety days after the related purchase date (Bank of America, N.A. and JPMorgan Chase Bank, N.A.). There were no bank bonds on June 30, 2014.

Certain terms of the standby purchase agreements and remarketing agreements are listed below (dollars in thousands):

Series	Outstanding Amount	Liquidity Provider	Expiration Date	Commitment Fee	Remarketing Agent	Remarketing Fee
MF 2004 B	$ 13,725	Bank of America, N.A.	8/25/2017	0.5000%	Merrill Lynch, Pierce, Fenner & Smith, Inc.	0.08%
MRB 2004 L	15,000	State Street Bank and Trust Company	11/20/2016	0.5200%	CitiGroup Global Markets, Inc.	0.07%
MRB 2005 C	10,500	State Street Bank and Trust Company	11/20/2016	0.5200%	J.P. Morgan Securities, Inc.	0.07%
MRB 2005 F	14,885	State Street Bank and Trust Company	11/20/2016	0.5200%	CitiGroup Global Markets, Inc.	0.07%
MRB 2006 C	20,000	State Street Bank and Trust Company	11/20/2016	0.5200%	J.P. Morgan Securities, Inc.	0.07%
MRB 2006 F	20,000	State Street Bank and Trust Company	11/20/2016	0.5200%	CitiGroup Global Markets, Inc.	0.07%
MRB 2006 G	16,105	State Street Bank and Trust Company	11/20/2016	0.5200%	CitiGroup Global Markets, Inc.	0.07%
MRB 2007 E	30,000	JPMorgan Chase Bank, NA	12/31/2017	0.5100%	J.P. Morgan Securities, LLC	0.07%
MRB 2007 H	30,000	JPMorgan Chase Bank, NA	12/31/2017	0.5100%	J.P. Morgan Securities, LLC	0.07%
MRB 2008 C	35,000	JPMorgan Chase Bank, NA	12/31/2017	0.5100%	J.P. Morgan Securities, LLC	0.07%
MRB 2008 F	35,000	JPMorgan Chase Bank, NA	12/31/2017	0.5100%	Merrill Lynch, Pierce, Fenner & Smith, Inc.	0.07%
MRB 2008 I	34,650	JPMorgan Chase Bank, NA	12/31/2017	0.5100%	Merrill Lynch, Pierce, Fenner & Smith, Inc.	0.07%
MRB 2013 F	8,335	State Street Bank and Trust Company	11/20/2016	0.5200%	Merrill Lynch, Pierce, Fenner & Smith, Inc.	0.07%

G. No-Commitment Debt

No-commitment debt refers to debt issued to finance public purpose expenditures intended for beneficial ownership by private entities. Such debt bears the name of the State but is secured solely by the credit of the private entity and usually is serviced and administered by a trustee independent of the State. The State has no obligation for payment of this debt. Accordingly, this debt is not reported in the accompanying financial statements.

No-commitment debt as of June 30, 2014 (in thousands):

Primary Government	Amount
Oregon Business Development Department	$ 380,658
Oregon Facilities Authority	1,877,848
Housing and Community Services Department	214,057
Total no-commitment debt	$ 2,472,563

H. Debt Refundings

Occasionally, the State issues new long-term debt to extinguish the obligation of previously issued bonds or certificates of participation in order to take advantage of lower interest rates. In instances of advanced refunding, the money from the sale of new debt is placed in an irrevocable trust to provide for all future debt service payments on the old debt. The amount of these issuances has provided funds to pay the interest and principal when due on the refunded debt to and including the dates irrevocably fixed for redemption. The trust account assets and liabilities for the defeased debt are not included in the accompanying financial statements.

Current/advance refunding issues that occurred between July 1, 2013, and June 30, 2014:

On November 5, 2013, the Oregon Department of Transportation issued $265.5 million in 2013 Series B Revenue Bonds with an average interest rate of 4 percent. The bonds were issued to refund $265.3 million of outstanding 2011 Series A Revenue Bonds with an average interest rate of 4 percent. The current refunding was undertaken to reduce the total debt service payments over the next 24 years by $245 thousand and resulted in no economic gain or loss.

On November 20, 2013, the Oregon Housing and Community Services Department issued $47.9 million in Mortgage Revenue Bonds, of which $17.2 million was used to refund previously issued Revenue Bonds. The current refunding of these bonds decreases the total debt service over the next 20.6 years by approximately $7.2 million and results in an economic gain of approximately $2.8 million. Both the old refunding debt and the new debt included variable rate bonds ($14.7 million in old debt and $8.3 million in new debt). The old variable rate debt was hedged and the new variable rate debt is not. Increases in interest rates would result in larger interest payments which would reduce the economic gain.

On May 7, 2014, the Oregon Department of Administrative Services issued $1.1 million in 2014 Series A General Obligation Bonds with an average interest rate of 3 percent. These bonds refunded $1.2 million of 2004 Series A Certificates of Participation with an average interest rate of 4.3 percent. The current refunding was undertaken to reduce the total debt service payments over the next 2 years by $54 thousand and resulted in an economic gain of $53.4 thousand.

On May 29, 2014, the Oregon Housing and Community Services Department issued Revenue Bonds in an aggregate principal amount of $87.7 million of which $39 million refunded previously issued Revenue Bonds on July 1, 2014, and July 2, 2014. The current refunding of these bonds decreases the total debt service over the next 30 years by $8.3 million and results in an economic gain of $4.9 million.

I. Defeased Debt

The State has defeased certain general obligation and revenue bonds, as well as certificates of participations, by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the liability for defeased bonds is not included in the State's financial statements. On June 30, 2014, $923.2 million of bonds outstanding are considered defeased.

10. OTHER LONG-TERM LIABILITIES

Changes in other long-term liabilities for governmental activities for the year ended June 30, 2014 (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Compensated absences payable	$ 178,256	$ 7,531	$ 9,140	$ 176,647	$ 116,587
Claims and judgments payable	1,187,437	135,190	141,218	1,181,409	118,268
Arbitrage rebate payable	1,275	740	1,275	740	-
Custodial liabilities	253,328	660,759	637,244	276,843	273,466
Contracts, mortgages, and notes payable	485,003	61,694	134,137	412,560	37,200
Obligations under capital lease	2,789	3,715	3,477	3,027	1,950
Pollution remediation obligation	12,535	4,475	109	16,901	7,080
Net OPEB obligation	49,838	2,447	-	52,285	-
Total other long-term liabilities	$ 2,170,461	$ 876,551	$ 926,600	$ 2,120,412	$ 554,551

Internal service funds predominantly serve the governmental funds. Therefore, long-term liabilities for internal service funds are included as part of the totals for governmental activities. The compensated absences liability is mainly liquidated through the General Fund, Health and Social Services Fund, and the Public Transportation Fund. The claims and judgments liability is generally liquidated through the Employment Services Fund and the Central Services Fund, an internal service fund. The arbitrage rebate liability is generally liquidated through the Revenue Bond Fund. The custodial liabilities are expected to be liquidated by the Common School Fund and the Health and Social Services Fund. The liability for contracts, mortgages, and notes is generally liquidated through the General Fund, the Environmental Management Fund, the Health and Social Services Fund and the Public Transportation Fund. The capital lease obligations are generally liquidated through the Central Services Fund. The pollution remediation obligation will be mainly liquidated through the Environmental Management Fund and the Public Transportation Fund. The net OPEB obligation is the result of the State's pay-as-you-go funding policy for other postemployment benefits offered through the Public Employees Benefit Board, and is liquidated by each governmental fund, excluding the debt service funds.

Changes in other long-term liabilities for business-type activities for the year ended June 30, 2014 (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities					
Compensated absences payable	$ 68,883	$ 11,246	$ 5,138	$ 74,991	$ 61,449
Claims and judgments payable	28,767	1,184	3,816	26,135	18,492
Lottery prize awards payable	160,058	254,580	255,555	159,083	32,413
Arbitrage rebate payable	18,727	2,715	367	21,075	12
Custodial liabilities	70,836	70,086	75,402	65,520	53,299
Contracts, mortgages, and notes payable	154,135	125,834	119,861	160,108	22,740
Obligations under capital lease	560	-	491	69	25
Net OPEB obligation	24,726	1,340	-	26,066	-
Derivative instruments liability	29,801	-	10,630	19,171	-
Total other long-term liabilities	$ 556,493	$ 466,985	$ 471,260	$ 552,218	$ 188,430

Changes in other long-term liabilities for fiduciary fund activities for the year ended June 30, 2014 (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Fiduciary fund activities					
Custodial liabilities	$ 2,003,133	$ 9,235,868	$ 9,654,193	$ 1,584,808	$ 1,582,496
Contracts, mortgages, and notes payable	5,546	-	3,784	1,762	90
Net OPEB obligation	517	27	-	544	-
Total other long-term liabilities	$ 2,009,196	$ 9,235,895	$ 9,657,977	$ 1,587,114	$ 1,582,586

11. POLLUTION REMEDIATION OBLIGATION

Pollution remediation obligations address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities, including pre-cleanup activities, cleanup activities, government oversight and enforcement-related activities, and postremediation monitoring. Excluded from pollution remediation obligations are obligations for pollution prevention and control activities, fines and penalties, landfill closure and postclosure care, and other future remediation activities required upon retirement of an asset.

The State recognizes a pollution remediation obligation when it can reasonably estimate the range of expected cash outlays. At June 30, 2014, the State recognized an estimated liability of $17.0 million for pollution remediation activities. The liability, which is reported in the government-wide statement of net position, was recorded at the current value of the costs the State expects to incur to perform the work.

For many projects, the State can reasonably estimate the range of expected outlays early in the process, using the State's remediation history for similar sites as the basis for the calculations. In other cases, the estimated liability is based on the amount specified in a contract for remediation services or the estimate of the cleanup costs provided by an environmental consulting firm. Expected recoveries from responsible parties or potentially responsible parties and insurance recoveries are included in the estimates and reduce the State's expense. No material expected recoveries were included in the measurement of the State's pollution remediation obligation at June 30, 2014.

When new information indicates changes in expected outlays, the liability for pollution remediation is adjusted. Adjustments may occur due to price fluctuations resulting from delays in contracting specific remediation jobs, changes in technology, changes in legal or regulatory requirements, and changes in the remediation plan or operating conditions.

Currently, the Oregon Department of Environmental Quality (DEQ), as a government responsible for sharing costs under federal law, is obligated to clean up three Superfund sites. Two sites are contaminated with chemicals used in the wood-treatment industry. Contamination was found in the soil, groundwater, and sediments of adjacent rivers. The third site is contaminated with asbestos in the soil resulting from demolition of approximately eighty 1940s era military barracks buildings. The Oregon Department of Transportation (ODOT) also performs ongoing pollution remediation. For example, to facilitate the agency's transportation goals, ODOT voluntarily conducts the cleanup of contaminated soil and ground water found within the footprint of a construction project and removes lead-based paint when performing bridge repairs. In other cases, DEQ has named ODOT as a responsible party or potentially responsible party, or ODOT has entered the contaminated site into the DEQ's Voluntary Cleanup Program as the responsible party.

As of June 30, 2014, the State is involved in negotiations related to a confidential, non-judicial mediation process that will result in an allocation of costs associated with the investigation and cleanup of contamination in the Portland Harbor Superfund site. There are over 200 parties, private and public, that may eventually bear a share of the costs. It is too early in the Environmental Protection Agency's remedial action process to estimate the total cleanup costs that may be shared by the liable parties and what portion of that, if any, will be assessed against the State. The Portland Harbor Superfund site is discussed in more detail in Note 24.

12. PLEDGED REVENUES

A. Unobligated Net Lottery Proceeds

The State has pledged future unobligated net lottery proceeds to repay $1.1 billion of lottery revenue bonds. Unobligated net lottery proceeds consist of all revenues derived from the operation of the Oregon State Lottery except for revenues used for payment of prizes and expenses of the Lottery. Proceeds from lottery revenue bonds provide financing for economic development within the state, as well as for the improvement and expansion of state parks and school facilities. The bonds are payable solely from the pledged revenues and are payable through 2033. Total principal and interest remaining to be paid on the bonds is $1.6 billion. In fiscal year 2015, principal and interest payments on the bonds are expected to require approximately 23.5 percent of unobligated net lottery proceeds. Principal and interest paid for the current year and total unobligated net lottery proceeds recognized were $126.6 million and $512.4 million, respectively.

B. Highway User Taxes and Vehicle Registration Fees

The State has pledged future highway user taxes and vehicle registration fees, net of administrative expenses, operating transfers, and statutory transfers to counties, to repay $2.4 billion of highway user tax revenue bonds. Proceeds from the bonds provide financing for the construction, reconstruction, improvement, repair, maintenance and operation, and use of public highways, roads, streets, and roadside rest areas for the State. The bonds are payable solely from the pledged revenues and are payable through November 2038. Total principal and interest remaining to be paid on the bonds is $3.9 billion. Fiscal year 2015 principal and interest payments on the bonds are expected to require approximately 30.3 percent of pledged revenues. Principal and interest paid for the current year and total pledged revenues recognized were $158.7 million and $578 million, respectively.

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13. INTERFUND TRANSACTIONS

Interfund balances reported in the fund financial statements as of June 30, 2014 (in thousands):

	Due from Other Funds				
Due to Other Funds	**General**	**Health and Social Services**	**Public Transportation**	**Environmental Management**	**Common School**
General	$ -	$ 32,888	$ 32	$ 2,310	$ 37
Health and Social Services	555,191	-	-	156	-
Public Transportation	261	-	-	12,465	-
Environmental Management	2,315	-	3,598	-	89
Common School	25,390	-	-	770	-
Nonmajor Governmental Funds	8,141	21,325	-	3	-
Housing and Community Services	-	-	-	-	-
Lottery Operations	140,644	-	-	-	-
Unemployment Compensation	-	-	-	-	-
Nonmajor Enterprise Funds	22,706	748	-	1,345	-
Internal Service Funds	14,640	-	-	-	-
Fiduciary Funds	-	-	-	-	-
Total	$ 769,288	$ 54,961	$ 3,630	$ 17,049	$ 126

	Advances to Other Funds			
Advances from Other Funds	**Common School**	**Nonmajor Enterprise Funds**	**Internal Service Funds**	**Total**
General	$ -	$ -	$ 584	$ 584
Environmental Management	300	-	-	300
Nonmajor Governmental Funds	-	48	-	48
University System	-	119,975	-	119,975
Internal Service Funds	-	131	-	131
Total	$ 300	$ 120,154	$ 584	$ 121,038

Interfund balances result from the time lag between the date a transaction for interfund goods and services or reimbursable expenditures/expenses is recorded and the date the payment between funds is made. Advances to and from other funds are not expected to be repaid within one year.

Due from Other Funds (continued)

Nonmajor Governmental Funds	Housing and Community Services	University System	Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
$ 172,245	$ -	$ 14,942	$ 1,078	$ 1,097	$ -	$ 224,629
744	-	-	357	-	-	556,448
4,135	-	20	-	-	-	16,881
2,042	-	-	-	-	-	8,044
-	-	-	-	-	-	26,160
8,781	11	1,123	273	1,429	-	41,086
47	-	-	-	-	-	47
-	-	-	-	-	-	140,644
1,184	-	-	-	-	-	1,184
7	-	-	135	35	46	25,022
55	-	-	35	-	-	14,730
-	-	-	-	-	6,788	6,788
$ 189,240	$ 11	$ 16,085	$ 1,878	$ 2,561	$ 6,834	$ 1,061,663

Interfund transfers reported in the fund financial statements as of June 30, 2014 (in thousands):

	Transfers from Other Funds				
Transfers to Other Funds	**General**	**Health and Social Services**	**Public Transportation**	**Environmental Management**	**Common School**
General	$ -	$ 94,324	$ 1,230	$ 57,282	$ 98
Health and Social Services	34,856	-	-	612	-
Public Transportation	6,004	-	-	29,260	-
Environmental Management	46,230	72	399	-	3,559
Common School	50,779	-	-	4,835	-
Nonmajor Governmental Funds	152,941	67,345	23,736	191	-
Housing and Community Services	-	-	-	-	-
Lottery Operations	512,427	-	-	-	-
Unemployment Compensation	-	-	-	-	-
University System	4,454	-	-	-	-
Nonmajor Enterprise Funds	147,983	8,681	-	324	-
Internal Service Funds	15,574	2,632	-	577	-
Total	$ 971,248	$ 173,054	$ 25,365	$ 93,081	$ 3,657

Transfers are used to move (1) revenues collected by one fund to the fund authorized by statute or the State's budget to expend them, (2) receipts restricted to debt service or capital construction to the appropriate funds, and (3) unrestricted revenues collected by the General Fund for various programs accounted for in other funds according to State budget requirements.

Transfers from Other Funds (continued)

Nonmajor Governmental Funds	University System	Nonmajor Enterprise Funds	Internal Service Funds	Total
$ 431,400	$ 386,024	$ 195,371	$ 28	$ 1,165,757
81,853	-	5,463	-	122,784
251,032	134	-	-	286,430
25,770	672	-	6	76,708
323	-	-	-	55,937
91,913	9,357	598	809	346,890
185	-	-	-	185
1,692	-	-	-	514,119
8,051	-	-	-	8,051
37,083	-	-	-	41,537
11,220	-	15,064	527	183,799
16,989	886	95	1	36,754
$ 957,511	$ 397,073	$ 216,591	$ 1,371	$ 2,838,951

14. SEGMENT INFORMATION

Oregon Revised Statutes (ORS) 285B.410 through 285B.482 create the Special Public Works Fund and authorize the Oregon Business Development Department (OBDD) to issue revenue bonds to finance loans to municipalities for infrastructure projects. ORS 285B.560 through 285B.599 establish the Water/Wastewater Financing Fund and authorize OBDD to issue revenue bonds to finance loans to municipalities for safe drinking water projects and waste water system improvement projects. Loan repayments are pledged to repay the outstanding bonds.

ORS 456.645 authorizes the Oregon Housing and Community Services Department (OHCSD) to issue revenue bonds to finance single-family mortgage loans and multi-family housing projects. Article XI-I (2) of the Oregon Constitution authorizes OHCSD to finance multi-family housing for elderly and disabled persons. Mortgage payments and fees and rental revenues support these bonds.

Summary financial information for the Special Public Works Fund, the Water/Wastewater Financing Fund, and OHCSD's various bond funds for the year ended June 30, 2014 (in thousands):

Condensed statement of net position	**Special Public Works Fund**	**Water/ Wastewater Financing Fund**	**Mortgage Revenue Bonds**	**Housing Revenue Bonds**
Assets:				
Interfund receivables	$ -	$ -	$ 185	$ 120
Other current assets	83,408	26,998	90,402	9,597
Noncurrent assets	192,474	89,969	740,833	168,582
Total assets	275,882	116,967	831,420	178,299
Deferred outflows of resources	-	-	17,750	-
Liabilities:				
Interfund payables	5	-	-	-
Other current liabilities	9,014	3,603	80,879	8,633
Noncurrent liabilities	55,151	29,642	682,944	167,538
Total liabilities	64,170	33,245	763,823	176,171
Deferred inflows of resources	-	-	2,054	744
Net position:				
Restricted	1,497	893	83,293	1,384
Unrestricted	210,215	82,829	-	-
Total net position	$ 211,712	$ 83,722	$ 83,293	$ 1,384

Condensed statement of revenues, expenses, and changes in net position	**Special Public Works Fund**	**Water/ Wastewater Financing Fund**	**Mortgage Revenue Bonds**	**Housing Revenue Bonds**
Operating activities:				
Loan interest income	$ 7,837	$ 3,643	$ 29,690	$ 7,170
Other operating revenue	96	-	12	-
Other operating expenses	(6,196)	(4,054)	(28,445)	(6,616)
Operating income (loss)	1,737	(411)	1,257	554
Total nonoperating revenues (expenses)	614	116	2,051	466
Transfers from other funds	345	8,954	2,305	5
Transfers to other funds	(9,231)	(6,540)	(4,300)	-
Change in net position	(6,535)	2,119	1,313	1,025
Beginning net position (as restated)	218,247	81,603	81,980	359
Ending net position	$ 211,712	$ 83,722	$ 83,293	$ 1,384

Condensed statement of cash flows	Special Public Works Fund	Water/ Wastewater Financing Fund	Mortgage Revenue Bonds	Housing Revenue Bonds
Net cash provided (used) by:				
Operating activities	$ 6,611	$ (2,231)	$ 92,187	$ (6,121)
Noncapital financing activities	(15,117)	(3,025)	(117,339)	(17,442)
Investing activities	(9,628)	120	28,486	21,407
Net increase (decrease)	(18,134)	(5,136)	3,334	(2,156)
Beginning cash and cash equivalents	84,029	30,116	21,772	3,831
Ending cash and cash equivalents	$ 65,895	$ 24,980	$ 25,106	$ 1,675

Condensed statement of net position	Multifamily Housing Revenue Bonds	Multiple Purpose Bonds	Elderly and Disabled Housing Fund
Assets:			
Current assets	$ 8,033	$ 361	$ 11,358
Noncurrent assets	170,297	3,550	175,931
Total assets	178,330	3,911	187,289
Deferred outflows of resources	1,457	2	330
Liabilities:			
Current liabilities	7,513	361	10,052
Noncurrent liabilities	147,320	20	107,514
Total liabilities	154,833	381	117,566
Deferred inflows of resources	1,868	-	1,240
Net position:			
Restricted	23,086	3,532	68,813
Total net position	$ 23,086	$ 3,532	$ 68,813

Condensed statement of revenues, expenses, and changes in net position	Multifamily Housing Revenue Bonds	Multiple Purpose Bonds	Elderly and Disabled Housing Fund
Operating activities:			
Loan interest income	$ 8,881	$ 102	$ 6,578
Other operating revenue	-	-	88
Other operating expenses	(6,849)	(46)	(7,729)
Operating income (loss)	2,032	56	(1,063)
Total nonoperating revenues (expenses)	972	(13)	998
Transfers from other funds	395	-	-
Transfers to other funds	(1,500)	(1,250)	(52)
Change in net position	1,899	(1,207)	(117)
Beginning net position (as restated)	21,187	4,739	68,930
Ending net position	$ 23,086	$ 3,532	$ 68,813

Condensed statement of cash flows	Multifamily Housing Revenue Bonds	Multiple Purpose Bonds	Elderly and Disabled Housing Fund
Net cash provided (used) by:			
Operating activities	$ 11,597	$ 102	$ 15,346
Noncapital financing activities	(11,697)	(2,777)	(13,677)
Investing activities	(282)	2,459	770
Net increase (decrease)	(382)	(216)	2,439
Beginning cash and cash equivalents	1,412	332	32,481
Ending cash and cash equivalents	$ 1,030	$ 116	$ 34,920

15. EMPLOYEE RETIREMENT PLANS

A. Plan Descriptions

Public Employees Retirement System

The Public Employees Retirement System (PERS) provides defined benefit and defined contribution retirement plans for units of State government, school districts, community colleges, and political subdivisions. PERS is administered under the Oregon Revised Statutes (ORS) Chapters 238 and 238A and Internal Revenue Code Section 401(a) by the Public Employees Retirement Board. Plan assets of the defined benefit, defined contribution, postemployment healthcare, and deferred compensation plans may legally be used to pay benefits only to the plan members or plan beneficiaries for whom the assets were accumulated. The PERS defined benefit plans provide pension benefits, death benefits, disability benefits, and postemployment healthcare benefits.

PERS features both a cost-sharing multiple-employer pension plan and an agent multiple-employer pension plan. Participation in the PERS cost-sharing multiple-employer plan is mandatory for state agencies that comprise the primary government, as well as community colleges and school districts. PERS is an agent multiple-employer plan for political subdivisions that have not elected to join the State and Local Government Rate Pool. Participation by most political subdivisions is optional, but irrevocable if elected. The State has no obligation to contribute, and it does not contribute, to the agent multiple-employer pension plan. At June 30, 2014, PERS had 912 employer members consisting of:

State agencies	115
Community colleges	17
School districts	293
Political subdivisions	487

In 1995, the Oregon Legislature passed a bill that created a second tier of benefits for those employees who established membership on or after January 1, 1996. The second tier does not enjoy the Tier One assumed earnings rate guarantee and sets the normal retirement age at 60, compared to 58 for Tier One. As of June 30, 2014, there were 36,176 active and 135,109 inactive members for a total of 171,285 PERS Tier One plan members and 43,367 active and 25,836 inactive members for a total of 69,203 PERS Tier Two plan members.

In 2003, the Oregon Legislature enacted a bill that created the Oregon Public Service Retirement Plan (OPSRP). OPSRP consists of a defined benefit pension program and the defined contribution Individual Account Program (IAP). OPSRP is part of PERS and is administered by the PERS Board. Membership includes public employees hired on or after August 29, 2003. As of June 30, 2014, there were 85,431 active and 10,644 inactive members for a total of 96,075 OPSRP members.

Beginning January 1, 2004, active PERS Tier One and Tier Two plan members became members of the IAP. The Tier One and Tier Two plan members retain their existing PERS accounts; however, member contributions are now deposited into the members' IAP accounts.

The PERS defined benefit and defined contribution retirement plans are reported as pension trust funds in the fiduciary funds combining statements and as part of the Pension and Other Employee Benefit Trust in the fiduciary funds basic financial statements. PERS issues a separate, publicly available financial report that includes audited financial statements and required supplementary information that may be obtained by writing to the Public Employees Retirement System, Fiscal Services Division, PO Box 23700, Tigard, OR 97281-3700. The report may also be accessed online at:

http://www.oregon.gov/PERS/Pages/section/financial_reports/financials.aspx

Optional Plans

The 1995 Oregon Legislature enacted legislation that authorized the Oregon University System (OUS) to offer a defined contribution retirement plan as an alternative to PERS. Effective April 1, 1996, OUS established the Optional Retirement Plan (ORP), which was made available to OUS unclassified faculty and staff who are eligible for PERS membership. The ORP consists of three tiers. Membership in ORP Tier One and Tier Two is determined using the same criteria as PERS. The third tier is determined by membership in OPSRP.

In addition to PERS and ORP, eligible unclassified employees hired on or before September 9, 1995, may participate in the Teacher's Insurance and Annuity Association and College Retirement Equities Fund retirement program. This defined contribution plan was closed to new enrollment at the time the ORP became effective in 1996.

B. Summary of Significant Accounting Policies

The financial statements for the PERS retirement plans are prepared using the accrual basis of accounting. Contributions are recognized in the period in which the contributions are due. Expenses are recognized when incurred. Benefits and refunds are recognized when due and payable.

Plan investments are reported at fair value. See Note 1 for additional information about how the fair value of investments is determined.

C. Funding

Primary Government

To pay for PERS pension benefits, state agencies make required contributions based on a percentage of employee payrolls. The retirement contribution rates include an actuarially determined employer rate and a member contribution rate. The PERS Board updates the employer rates every two years, effective July 1 of each odd-numbered year. Currently, the member contribution, known as the 6 percent pick-up, is set by statute and is paid by state agencies. These two contributions are paid to the State's pension system and are invested at an acceptable level of investment risk as determined by the Oregon Investment Council.

The PERS employer contribution rates for state agencies for the biennium beginning July 1, 2013, and ending June 30, 2015, expressed as a percentage of covered payroll:

Tier One - Tier Two Employer Rates		**OPSRP Employer Rates**	
General Service	Police and Fire	General Service	Police and Fire
9.00%	16.27%	7.45%	10.18%

State agencies' employer contributions to PERS for fiscal years ended June 30, 2014, 2013, and 2012, totaled approximately $229.5 million, $216.3 million, and $214.4 million, respectively. Member contributions for the year ended June 30, 2014 were $150.5 million. The actual contribution equaled the contractually required contribution in each fiscal year.

In fiscal year 2004, the State issued $2 billion in pension obligation bonds to reduce the PERS pension liability. As a result, the actual contribution exceeded the annual required contribution in that fiscal year, creating a net pension asset that is being amortized using the level dollar closed method over 22 years and an assumed interest rate of 8 percent. The primary government's employer cost for the PERS pension plan for fiscal year 2014 was $301.5 million and included $72 million of amortization. State agencies pay an additional assessment to cover the annual debt service requirements attributable to the pension bonds.

Oregon University System's Optional Retirement Plan (ORP)

Under the ORP, the employee contribution rate is 6 percent and is paid by OUS. The employer contribution rates for fiscal year 2014 were 16.5 percent for ORP Tier One and ORP Tier Two and 6.4 percent for the OPSRP equivalent. Total OUS employer contributions to the ORP for the years ended June 30, 2014, 2013, and 2012, were approximately $30.1 million, $28.6 million, and $27.8 million, respectively. The OUS employee contributions to the ORP for the years ended June 30, 2014, 2013, and 2012, were approximately $16.8 million, $15.9 million, $15.0 million, respectively.

Discretely Presented Component Units

The SAIF Corporation's employer contributions to PERS for years ended December 31, 2013, 2012, and 2011, were approximately $5.5 million, $5.3 million, and $3.2 million, respectively. The actual contribution equaled the annual required contribution in each year.

16. OTHER POSTEMPLOYMENT BENEFIT PLANS

A. Public Employees Retirement System

Plan Descriptions

The Public Employees Retirement System (PERS) Board contracts for health insurance coverage on behalf of the members of PERS. Eligible retirees pay their own age-adjusted premiums. To help retirees defray the cost of these premiums, PERS also administers two separately defined benefit other postemployment benefit (OPEB) plans: the Retirement Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA).

The RHIA is a cost-sharing multiple-employer OPEB plan in which 912 employers participate. Established under Oregon Revised Statute (ORS) 238.420, the plan provides a payment of up to $60 toward the monthly cost of health insurance for eligible PERS members. To be eligible to receive 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 plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991. The Legislature has sole authority to amend the benefit provisions and employer obligations for the RHIA plan. The number of RHIA plan members receiving benefits was 43,409 as of June 30, 2014.

The RHIPA is a single-employer OPEB plan established under ORS 238.415. The plan provides 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. PERS members are qualified to receive the RHIPA subsidy if they have eight or more years of qualifying service in PERS at the time of retirement or receive a disability pension calculated as if they had eight or more years of qualifying service, but are not eligible for federal Medicare coverage. A surviving spouse or dependent of a deceased retired state employee is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired on or after September 29, 1991. The Legislature has sole authority to amend the benefit provisions and employer obligations of the RHIPA plan. The number of RHIPA plan members receiving benefits was 1,288 as of June 30, 2014.

Both RHIA and RHIPA are closed to employees hired on or after August 29, 2003, who had not established membership prior to that date.

The RHIA and RHIPA defined benefit OPEB plans are reported separately under Other Employee Benefit Trust Funds in the fiduciary funds combining statements and as part of the Pension and Other Employee Benefit Trust in the fiduciary funds basic financial statements. PERS issues a separate, publicly available financial report that includes audited financial statements and required supplementary information. The report may be obtained by writing to the Public Employees Retirement System, Fiscal Services Division, PO Box 23700, Tigard, OR 97281-3700. The report may also be accessed online at:

http://oregon.gov/PERS/section/financial_reports/financials.shtml

Summary of Significant Accounting Policies

The financial statements for the PERS OPEB plans are prepared using the accrual basis of accounting. Contributions are recognized in the period in which the contributions are due. Expenses are recognized when incurred. 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. See Note 1 for additional information about how the fair value of investments is determined.

Funding

Both of the OPEB plans administered by PERS are funded through actuarially determined employer contributions. For the biennium ending June 30, 2015, state agencies contributed 0.10 percent of PERS-covered payroll for Tier One and Tier Two plan members to fund the normal cost portion of RHIA benefits. In addition, state agencies contribute 0.49 percent of all PERS-covered payroll to amortize the unfunded actuarial accrued liability over a fixed period with new unfunded actuarial accrued liabilities amortized over 20 years. The required employer contributions were approximately $13.7 million, $13 million, and $12.9 million for years ended June 30, 2014, 2013, and 2012, respectively. The actual contribution equaled the annual required contribution in each fiscal year. (See Note 15 for details concerning Tier One, Tier Two, and OPSRP membership in PERS.)

The funded status of the RHIA postemployment healthcare plan as of the most recent actuarial valuation date (in millions):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2013	$353.5	$473.6	$120.1	74.7%	$8,671.8	1.4%

For the biennium ending June 30, 2015, state agencies contribute 0.07 percent of PERS-covered payroll for Tier One and Tier Two plan members to fund the normal cost portion of RHIPA benefits. In addition, state agencies contribute 0.20 percent of all PERS-covered payroll to amortize the unfunded actuarial accrued liability over a fixed period with new unfunded actuarial accrued liabilities amortized over 20 years. The required employer contributions were approximately $6.2 million, $3.4 million, and $3.4 million for the years ended June 30, 2014, 2013, and 2012, respectively. The actual contribution equaled the annual required contribution in each fiscal year.

The funded status of the RHIPA postemployment healthcare plan as of the most recent actuarial valuation date (in millions):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2013	$5.2	$61.2	$56.0	8.5%	$2,531.5	2.2%

Actuarial Methods and Assumptions

The PERS postemployment healthcare benefit obligation, including both RHIA and RHIPA, was determined as part of the actuarial valuation prepared by the PERS consulting actuary at December 31, 2013, using the entry age normal cost method. Significant assumptions used in the actuarial valuation include a 7.75 percent per annum rate of return on the investment of present and future assets and projected payroll growth of 3.75 percent for both the RHIA and RHIPA plans. The RHIPA plan uses a healthcare cost inflation adjustment graded from 6.1 percent in 2014 to 4.7 percent in 2083. The RHIPA plan's inflation assumption is 2.75 percent, which is a subcomponent of the payroll growth rate. There is no inflation assumption for RHIA postemployment benefits because the payment amount is set by statute and is not adjusted for increases in healthcare costs. The unfunded actuarial accrued liability is being amortized as a level percentage of combined valuation payroll over a closed period of 10 years. The actuarial value of plan assets for both the RHIA and the RHIPA is equal to the assets' fair market value on the valuation date. Restricted net position held in trust for other postemployment benefits for RHIA and RHIPA at June 30, 2014, was $386.9 million and $6 million, respectively.

B. Public Employees Benefit Board

Plan Description

The State participates in a defined benefit postemployment healthcare plan administered by the Public Employees Benefit Board (PEBB). This plan offers healthcare assistance to eligible retired employees and their beneficiaries. Chapter 243 of the Oregon Revised Statutes gives the Board the authority to establish and amend the benefit provisions of the PEBB Plan. Twelve employers participate in the PEBB Plan, which is considered an agent multiple-employer plan for financial reporting purposes. As of June 30, 2014, PEBB Plan members consisted of 49,965 active employees and 1,223 retired employees and beneficiaries receiving benefits. PEBB does not issue a separate, publicly available financial report.

The PEBB Plan allows qualifying retired employees to continue their "active" health insurance coverage on a self-pay basis until they are eligible for Medicare. Participating retirees pay their own monthly premiums. However, the premium amount is based on a blended rate that is determined by pooling the qualifying retirees with active employees, thus, creating an "implicit rate subsidy."

Summary of Significant Accounting Policies

The PEBB plan's implicit rate subsidy, if not fully funded, represents an obligation of the State, the net OPEB obligation. The net OPEB obligation for the year ended June 30, 2014, is $78.9 million and is allocated to the participating funds based on each fund's proportionate share of annual health insurance premium costs. The portion of the net OPEB obligation related to governmental activities is reported in the internal service funds balance sheet and the government-wide statement of net position; the portion related to business-type activities is reported in the proprietary funds balance sheet and the government-wide statement of net position. The portion related to fiduciary activities is reported in the statement of fiduciary net position.

Funding

The PEBB's funding policy provides for employer contributions in amounts sufficient to fund the cost of active employee health benefits, including the retiree rate subsidy, on a pay-as-you-go basis. Administrative costs of the PEBB Plan are financed by up to 2 percent of employer and plan member contributions. For the year ended June 30, 2014, retired plan members contributed $19.7 million through their required contributions. The average monthly contribution was $1,343. Active employees do not contribute to the plan.

The funded status of the PEBB postemployment healthcare plan as of the most recent actuarial valuation date (in millions):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
7/1/2013	-	$105.1	$105.1	-	$2,485.8	4.2%

The schedule of funding progress, which is included in the required supplementary information that immediately follows the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

The PEBB postemployment healthcare benefit obligation was determined as part of the actuarial valuation prepared by the PEBB consulting actuary at July 1, 2013, using the entry age normal cost method. The State's annual OPEB expense is based on the annual required contribution (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. Significant assumptions used in the actuarial valuation include a 3.5 percent per annum rate of return on the investment of present and future assets and projected payroll growth of 3.5 percent. The plan uses a medical healthcare cost inflation adjustment of 3.58 percent in fiscal year 2014, 5.9 percent in fiscal year 2015, 5.6 percent in fiscal year 2016, 6.9 percent in 2017, an average of 6.1 percent between fiscal years 2018 and 2042, and the rate grades down from 5.9 percent to 5.4 percent between fiscal years 2043 and 2063. The dental healthcare cost inflation adjustment was graded from 2.21 percent in fiscal year 2014 to 5 percent for all subsequent fiscal years. The plan's inflation assumption is 2.75 percent. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll using an open 15-year period.

For fiscal years ended June 30, 2014, 2013, and 2012, the components of the PEBB Plan's annual OPEB cost, the amounts actually contributed, and changes to the net OPEB obligation (in millions):

	June 30, 2014	June 30, 2013	June 30, 2012
Annual required contribution	$ 12.8	$ 20.9	$ 20.0
Interest on net OPEB obligation	2.6	2.3	1.9
ARC adjustment	(5.0)	(4.3)	(3.7)
Annual OPEB cost (expense)	10.4	18.9	18.2
Contributions made	(6.6)	(8.4)	(9.0)
Increase in net OPEB obligation	3.8	10.5	9.2
Net OPEB obligation - beginning of year	75.1	64.6	55.4
Net OPEB obligation - end of year	$ 78.9	$ 75.1	$ 64.6
Percent of annual OPEB cost contributed	63.5%	44.4%	49.5%

C. Using Actuarial Valuations

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective and include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

17. DEFERRED COMPENSATION PLANS

The Oregon Savings Growth Plan (OSGP) is a deferred compensation plan available to eligible state employees. Employee contributions are deposited into the Deferred Compensation Fund established by Oregon Revised Statute 243.411. To participate, an employee enters into an individual agreement with the State to defer current earnings to be paid at a future date. The Public Employees Retirement System (PERS) administers the plan. As trustee of the assets, PERS contracts with ING to maintain OSGP participant records. The Office of the State Treasurer, as custodian of the assets, contracts with State Street Bank and Trust Company to provide financial services. PERS may assess a charge to participants not to exceed 2 percent on amounts deferred, both contributions and investment earnings, to cover costs incurred for administering the program. Actual charges to participants, including investment charges, for the year ended June 30, 2014, averaged 0.23 percent of amounts deferred.

Participants direct the selection of investment options and bear any market risk. Although the State has no liability for losses under the OSGP, the State does have the prudent investor responsibility of due care. Activity of the OSGP is reported under the Deferred Compensation Plan in the fiduciary funds combining financial statements. As of June 30, 2014, the fair value of the investments was $1.4 billion.

18. TERMINATION BENEFITS

A. Voluntary Early Retirement Plans

Oregon University System

Several individual universities within the Oregon University System (OUS) offer various retirement incentive or voluntary tenure relinquishment programs. The liability for early retirement benefits is reported in contracts, mortgages, and notes payable on the proprietary funds balance sheet under the University System Fund. The current and noncurrent portions of the liability are $339 thousand and $543 thousand, respectively.

B. Involuntary Early Termination

Oregon University System

The Oregon University System has severance agreements with two former employees related to early termination of their employment contracts. The future payout period under each severance agreement ranges from three to four years. The liability for early termination benefits is reported in contracts, mortgages, and notes payable on the proprietary funds balance sheet under the University System Fund. The current and noncurrent portions of the liability are $1.6 million and $3.6 million, respectively. The amount of the liability was determined by calculating the present value of expected future benefit payments using discount rates ranging from 0.57 to 0.87 percent.

19. RISK FINANCING

A. Property, Liability, and Workers' Compensation Coverage for State Government

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 moneys 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 $400 million and a blanket commercial crime policy with a limit of $20 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 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.

Risk Management purchases workers' compensation insurance for the State from SAIF Corporation, a discretely presented component unit, utilizing retrospective paid loss plans. These plans are ten years in length and have cash flow and investment earnings advantages. The accumulated claim loss liability for the plans was approximately $67.8 million as of June 30, 2014. Independent actuaries determine biennial loss forecasts.

Periodically, Risk Management reevaluates claims liabilities taking into consideration recently settled claims, the frequency of claims, and other economic and social factors. Contracted actuaries estimate claims and allocated and unallocated expenses using the last 20 to 25 years of State claims experience and the projected numbers of employees, payroll, vehicles, and other property. Liabilities include an amount for claims and legal expenses that have been incurred but not reported and are discounted at an annual rate of 2 percent. The actuaries forecast ultimate losses by line of coverage.

Changes in the balance of aggregate claims liabilities for the property, liability, and workers' compensation insurance program for the years ended June 30, 2014 and 2013 (in thousands):

Fiscal Year	Beginning Balance	Increase in Claims or Estimate	Claims Payments	Ending Balance
2014	$ 140,146	$ 45,092	$ (37,898)	$ 147,340
2013	119,633	46,626	(26,113)	140,146

The June 30, 2014, balance of claims liabilities is included in claims and judgments payable on the combining statement of net position of internal service funds under Central Services.

B. State Self-insured Healthcare Plans

Chapter 243 of the Oregon Revised Statutes authorizes the Public Employees' Benefit Board (PEBB) to establish and maintain medical, dental, and vision insurance plans for the benefit of PEBB members. Currently, the State provides these benefits through four self-insured plans.

PEBB is responsible for controlling expenditures, stabilizing benefit premium rates, and minimizing the risk of loss. Funds set aside in a stabilization fund may be used to offset any actual premium deficiencies in the self-funded plans. The reserve is considered adequate to cover catastrophic losses due to large claims in the self-insured plans, as well as unexpected increases in trend, utilization, or other potential fluctuations. PEBB has not purchased stop-loss coverage on any of the plans.

Contracted actuaries and consultants estimate the claims liability. Incurred but not reported expenses are estimated by using claims lag triangles from the plans to develop completion factors. For the most recent months, incurred claims are estimated based upon reviewing the most recent claims experience per employee and adjusting for trend and seasonality to the projection month. Since most of the claims will be paid out within the year, the estimated amounts are not discounted. Specific adjustments for subrogation or other anticipated recoveries are not included. Overall, these adjustments are not expected to be significant. The amount of claims for the medical, dental, and vision plans did not exceed the self-insured coverage for the past three fiscal years.

Changes in the balance of aggregate claims liabilities for the self-insured healthcare plans for the years ended June 30, 2014 and 2013 (in thousands):

Fiscal Year	Beginning Balance	Increase in Claims or Estimate	Claims Payments	Ending Balance
2014	$ 66,537	$ 555,991	$ (556,010)	$ 66,518
2013	69,921	525,659	(529,043)	66,537

The June 30, 2014, balance of claims liabilities is included in claims and judgments payable on the combining statement of net position of internal service funds under Health Services.

C. Supplemental Workers' Compensation Insurance

The Department of Consumer and Business Services operates several supplemental workers' compensation benefit programs. These programs are accounted for in special revenue funds. The primary program is the Retroactive Program, established by Oregon Revised Statute 656.506. It provides increased insurance benefits to claimants or their beneficiaries when current payment requirements exceed benefits in effect at the time of injury.

The Department of Consumer and Business Services determines the funding of supplemental workers' compensation insurance programs through cash flow projections based on historical data and economic forecasts. Employer work hour assessments, contributions by employees, workers' compensation insurance premium assessments, and investment and interest earnings pay for the programs. Long-term liabilities were actuarially computed as of June 30, 2014, using a 4 percent discount rate.

Changes in the balance of aggregate claims liabilities for supplemental workers' compensation insurance for the years ended June 30, 2014, and 2013 (in thousands):

Fiscal Year	Beginning Balance	Increase in Claims or Estimate	Claims Payments	Ending Balance
2014	$ 980,753	$ 75,441	$ (88,643)	$ 967,551
2013	846,351	222,365	(87,963)	980,753

The June 30, 2014, balance of claims liabilities is included in claims and judgments payable on the government-wide statement of net position under governmental activities.

D. Oregon University System

In July of 2012, in accordance with ORS 351.096, the Oregon State Board of Higher Education Finance & Administration Committee established the Oregon University System (OUS) Risk Management Program to protect the life safety, reputation, financial operations, and property risks associated with the System's broad scope of enterprise activities. The OUS Office of Risk Management (Risk Management) manages the program in a transparent manner using best practices and industry standards for risk financing including risk retention and transfer, and risk controls while supporting an enhanced culture of risk mitigation within the system. The financing for this program is provided through the establishment of a Risk Fund (Fund) consisting of three sub-funds for Casualty, Property, and Workers' Compensation. All seven OUS institutions and the Chancellor's Office participate in the program and make payments to the risk Fund based on a risk allocation model and actuarial estimates of the amounts needed to pay prior and current year claims. The Fund manages a combination of self-insurance and excess insurance for the following potential risks:

- Real property loss for university owned buildings, equipment, automobiles and other types of property
- Tort liability claims brought against OUS, its officers, employees or agents
- Workers' compensation and employers liability
- Crime and fiduciary
- Specialty lines of business including marine, medical practicums, international travel, fine art, aircraft, camps, clinics and other items

OUS Risk Management purchases commercial insurance for claims in excess of coverage provided by the self-insurance program and for all other risks of loss. The self-insured property coverage is based on a total insurable value of $9 billion with a $500 million limit of liability with sub-limits for business interruption, earthquake, and flood. In addition, the universities applied a membership credit of over $190 thousand towards seismic gas shut off valves in fiscal year 2014 to help minimize fire damage in the event of an earthquake. The casualty program covers general tort claims as well as directors and officers, errors and omissions, and employment liability. Limits of liability for this program total $50 million, and for general liability and educator's legal liability this is in excess of over $1 million in the self-insured program. Settled claims did not exceed commercial coverage in the first two years of the program. Liabilities include an amount for claims that have

been incurred but not reported (IBNR) of $6.6 million. Changes in the balance of aggregate claims liabilities, including IBNR, for the property, liability, and workers' compensation insurance program for the years ended June 30, 2014, and 2013 (in thousands):

Fiscal Year	Beginning Balance	Increase in Claims or Estimate	Claims Payments	Ending Balance
2014	$ 14,677	$ 766	$ (3,800)	$ 11,643
2013	-	18,433	(3,756)	14,677

The June 30, 2014 balance of claims liabilities is included in claims and judgments payable on the statement of net position of proprietary funds under University System.

E. Standard Retiree Health Insurance Account

Chapter 238 of the Oregon Revised Statutes authorizes the Public Employees Retirement System (PERS) to contract with health insurance carriers to provide health care insurance for eligible retired members of PERS. The Standard Retiree Health Insurance Account (SRHIA) establishes claim liabilities based on estimates of the ultimate costs of claims (including future claim adjustment expenses) that have been reported but not settled and of claims that have been incurred but not reported (IBNR). The estimated claims liability is calculated by contracted health insurance consultants using a variety of actuarial and statistical techniques and adjusted for actual experience to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made. The estimated claims liability of $14.5 million is carried at its face amount, and no interest discount is assumed.

Changes in the balance of aggregate claims liabilities for the standard retiree health insurance account for the years ended June 30, 2014, and 2013 (in thousands):

Fiscal Year	Beginning Balance	Increase in Claims or Estimate	Claims Payments	Ending Balance
2014	$ 14,090	$ 175,413	$ (175,011)	$ 14,492
2013	13,959	172,889	(172,758)	14,090

The June 30, 2014 balance of claims liabilities for SRHIA is included in claims and judgments payable on the statement of net position of proprietary funds under Other.

F. SAIF Corporation Workers' Compensation Insurance

The Legislature created SAIF Corporation (SAIF) to transact workers' compensation insurance and reinsurance business. SAIF is an independent public corporation, a discretely presented component unit of the State, and the largest workers' compensation insurer in Oregon.

SAIF has established a reserve for both reported and unreported insured events, which includes estimates of future payments of losses and related loss adjustment expenses. In estimating the liability for loss and loss adjustment expense, SAIF considers prior experience, industry information, currently recognized trends affecting data specific to SAIF, and other factors relating to workers' compensation insurance underwritten by SAIF.

The liability for loss and loss adjustment expense decreased $11.2 million in calendar year 2013, which was net of favorable development of $193.8 million. Loss reserves decreased $28.7 million. Favorable loss reserve development in prior accident years offset loss reserves for the 2013 calendar accident year. The favorable development is attributed to permanent total disability and permanent partial disability medical loss reserves from recent accident years, and to a change to the future medical escalation rate assumption from 8.5 percent to 8 percent. Indemnity loss reserves experienced favorable development as indemnity costs for recent accident years were much lower than expected. Loss adjustment expense reserves increased $17.5 million. The

favorable development was largely attributed to a decrease in the forecast of future activities and the overall reduction in reserves.

SAIF discounts the indemnity reserve for known unpaid fatal and permanent total disability losses on a tabular basis, using a discount rate of 3.5 percent. SAIF does not discount any incurred but not reported reserves, medical unpaid losses, or unpaid loss adjustment expense. The gross reserve subject to tabular discounting for calendar year 2013 was $258.3 million. The related discount was $89.1 million as of December 31, 2013.

Anticipated salvage and subrogation of $32.4 million was included as a reduction of the reserve for loss and loss adjustment expense at December 31, 2013.

SAIF's exposure to asbestos claims arose from the sale of workers' compensation policies. As of December 31, 2013, SAIF had provided reserves of $23.1 million for loss and loss adjustment expense related to asbestos claims. Changes in the balance of the liability for loss and loss adjustment expense related to workers' compensation insurance underwritten by SAIF for 2013, and 2012 (in thousands):

Calendar Year	Beginning Balance	Incurred Losses and Loss Adjustment Expenses	Adjustment Expense Payments	Ending Balance
2013	$ 3,052,611	$ 316,818	$ (328,054)	$ 3,041,375
2012	3,019,393	353,123	(319,905)	3,052,611

This liability is reported as the reserve for loss and loss adjustment expense on the statement of net position of discretely presented component units under SAIF Corporation.

20. DISCOUNTS AND ALLOWANCES IN PROPRIETARY FUNDS

Proprietary fund revenues, including discretely presented component units, are reported net of discounts and allowances in the accompanying financial statements. Discounts and allowances in proprietary funds for the year ended June 30, 2014 (in thousands):

Proprietary Funds	Type of Revenue	Amount
Lottery Operations	Sales	$ 1,028
Unemployment Compensation	Assessments	4,317
Unemployment Compensation	Fines and forfeitures	42
University System	Charges for services	196,912
University System	Sales	14,979
Nonmajor Enterprise Funds	Other	9,658
Nonmajor Enterprise Funds	Sales	6,214
Internal Service Funds	Other	79
Total discounts and allowances		$ 233,229

21. FUND EQUITY

A. Net Position Restricted by Enabling Legislation

The following schedule summarizes the State's net position at June 30, 2014, that is restricted by enabling legislation (in thousands). All of the legislative restrictions are in governmental activities.

	Restricted Net Position
Expendable Net Position Restricted for:	
Health and social service programs	$ 49,461
Public transportation programs	7,602
Natural resource programs	70,080
Education	304,077
Community protection	8,552
Consumer protection	86,282
Employment services	105,127
Residential assistance	65,285
Other programs	49,796
Nonexpendable Net Position Restricted for:	
Education	900
Residential assistance	10,747
Workers' compensation	250
Total net position restricted by enabling legislation	$ 758,159

B. Changes to Beginning Fund Balance

As of June 30, 2014, the beginning fund balances were restated as follows (in thousands):

	Beginning Balance	Prior Period Adjustments	Accounting Changes	Beginning Balance-Restated
Governmental funds and activities				
General	$ 783,882	$ (59,375)	$ -	$ 724,507
Health and Social Services	233,627	(21,180)	-	212,447
Public Transportation	584,669	(6,980)	-	577,689
Environmental Management	841,132	(17,090)	-	824,042
Common School	998,734	(11)	-	998,723
Other (nonmajor)	1,489,911	928	-	1,490,839
Capital assets, net of depreciation	12,306,341	45,523	-	12,351,864
Other noncurrent assets	1,582,160	(2,672)	(31,506)	1,547,982
Long-term liabilities	(7,370,967)	(357)	-	(7,371,324)
Internal service funds	494,015	(4,060)	(606)	489,349
Total governmental funds and activities	$ 11,943,504	$ (65,274)	$ (32,112)	$ 11,846,118
Proprietary funds and business-type activities				
Housing and Community Services	$ 214,936	$ (6,448)	$ (9,019)	$ 199,469
Lottery Operations	155,898	-	-	155,898
Unemployment Compensation	1,938,670	-	-	1,938,670
University System	1,477,262	-	-	1,477,262
Other (nonmajor)	1,229,441	1,620	(4,314)	1,226,747
Internal service funds adjustment	1,405	-	-	1,405
Total proprietary funds and business-type activities	$ 5,017,612	$ (4,828)	$ (13,333)	$ 4,999,451
Fiduciary funds				
Pension and Other Employee Benefit Trust	$ 65,362,545	$ -	$ -	$ 65,362,545
Private Purpose Trust	27,549	(360)	-	27,189
Short Term Investment Trust	4,768,598	-	-	4,768,598
Intermediate Term Investment Trust	-	30,254	-	30,254
Total fiduciary funds	$ 70,158,692	$ 29,894	$ -	$ 70,188,586

Significant prior period adjustments were made in three governmental funds and activities. A $53.9 million adjustment was made to correct expenditures that were recognized in the incorrect period in the General Fund. In the Health and Social Services Fund, an adjustment of $16 million was made to correct expenditures and revenue that were recognized in the incorrect period. Current prior period adjustments were made to correct the errors. In the Environmental Management Fund, an adjustment of $17.8 million was made to correctly record supplies that were recorded as inventory in prior years. In addition, several agencies made corrections to their capital asset accounts, including $21.9 million adjustment to construction in progress and $19.2 million adjustment to infrastructure capitalization and depreciation.

In fiscal year 2013, the portion of the Oregon Intermediate Term Pool (OITP) belonging to an entity other than the State was reported within the Private Purpose Trust Fund, with the initial deposit of $30 million reported as a custodial liability. During the current year it was determined that it is more appropriate to report this as the Intermediate Term Investment Trust Fund, which is an investment trust fund. To make this correction, a prior period adjustment of $254 thousand, which reflected fiscal year 2013 earnings, was recorded in the Private Purpose Trust Fund, and a prior period adjustment of $30.2 million was recorded in the Intermediate Term Investment Trust Fund, reflecting both the initial deposit and the fiscal year 2013 earnings.

All accounting changes reported in the governmental funds and activities and the proprietary funds and business-type activities are the result of implementing GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities.* The Statement established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported

as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

C. Fund Balances – Governmental Funds

The following table displays in detail the June 30, 2014, fund balances that are reported in the aggregate on the governmental funds balance sheet (in thousands):

Fund balances	General	Health and Social Services	Public Transportation	Environmental Management	Common School	Other	Total
Nonspendable:							
Not in spendable form	$ 24,411	$ 913	$ 31,551	$ 9,577	$ -	$ 3,317	$ 69,769
Required to be maintained intact	19	52	40	253	-	15,025	15,389
Restricted for:							
Public health and welfare	738	236,813	-	-	-	-	237,551
Roads and bridges	-	-	804,293	-	-	-	804,293
Conservation and natural resources	72,765	-	-	754,271	-	-	827,036
K-12 Education	-	-	-	-	1,190,529	71,750	1,262,279
Education stabilization	-	-	-	-	-	113,812	113,812
Community protection	-	-	-	-	-	96,629	96,629
Licensing and regulation	-	-	-	-	-	88,291	88,291
Employment related programs	-	-	-	-	-	109,506	109,506
Low income housing assistance	-	-	-	-	-	140,501	140,501
Debt service	-	-	-	-	-	391,439	391,439
Capital projects	-	-	-	-	-	40,901	40,901
Other purposes	182,036	-	-	-	-	94,214	276,250
Committed to:							
Public health and welfare	-	110,366	-	-	-	-	110,366
Conservation and natural resources	-	-	-	50,043	-	-	50,043
Education	-	-	-	-	-	18,176	18,176
Business development	-	-	-	-	-	34,264	34,264
Community protection	-	-	-	-	-	82,656	82,656
Licensing and regulation	-	-	-	-	-	35,373	35,373
Employment related programs	-	-	-	-	-	98,864	98,864
Low-income housing assistance	-	-	-	-	-	154,613	154,613
Stabilization	62,224	-	-	-	-	-	62,224
Other purposes	30,754	-	-	-	-	1,941	32,695
Assigned to:							
Conservation and natural resources	-	-	-	6,297	-	-	6,297
Education	-	-	-	-	-	4,079	4,079
Community protection	-	-	-	-	-	2,541	2,541
Employment related programs	-	-	-	-	-	3,058	3,058
Other purposes	1,327	-	-	-	-	7,323	8,650
Unassigned:	394,999	(17,553)	-	-	-	(684)	376,762
Total fund balances	$769,273	$ 330,591	$ 835,884	$ 820,441	$1,190,529	$1,607,589	$5,554,307

Nonspendable fund balances include inventories and prepaid items, which are not in spendable form, and fund balances associated with the corpus of revolving funds and permanent fund principal, which are legally or contractually required to be maintained intact.

Restricted fund balances result from constraints imposed on net position by law through constitutional provisions or enabling legislation or by parties outside the State, such as creditors, grantors, contributors, or laws or regulations of other governments. Enabling legislation authorizes the State to levy, assess, charge, or otherwise mandate payment from external resource providers and includes a legally enforceable requirement that those resources be used only for specific purposes stipulated by the legislation.

Committed fund balance results from constraints imposed by bills passed by the Legislature and signed into law by the Governor. The constraints on the use of resources are separate from the authorization to raise the underlying revenue and may be modified or rescinded only by passing additional legislation.

Assigned fund balance represents amounts that are constrained by the State's intent to use them for specific purposes, which are neither restricted nor committed. Intent is expressed by the Legislature via the budget process when there is no legislation other than a budget bill imposing constraints.

D. Deficit Net Position

The Energy Loan Fund, a nonmajor enterprise fund, reports a deficit net position of $8.7 million as of June 30, 2014.

E. Stabilization Arrangements

Oregon maintains two stabilization funds – the Oregon Rainy Day Fund and the Education Stability Fund.

Established by the 2007 Legislature, the Oregon Rainy Day Fund is funded from the General Fund's ending balance up to 1 percent of General Fund appropriations for the prior biennium. The Legislature may deposit additional funds as it did to create the fund, using surplus corporate income tax revenues from the 2005-07 biennium. The Rainy Day Fund also earns interest on the moneys in the fund. Fund balance is capped at 7.5 percent of General Fund revenues in the prior biennium.

Stabilization amounts in the Oregon Rainy Day Fund may be spent if approved by three-fifths of the members of the Legislative Assembly and one of the following conditions exists:

- The last quarterly economic and revenue forecast for a biennium indicates that moneys available to the General Fund for the next biennium will be at least 3 percent less than appropriations from the General Fund for the current biennium;
- There has been a decline for two or more consecutive quarters in the last 12 months in seasonally adjusted nonfarm payroll employment; or
- A quarterly economic and revenue forecast projects that revenues in the General Fund in the current biennium will be at least 2 percent below what the revenues were projected to be in the revenue forecast on which the legislatively adopted budget for the current biennium was based.

For any one biennium, the Legislative Assembly may not appropriate more than two-thirds of the amount that is in the Oregon Rainy Day Fund at the beginning of that biennium. If the appropriation is for a biennium that has not yet begun, the Legislative Assembly may use as the base the most recent estimate of the amount that will be in the Oregon Rainy Day Fund at the beginning of the biennium for which the appropriation is made. The fund balance of the Oregon Rainy Day Fund as of June 30, 2014, was $62.2 million.

The Education Stability Fund is authorized in the Oregon Constitution, Article XV. Section 4, part (4)(d), requires that 18 percent of net lottery proceeds be deposited in the fund. Earnings on moneys in the fund are retained by the fund or continuously appropriated to finance public education under Oregon Revised Statute 348.696. The balance in the fund may not exceed 5 percent of General Fund revenues of the prior biennium.

Amounts in the Education Stability Fund may be spent under the same conditions as those required for spending moneys in the Oregon Rainy Day Fund. However, if none of the conditions is met, the Education Stability Fund can also be used by the Legislature for public education. The Governor must declare an emergency and the expenditure must be approved by a three-fifths majority in each chamber. The fund balance of the Education Stability Fund as of June 30, 2014, was $113.8 million.

22. NONEXCHANGE FINANCIAL GUARANTEES

Article XI-K of the Oregon Constitution allows the State to guarantee the general obligation bonded indebtedness of school districts, education service districts, and community college districts, in order to secure lower interest costs on general obligation bonds of such districts, without receiving equal or approximately equal value in exchange. Payment of the principal and interest on the bonds when due is guaranteed by the full faith and credit of the State under the provisions of the Oregon School Bond Guaranty Act – Oregon Revised Statutes (ORS) 328.321 to 328.356. The amount of debt that the State may incur in honoring its guaranty of school bonds may not exceed, at any one time, one-half of one percent of the real market value of all taxable property

in the State. School districts, education service districts, and community college districts are entities legally separate from the State.

To apply and qualify for the Oregon School Bond Guaranty certification, districts must provide comprehensive information to the Debt Management Division of the Office of the State Treasurer. After application approval, no additional information is required to be provided to the Debt Management Division, except when a school district knows it will not make scheduled payments on the State guaranteed general obligation bonds it has issued. The district is then required to notify the trustee of the general obligation bonds and the Debt Management Division 15 days prior to the scheduled payment. The qualifying certification analysis threshold is less than or equal to 20 percent coverage risk, and throughout the program's history, no district has ever defaulted.

If one or more payments are made by the State, as provided for in the Oregon School Bond Guaranty Act, the Oregon State Treasurer shall pursue recovery from the district of all money necessary to reimburse the State. In seeking recovery, the State Treasurer may (i) intercept any payments from the General Fund, the State School Fund, the income of the Common School Fund and any other source of operating moneys provided by or through the State to the district that issued the bonds that would otherwise be paid to the district by the State, and (ii) apply any intercepted payments to reimburse the State for payments made pursuant to the State's guaranty until all obligations of the district to the State arising from those payments, including any interest and penalties, are paid in full.

At June 30, 2014, the State had extended nonexchange financial guarantees of $3.7 billion for outstanding general obligation indebtedness of school districts, education service districts, and community college districts. The longest current guaranty is for outstanding general obligation bonds that mature June 15, 2046.

23. COMMITMENTS

The State has significant commitments as of June 30, 2014, in addition to the construction contract commitments disclosed in Note 6. Commitments are defined as existing arrangements to enter into future transactions or events, such as contractual obligations with vendors for future purchases or services at specified prices and sometimes at specified quantities. Commitments may also include agreements to make grants and loans.

Commitments in effect as of June 30, 2014, and the anticipated sources of funding (in thousands):

Purpose	General Funds	Federal Funds	Lottery Funds	Other Funds	Total
Community services contracts	$ 141,630	$ 130,272	$ 3,295	$ 35,946	$ 311,143
Grant & loan commitments	142,002	327,635	69,101	209,704	748,442
Personal services contracts	128,600	111,965	1,784	60,871	303,220
Public defense contracts	133,420	-	-	-	133,420
Systems development	22,924	231	-	8,774	31,929
Equipment purchases	8	65	69,269	617	69,959
Total commitments	$ 568,584	$ 570,168	$ 143,449	$ 315,912	$ 1,598,113

Encumbrance balances in the governmental funds as of June 30, 2014 (in thousands):

Governmental Funds	Amount
General	$ 15,757
Health and Social Services	1,143
Environmental Management	1,718
Other Nonmajor	30,109
Total encumbrances	$ 48,727

The Oregon Investment Council has entered into agreements that commit the investment managers for the Oregon Public Employees Retirement Fund (OPERF) and the Common School Fund (CSF), upon request, to make additional investment purchases up to a predetermined amount. The Oregon Growth Account (OGA) Board makes similar commitments for investment purchases. As of June 30, 2014, the OPERF had $7.7 billion in commitments to purchase private equity investments, $2.5 billion to purchase real estate investments, $426 million to purchase Opportunity Fund investments, and $1.1 billion to purchase Alternative Equity portfolio investments. As of June 30, 2014, the CSF and the OGA had $84.3 million and $21.1 million, respectively, in commitments to purchase private equity investments. These amounts are unfunded and are not recorded in the financial statements.

24. CONTINGENCIES

A. Litigation

Public Employees Retirement System

Senate Bill (SB) 822, passed in the 2013 regular legislative session, limits the amount of annual cost of living adjustments that may be received by retirees to 1.5 percent in 2013 and thereafter between 0.25 percent and 2 percent, depending on the amount of benefit received. SB 822 also eliminated an additional payment made to retirees residing outside of Oregon. Several cases have been filed on behalf of PERS retirees and active employees challenging changes to PERS retirement benefits.

In the 2013 special session, the Legislature adopted SB 861 which further limited cost of living increases beginning in 2014 to 1.25 percent on the first $60 thousand of annual benefits and 0.15 percent on amounts above that. Challenges to both SB 822 and SB 861 have been filed directly with the Oregon Supreme Court. The petitioners allege that SB 822 and SB 861 constitute a breach of contract as well as an impairment of contract and a taking of property rights in violation of the Oregon and United States constitutions. A special master was appointed to gather evidence and recommend findings of fact to the Supreme Court. The special master presented his final report and findings of fact to the Court on April 30, 2014. The parties filed briefs in the Oregon Supreme Court, which heard oral argument on October 14, 2014. The State cannot predict when the Court will issue its ruling on the matter.

If SB 822 and SB 861 are held unconstitutional, the anticipated savings from the PERS changes may not be realized for the future biennia.

Portland Harbor Superfund

Two state agencies are involved in negotiations related to a confidential, non-judicial mediation process that will result in an allocation of costs associated with the investigation and cleanup of sediment contamination in the Portland Harbor, a ten-mile stretch of the lower Willamette River area that the U.S. Environmental Protection Agency (EPA) has listed as a Superfund site under the federal Superfund law (CERCLA). Over 200 parties, private companies and public entities, may eventually be found liable for a share of the costs related to investigation and cleanup of the site.

The Oregon Department of Transportation (ODOT) and the Oregon Department of State Lands (DSL) have received General Notice Letters from the EPA informing them that the State, by and through those agencies, is a potentially responsible party (PRP) under CERCLA for cleanup costs at the site. It is too early in the process to estimate the total amount of the cleanup costs that will be shared by liable parties. A draft feasibility study outlines eleven alternative options, ranging in costs from $269 million to $1.8 billion. It is also too early to estimate the proportionate share of the liability for cleanup costs, if any, that may ultimately be assessed against either of the State agencies. When the mediation will end is not known but it could be as late as 2019.

The Portland Harbor Superfund will also involve a separate allocation of liability for injuries to natural resources caused by contamination at the site, which is an additional type of recovery under the Superfund law known as natural resource damages (NRD). The NRD claim will be asserted against all PRPs, including ODOT and DSL, by the Portland Harbor natural resource trustees, a group composed of five tribes, two federal agencies, and the State. The trustees have initiated a cooperative injury assessment process funded by thirty parties including the State. The NRD process will result in an allocation of liability for NRD damages at the same time as the allocation of liability for remedial costs, although parties may alternatively elect to seek an earlier settlement with the trustees. The State, in 2014, advised the trustees that it will seek to negotiate a settlement of its NRD

liabilities in 2015. It is too early to estimate what, if any, share of the liability the State may ultimately bear for natural resource damages.

The State is pursuing claims for insurance coverage of its Portland Harbor defense costs and any future liabilities for cleanup costs and natural resource damages. These claims are based on insurance policies the State held from 1968 to 1972, and policies that listed DSL as an additional insured. These insurance carriers have agreed to participate in funding the State's defense in Portland Harbor proceedings, but have reserved their rights to deny indemnity coverage. The State plans to pursue its rights to indemnity coverage under these policies.

Community Mental Health Programs

The State is engaged in discussions with the United States Department of Justice (USDOJ) concerning the State's community mental health programs. The USDOJ is conducting an ongoing investigation to determine if the State has complied with the federal Americans with Disabilities Act. In November 2012, the State and USDOJ have entered into a four-year agreement, under which the State will, among other things, share data and will discuss system gaps and outcome measures that could be adopted by the State. The State and USDOJ are approaching the end of year two of the four-year term. Either party has the right to opt out of the agreement if it is dissatisfied with the process. The State expects that if the USDOJ were to subsequently determine that there are violations of federal law, the USDOJ will issue written findings that specify the nature of any violations. At that time, the State will be in a better position to estimate the costs to remedy any asserted violations. It is possible that the costs of changes, if any, to the State's community mental health programs could reach or exceed $50 million.

Multistate Tax Compact

The Oregon Tax Court has a case pending that challenges the State's departure from provisions in the Multistate Tax Compact (Compact) when apportioning income attributable to corporations operating in more than one state. Under the Compact, the income of a multi-state corporation is apportioned to a state using an equally weighted three-factor formula. The formula compares in-state payroll, property, and sales to the corporation's overall payroll, property, and sales. Oregon began double-weighting the sales factor in 1991, and currently, the State uses only sales in Oregon and does not use the other two factors to apportion corporate income. In 1993, Oregon barred the Compact apportionment election by separate statute. The taxpayer in Health Net v. Dept. of Revenue asserts that the Compact is a binding contractual arrangement that cannot be unilaterally changed by a participating state and, therefore, the State must allow taxpayers to apportion multi-state corporate income based only on the formula in the Compact. If the taxpayer prevails and a court determines the State must use the Compact formula, other corporations may seek refunds using the same theory and the State may be liable for additional refunds of corporate excise and income tax in the future. The State has insufficient data to predict accurately the amounts it could be required to refund or the overall impact on future revenues. Those amounts would depend on the circumstances of individual corporations that may, or may not, seek refunds and actions taken by the Legislative Assembly in response to an adverse ruling. Such actions could include withdrawing from the Compact or adopting legislative changes to apportionment statutes. Preliminary estimates, however, indicate the potential maximum refund liability and reductions in corporate income tax revenues, without any legislative action, would exceed $50 million. The State anticipates that the Oregon Tax Court's ruling will be appealed to the Oregon Supreme Court by either the State or the taxpayer. In 2013, the State withdrew from the Compact and then re-enacted the Compact without the apportionment election provisions.

Foster Home Cases

Complaints have been filed against the Oregon Department of Human Services, and a number of its employees, on behalf of at least 16 children who were placed in foster care between 2007 and 2011. The children were generally medically fragile or had other special needs. The plaintiffs have filed an action in federal court based on alleged violations of federal civil rights and other laws. The plaintiffs have also filed actions in the State Circuit Court that may be stayed while the plaintiffs pursue their action in federal courts. Plaintiffs seek awards for damages based on abuse of a vulnerable person that may be trebled to as much as $77 million, as well as additional economic and noneconomic damages and an award of attorney fees and costs. It is too early in the case to evaluate the likelihood of the success of the plaintiffs' claims or whether any damages ultimately would be awarded. It is likely, however, that if the plaintiffs prevail, any damages awarded by the court would be paid from the State's Insurance Fund (a self-insurance fund), rather than through an appropriation from the General Fund.

Cover Oregon

The State developed its own health insurance exchange program, commonly known as Cover Oregon, which subsequently was placed into a separate public corporation and was adapted to requirements related to health insurance coverage set forth in the federal Affordable Care Act. The State hired a private contractor, Oracle Corporation, both to modernize its human service system and develop the website through which Oregonians would shop for and obtain the insurance coverage required under federal law. On October 1, 2013, when the website was to be fully operational for the public, it did not work. Despite continuing efforts, the website has never launched to the public. On April 25, 2014, the Cover Oregon Board voted to move to the federal website for certain services. Cover Oregon is continuing to work on that transition. In addition, the State's project to modernize its social service system was also placed on hold in 2013.

In June 2014, the Oregon Attorney General launched a false claims investigation into Oracle's charges for both the State's modernization project and the Cover Oregon website. While the investigation was pending, on August 8, 2014, Oracle sued Cover Oregon, and later added the State, claiming it was owed an additional $23 million for its work, in addition to other claims. The State and Cover Oregon have filed motions to dismiss that lawsuit, which are currently pending. On August 22, 2014, the Attorney General, the State, and Cover Oregon filed suit for damages against Oracle.

In addition, the federal Government Accounting Office has indicated that it intends to investigate the development of health insurance exchanges by a number of states, including Oregon. It is possible that the federal government could determine that certain expenditures for Oregon's health insurance exchange were improper. If that occurred, it is possible the federal government would seek repayment from the State of any disallowed amounts. It is too early, however, to know what the investigation will find, if the federal government would take any action as a result of the investigation or the nature of any action the federal government might take.

Columbia River Crossing

The Interstate 5 (I-5) Columbia River Crossing (CRC) project (the CRC Project) was a multimodal project focused on improving safety, reducing congestion, and increasing mobility of motorists, freight traffic, transit riders, bicyclists, and pedestrians within the I-5 corridor connecting the states of Oregon and Washington. The Oregon Department of Transportation (ODOT) and the Washington State Department of Transportation (WSDOT) worked together on the development of the CRC Project with the involvement of various federal agencies and many local governments in both states.

During its 2013 legislative session, the Oregon Legislative Assembly enacted House Bill 2800 (HB 2800), which among other things, set out the State's commitment to finance its share of the CRC Project costs contingent upon the State of Washington also providing funding for the Project. In June 2013, the Washington State legislature adjourned without providing a transportation revenue package that included construction funding for the CRC Project. The Oregon and Washington legislatures also adjourned in March 2014 without providing construction funding for the CRC Project. Without the necessary funding and legislative amendments in place to move the CRC Project to construction, the Department shut the CRC Project down in May 2014.

ODOT expended approximately $105 million on the CRC Project of which $12 million were from State funds and $93 million from Federal funds. Under Federal Highway Administration (FHWA) policy, failure to advance the project from environmental work and design into right of way acquisition within 10 years of the initial obligation of funds could trigger a requirement to repay Federal funds used on the project. However, FHWA regulations also allow for a time extension with no repayment of Federal funds if an extension is requested and FHWA considers the request to be reasonable. Currently, FHWA has granted Oregon and Washington an extension of the requirement to repay Federal funds until 2019. ODOT has subsequently requested an additional extension until 2022 and continues discussions with FHWA regarding the I-5 bridge replacement and Federal funds repayment timing and amounts, if any.

B. Unemployment Benefits

State employees who qualify are entitled to benefit payments during periods of unemployment. Each state agency is required to reimburse the Employment Department for benefit payments made to former employees. The amount of future benefit payments to claimants and the resulting liability to the State cannot be reasonably estimated. Consequently, this potential obligation is not reported in the accompanying financial statements. Expenditures relating to these benefits for the year ended June 30, 2014, totaled approximately $13.9 million.

C. Federal Issues

The State receives significant financial assistance from the federal government. Entitlement to these resources is generally based on compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability of the fund that receives the grant. As of June 30, 2014, there is no indication that such audits will result in a material liability.

25. SUBSEQUENT EVENTS

A. Long-term Debt Issues

Long-term debt issued, including refundings, since July 1, 2014 (in thousands):

Type of Debt	Amount
General Obligation Bonds	
Department of Veterans' Affairs	$ 35,965
Revenue Bonds	
Housing and Community Services Department	30,900
Department of Administrative Services	213,775
Department of Transportation	194,530

B. Bond Calls

Bond calls that have occurred since July 1, 2014 (in thousands):

Type of Call	Amount
General Obligation Bonds	
Department of Veterans' Affairs	$ 25,965
Revenue Bonds	
Housing and Community Services Department	107,905

C. Interest Rate Swaps

On July 1, 2014, the Housing and Community Services Department terminated notional amounts of swaps related to the Mortgage Revenue Bonds listed below (dollars in thousands). These terminations were made pursuant to optional par termination provisions included in each of the swap agreements.

Bond Series	Notional Amount
2004 Series I	$ 12,365
2006 Series C	500
2006 Series F	2,065
2007 Series E	1,235
2008 Series F	2,300

D. Tax Anticipation Notes Issuance

On July 2, 2014, the State issued $590.2 million of full faith and credit Tax Anticipation Notes, 2014 Series A. The proceeds of these notes will be used to meet seasonal cash needs of the State and for cash management purposes within the 2013-2015 biennium.

E. Debt Guarantees

Under Article XI-K of the Oregon Constitution, $715.3 million in bonds for school districts were issued and guaranteed following the fiscal year ended June 30, 2014, as noted below (dollars in thousands). Ultimately, the debt service payments remain the responsibility of the respective school district.

School District	Series	Amount
Clackamas Cty SD 115 (Gladstone)	2014	$ 15,917
Clackamas Cty SD 12 (North Clackamas)	2014	170,380
Lane Cty SD 1 (Pleasant Hill)	2014	17,950
Lane Cty SD 28J (Fern Ridge)	2014A	25,421
Lane Cty SD 28J (Fern Ridge)	2014B	1,245
Lane Cty SD 4J (Eugene)	2014	80,000
Washington Cty SD 1J (Hillsboro)	2014	18,105
Washington Cty SD 48J (Beaverton)	2014A	20,394
Washington Cty SD 48J (Beaverton)	2014B	361,755
Yamhill Cty SD 30J (Willamina)	2014	2,000
Yamhill Cty SD 48J (Sheridan)	2014	2,105
Total debt guarantees		$ 715,272

F. Oregon University System Structure Changes

Pursuant to Senate Bill (SB) 270, passed by the Oregon Legislature during fiscal year 2013, Oregon State University (OSU), Portland State University (PSU), and University of Oregon (UO) are each an independent public body legally separate from the State as of July 1, 2014. These three entities will no longer be included in the University System Fund starting with fiscal year 2015. SB 270 also contained language providing pathways for the Eastern Oregon University (EOU), Oregon Institute of Technology (OIT), Southern Oregon University (SOU), and Western Oregon University (WOU) to become independent public bodies, legally separate from State. Effective July 1, 2015, each public university will be a stand-alone legal entity and governed by their own board of trustees. Each university will continue to be included as a discretely presented component unit in the Comprehensive Annual Financial Report issued by the State.

Required Supplementary Information

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Budgeted Appropriated Funds

The State accounts for budgetary activities based on the source of moneys used to pay expenditures. Separate appropriated funds are established for each funding source.

General Fund

This fund accounts for expenditures made with general fund revenue. General fund revenue consists largely of personal and corporate income taxes.

Federal Funds

This fund accounts for budgeted expenditures made with federal revenue.

Lottery Funds

This fund accounts for expenditures made with lottery funds. These funds, which are earned by the State Lottery, are transferred to the Economic Development Fund at the Department of Administrative Services for disbursement to agencies where the funds are expended.

Other Funds

This fund accounts for budgeted expenditures other than those funded by general, federal and lottery funds.

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - Budgetary (Non-GAAP) Basis -
All Budgeted Appropriated Funds
For the Biennium Ending June 30, 2015
As of June 30, 2014
(In Thousands)

	General Fund			
	2013-2015 Original Budget	2013-2015 Final Budget	1st Year Actual	Variance Over/ (Under)
Revenues:				
Personal Income Taxes	$13,645,193	$13,645,193	$ 6,447,665	$ (7,197,528)
Corporate Income Taxes	1,012,037	1,012,037	494,759	(517,278)
Tobacco Taxes	128,416	128,416	66,258	(62,158)
Motor Fuels Taxes	-	-	-	-
Weight Mile Taxes	-	-	-	-
Vehicle Registration Taxes	-	-	-	-
Other Taxes	320,370	320,370	149,599	(170,771)
Licenses and Fees	217,733	219,933	93,538	(126,395)
Federal	-	-	-	-
Charges for Services	8,152	8,152	3,649	(4,503)
Fines and Forfeitures	60,800	60,800	1,871	(58,929)
Rents and Royalties	-	-	-	-
Investment Income	9,961	9,961	4,235	(5,726)
Sales	1,257	1,257	644	(613)
Donations and Grants	-	-	5	5
Pension Bond Debt Service Assessments	-	-	-	-
Other	17,319	17,319	39	(17,280)
Total Revenues	15,421,238	15,423,438	7,262,262	(8,161,176)
Expenditures:				
Education	8,065,895	8,225,717	4,087,623	(4,138,094)
Human Services	4,226,049	4,297,651	2,380,928	(1,916,723)
Public Safety	2,031,171	2,101,378	1,049,136	(1,052,242)
Economic and Community Development	26,293	37,472	16,401	(21,071)
Natural Resources	164,962	211,941	114,310	(97,631)
Transportation	2,060	11,060	2,529	(8,531)
Consumer and Business Services	11,517	11,847	5,344	(6,503)
Administration	198,710	204,223	92,989	(111,234)
Legislative	243,073	160,670	38,510	(122,160)
Judicial	638,940	652,706	323,045	(329,661)
Total Expenditures	15,608,670	15,914,665	8,110,815	(7,803,850)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(187,432)	(491,227)	(848,553)	(357,326)
Other Financing Sources (Uses):				
Transfers from Other Funds	1,001,636	1,010,976	199,792	(811,184)
Transfers to Other Funds	(727,678)	(738,672)	(4,631)	734,041
Long-term Debt Issued	-	-	-	-
Debt Issuance Premium	-	-	-	-
Loan Proceeds	-	-	-	-
Gain(Loss) on Disposition of Assets	-	-	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	$ 86,526	$ (218,923)	(653,392)	$ (434,469)
Budgetary Fund Balances - Beginning			966,564	
Prior Period Adjustments			(57,359)	
Budgetary Fund Balances - Beginning - As Restated			909,205	
Prior Biennium Transactions			(33,773)	
Budgetary Fund Balances - Ending			$ 222,040	

Federal Funds				Lottery Funds			
2013-2015 Original Budget	2013-2015 Final Budget	1st Year Actual	Variance Over/ (Under)	2013-2015 Original Budget	2013-2015 Final Budget	1st Year Actual	Variance Over/ (Under)
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
12,704,721	13,792,757	6,159,959	(7,632,798)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	2,434	2,434	5,464	3,030
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
12,704,721	13,792,757	6,159,959	(7,632,798)	2,434	2,434	5,464	3,030
1,103,640	1,113,234	400,137	(713,097)	413,084	415,384	109,529	(305,855)
11,321,203	12,594,527	5,412,431	(7,182,096)	10,546	10,593	4,730	(5,863)
485,836	491,612	143,811	(347,801)	6,914	7,167	3,353	(3,814)
276,742	325,819	149,983	(175,836)	124,908	127,065	59,922	(67,143)
276,752	281,921	93,011	(188,910)	165,798	168,608	55,403	(113,205)
124,253	128,544	36,586	(91,958)	93,954	93,954	40,809	(53,145)
4,924	9,795	2,939	(6,856)	-	-	-	-
10,174	9,933	3,698	(6,235)	15,823	15,938	7,358	(8,580)
-	-	-	-	-	-	-	-
1,228	1,233	484	(749)	-	-	-	-
13,604,752	14,956,618	6,243,080	(8,713,538)	831,027	838,709	281,104	(557,605)
(900,031)	(1,163,861)	(83,121)	1,080,740	(828,593)	(836,275)	(275,640)	560,635
1,188	1,188	17,095	15,907	2,217,711	2,209,770	841,136	(1,368,634)
(378,378)	(378,468)	(36,105)	342,363	(1,221,412)	(1,219,856)	(247,095)	972,761
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
$ (1,277,221)	$ (1,541,141)	(102,131)	$ 1,439,010	$ 167,706	$ 153,639	318,401	$ 164,762
		(3,506)				(280,073)	
		1,780				-	
		(1,726)				(280,073)	
		(24,052)				(150,836)	
		$ (127,909)				$ (112,508)	

(continued on next page)

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - Budgetary (Non-GAAP) Basis -
All Budgeted Appropriated Funds
For the Biennium Ending June 30, 2015
As of June 30, 2014
(In Thousands)
(continued from previous page)

	Other Funds			
	2013-2015 Original Budget	2013-2015 Final Budget	1st Year Actual	Variance Over/ (Under)
Revenues:				
Personal Income Taxes	$ -	$ -	$ -	$ -
Corporate Income Taxes	-	-	-	-
Tobacco Taxes	352,205	352,205	181,165	(171,040)
Motor Fuels Taxes	1,066,193	1,066,193	450,866	(615,327)
Weight Mile Taxes	593,106	593,106	245,596	(347,510)
Vehicle Registration Taxes	577,930	577,930	264,906	(313,024)
Other Taxes	1,349,257	1,394,988	515,183	(879,805)
Licenses and Fees	770,222	760,996	377,642	(383,354)
Federal	656,944	656,944	467,205	(189,739)
Charges for Services	1,170,921	1,191,312	1,366,398	175,086
Fines and Forfeitures	147,547	147,547	86,763	(60,784)
Rents and Royalties	112,627	112,627	59,510	(53,117)
Investment Income	170,695	170,795	13,612	(157,183)
Sales	509,504	510,756	122,696	(388,060)
Donations and Grants	28,906	28,913	16,494	(12,419)
Pension Bond Debt Service Assessments	303,860	303,860	154,387	(149,473)
Other	1,243,923	1,340,973	400,294	(940,679)
Total Revenues	9,053,840	9,209,145	4,722,717	(4,486,428)
Expenditures:				
Education	309,045	513,544	72,828	(440,716)
Human Services	4,319,879	4,398,490	1,803,161	(2,595,329)
Public Safety	557,019	568,514	236,125	(332,389)
Economic and Community Development	305,889	394,233	132,958	(261,275)
Natural Resources	854,279	993,661	388,396	(605,265)
Transportation	3,820,157	3,844,697	1,366,197	(2,478,500)
Consumer and Business Services	336,510	341,742	146,406	(195,336)
Administration	1,286,781	1,367,692	600,863	(766,829)
Legislative	42,863	43,076	4,393	(38,683)
Judicial	70,677	73,953	26,648	(47,305)
Total Expenditures	11,903,099	12,539,602	4,777,975	(7,761,627)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,849,259)	(3,330,457)	(55,258)	3,275,199
Other Financing Sources (Uses):				
Transfers from Other Funds	5,042,193	5,053,877	3,553,826	(1,500,051)
Transfers to Other Funds	(6,289,037)	(6,315,370)	(2,781,533)	3,533,837
Long-term Debt Issued	1,382,921	1,384,597	554,613	(829,984)
Debt Issuance Premium	-	-	57,610	57,610
Loan Proceeds	-	-	19	19
Gain(Loss) on Disposition of Assets	-	-	1,050	1,050
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	$ (2,713,182)	$ (3,207,353)	1,330,327	$ 4,537,680
Budgetary Fund Balances - Beginning			2,876,396	
Prior Period Adjustments			(38,690)	
Budgetary Fund Balances - Beginning - As Restated			2,837,706	
Prior Biennium Transactions			(330,493)	
Budgetary Fund Balances - Ending			$ 3,837,540	

Total All Budgeted Appropriated Funds

2013-2015 Original Budget	2013-2015 Final Budget	1st Year Actual	Variance Over/ (Under)
$13,645,193	$13,645,193	$ 6,447,665	$ (7,197,528)
1,012,037	1,012,037	494,759	(517,278)
480,621	480,621	247,423	(233,198)
1,066,193	1,066,193	450,866	(615,327)
593,106	593,106	245,596	(347,510)
577,930	577,930	264,906	(313,024)
1,669,627	1,715,358	664,782	(1,050,576)
987,955	980,929	471,180	(509,749)
13,361,665	14,449,701	6,627,164	(7,822,537)
1,179,073	1,199,464	1,370,047	170,583
208,347	208,347	88,634	(119,713)
112,627	112,627	59,510	(53,117)
183,090	183,190	23,311	(159,879)
510,761	512,013	123,340	(388,673)
28,906	28,913	16,499	(12,414)
303,860	303,860	154,387	(149,473)
1,261,242	1,358,292	400,333	(957,959)
37,182,233	38,427,774	18,150,402	(20,277,372)
9,891,664	10,267,879	4,670,117	(5,597,762)
19,877,677	21,301,261	9,601,250	(11,700,011)
3,080,940	3,168,671	1,432,425	(1,736,246)
733,832	884,589	359,264	(525,325)
1,461,791	1,656,131	651,120	(1,005,011)
4,040,424	4,078,255	1,446,121	(2,632,134)
352,951	363,384	154,689	(208,695)
1,511,488	1,597,786	704,908	(892,878)
285,936	203,746	42,903	(160,843)
710,845	727,892	350,177	(377,715)
41,947,548	44,249,594	19,412,974	(24,836,620)
(4,765,315)	(5,821,820)	(1,262,572)	4,559,248
8,262,728	8,275,811	4,611,849	(3,663,962)
(8,616,505)	(8,652,366)	(3,069,364)	5,583,002
1,382,921	1,384,597	554,613	(829,984)
-	-	57,610	57,610
-	-	19	19
-	-	1,050	1,050
$ (3,736,171)	$ (4,813,778)	893,205	$ 5,706,983
		3,559,381	
		(94,269)	
		3,465,112	
		(539,154)	
		$ 3,819,163	

1. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The State's budget is approved on a biennial basis, where the biennium begins July 1 and ends June 30 of each odd-numbered year. The Governor is required to submit budget recommendations to the Legislature no later than December 1 preceding the biennium. The Governor establishes priorities for the State based on function (i.e., education, human services, etc.) and the budget is summarized by these functions. Expenditures are budgeted based on the following revenue sources: general, federal, lottery, and other.

A constitutional amendment adopted by the people in 2010 changed the historical Oregon "biennial" session process into "annual" sessions. The amendment limited the session length to 160 calendar days in odd-numbered years and to 35 calendar days in even-numbered years. In odd-numbered years, the budget is adopted by the Legislature's passage of separate appropriation bills and by the Governor's approval of those bills. The resulting approved appropriation bills become the appropriated budget for the State. Appropriation bills include one or more appropriations (budgeted expenditure items) which may be at the agency, program, or activity level. The Oregon Constitution requires the budget to be in balance at the end of each biennium. Because of this provision, the State may not budget a deficit and is required to compensate for any revenue shortfalls within each biennium.

Also included in the Governor's budget recommendations are legally authorized, nonappropriated budget items that are not legislatively limited by an appropriation bill. These nonlimited funds include other funds, federal funds, and other funds debt service. Spending plans for nonbudgeted financial activities are also established by agencies for certain expenditures to enhance fiscal control. These nonbudgeted items include federal funds and other funds and are not included in the Governor's budget recommendations.

When the Legislature is not in session, the Legislative Emergency Board is authorized to amend the legally adopted budget. The Emergency Board authorizes and allocates all changes in funding and takes other actions to meet emergency needs. Emergency Board approval is required to authorize the transfer of expenditure authority between appropriations. Management can reallocate within an appropriation without Emergency Board approval.

The State does not budget by the prescribed fund types of generally accepted accounting principles (GAAP). Appropriations may be at the agency, program, or activity level. Accordingly, the legal level of budgetary control is at one of these three levels depending on the Legislature's view of the activity. The State uses the Relational Statewide Accounting and Reporting System (R*STARS) to control expenditures by budgeted expenditure item. Each item on an approved appropriation bill is assigned an appropriation number. In R*STARS, the appropriated funds are tied to one or more appropriation numbers to ensure expenditures do not exceed approved appropriations. The following budgeted appropriated fund types have been established in R*STARS to account for the State's budgetary activities: General Fund, Federal Funds, Lottery Funds, and Other Funds.

Budgets are prepared on the cash basis. Spending limits are established using quarterly allotments. Allotments are required for both appropriated and nonappropriated items. The spending limits are monitored by the Chief Financial Office of the Department of Administrative Services and are controlled by R*STARS. Encumbrance accounting provides additional budgetary control. Encumbrances represent commitments related to unperformed contracts for goods or services. For budgetary reporting purposes, encumbrances are treated like expenditures and are shown as a reduction of fund balance.

The accompanying "Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual-Budgetary (Non-GAAP) Basis - All Budgeted Appropriated Funds" is not presented at the legal level of budgetary control. Such a presentation would be extremely cumbersome. To demonstrate compliance with the legal level of budgetary control, the State has prepared a separate report for the 2013-2015 biennium as of June 30, 2014. A copy of this report is available at the Department of Administrative Services, Chief Financial Office, 155 Cottage Street NE, Salem, Oregon 97301-3969.

Unexpended appropriations at the end of each biennium are available for subsequent expenditure to the extent liabilities have been incurred at June 30, provided payment of those liabilities occurs during the succeeding six-month period of July 1 through December 31. Any remaining unexpended appropriations lapse December 31 following the end of the biennium, except for appropriations related to capital construction.

Agencies are required to provide estimates of expected revenues for program revenue and segregated revenue categories. General Fund revenues consist primarily of general taxes and other receipts that are paid into the

General Fund and are then available for appropriation by the Legislature. Revenues not recorded in the General Fund consist of function specific revenues, which are credited by law to an appropriation to finance a specified program, and segregated revenues that are paid into separate identifiable funds.

The original budget amounts reported for revenues in the accompanying "Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Budgetary (Non-GAAP) Basis - All Budgeted Appropriated Funds" represent original estimates, while budgeted expenditures represent the first complete appropriated budget adopted by the Legislature. The final budget amounts reported for revenues represent revised estimates, while the final budget amounts reported for expenditures represent the original budget modified by legally authorized legislative and executive changes, as well as Emergency Board actions taken during the year.

The major differences between budgetary (non-GAAP) basis and GAAP basis are:

- Encumbrances are recorded as expenditures for budgetary purposes when purchase orders are issued.
- Revenues are recognized when received in cash (budgetary basis) versus when they are susceptible to accrual (GAAP basis).
- Expenditures are recognized when paid in cash or encumbered (budgetary basis) as opposed to when the liability is incurred (GAAP basis).
- Nonappropriated and nonbudgeted funds are not included in the budgetary schedule.
- Timing differences occur because of a six-month lapse period between June 30 and December 31 of each odd-numbered year.

These different accounting principles may result in basis, perspective, entity, and timing differences in the excess (deficiency) of revenues and other financial resources over (under) expenditures and other uses of financial resources. A reconciliation of these differences is presented in Note 2 of the required supplementary information.

2. BUDGETARY BASIS TO GAAP BASIS RECONCILIATION

The accompanying "Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual-Budgetary (Non-GAAP Basis) - All Budgeted Appropriated Funds" presents comparisons of the legally approved budget (more fully described in Note 1) with actual data on a budgetary basis.

Accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles. A reconciliation of the resulting differences in excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses for the year ended June 30, 2014, is presented below. Governmental funds are reconciled to the net change in fund balances. Proprietary funds and fiduciary fund types are reconciled to the change in net position.

	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses (in thousands)								
	Budgetary Balances Classified into GAAP Fund Structure								
GAAP Fund	Budgeted General Fund	Budgeted Federal Funds	Budgeted Lottery Funds	Budgeted Other Funds	Total Budgeted Funds	Timing Differences	Basis Differences	Non-Budgeted Funds	GAAP Balances
General	$(653,392)	$ 1,000	$ 143,126	$ 22,760	$ (486,506)	$ (58,194)	$ 568,094	$ 19,957	$ 43,351
Health and Social Services	-	(122,465)	2,013	450,403	329,951	(101,815)	(78,351)	(31,654)	118,131
Public Transportation	-	1,296	-	247,300	248,596	(41,125)	29,765	19,144	256,380
Environmental Management	-	(12,808)	6,748	62,038	55,978	(36,796)	(10,621)	(12,545)	(3,984)
Common School	-	-	-	(4,716)	(4,716)	(750)	686	196,586	191,806
Nonmajor Governmental	-	31,776	180,403	133,984	346,163	(253,233)	22,208	1,435	116,573
Housing and Community Services	-	-	-	68	68	330	189	2,498	3,085
Lottery Operations	-	-	-	-	-	-	-	49,415	49,415
Unemployment Compensation	-	-	-	-	-	-	-	460,045	460,045
University System	-	-	(14,967)	-	(14,967)	-	14,967	83,229	83,229
Nonmajor Proprietary	-	(930)	1,078	8,843	8,991	(16,718)	(34,915)	53,422	10,780
Internal Service	-	-	-	410,475	410,475	8,144	(73,561)	(274,413)	70,645
Pension and Other Employee Benefit Trust	-	-	-	(828)	(828)	(1,286)	(35,440)	8,403,195	8,365,641
Private Purpose Trust	-	-	-	-	-	-	-	(348)	(348)
Short Term Investment Trust	-	-	-	-	-	-	-	446,364	446,364
Intermediate Term Investment Trust	-	-	-	-	-	-	-	809	809
Totals	$(653,392)	$(102,131)	$ 318,401	$1,330,327	$ 893,205	$ (501,443)	$ 403,021	$ 9,417,139	$10,211,922

Required Supplementary Information
Schedules of Funding Progress
Other Postemployment Benefit Plans
(In Millions)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)[3]	Funded Ratio (a/b)[3]	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
Public Employees Benefit Board (PEBB) Plan						
7/1/2009	$ -	$ 161.7	$ 161.7	0%	$ 2,562.5	6.3%
7/1/2011	-	154.7	154.7	0%	2,329.4	6.6%
7/1/2013[1]	-	105.1	105.1	0%	2,485.8	4.2%
Retiree Health Insurance Premium Account (PERS Plan)[2]						
12/31/2011	$ 4.5	$ 34.4	$ 29.9	13.2%	$ 2,376.9	1.3%
12/31/2012	4.4	60.3	55.9	7.4%	2,432.4	2.3%
12/31/2013	5.2	61.2	56.0	8.5%	2,531.5	2.2%

[1] The July 1, 2013, PEBB Plan actuarial valuation included notable changes from the previous valuation. Based on recent experience and future expectations, future coverage assumptions have been decreased. Twenty percent of active members are assumed to elect medical coverage and 16 percent are estimated to elect dental coverage upon retirement. The prior actuarial valuation estimated 30 percent of active members would elect medical coverage and 24 percent were assumed to elect dental coverage upon retirement.

[2] The benefits of the Retiree Health Insurance Premium Account (RHIPA) are funded through a separate account within the Public Employees Retirement System (PERS) trust. The normal cost rates for RHIPA are very sensitive to the participation levels. According to the latest valuation report, the RHIPA funded status declined in the past year from 13 percent to 7 percent, reflecting both actual participation experience and updated assumptions for future participation experience. Higher participation rates were assumed for retirees eligible for the largest employer-paid subsidies increasing contribution rates, helping to fund the program.

PERS issues a separate, publicly available financial report that includes audited financial statements and required supplementary information. That report may be obtained by writing to the Public Employees Retirement System, Fiscal Services Division, PO Box 23700, Tigard, OR 97281-3700. This report may also be accessed online at:

http://www.oregon.gov/PERS/Pages/section/financial_reports/financials.aspx

[3] Differences due to rounding.

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Combining Fund Financial Statements

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Agricultural Resources Fund

This fund accounts for programs related to the promotion, inspection, and regulation of the State's agricultural industry. Funding for these programs include licenses and fees, charges for services, and federal grants.

Business Development Fund

This fund is used to account for programs that expand existing businesses as well as attract and promote new businesses. Federal grants, transfers from other funds, and revenue bond proceeds comprise the main funding sources for these programs.

Community Protection Fund

This fund accounts for a variety of activities that help to ensure the safety of the State's citizens and their property through the courts, police, military, and correctional facilities. The main funding sources for these programs include federal grants, fines, and state court fees.

Consumer Protection Fund

This fund is used to account for programs that regulate existing businesses and license various professionals and organizations. Public utilities taxes and business license fees comprise the main funding sources.

Educational Support Fund

This fund accounts for programs that provide students with opportunities to develop their academic abilities to the fullest from early childhood to postgraduate research, not including activities accounted for in the Common School Fund. The principal funding sources for these programs include federal grants and transfers from other funds.

Employment Services Fund

This fund accounts for programs that provide workers with a safe and secure workplace. Funding for these employment-related programs include federal grants, employer and employee taxes, and workers' compensation insurance taxes.

Nutritional Support Fund

This fund accounts for programs to improve the diets of low-income households and school children. Federal grants provide the main source of revenue for these programs.

Residential Assistance Fund

This fund accounts for programs that help to meet the housing and energy needs of low-income Oregonians. Major funding sources include federal grants, senior citizen property tax repayments, and public utilities taxes.

Other Special Revenue Funds

This fund accounts for a variety of small programs that are funded mainly by federal grants and charges for services.

Debt Service Funds

Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest on long-term obligations.

Revenue Bond Fund

This fund accounts for the accumulation of resources for the payment of principal and interest on long-term revenue bonds not reported in proprietary funds. The portion of these bonds that is not self-supporting is funded by a legislative appropriation.

Certificates of Participation Fund

This fund accounts for the accumulation of resources for the payment of principal and interest on certificates of participation not reported in proprietary funds. Debt service requirements are funded by a legislative appropriation.

General Obligation Bond Fund

This fund accounts for the accumulation of resources for the payment of principal and interest on long-term general obligation bonds not reported in the general fund or in proprietary funds. The issuance of general obligation debt is authorized in the Oregon Constitution. The portion of these bonds that is not self-supporting is funded by a legislative appropriation.

General Appropriation Bond Fund

This fund accounts for the accumulation of resources for the payment of principal and interest on long-term general appropriation bonds not reported in the general fund or in proprietary funds. The issuance of general appropriation bonds is authorized by the Oregon Legislature. Debt service requirements are funded by a legislative appropriation. There are no outstanding General Appropriation Bonds nor have any associated assets been accumulated related to them as of June 30, 2014.

Capital Projects Fund

The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Permanent Fund

The permanent fund is used to account for and report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the State's programs. These earnings provide funding for programs such as the upkeep on fish hatcheries, scholarship funds for injured workers, special library book purchases, and homes for the developmentally disabled.

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014
(In Thousands)

	Special Revenue Funds		
	Agricultural Resources	Business Development	Community Protection
ASSETS			
Cash and Cash Equivalents	$ 25,498	$ 50,180	$ 162,803
Investments	-	23,074	-
Custodial Assets	-	-	-
Securities Lending Collateral	884	4,841	7,866
Accounts and Interest Receivable (net)	3,468	1,029	50,187
Taxes Receivable (net)	-	-	-
Due from Other Funds	1,067	8,333	12,210
Inventories	113	19	751
Prepaid Items	56	-	-
Net Contracts, Notes and Other Receivables	-	55	149,680
Loans Receivable (net)	-	2,130	-
Total Assets	$ 31,086	$ 89,661	$ 383,497
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts and Interest Payable	$ 975	$ 1,135	$ 26,297
Obligations Under Securities Lending	884	4,841	7,866
Due to Other Funds	-	281	12,637
Due to Component Units	-	-	-
Due to Other Governments	-	168	2,835
Unearned Revenue	9	1,089	1,042
Custodial Liabilities	396	-	456
Advances from Other Funds	-	-	48
Total Liabilities	2,264	7,514	51,181
Deferred Inflows of Resources:			
Unavailable Revenue	-	55	149,680
Total Deferred Inflows of Resources	-	55	149,680
Fund Balances:			
Nonspendable	195	19	810
Restricted by:			
Federal Laws and Regulations	25	14,429	17,304
Oregon Constitution	778	23,389	17,967
Enabling Legislation	25,422	9,954	20,663
Debt Covenants	-	-	39,106
Donors and Other External Parties	-	-	1,589
Committed	6	34,264	82,656
Assigned	2,396	37	2,541
Unassigned	-	-	-
Total Fund Balances	28,822	82,092	182,636
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 31,086	$ 89,661	$ 383,497

Special Revenue Funds					
Consumer Protection	Educational Support	Employment Services	Nutritional Support	Residential Assistance	Other Special Revenue
$ 125,490	$ 104,822	$ 47,935	$ 1,339	$ 86,825	$ 15,572
-	44,099	125,417	-	15,328	-
11,795	-	-	-	-	-
8,182	6,838	4,645	87	5,665	1,014
3,976	90,476	74,424	15,949	8,795	639
8,720	536	8,624	-	-	-
456	58,426	1,210	-	3,312	54
59	-	1,180	31	57	1,054
80	125	400	-	-	389
3,164	30	71,236	59	36,713	-
-	-	-	-	191,025	-
$ 161,922	$ 305,352	$ 335,071	$ 17,465	$ 347,720	$ 18,722
$ 1,646	$ 67,462	$ 27,583	$ 13,320	$ 4,956	$ 524
8,182	6,838	4,645	87	5,665	1,014
8,759	440	17,172	1,517	122	32
-	-	-	-	93	-
5,118	21,957	577	1,149	2,590	-
-	162	-	-	209	-
11,927	35	591	-	-	12
-	-	-	-	-	-
35,632	96,894	50,568	16,073	13,635	1,582
3,164	511	71,393	59	36,713	-
3,164	511	71,393	59	36,713	-
146	130	1,682	31	57	463
319	2,622	1,113	220	40,671	9,147
-	153,257	-	-	-	-
86,617	9,781	108,393	1,082	61,994	4,379
-	13,432	-	-	17,666	-
1,355	6,470	-	-	20,170	1,392
35,373	18,176	98,864	-	154,613	1,723
-	4,079	3,058	-	2,201	36
(684)	-	-	-	-	-
123,126	207,947	213,110	1,333	297,372	17,140
$ 161,922	$ 305,352	$ 335,071	$ 17,465	$ 347,720	$ 18,722

(continued on next page)

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014
(In Thousands)
(continued from previous page)

	Debt Service Funds		
	Revenue Bond	Certificates of Participation	General Obligation Bond
ASSETS			
Cash and Cash Equivalents	$ 194,613	$ 1,104	$ 58,468
Investments	20,957	-	-
Custodial Assets	-	-	-
Securities Lending Collateral	-	-	-
Accounts and Interest Receivable (net)	-	-	14,257
Taxes Receivable (net)	-	-	-
Due from Other Funds	102,325	-	-
Inventories	-	-	-
Prepaid Items	-	-	-
Net Contracts, Notes and Other Receivables	-	-	-
Loans Receivable (net)	-	-	-
Total Assets	$ 317,895	$ 1,104	$ 72,725
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts and Interest Payable	$ 36	$ -	$ -
Obligations Under Securities Lending	-	-	-
Due to Other Funds	-	-	-
Due to Component Units	-	-	-
Due to Other Governments	-	-	-
Unearned Revenue	-	-	-
Custodial Liabilities	206	-	43
Advances from Other Funds	-	-	-
Total Liabilities	242	-	43
Deferred Inflows of Resources:			
Unavailable Revenue	-	-	-
Total Deferred Inflows of Resources	-	-	-
Fund Balances:			
Nonspendable	-	-	-
Restricted by:			
Federal Laws and Regulations	-	-	-
Oregon Constitution	195,030	-	-
Enabling Legislation	-	-	-
Debt Covenants	122,623	1,104	72,682
Donors and Other External Party	-	-	-
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
Total Fund Balances	317,653	1,104	72,682
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 317,895	$ 1,104	$ 72,725

Capital Projects	Permanent	Total
$ 54,396	$ 18,805	$ 947,850
-	-	228,875
-	-	11,795
-	1,227	41,249
327	-	263,527
-	-	17,880
1,847	-	189,240
1	-	3,265
-	-	1,050
-	-	260,937
-	-	193,155
$ 56,571	$ 20,032	$ 2,158,823

$ 9,264	$ -	$ 153,198
-	1,227	41,249
126	-	41,086
-	-	93
-	-	34,394
3,414	-	5,925
-	-	13,666
-	-	48
12,804	1,227	289,659
-	-	261,575
-	-	261,575
1	14,808	18,342
94	78	86,022
-	-	390,421
332	3,919	332,536
40,475	-	307,088
-	-	30,976
212	-	425,887
2,653	-	17,001
-	-	(684)
43,767	18,805	1,607,589
$ 56,571	$ 20,032	$ 2,158,823

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2014
(In Thousands)

	Special Revenue Funds		
	Agricultural Resources	Business Development	Community Protection
REVENUES			
Employer-Employee Taxes	$ -	$ -	$ -
Workers' Compensation Insurance Taxes	-	-	-
Other Taxes	-	-	-
Licenses and Fees	19,454	3,197	20,504
Federal	6,363	16,856	158,170
Rebates and Recoveries	1	-	436
Charges for Services	9,414	757	24,225
Fines, Forfeitures, and Penalties	23	61	61,304
Rents and Royalties	-	-	1,609
Investment Income	110	797	549
Sales	48	1,576	789
Donations and Grants	1	14,532	1,071
Contributions to Permanent Funds	-	-	-
Other	618	1,056	15,206
Total Revenues	36,032	38,832	283,863
EXPENDITURES			
Current:			
Education	-	-	-
Human Resources	-	-	623
Public Safety	-	2,241	273,912
Economic and Community Development	-	63,935	2,124
Natural Resources	38,808	85	-
Transportation	-	-	9,958
Consumer and Business Services	-	-	-
Administration	-	2,726	951
Legislative	-	-	-
Judicial	-	-	37,820
Capital Improvements and Capital Construction	-	-	-
Debt Service:			
Principal	-	-	-
Interest	-	-	18
Other Debt Service	-	45	12
Total Expenditures	38,808	69,032	325,418
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,776)	(30,200)	(41,555)
OTHER FINANCING SOURCES (USES)			
Transfers from Other Funds	5,692	48,330	93,234
Transfers to Other Funds	(772)	(6,368)	(92,353)
Insurance Recoveries	-	-	4
Long-term Debt Issued	-	5,045	2,065
Debt Issuance Premium	-	-	194
Refunding Debt Issued	-	-	-
Refunded Debt Payment to Escrow Agent	-	-	-
Total Other Financing Sources (Uses)	4,920	47,007	3,144
Net Change in Fund Balances	2,144	16,807	(38,411)
Fund Balances - Beginning	26,671	65,324	218,394
Prior Period Adjustments	-	-	2,497
Fund Balances - Beginning - As Restated	26,671	65,324	220,891
Change in Inventories	7	(39)	156
Fund Balances - Ending	$ 28,822	$ 82,092	$ 182,636

Special Revenue Funds					
Consumer Protection	Educational Support	Employment Services	Nutritional Support	Residential Assistance	Other Special Revenue
$ -	$ -	$ 91,344	$ -	$ -	$ -
-	-	54,126	-	-	-
85,224	107	30,858	-	40,021	-
108,073	332	1,910	-	565	-
3,922	385,642	208,192	1,368,395	107,681	3,092
-	-	-	15,439	144	-
2,219	5,473	18,828	636	6,110	3,702
1,113	-	15,577	-	5	-
-	158	-	-	-	357
1,051	1,410	4,784	6	6,977	60
28	255	291	-	-	1,727
-	7,988	-	-	16,364	198
-	-	-	-	-	-
1,132	1,428	2,750	27	450	271
202,762	402,793	428,660	1,384,503	178,317	9,407
2,315	428,847	46,342	179,621	-	-
-	-	-	1,203,504	-	-
-	-	-	-	-	-
-	-	134,885	1,403	150,723	2,696
3,020	-	-	-	456	-
22	-	-	-	-	-
133,428	-	157,087	-	4,247	-
23,503	21,103	940	27	439	7,069
-	-	-	-	-	912
-	-	-	-	-	-
-	-	-	-	-	-
-	1,715	-	-	-	-
-	3,036	-	-	-	-
-	4	-	-	-	-
162,288	454,705	339,254	1,384,555	155,865	10,677
40,474	(51,912)	89,406	(52)	22,452	(1,270)
11,530	172,696	8,228	48	13,620	2,555
(34,827)	(87,384)	(93,507)	(1,530)	(2,180)	(502)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(23,297)	85,312	(85,279)	(1,482)	11,440	2,053
17,177	33,400	4,127	(1,534)	33,892	783
105,964	174,494	208,990	4,690	263,429	16,366
(10)	53	-	(1,853)	8	-
105,954	174,547	208,990	2,837	263,437	16,366
(5)	-	(7)	30	43	(9)
$ 123,126	$ 207,947	$ 213,110	$ 1,333	$ 297,372	$ 17,140

(continued on next page)

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2014
(In Thousands)
(continued from previous page)

	Debt Service Funds			
	Revenue Bond	Certificates of Participation	General Obligation Bond	General Appropriation Bond
REVENUES				
Employer-Employee Taxes	$ -	$ -	$ -	$ -
Workers' Compensation Insurance Taxes	-	-	-	-
Other Taxes	-	-	-	-
Licenses and Fees	-	-	-	-
Federal	10,032	2,526	-	-
Rebates and Recoveries	-	-	-	-
Charges for Services	-	-	-	-
Fines, Forfeitures, and Penalties	-	-	-	-
Rents and Royalties	-	-	-	-
Investment Income	4,520	6	453	11
Sales	-	-	-	-
Donations and Grants	-	-	-	-
Contributions to Permanent Funds	-	-	-	-
Other	-	-	6,764	-
Total Revenues	14,552	2,532	7,217	11
EXPENDITURES				
Current:				
Education	-	-	-	-
Human Resources	-	-	-	-
Public Safety	-	-	-	-
Economic and Community Development	-	-	-	-
Natural Resources	-	-	-	-
Transportation	-	-	-	-
Consumer and Business Services	-	-	-	-
Administration	-	-	-	-
Legislative	-	-	-	-
Judicial	-	-	-	-
Capital Improvements and Capital Construction	-	-	-	-
Debt Service:				
Principal	124,716	4,088	82,023	28,195
Interest	143,152	6,958	126,622	696
Other Debt Service	436	11	26	-
Total Expenditures	268,304	11,057	208,671	28,891
Excess (Deficiency) of Revenues Over (Under) Expenditures	(253,752)	(8,525)	(201,454)	(28,880)
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	298,415	10,027	220,841	28,884
Transfers to Other Funds	(22,984)	(3,509)	(153)	(12)
Insurance Recoveries	-	-	-	-
Long-term Debt Issued	-	-	4,578	-
Debt Issuance Premium	-	45	-	-
Refunding Debt Issued	265,515	1,120	-	-
Refunded Debt Payment to Escrow Agent	(265,270)	(1,155)	-	-
Total Other Financing Sources (Uses)	275,676	6,528	225,266	28,872
Net Change in Fund Balances	21,924	(1,997)	23,812	(8)
Fund Balances - Beginning	295,730	3,101	48,879	8
Prior Period Adjustments	(1)	-	(8.85)	-
Fund Balances - Beginning - As Restated	295,729	3,101	48,870	8
Change in Inventories	-	-	-	-
Fund Balances - Ending	$ 317,653	$ 1,104	$ 72,682	$ -

Capital Projects	Permanent	Total
$ -	$ -	$ 91,344
-	-	54,126
-	-	156,210
-	-	154,035
4,952	-	2,275,823
-	20	16,040
-	-	71,364
-	-	78,083
-	-	2,124
197	96	21,027
3,452	-	8,166
-	1	40,155
-	297	297
700	59	30,461
9,301	473	2,999,255
-	-	657,125
-	1,679	1,205,806
-	-	276,153
-	-	355,766
-	2	42,371
-	-	9,980
-	1	294,763
-	-	56,758
-	-	912
-	-	37,820
73,976	-	73,976
-	-	240,737
-	-	280,482
-	-	534
73,976	1,682	3,533,183
(64,675)	(1,209)	(533,928)
39,897	3,514	957,511
(795)	(14)	(346,890)
-	-	4
24,489	-	36,177
3,250	-	3,489
-	-	266,635
-	-	(266,425)
66,841	3,500	650,501
2,166	2,291	116,573
41,357	16,514	1,489,911
243	-	928
41,600	16,514	1,490,839
1	-	177
$ 43,767	$ 18,805	$ 1,607,589

Nonmajor Enterprise Funds

Enterprise Funds account for goods and services provided to the general public on a continuous basis, either when all or most of the cost involved in operating the enterprise is intended to be financed from user charges, or when periodic measurement of the results of operations is appropriate for management control or accountability.

Veterans' Loan Fund

This fund accounts for activities to finance owner-occupied, single-family residential housing for qualified eligible Oregon veterans. Funds for lending are provided through the issuance of general obligation bonds that are repaid from the interest and principal payments made on mortgages.

Energy Loan Fund

This fund accounts for activities to provide low-interest loans for renewable energy resource and energy conservation projects. Funding is from the issuance of bonds that are repaid from the interest and principal payments on loans.

Business Development Fund

This fund accounts for resources used to finance land, buildings, machinery, and permanent working capital for eligible activities including those determined to diversify an economic base.

Special Public Works Fund

This fund accounts for loans and grants to local governments for construction of infrastructure required to support needed public services. The Special Public Works Fund is financed through lottery resources, the sale of revenue bonds, loan repayments, and interest earnings.

State Hospitals Fund

This fund accounts for the operations of State hospitals and State operated residential group homes that provide treatment services for specific citizens as well as training and care for developmentally disabled persons. Clinical programs include the adult psychiatric program, the child and adolescent treatment program, the forensic and correctional treatment program, and the geropsychiatric treatment and medical service program.

Liquor Control Fund

This fund accounts for the operation of the Oregon Liquor Control Commission that regulates the sale and use of alcoholic beverages and promotes responsible alcohol use.

Veterans' Home Fund

This fund accounts for activities of the Oregon Veterans' Home, which provides skilled nursing and Alzheimer's disease care to some of Oregon's most vulnerable veterans.

Water/Wastewater Financing Fund

This fund accounts for loans and grants to municipalities to improve compliance with federal and State of Oregon water quality standards. The Water/Wastewater Financing Fund is financed through lottery resources, the sale of revenue bonds, loan repayments, and interest earnings.

Safe Drinking Water

This fund accounts for activities of the Safe Drinking Water financing program, which provides low-cost financing for construction and/or improvements of public and private water systems.

Other Enterprise Funds

This fund is used to account for the sale of goods and services to other than governmental entities through activities not specifically accounted for in another enterprise fund. The fund includes programs within the following state agencies: the Oregon Business Development Department, the Department of Administrative Services, the Department of Corrections, the Department of Environmental Quality, the Department of Forestry, the Judicial Department, the Legislative Administration Committee, the Office of the State Treasurer, Oregon Corrections Enterprises, the Oregon Facilities Authority, the Oregon Health Authority, the Public Employees Retirement System, and the Water Resources Department.

Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2014
(In Thousands)

	Veterans' Loan	Energy Loan	Business Development	Special Public Works
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 81,419	$ -	$ 18,997	$ 63,121
Cash and Cash Equivalents - Restricted	2,019	34,972	-	-
Investments	10,145	-	-	10,253
Securities Lending Collateral	12,366	-	1,239	5,012
Accounts and Interest Receivable (net)	1,245	1,046	131	5,022
Due from Other Funds	135	1,078	-	-
Inventories	-	-	-	-
Prepaid Items	6	-	-	-
Foreclosed and Deeded Property	681	750	-	-
Total Current Assets	108,016	37,846	20,367	83,408
Noncurrent Assets:				
Cash and Cash Equivalents - Restricted	107,661	4	-	2,774
Advances to Other Funds	-	120,134	-	-
Net Contracts, Notes, and Other Receivables	4,149	-	-	-
Loans Receivable (net)	212,809	92,229	23,025	189,700
Capital Assets:				
Land	-	-	-	-
Buildings, Property, and Equipment	8,996	264	-	-
Construction in Progress	-	-	-	-
Infrastructure	-	-	-	-
Works of Art and Other Nondepreciable Assets	627	-	-	-
Less Accumulated Depreciation and Amortization	(5,288)	(264)	-	-
Total Noncurrent Assets	328,954	212,367	23,025	192,474
Total Assets	436,970	250,213	43,392	275,882
DEFERRED OUTFLOWS OF RESOURCES				
Hedging Derivatives	1,895	-	-	-
Loss on Refunding	-	18	-	-
Total Deferred Outflows of Resources	1,895	18	-	-
LIABILITIES				
Current Liabilities:				
Accounts and Interest Payable	567	3,115	2	1,304
Obligations Under Securities Lending	12,366	-	1,239	5,012
Due to Other Funds	-	20	-	5
Due to Other Governments	-	-	-	-
Unearned Revenue	-	938	1,236	-
Matured Bonds/COPs and Coupons Payable	65	-	-	-
Compensated Absences Payable	209	20	22	63
Claims and Judgments Payable	-	-	-	-
Arbitrage Rebate Payable	9	-	-	-
Custodial Liabilities	1,954	5,558	-	-
Contracts, Mortgages and Notes Payable	21	3	2	5
Bonds/COPs Payable	3,645	20,497	-	2,630
Total Current Liabilities	18,836	30,151	2,501	9,019
Noncurrent Liabilities:				
Compensated Absences Payable	107	10	11	33
Arbitrage Rebate Payable	21,063	-	-	-
Contracts, Mortgages, and Notes Payable	777	99	55	171
Bonds/COPs Payable	270,359	228,619	-	54,924
Net OPEB Obligation	116	15	7	23
Derivative Instrument Liabilities	1,895	-	-	-
Total Noncurrent Liabilities	294,317	228,743	73	55,151
Total Liabilities	313,153	258,894	2,574	64,170
NET POSITION				
Net Investment in Capital Assets	4,335	-	-	-
Restricted for:				
Natural Resource Programs	-	-	-	-
Debt Service	-	2,076	-	1,497
Capital Projects	-	-	-	-
Unrestricted	121,377	(10,739)	40,818	210,215
Total Net Position	$ 125,712	$ (8,663)	$ 40,818	$ 211,712

State Hospitals	Liquor Control	Veterans' Home	Water/ Wastewater Financing	Safe Drinking Water	Other	Total
$ 1,657	$ 43,720	$ 10,465	$ 23,413	$ 71,074	$ 132,341	$ 446,207
-	-	2,928	-	-	128	40,047
-	-	-	-	-	-	20,398
88	2,429	874	1,527	4,637	6,644	34,816
11,256	244	4,186	2,058	2,274	4,891	32,353
-	-	-	-	357	308	1,878
457	24,980	-	-	-	5,799	31,236
-	-	-	-	-	207	213
-	-	-	-	-	-	1,431
13,458	71,373	18,453	26,998	78,342	150,318	608,579
-	-	-	1,567	-	-	112,006
-	-	-	-	-	20	120,154
-	-	59	-	-	-	4,208
-	-	66	88,402	164,786	16,858	787,875
41	1,456	4,220	-	-	3,385	9,102
383,643	24,137	15,776	-	-	46,532	479,348
130	-	29,454	-	-	83	29,667
2,048	-	-	-	-	-	2,048
-	-	60	-	-	-	687
(39,830)	(13,580)	(5,294)	-	-	(27,673)	(91,929)
346,032	12,013	44,341	89,969	164,786	39,205	1,453,166
359,490	83,386	62,794	116,967	243,128	189,523	2,061,745
-	-	-	-	-	-	1,895
-	-	-	-	-	-	18
-	-	-	-	-	-	1,913
2,429	29,782	3,047	682	18	12,916	53,862
88	2,429	874	1,527	4,637	6,644	34,816
10,516	12,938	135	-	-	1,408	25,022
-	-	-	-	-	89	89
-	127	33	-	-	262	2,596
-	-	-	-	-	129	194
6,193	694	5	32	16	725	7,979
-	-	-	-	-	14,492	14,492
-	-	-	-	-	-	9
10	582	-	-	-	694	8,798
666	59	1,327	2	1	325	2,411
-	-	-	1,360	-	1,443	29,575
19,902	46,611	5,421	3,603	4,672	39,127	179,843
3,190	358	3	16	8	260	3,996
-	-	-	-	-	-	21,063
24,565	2,177	32	70	53	3,140	31,139
-	-	-	29,547	-	206	583,655
3,765	333	3	9	4	265	4,540
-	-	-	-	-	-	1,895
31,520	2,868	38	29,642	65	3,871	646,288
51,422	49,479	5,459	33,245	4,737	42,998	826,131
343,682	12,013	44,216	-	-	19,851	424,097
-	-	-	-	-	484	484
-	-	-	893	-	-	4,466
-	-	2,459	-	-	-	2,459
(35,614)	21,894	10,660	82,829	238,391	126,190	806,021
$ 308,068	$ 33,907	$ 57,335	$ 83,722	$ 238,391	$ 146,525	$ 1,237,527

Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Nonmajor Enterprise Funds
For the Year Ended June 30, 2014
(In Thousands)

	Veterans' Loan	Energy Loan	Business Development	Special Public Works
OPERATING REVENUES:				
Licenses and Fees	$ 114	$ 142	$ -	$ -
Federal	-	-	1,930	-
Rebates and Recoveries	-	-	-	-
Charges for Services	1,973	22	65	-
Fines, Forfeitures, and Penalties	-	59	-	-
Rents and Royalties	818	-	14	-
Sales	9	-	-	-
Loan Interest Income	7,498	10,831	1,182	7,837
Other	1,543	964	-	96
Gain (Loss) on Foreclosed Property	263	-	-	-
Total Operating Revenues	12,218	12,018	3,191	7,933
OPERATING EXPENSES:				
Salaries and Wages	4,053	625	489	1,384
Services and Supplies	4,896	501	92	351
Cost of Goods Sold	-	-	-	-
Distributions to Other Governments	-	-	-	1,835
Special Payments	-	145	-	7
Bond and COP Interest	5,848	9,396	-	2,619
Other Debt Service	8	-	-	-
Depreciation and Amortization	101	-	-	-
Bad Debt Expense	-	675	113	-
Total Operating Expenses	14,906	11,342	694	6,196
Operating Income (Loss)	(2,688)	676	2,497	1,737
NONOPERATING REVENUES (EXPENSES):				
Investment Income (Loss)	1,700	163	100	630
Other Taxes	-	-	-	-
Gain (Loss) on Disposition of Assets	-	-	-	-
Insurance Recovery	-	-	-	-
Loan Interest Expense	-	-	-	-
Other Interest Expense	(52)	(7)	(3)	(11)
Other Nonoperating Items	(12)	-	(1)	(5)
Total Nonoperating Revenues (Expenses)	1,636	156	96	614
Income (Loss) Before Contributions, Special Items, Extraordinary Items and Transfers	(1,052)	832	2,593	2,351
Capital Contributions	-	-	-	-
Transfers from Other Funds	-	1,078	52	345
Transfers to Other Funds	(166)	(312)	(62)	(9,231)
Change in Net Position	(1,218)	1,598	2,583	(6,535)
Net Position - Beginning	128,148	(8,512)	38,235	219,135
Prior Period Adjustments	-	-	-	-
Cumulative Effect of Change in Accounting Principles	(1,218)	(1,749)	-	(888)
Net Position - Beginning - As Restated	126,930	(10,261)	38,235	218,247
Net Position - Ending	$ 125,712	$ (8,663)	$ 40,818	$ 211,712

State Hospitals	Liquor Control	Veterans' Home	Water/ Wastewater Financing	Safe Drinking Water	Other	Total
$ -	$ 4,625	$ -	$ -	$ -	$ 3,045	$ 7,926
-	-	6,088	-	-	-	8,018
107	-	-	-	-	-	107
68,124	-	10,128	-	-	220,784	301,096
-	597	-	-	-	15	671
37	-	-	-	-	-	869
65	518,659	-	-	-	23,709	542,442
-	-	-	3,643	3,862	733	35,586
3,388	337	134	-	-	1,632	8,094
-	-	-	-	-	-	263
71,721	524,218	16,350	3,643	3,862	249,918	905,072
217,482	16,499	138	708	324	7,092	248,794
51,101	55,184	13,794	163	20	43,412	169,514
-	254,584	-	-	-	23,487	278,071
-	56,908	-	1,735	197	413	61,088
182	294	-	-	2,074	175,510	178,212
-	-	-	1,448	-	39	19,350
-	-	-	-	-	-	8
8,403	895	399	-	-	2,004	11,802
-	-	-	-	-	-	788
277,168	384,364	14,331	4,054	2,615	251,957	967,627
(205,447)	139,854	2,019	(411)	1,247	(2,039)	(62,555)
-	-	79	122	355	508	3,657
-	17,584	-	-	-	-	17,584
-	18	-	-	-	(26)	(8)
-	-	-	-	-	47	47
-	-	-	-	-	(106)	(106)
(1,636)	(145)	(2)	(5)	(4)	(69)	(1,934)
-	-	(1)	(1)	(4)	(62)	(86)
(1,636)	17,457	76	116	347	292	19,154
(207,083)	157,311	2,095	(295)	1,594	(1,747)	(43,401)
1,072	-	20,317	-	-	-	21,389
190,292	-	4,016	8,954	11,758	96	216,591
(8,704)	(157,296)	(6)	(6,540)	(70)	(1,412)	(183,799)
(24,423)	15	26,422	2,119	13,282	(3,063)	10,780
333,878	33,892	30,913	82,051	225,109	146,592	1,229,441
(1,387)	-	-	-	-	3,007	1,620
-	-	-	(448)	-	(11)	(4,314)
332,491	33,892	30,913	81,603	225,109	149,588	1,226,747
$ 308,068	$ 33,907	$ 57,335	$ 83,722	$ 238,391	$ 146,525	$ 1,237,527

Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2014
(In Thousands)

	Veterans' Loan	Energy Loan	Business Development
Cash Flows from Operating Activities:			
Receipts from Customers	$ 1,588	$ 170	$ 80
Receipts from Other Funds for Services	1,641	2	-
Loan Principal Repayments	38,222	14,124	3,412
Loan Interest Received	10,336	10,315	1,157
Grant Receipts	-	-	1,000
Payments to Employees for Services	(4,115)	(642)	(489)
Payments to Suppliers	(3,508)	(132)	(35)
Payments to Other Funds for Services	(616)	(177)	(57)
Claims Paid	-	-	-
Loans Made	(56,864)	(19,525)	(4,784)
Distributions to Other Governments	-	-	-
Other Receipts (Payments)	2,685	2,687	-
Net Cash Provided (Used) in Operating Activities	(10,631)	6,822	284
Cash Flows from Noncapital Financing Activities:			
Proceeds from Bond/COP Sales	-	18,855	-
Principal Payments on Bonds/COPS	(17,615)	(16,708)	-
Principal Payments on Loans	(21)	(3)	(1)
Interest Payments on Bonds/COPS	(5,880)	(10,242)	-
Interest Payment on Loans	(52)	(7)	(3)
Bond/COP Issuance Costs	(861)	(59)	-
Taxes and Assessments Received	-	-	-
Insurance Recoveries for Other than Capital Assets	-	-	-
Transfers from Other Funds	-	1,059	215
Transfers to Other Funds	(166)	(270)	(225)
Net Cash Provided (Used) in Noncapital Financing Activities	(24,595)	(7,375)	(14)
Cash Flows from Capital and Related Financing Activities:			
Principal Payments on Bonds/COPS	-	-	-
Interest Payments on Bonds/COPS	-	-	-
Other Interest Payments	-	-	-
Acquisition of Capital Assets	(12)	-	-
Payments on Capital Leases	-	-	-
Proceeds from Disposition of Capital Assets	-	-	-
Capital Contributions	-	-	-
Net Cash Provided (Used) in Capital and Related Financing Activities	(12)	-	-
Cash Flows from Investing Activities:			
Purchases of Investments	(10,000)	-	-
Proceeds from Sales and Maturities of Investments	7,000	-	-
Interest on Investments and Cash Balances	1,484	163	98
Interest Income from Securities Lending	36	-	3
Interest Expense from Securities Lending	(13)	-	(1)
Net Cash Provided (Used) in Investing Activities	(1,493)	163	100
Net Increase (Decrease) in Cash and Cash Equivalents	(36,731)	(390)	370
Cash and Cash Equivalents - Beginning	227,830	35,366	18,627
Prior Period Adjustments Restating Beginning Cash Balances	-	-	-
Cash and Cash Equivalents - Ending	$ 191,099	$ 34,976	$ 18,997

Special Public Works	State Hospitals	Liquor Control	Veterans' Home	Water/ Wastewater Financing	Safe Drinking Water	Other	Total
$ -	$ 11,405	$ 523,898	$ 17,001	$ -	$ -	$ 245,708	$ 799,850
-	64,308	-	-	-	-	22,593	88,544
19,840	-	-	-	8,224	6,883	1,139	91,844
7,848	-	-	-	3,681	4,009	670	38,016
-	-	-	-	-	-	-	1,000
(1,340)	(213,743)	(16,519)	(137)	(701)	(336)	(15,032)	(253,054)
(97)	(76,246)	(291,910)	(12,962)	(37)	(10)	(27,748)	(412,685)
(245)	(1,242)	(5,624)	(913)	(125)	(11)	(1,916)	(10,926)
-	-	-	-	-	-	(175,011)	(175,011)
(17,588)	-	-	-	(11,324)	(10,986)	(141)	(121,212)
(1,827)	-	(56,674)	-	(1,949)	(197)	(324)	(60,971)
20	1,414	155	22	-	-	(35,767)	(28,784)
6,611	(214,104)	153,326	3,011	(2,231)	(648)	14,171	(43,389)
-	-	-	-	-	-	-	18,855
(3,525)	-	-	-	(3,910)	-	-	(41,758)
(5)	(666)	(59)	(1)	(2)	(1)	(63)	(822)
(2,689)	-	-	-	(1,521)	-	-	(20,332)
(12)	(1,636)	(144)	(3)	(6)	(4)	(114)	(1,981)
-	-	-	-	-	-	-	(920)
-	-	17,554	-	-	-	-	17,554
-	-	-	-	-	-	47	47
345	216,616	-	6,516	8,954	11,512	96	245,313
(9,231)	(8,704)	(156,720)	(2,506)	(6,540)	(70)	(1,328)	(185,760)
(15,117)	205,610	(139,369)	4,006	(3,025)	11,437	(1,362)	30,196
-	-	-	-	-	-	(1,492)	(1,492)
-	-	-	-	-	-	(37)	(37)
-	-	-	-	-	-	(61)	(61)
-	(62)	(525)	(24,771)	-	-	(1,407)	(26,777)
-	-	-	-	-	-	(257)	(257)
-	-	18	-	-	-	4	22
-	-	-	17,827	-	-	-	17,827
-	(62)	(507)	(6,944)	-	-	(3,250)	(10,775)
(10,000)	-	-	-	-	-	-	(20,000)
-	-	-	-	-	-	-	7,000
363	-	-	75	117	342	657	3,299
13	-	-	3	4	12	22	93
(4)	-	-	(1)	(1)	(4)	(13)	(37)
(9,628)	-	-	77	120	350	666	(9,645)
(18,134)	(8,556)	13,450	150	(5,136)	11,139	10,225	(33,613)
84,029	9,760	30,270	13,243	30,116	59,935	122,244	631,420
-	453	-	-	-	-	-	453
$ 65,895	$ 1,657	$ 43,720	$ 13,393	$ 24,980	$ 71,074	$ 132,469	$ 598,260

(continued on next page)

Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2014
(In Thousands)
(continued from previous page)

	Veterans' Loan	Energy Loan	Business Development
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	$ (2,688)	$ 676	$ 2,497
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization	101	-	-
Amortization of Bond/COP Premium and Discount	12	(644)	-
Amortization of Other Bond/COP Related Costs	8	13	-
Bad Debt Expense	-	675	113
Interest Payments Reported as Operating Expense	5,880	10,243	-
Bond/COP Issuance Costs Reported as Operating Expense	861	59	-
Net Changes in Assets and Liabilities:			
Accounts and Interest Receivable (net)	145	(213)	(24)
Due from Other Funds	(63)	21	-
Inventories	-	-	-
Prepaid Items	(4)	-	-
Foreclosed and Deeded Property	406	(750)	-
Advances to Other Funds	-	(11,714)	-
Net Contracts, Notes and Other Receivables	-	-	-
Loans Receivable	(18,098)	6,918	(1,372)
Accounts and Interest Payable	(125)	(39)	4
Due to Other Funds	-	(27)	(1)
Due to Other Governments	-	-	-
Unearned Revenue	2,715	(112)	(930)
Compensated Absences Payable	(9)	(8)	(3)
Custodial Liabilities	224	1,723	-
Net OPEB Obligation	4	1	-
Total Adjustments	(7,943)	6,146	(2,213)
Net Cash Provided (Used) by Operating Activities	$ (10,631)	$ 6,822	$ 284
Noncash Investing and Capital and Related Financing Activities:			
Net Change in Fair Value of Investments	$ 134	$ -	$ -
Capital Assets Transferred from Governmental Funds	-	-	-
Foreclosed Property	681	-	-

Special Public Works	State Hospitals	Liquor Control	Veterans' Home	Water/ Wastewater Financing	Safe Drinking Water	Other	Total
$ 1,737	$ (205,447)	$ 139,854	$ 2,019	$ (411)	$ 1,247	$ (2,039)	$ (62,555)
-	8,403	895	399	-	-	2,004	11,802
-	-	-	-	-	-	(6)	(638)
-	-	-	-	-	-	4	25
-	-	-	-	-	-	-	788
2,689	-	-	-	1,521	-	37	20,370
-	-	-	-	-	-	-	920
476	5,396	4	663	42	147	(18,353)	(11,717)
50	5,638	-	(1)	-	-	(308)	5,337
-	48	(509)	-	-	-	130	(331)
-	-	-	-	-	-	28	24
-	-	-	-	-	-	-	(344)
-	-	-	-	-	-	(19)	(11,733)
-	-	-	-	-	-	1,313	1,313
1,726	-	-	40	(2,354)	(2,029)	1,010	(14,159)
(60)	(961)	12,929	(131)	(1,039)	(6)	29,827	40,399
3	(27,223)	-	9	-	(2)	(241)	(27,482)
-	-	-	-	-	-	89	89
-	-	13	10	-	-	-	1,696
(11)	(165)	13	3	8	(5)	(63)	(240)
-	9	113	-	-	-	747	2,816
1	198	14	-	2	-	11	231
4,874	(8,657)	13,472	992	(1,820)	(1,895)	16,210	19,166
$ 6,611	$ (214,104)	$ 153,326	$ 3,011	$ (2,231)	$ (648)	$ 14,171	$ (43,389)
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 134
-	1,072	-	-	-	-	-	1,072
-	-	-	-	-	-	-	681

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Internal Service Funds

Internal Service Funds account for goods and services provided by state agencies or departments to other state agencies or departments and to other governmental units on a cost-reimbursement basis.

Central Services Fund

This fund accounts for activities to provide various services to state agencies. These services include accounting, budgeting, personnel, mail and shuttle, purchasing, printing, copy center, data center, property development, telecommunications, motor pool, and an insurance fund.

Legal Services Fund

This fund accounts for activities of the Department of Justice Attorney General's office to represent and advise the State's elected and appointed officials, agencies, boards, and commissions.

Banking Services Fund

This fund accounts for activities of the Office of the State Treasurer to provide banking, investment, and debt management services to state agencies.

Audit Services Fund

This fund accounts for activities of the Secretary of State, Audits Division, to provide independent auditing services to state agencies.

Forestry Services Fund

This fund accounts for activities of the Department of Forestry to operate an equipment and maintenance pool that provides transportation, heavy equipment, and aircraft support for operating programs and other state agencies.

Health Services Fund

This fund accounts, primarily, for the activities of the Public Employees' Benefit Board, through the Oregon Health Authority, to provide health care benefits and related services for the employees of state agencies.

Other Internal Service Funds

This fund accounts for the sale of goods and services to other governmental units through activities not specifically accounted for in another internal service fund.

Combining Statement of Net Position
Internal Service Funds
June 30, 2014
(In Thousands)

	Central Services	Legal Services	Banking Services
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 84,837	$ 10,478	$ 10,466
Securities Lending Collateral	22,881	683	683
Accounts and Interest Receivable (net)	71,144	8,401	2,004
Due from Other Funds	131	2,334	96
Inventories	986	55	8
Prepaid Items	383	-	-
Total Current Assets	180,362	21,951	13,257
Noncurrent Assets:			
Cash and Cash Equivalents - Restricted	5,038	-	-
Investments - Restricted	69,424	-	-
Advances to Other Funds	584	-	-
Net Contracts, Notes, and Other Receivables	-	2	-
Loans Receivable (net)	17	-	-
Capital Assets:			
Land	9,330	-	-
Buildings, Property, and Equipment	560,110	5,613	2,938
Construction in Progress	9,598	234	-
Infrastructure	637	-	-
Works of Art and Other Nondepreciable Assets	162	-	-
Less Accumulated Depreciation and Amortization	(319,894)	(4,024)	(2,821)
Total Noncurrent Assets	335,006	1,825	117
Total Assets	515,368	23,776	13,374
DEFERRED OUTFLOWS OF RESOURCES			
Loss on Refunding	3,124	-	-
Total Deferred Outflows of Resources	3,124	-	-
LIABILITIES			
Current Liabilities:			
Accounts and Interest Payable	14,611	865	1,000
Obligations Under Securities Lending	22,881	683	683
Due to Other Funds	10,036	22	-
Unearned Revenue	17,779	195	-
Compensated Absences Payable	3,303	3,110	541
Claims and Judgments Payable	27,988	-	-
Custodial Liabilities	1,758	4	-
Contracts, Mortgages and Notes Payable	437	213	37
Bonds/COPs Payable	11,099	-	-
Obligations Under Capital Lease	1,936	14	-
Total Current Liabilities	111,828	5,106	2,261
Noncurrent Liabilities:			
Compensated Absences Payable	1,701	1,602	278
Claims and Judgments Payable	119,352	-	-
Custodial Liabilities	3,272	-	-
Contracts, Mortgages, and Notes Payable	8,925	7,868	1,353
Bonds/COPs Payable	84,837	-	-
Obligations Under Capital Lease	1,057	20	-
Advances from Other Funds	131	-	-
Net OPEB Obligation	1,138	875	123
Total Noncurrent Liabilities	220,413	10,365	1,754
Total Liabilities	332,241	15,471	4,015
NET POSITION			
Net investment in capital assets	161,014	1,790	118
Unrestricted	25,237	6,515	9,241
Total Net Position	$ 186,251	$ 8,305	$ 9,359

Audit Services	Forestry Services	Health Services	Other	Total
$ 1,912	$ 7,861	$ 435,802	$ 3,883	$ 555,239
125	513	28,102	253	53,240
876	896	5	289	83,615
-	-	-	-	2,561
-	384	-	9	1,442
67	-	-	-	450
2,980	9,654	463,909	4,434	696,547
-	-	-	-	5,038
-	-	-	-	69,424
-	-	-	-	584
-	-	-	-	2
-	-	-	-	17
-	-	-	-	9,330
444	20,009	97	6,349	595,560
-	-	-	-	9,832
-	-	-	-	637
-	-	-	-	162
(444)	(14,361)	(63)	(3,595)	(345,202)
-	5,648	34	2,754	345,384
2,980	15,302	463,943	7,188	1,041,931
-	-	-	-	3,124
-	-	-	-	3,124
32	349	24,782	195	41,834
125	513	28,102	253	53,240
-	-	4,639	33	14,730
-	-	-	-	17,974
236	112	3,781	-	11,083
-	-	-	-	27,988
-	-	22	-	1,784
22	7	6	-	722
-	-	-	-	11,099
-	-	-	-	1,950
415	981	61,332	481	182,404
122	58	1,948	-	5,709
-	-	66,518	-	185,870
-	-	-	-	3,272
803	242	218	-	19,409
-	-	-	-	84,837
-	-	-	-	1,077
-	-	-	-	131
91	43	82	-	2,352
1,016	343	68,766	-	302,657
1,431	1,324	130,098	481	485,061
-	5,647	34	2,755	171,358
1,549	8,331	333,811	3,952	388,636
$ 1,549	$ 13,978	$ 333,845	$ 6,707	$ 559,994

Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Funds
For the Year Ended June 30, 2014
(In Thousands)

	Central Services	Legal Services	Banking Services
OPERATING REVENUES:			
Charges for Services	$ 217,728	$ 76,712	$ 19,955
Fines, Forfeitures, and Penalties	-	714	-
Rents and Royalties	40,350	-	-
Sales	2,376	16	-
Other	4,560	31	-
Total Operating Revenues	265,014	77,473	19,955
OPERATING EXPENSES:			
Salaries and Wages	62,137	58,321	11,149
Services and Supplies	140,025	12,579	7,252
Cost of Goods Sold	9,769	-	-
Special Payments	-	-	-
Bond and COP Interest	5,142	-	-
Depreciation and Amortization	23,402	432	113
Total Operating Expenses	240,475	71,332	18,514
Operating Income (Loss)	24,539	6,141	1,441
NONOPERATING REVENUES (EXPENSES):			
Investment Income (Loss)	2,799	-	-
Gain (Loss) on Disposition of Assets	(466)	-	-
Insurance Recovery	1,179	-	-
Loan Interest Income	38	-	-
Loan Interest Expense	(155)	(3)	-
Other Interest Expense	(594)	(524)	(90)
Other Nonoperating Items	(9)	-	-
Total Nonoperating Revenues (Expenses)	2,792	(527)	(90)
Income (Loss) Before Contributions, Special Items, Extraordinary Items and Transfers	27,331	5,614	1,351
Capital Contributions	-	-	-
Transfers from Other Funds	965	-	398
Transfers to Other Funds	(22,755)	(2,586)	(632)
Change in Net Position	5,541	3,028	1,117
Net Position - Beginning	184,376	5,298	8,242
Prior Period Adjustments	(3,060)	(21)	-
Cumulative Effect of Change in Accounting Principles	(606)	-	-
Net Position - Beginning - As Restated	180,710	5,277	8,242
Net Position - Ending	$ 186,251	$ 8,305	$ 9,359

Audit Services	Forestry Services	Health Services	Other	Total
$ 11,469	$ 2,590	$ 789,079	$ 1,738	$ 1,119,271
-	-	-	-	714
-	6,403	-	-	46,753
-	453	-	16	2,861
-	-	4,379	267	9,237
11,469	9,446	793,458	2,021	1,178,836
6,055	1,987	103,692	-	243,341
1,432	3,334	623,595	1,142	789,359
-	-	-	-	9,769
-	-	3,983	-	3,983
-	-	-	-	5,142
-	1,317	10	411	25,685
7,487	6,638	731,280	1,553	1,077,279
3,982	2,808	62,178	468	101,557
-	-	2,081	-	4,880
-	284	-	(18)	(200)
-	-	-	14	1,193
-	-	-	-	38
-	-	-	-	(158)
(53)	(16)	(15)	-	(1,292)
-	-	(25)	-	(34)
(53)	268	2,041	(4)	4,427
3,929	3,076	64,219	464	105,984
-	-	44	-	44
-	7	-	1	1,371
(3,457)	(823)	(6,457)	(44)	(36,754)
472	2,260	57,806	421	70,645
1,077	11,718	277,018	6,286	494,015
-	-	(979)	-	(4,060)
-	-	-	-	(606)
1,077	11,718	276,039	6,286	489,349
$ 1,549	$ 13,978	$ 333,845	$ 6,707	$ 559,994

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2014
(In Thousands)

	Central Services	Legal Services
Cash Flows from Operating Activities:		
Receipts from Customers	$ 55,018	$ 6,470
Receipts from Other Funds for Services	221,136	76,238
Payments to Employees for Services	(69,171)	(58,748)
Payments to Suppliers	(100,376)	(8,294)
Payments to Other Funds for Services	(27,511)	(10,350)
Claims Paid	(12,961)	(800)
Other Receipts (Payments)	2,587	1,279
Net Cash Provided (Used) in Operating Activities	68,722	5,795
Cash Flows from Noncapital Financing Activities:		
Loan Principal Repayments	38	-
Loan Interest Received	38	-
Principal Payments on Bonds/COPS	-	-
Principal Payments on Loans	(282)	(213)
Interest Payments on Bonds/COPS	-	-
Interest Payments on Loans	(743)	(524)
Advances Received	19	-
Transfers from Other Funds	1,068	(2,586)
Transfers to Other Funds	(12,938)	-
Net Cash Provided (Used) in Noncapital Financing Activities	(12,800)	(3,323)
Cash Flows from Capital and Related Financing Activities:		
Principal Payments on Bonds/COPS	(12,887)	-
Interest Payments on Bonds/COPS	(4,126)	-
Interest Payments on Loans	-	(3)
Acquisition of Capital Assets	(25,442)	(448)
Payments on Capital Leases	(3,464)	-
Proceeds from Disposition of Capital Assets	688	-
Insurance Recoveries for Capital Assets	1,185	-
Net Cash Provided (Used) in Capital and Related Financing Activities	(44,046)	(451)
Cash Flows from Investing Activities:		
Purchases of Investments	(6,690)	-
Proceeds from Sales and Maturities of Investments	21,887	-
Interest on Investments and Cash Balances	2,680	-
Interest Income from Securities Lending	25	-
Interest Expense from Securities Lending	(9)	-
Net Cash Provided (Used) in Investing Activities	17,893	-
Net Increase (Decrease) in Cash and Cash Equivalents	29,769	2,021
Cash and Cash Equivalents - Beginning	60,106	8,457
Prior Period Adjustments Restating Beginning Cash Balances	-	-
Cash and Cash Equivalents - Ending	$ 89,875	$ 10,478

Banking Services	Audit Services	Forestry Services	Health Services	Other	Total
$ -	$ -	$ -	$ -	$ -	$ 61,488
20,411	10,826	9,410	949,572	1,861	1,289,454
(11,192)	(6,122)	(1,984)	(97,832)	-	(245,049)
(7,057)	(808)	(2,765)	(760,084)	(1,015)	(880,399)
-	(615)	(544)	(16,872)	-	(55,892)
-	-	-	-	-	(13,761)
1	-	-	398	-	4,265
2,163	3,281	4,117	75,182	846	160,106
-	-	-	-	-	38
-	-	-	-	-	38
-	-	(7)	-	-	(7)
(37)	(22)	-	(6)	-	(560)
-	-	(16)	-	-	(16)
(90)	(53)	-	(15)	-	(1,425)
-	-	-	-	-	19
302	-	7	-	1	(1,208)
(632)	(3,457)	(823)	(6,457)	(147)	(24,454)
(457)	(3,532)	(839)	(6,478)	(146)	(27,575)
-	-	-	-	-	(12,887)
-	-	-	-	-	(4,126)
-	-	-	-	-	(3)
(112)	-	(1,545)	-	(632)	(28,179)
-	-	-	-	-	(3,464)
-	-	432	-	104	1,224
-	-	-	-	14	1,199
(112)	-	(1,113)	-	(514)	(46,236)
-	-	-	-	-	(6,690)
-	-	-	-	-	21,887
-	-	-	2,009	-	4,689
-	-	-	72	-	97
-	-	-	(25)	-	(34)
-	-	-	2,056	-	19,949
1,594	(251)	2,165	70,760	186	106,244
8,872	2,163	5,696	365,001	3,697	453,992
-	-	-	41	-	41
$ 10,466	$ 1,912	$ 7,861	$ 435,802	$ 3,883	$ 560,277

(continued on next page)

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2014
(In Thousands)
(continued from previous page)

	Central Services	Legal Services
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating Income (Loss)	$ 24,539	$ 6,141
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	23,402	432
Amortization of Bond/COP Premium and Discount	(665)	-
Amortization of Other Bond/COP Related Costs	1,769	-
Interest Payments Reported as Operating Expense	4,124	-
Net Changes in Assets and Liabilities:		
Accounts and Interest Receivable	(8,148)	(1,973)
Due from Other Funds	(2,019)	814
Inventories	58	55
Prepaid Items	843	-
Net Contracts, Notes and Other Receivables	-	9
Accounts and Interest Payable	(1,768)	53
Due to Other Funds	1,989	(749)
Unearned Revenue	17,142	(156)
Compensated Absences Payable	(90)	(120)
Claims and Judgments Payable	7,193	-
Custodial Liabilities	304	1,249
Contracts, Mortgages and Notes Payable	(4)	-
Net OPEB Obligation	53	40
Total Adjustments	44,183	(346)
Net Cash Provided (Used) by Operating Activities	$ 68,722	$ 5,795

Noncash Investing and Capital and Related Financing Activities:		
Capital Assets Transferred from Governmental Funds	$ -	$ -

Banking Services	Audit Services	Forestry Services	Health Services	Other	Total
$ 1,441	$ 3,982	$ 2,808	$ 62,178	$ 468	$ 101,557
113	-	1,317	10	411	25,685
-	-	-	-	-	(665)
-	-	-	-	-	1,769
-	-	-	-	-	4,124
182	(650)	(72)	(5)	(161)	(10,827)
-	-	-	-	22	(1,183)
-	-	(5)	-	-	108
-	(1)	-	-	-	842
-	-	-	-	-	9
454	1	49	2,566	106	1,461
-	-	-	4,639	-	5,879
-	-	-	-	-	16,986
(34)	(55)	18	5,730	-	5,449
-	-	-	(19)	-	7,174
-	-	-	5	-	1,558
-	-	-	-	-	(4)
7	4	2	78	-	184
722	(701)	1,309	13,004	378	58,549
$ 2,163	$ 3,281	$ 4,117	$ 75,182	$ 846	$ 160,106
$ -	$ -	$ -	$ 44	$ -	$ 44

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Fiduciary Funds

Combining Pension and Other Employee Benefit Trust Funds

Pension Trust Funds

Pension trust funds account for the transactions, assets, liabilities, and net position held in trust for public employees by the Public Employees Retirement System (PERS) for the payment of retirement, disability, and death benefits to members of the retirement system.

Public Employees Defined Benefit Pension Plan Fund

This fund accounts for the activities of the defined benefit retirement plan for units of state government, political subdivisions, community colleges, and school districts. Also included in this fund are the activities of the defined benefit portion of the Oregon Public Service Retirement Plan (OPSRP). Public employees hired on or after August 29, 2003, as well as inactive PERS members who return to employment following a six-month or greater break in service, participate in the OPSRP pension program. The plan is administered by the Public Employees Retirement Board under Oregon Revised Statutes, Chapter 238, and Section 401(a) of the Internal Revenue Code.

Individual Account Program Defined Contribution Pension Plan Fund

This fund accounts for the activities of the defined contribution portion of the Oregon Public Service Retirement Plan (OPSRP). Beginning January 1, 2004, PERS member contributions, account earnings and losses, as well as administrative costs of the plan, are reflected in this fund. The OPSRP is administered by the Public Employees Retirement System.

Other Employee Benefit Trust Funds

Other employee benefit trust funds account for the transactions, assets, liabilities, and net position held in trust for public employees by the Public Employees Retirement System (PERS) for the payment of postemployment healthcare benefits and deferred compensation to members of the retirement system.

Retirement Health Insurance Account (RHIA) OPEB Plan Fund

This fund accounts for the activities of the RHIA cost-sharing, multiple-employer other postemployment benefit (OPEB) plan administered by PERS for units of state government, political subdivisions, community colleges, and school districts. The RHIA is a defined benefit OPEB plan established pursuant to section 401(h) of the Internal Revenue Code. The plan authorizes a payment of up to $60 towards the monthly cost of health insurance for eligible PERS members participating in PERS-sponsored health insurance plans. Employer contributions, investment income, healthcare premium subsidy payments, and administrative costs are accounted for within this fund.

Retiree Health Insurance Premium Account (RHIPA) OPEB Plan Fund

This fund accounts for the activities of the RHIPA single-employer OPEB plan administered by PERS. The RHIPA is a defined benefit OPEB plan established pursuant to Section 401(h) of the Internal Revenue Code. The plan authorizes payment to eligible retired state employees of the average difference between the health insurance premiums paid by retirees under contracts entered into by the PERS Board and health insurance premiums paid by state employees who are not retired. Employer contributions, investment income, healthcare premium subsidy payments, and administrative costs are accounted for within this fund.

Deferred Compensation Plan Fund

This fund accounts for the activities of the Oregon Savings Growth Plan, an Internal Revenue Code Section 457 deferred compensation plan, offered to employees of the State and administered by the Public Employees Retirement System.

Combining Statement of Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
June 30, 2014
(In Thousands)

	Pension Trust Funds	
	Public Employees Defined Benefit Pension Plan	**Individual Account Program Defined Contribution Pension Plan**
ASSETS		
Cash and Cash Equivalents	$ 3,002,274	$ 332,510
Investments:		
Fixed Income	13,854,757	1,385,151
Public Equity	26,133,746	2,532,252
Real Estate	6,981,572	697,994
Private Equity	13,953,159	1,394,989
Alternative Equity	919,273	91,907
Opportunity Portfolio	813,805	81,361
Total Investments	62,656,312	6,183,654
Securities Lending Collateral	1,979,910	198,128
Receivables:		
Employer Contributions	29,428	-
Plan Member Contributions	-	9,341
Interest and Dividends	281,017	28,095
Member Loans	-	-
Investment Sales	1,156,225	106,082
Transitional Liability	595,168	-
From Other Funds	845	5,467
Total Receivables	2,062,683	148,985
Prepaid Items	977	27
Capital Assets (net of $17,585 accumulated depreciation):		
Land	944	-
Buildings, Property, and Equipment	35,017	333
Total Assets	69,738,117	6,863,637
LIABILITIES		
Accounts and Interest Payable	2,240,478	192,525
Obligations Under Securities Lending	1,981,850	198,321
Due to Other Funds	5,989	651
Unearned Revenue	385	-
Custodial Liabilities	105,546	14,929
Bonds/COPs Payable	1,943	-
Net OPEB Obligation	433	94
Total Liabilities	4,336,624	406,520
NET POSITION		
Restricted - Held in Trust for:		
Pension Benefits	65,401,493	6,457,117
Other Postemployment Benefits	-	-
Other Employee Benefits	-	-
Total Net Position	$ 65,401,493	$ 6,457,117

Other Employee Benefit Trust Funds			
Other Postemployment Benefits			
Retirement Health Insurance Account OPEB Plan	Retiree Health Insurance Premium Account OPEB Plan	Deferred Compensation Plan	Total
$ 21,742	$ 845	$ 54,656	$ 3,412,027
82,702	1,189	216,887	15,540,686
151,191	2,173	1,196,243	30,015,605
41,675	599	-	7,721,840
83,290	1,197	-	15,432,635
5,487	79	-	1,016,746
4,858	70	-	900,094
369,203	5,307	1,413,130	70,627,606
11,843	174	16	2,190,071
1,524	258	-	31,210
-	-	-	9,341
1,678	24	262	311,076
-	-	9,915	9,915
6,332	136	106	1,268,881
-	-	-	595,168
498	24	-	6,834
10,032	442	10,283	2,232,425
2	-	-	1,006
-	-	-	944
-	-	-	35,350
412,822	6,768	1,478,085	78,499,429
14,067	545	692	2,448,307
11,855	175	16	2,192,217
19	16	113	6,788
-	-	580	965
5	-	-	120,480
-	-	-	1,943
3	-	14	544
25,949	736	1,415	4,771,244
-	-	-	71,858,610
386,873	6,032	-	392,905
-	-	1,476,670	1,476,670
$ 386,873	$ 6,032	$ 1,476,670	$ 73,728,185

Combining Statement of Changes in Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
For the Year Ended June 30, 2014
(In Thousands)

	Pension Trust Funds	
	Public Employees Defined Benefit Pension Plan	**Individual Account Program Defined Contribution Pension Plan**
ADDITIONS		
Contributions:		
Employer	$ 915,237	$ -
Plan Members	15,319	527,303
Total Contributions	930,556	527,303
Investment Income:		
Net Appreciation (Depreciation) in Fair Value of Investments	8,845,864	871,578
Interest, Dividends and Other Investment Income	1,491,814	150,643
Total Investment Income	10,337,678	1,022,221
Less Investment Expense	455,511	45,779
Net Investment Income	9,882,167	976,442
Other Income	4,534	997
Total Additions	10,817,257	1,504,742
DEDUCTIONS		
Benefits	3,832,068	330,536
Death Benefits	5,803	-
Contributions Refunded	25,560	-
Healthcare Premium Subsidies	-	-
Administrative Expenses	31,246	6,934
Total Deductions	3,894,677	337,470
Change in Net Position Held in Trust For:		
Pension Benefits	6,922,580	1,167,272
Other Postemployment Benefits	-	-
Other Employee Benefits	-	-
Net Position - Beginning	58,478,913	5,289,845
Net Position - Ending	$ 65,401,493	$ 6,457,117

Other Employee Benefit Trust Funds			
Other Postemployment Benefits			
Retirement Health Insurance Account OPEB Plan	Retiree Health Insurance Premium Account OPEB Plan	Deferred Compensation Plan	Total
$ 48,253	$ 6,150	$ -	$ 969,640
-	-	92,174	634,796
48,253	6,150	92,174	1,604,436
50,228	661	187,316	9,955,647
8,625	114	18,258	1,669,454
58,853	775	205,574	11,625,101
2,659	36	3,185	507,170
56,194	739	202,389	11,117,931
-	-	793	6,324
104,447	6,889	295,356	12,728,691
-	-	89,652	4,252,256
-	-	-	5,803
-	-	-	25,560
34,113	4,926	-	39,039
1,046	170	997	40,393
35,159	5,096	90,649	4,363,051
-	-	-	8,089,852
69,288	1,793	-	71,081
-	-	204,707	204,707
317,585	4,239	1,271,963	65,362,545
$ 386,873	$ 6,032	$ 1,476,670	$ 73,728,185

Agency Fund

The Agency Fund accounts for assets held by the State as an agent for other governmental units, organizations, or individuals. For example, the Department of Consumer and Business Services holds deposits and investments to secure the faithful performance by insurers of insurance company obligations, including claims due to policyholders. Agency funds are custodial in nature (i.e., assets equal liabilities) and do not measure the results of operations.

Combining Statement of Changes in Assets and Liabilities
Agency Fund
For the Year Ended June 30, 2014
(In Thousands)

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
ASSETS				
Custodial Assets	$ 1,642,016	$ 2,256,428	$ 2,572,432	$ 1,326,012
Accounts and Interest Receivable	5,840	39	1,053	4,826
Net Contracts, Notes, and Other Receivables	122,132	20,832	72,390	70,574
Receivership Assets	60,849	8,029	-	68,878
Total Assets	$ 1,830,837	$ 2,285,328	$ 2,645,875	$ 1,470,290
LIABILITIES				
Accounts and Interest Payable	$ -	$ 660,532	$ 660,528	$ 4
Due to Other Governments	7,056	6,345	7,056	6,345
Custodial Liabilities	1,823,781	1,781,406	2,141,246	1,463,941
Total Liabilities	$ 1,830,837	$ 2,448,283	$ 2,808,830	$ 1,470,290

Nonmajor Discretely Presented Component Units

Component units are legally separate entities for which the primary government is financially accountable or entities that warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government. The State reports discretely presented component units in a separate column in the government-wide financial statements to emphasize they are legally separate from the State.

Oregon Health and Science University

The Oregon Health and Science University (OHSU) is a governmental entity performing governmental functions and exercising governmental powers. OHSU is an independent public corporation governed by a board of directors appointed by the Governor and confirmed by the Senate. As an academic health center, OHSU provides education and training to healthcare professionals, conducts biomedical research, and provides patient care and public service. It is financed primarily through patient service fees, government grants and contracts, tuition charges, and other incidental fees. OHSU also receives General Fund moneys from the State. OHSU uses proprietary fund accounting principles.

Oregon University System Foundations

The Oregon University System (OUS) Foundations are not-for-profit corporations that provide assistance in fundraising, public outreach, and other support for Oregon's seven public universities. The OUS foundations report under Financial Accounting Standards Board (FASB) Accounting Standards Codification 958, *Not-for-Profit Entities* (ASC 958). The OUS foundations are component units of the Oregon University System, a proprietary fund of the State, because the majority of resources that each foundation holds and invests can only be used by, or for the benefit of, the OUS universities. Combined, the foundations are discretely presented as a component unit of the State.

Oregon Affordable Housing Assistance Corporation

The Oregon Affordable Housing Assistance Corporation (OAHAC) is an Oregon not-for-profit public benefit corporation. The director of the Oregon Housing and Community Services Department (OHCSD) appoints two of the five OAHAC board members and approves the candidacy of the remaining at-large members. The at-large directors may be removed at any time by a vote of two-thirds or more of the directors then in office, and the government directors may be removed at any time by the director of OHCSD.

The primary purpose of OAHAC is to administer programs targeted to help prevent or mitigate the impact of foreclosures on low and moderate income persons; to help stabilize housing markets in Oregon; to provide resources of affordable or subsidized housing; to develop and administer programs related to housing permitted under the Emergency Economic Stabilization Act of 2008 (EESA), as amended; and act as an institution eligible to receive Troubled Asset Relief Program (TARP) funds under EESA. Currently, OAHAC administers Oregon's share of the Hardest Hit Fund programs, which are part of TARP. OAHAC reports on a fiscal year ended December 31 and has adopted ASC 958. The December 31, 2013, financial information of OAHAC is included in this report.

Combining Statement of Net Position
Nonmajor Discretely Presented Component Units
June 30, 2014
(In Thousands)

	Oregon Health and Science University	Oregon University System Foundations	Oregon Affordable Housing Assistance Corporation	Total
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 115,889	$ 36,778	$ 7,380	$ 160,047
Cash and Cash Equivalents - Restricted	19,277	-	-	19,277
Investments	206,070	-	-	206,070
Accounts and Interest Receivable (net)	344,424	-	9,834	354,258
Pledges, Contributions, and Grants Receivable (net)	30,680	146,790	-	177,470
Due from Other Governments	2,504	-	-	2,504
Due from Primary Government	15,031	-	-	15,031
Inventories	18,073	-	-	18,073
Prepaid Items	18,143	53,610	450	72,203
Total Current Assets	770,091	237,178	17,664	1,024,933
Noncurrent Assets:				
Investments	691,830	-	-	691,830
Investments - Restricted	486,033	1,551,910	-	2,037,943
Net Contracts, Notes and Other Receivables	2,156	-	-	2,156
Pledges, Contributions, and Grants Receivable (net)	84,934	-	-	84,934
Capital Assets:				
Land	72,436	6,110	-	78,546
Buildings, Property, and Equipment	2,387,286	66,695	-	2,453,981
Construction in Progress	291,852	-	-	291,852
Less Accumulated Depreciation and Amortization	(1,234,428)	(14,403)	-	(1,248,831)
Total Noncurrent Assets	2,782,099	1,610,312	-	4,392,411
Total Assets	3,552,190	1,847,490	17,664	5,417,344
DEFERRED OUTFLOWS OF RESOURCES				
Hedging Derivitives	13,586	-	-	13,586
Loss on Refunding	3,048	-	-	3,048
Total Deferred Outflows of Resources	16,634	-	-	16,634
LIABILITIES				
Current Liabilities:				
Accounts and Interest Payable	204,975	12,619	548	218,142
Due to Other Governments	7,121	-	9,834	16,955
Due to Primary Government	1,444	6,735	-	8,179
Unearned Revenue	35,807	23,611	7,282	66,700
Compensated Absences Payable	65,273	-	-	65,273
Claims and Judgments Payable	20,303	-	-	20,303
Contracts, Mortgages, and Notes Payable	1,960	-	-	1,960
Bonds/COPS Payable	14,006	-	-	14,006
Obligations Under Capital Lease	1,036	-	-	1,036
Total Current Liabilities	351,925	42,965	17,664	412,554
Noncurrent Liabilities:				
Obligations Under Life Income Agreements	30,380	81,204	-	111,584
Claims and Judgments Payable	39,992	-	-	39,992
Contracts, Mortgages, and Notes Payable	29,200	28,898	-	58,098
Bonds/COPS Payable	670,114	45,285	-	715,399
Obligations Under Capital Lease	6,057	-	-	6,057
Advances from Primary Government	38,438	-	-	38,438
Net OPEB Obligation	7,769	-	-	7,769
Derivative Instrument Liabilities	14,968	-	-	14,968
Total Noncurrent Liabilities	836,918	155,387	-	992,305
Total Liabilities	1,188,843	198,352	17,664	1,404,859
DEFERRED INFLOWS OF RESOURCES				
Hedging Derivatives	3,885	-	-	3,885
Total Deferred Inflows of Resources	3,885	-	-	3,885
Net Position				
Net Investment in Capital Assets	803,428	-	-	803,428
Restricted-Nonexpendable	189,210	831,457	-	1,020,667
Restricted for:				
Education	401,940	782,555	-	1,184,495
Unrestricted	981,518	35,126	-	1,016,644
Total Net Position	$ 2,376,096	$ 1,649,138	$ -	$ 4,025,234

Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Discretely Presented Component Units
For the Year Ended June 30, 2014
(In Thousands)

	Oregon Health and Science University	Oregon University System Foundations	Oregon Affordable Housing Assistance Corporation	Total
Operating Revenues:				
Federal Revenue	$ -	$ -	$ 40,006	$ 40,006
Charges for Services	1,708,000	-	-	1,708,000
Investment Income (net)	-	182,379	532	182,911
Gifts, Grants, and Contracts	482,894	169,153	-	652,047
Other Revenues	96,994	29,924	6,785	133,703
Total Operating Revenues	2,287,888	381,456	47,323	2,716,667
Operating Expenses:				
Salaries and Wages	1,355,040	-	-	1,355,040
Services and Supplies	713,340	154,992	6,772	875,104
Mortgage Assistance Payments	-	-	40,551	40,551
Bond and COP Interest	22,829	-	-	22,829
Depreciation and Amortization	115,428	-	-	115,428
Other Expenses	-	74,261	-	74,261
Total Operating Expenses	2,206,637	229,253	47,323	2,483,213
Operating Income (Loss)	81,251	152,203	-	233,454
Nonoperating Revenues (Expenses):				
Investment Income	93,355	-	-	93,355
Other	359	-	-	359
State Appropriations	35,415	-	-	35,415
Total Nonoperating Revenues (Expenses)	129,129	-	-	129,129
Income (Loss) Before Capital Contributions	210,380	152,203	-	362,583
Capital Contributions	5,135	-	-	5,135
Change in Net Position	215,515	152,203	-	367,718
Net Position - Beginning	2,169,946	1,496,921	-	3,666,867
Prior Period Adjustments	-	14	-	14
Cumulative Effect of Change in Accounting Principles	(9,365)	-	-	(9,365)
Net Position - Beginning - As Restated	2,160,581	1,496,935	-	3,657,516
Net Position - Ending	$ 2,376,096	$ 1,649,138	$ -	$ 4,025,234

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Statistical Section

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Statistical Section
Index

This part of the State of Oregon's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the State's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the State's financial performance has changed over time.

Schedule 1	Net Position by Component
Schedule 2	Changes in Net Position
Schedule 3	Fund Balance – Governmental Funds
Schedule 4	Changes in Fund Balance – Governmental Funds

Revenue Capacity

These schedules contain information to help the reader assess the State's most significant revenue source, personal income taxes.

Schedule 5	Personal Income by Industry
Schedule 6	Personal Income Tax Rates
Schedule 7	Personal Income Tax Filers and Tax Liability by Income Level

Debt Capacity

These schedules present information concerning the State's current levels of outstanding debt and the State's ability to issue additional debt in the future.

Schedule 8	Outstanding Debt by Type
Schedule 9	Ratios of General Bonded Debt Outstanding
Schedule 10	Legal Debt Margin Calculation
Schedule 11	Legal Debt Margin Information
Schedule 12	Pledged Revenues

Demographic and Economic Information

These schedules provide demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place.

Schedule 13	Demographic and Economic Indicators
Schedule 14	Employment by Industry

Operating Information

These schedules present operating data to help the reader understand how the information in the State's financial report relates to the services it provides and the activities it performs.

Schedule 15	Government Employees
Schedule 16	Operating Indicators and Capital Asset Information by Function

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

Schedule 1
NET POSITION BY COMPONENT
Last Ten Fiscal Years (In Thousands)
(Accrual basis of accounting)

	2005	2006	2007	2008
Governmental Activities				
Net Investment in Capital Assets	$ 9,151,443	$ 8,901,594	$ 8,696,793	$ 8,554,126
Restricted	904,848	1,021,026	1,098,817	950,491
Unrestricted	155,880	1,116,586	1,077,586	954,809
Total Governmental Activities Net Position	$ 10,212,171	$ 11,039,206	$ 10,873,196	$ 10,459,426
Business-type Activities				
Net Investment in Capital Assets	$ 562,325	$ 594,247	$ 756,814	$ 807,968
Restricted	2,550,548	2,857,577	2,998,195	3,177,420
Unrestricted	570,121	584,655	640,968	656,919
Total Business-type Activities Net Position	$ 3,682,994	$ 4,036,479	$ 4,395,977	$ 4,642,307
Primary Government				
Net Investment in Capital Assets	$ 9,713,768	$ 9,495,841	$ 9,453,607	$ 9,362,094
Restricted	3,455,396	3,878,603	4,097,012	4,127,911
Unrestricted	726,001	1,701,241	1,718,554	1,611,728
Total Primary Government Net Position	$ 13,895,165	$ 15,075,685	$ 15,269,173	$ 15,101,733

Schedule 1 (continued)
NET POSITION BY COMPONENT
Last Ten Fiscal Years (In Thousands)
(Accrual basis of accounting)

2009	2010	2011	2012	2013	2014
$ 9,094,498	$ 8,672,407	$ 8,107,685	$ 8,888,097	$ 10,636,687	$ 9,982,055
1,126,942	1,287,403	2,582,708	3,143,955	2,794,989	3,494,851
(99,401)	(82,337)	138,387	(840,528)	(1,488,172)	(1,077,265)
$ 10,122,039	$ 9,877,473	$ 10,828,780	$ 11,191,524	$ 11,943,504	$ 12,399,641
$ 897,150	$ 977,224	$ 1,195,629	$ 1,383,060	$ 1,383,562	$ 1,443,136
2,399,089	556,589	670,672	505,991	549,486	578,740
677,037	2,201,451	2,378,452	2,778,815	3,084,564	3,613,692
$ 3,973,276	$ 3,735,264	$ 4,244,753	$ 4,667,866	$ 5,017,612	$ 5,635,568
$ 9,991,648	$ 9,649,631	$ 9,303,314	$ 10,271,157	$ 12,020,249	$ 11,425,191
3,526,031	1,843,992	3,253,380	3,649,946	3,344,475	4,073,591
577,636	2,119,114	2,516,839	1,938,287	1,596,392	2,536,427
$ 14,095,315	$ 13,612,737	$ 15,073,533	$ 15,859,390	$ 16,961,116	$ 18,035,209

Schedule 2
CHANGES IN NET POSITION
Last Ten Fiscal Years (In Thousands)
(Accrual basis of accounting)

	2005	2006	2007	2008
Expenses				
Governmental activities:				
Education	$ 3,204,580	$ 3,622,117	$ 3,761,800	$ 4,174,928
Human Services	4,675,846	4,873,613	4,814,964	5,316,540
Public Safety	928,483	1,008,285	1,023,202	1,183,931
Economic and Community Development	340,653	311,713	335,103	355,133
Natural Resources	582,788	541,084	580,778	613,329
Transportation	1,882,649	1,598,419	1,709,786	2,251,391
Consumer and Business Services	282,875	394,886	340,266	461,015
Administration	622,036	640,561	467,931	570,903
Legislative	31,447	29,602	36,660	39,142
Judicial	249,036	271,714	286,460	311,828
Interest on Long-term Debt	254,840	242,664	265,100	315,530
Total governmental activities expenses	13,055,233	13,534,658	13,622,050	15,593,670
Business-type activities:				
Housing and Community Services	89,583	93,288	98,683	100,706
Veterans' Loan	51,479	49,730	53,279	46,652
Lottery Operations	504,102	525,277	564,110	573,203
Unemployment Compensation	577,396	535,190	546,970	687,363
University System	1,729,107	1,858,254	1,893,227	1,808,424
State Hospitals	162,651	166,810	184,513	203,818
Liquor Control	237,604	263,725	284,298	307,380
Other Business-type Activities	75,182	76,804	76,911	75,134
Total business-type activities expenses	3,427,104	3,569,078	3,701,991	3,802,680
Total primary government expenses	$ 16,482,337	$ 17,103,736	$ 17,324,041	$ 19,396,350
Program Revenues				
Governmental activities:				
Charges for Services:				
Human Services	$ 221,522	$ 298,666	$ 215,222	$ 230,058
Public Safety	35,107	70,979	48,170	67,869
Natural Resources	270,465	284,857	325,638	300,685
Transportation	129,351	108,552	104,830	153,423
Consumer and Business Services	158,999	202,305	239,561	258,299
Administration	203,275	214,866	230,328	282,977
Judicial	29,522	130,549	132,447	136,327
Other governmental activities	32,442	26,909	32,829	32,467
Operating Grants and Contributions	4,850,141	4,952,825	5,097,007	5,162,489
Capital Grants and Contributions	6,566	14,992	21,718	27,611
Total governmental activities program revenues	5,937,390	6,305,500	6,447,750	6,652,205

Schedule 2 (continued)
CHANGES IN NET POSITION
Last Ten Fiscal Years (In Thousands)
(Accrual basis of accounting)

2009	2010	2011	2012	2013	2014
$ 4,224,991	$ 4,303,106	$ 3,979,440	$ 4,061,791	$ 3,883,592	$ 4,420,704
6,057,047	6,861,998	7,535,059	8,186,498	8,459,678	9,880,251
1,185,507	1,199,579	1,180,405	1,235,617	1,256,086	1,300,085
397,032	455,453	480,196	416,683	423,191	385,464
658,553	593,122	629,222	619,535	637,929	724,185
2,249,632	1,858,705	1,566,210	1,394,815	1,407,506	1,555,822
408,803	463,489	424,534	263,541	403,725	283,039
470,583	474,624	376,821	349,555	305,791	404,182
44,683	33,012	37,801	34,839	40,828	37,234
307,916	308,574	313,886	326,803	311,401	340,313
297,308	299,467	351,713	367,826	331,531	347,010
16,302,055	16,851,129	16,875,287	17,257,503	17,461,258	19,678,289
91,010	84,337	78,194	75,879	67,918	56,473
26,855	19,685	19,365	18,628	-	-
537,332	518,076	510,401	534,018	494,337	493,652
1,875,259	3,020,372	2,306,502	1,729,355	1,236,639	831,914
1,948,793	2,003,668	2,146,867	2,300,493	2,412,100	2,505,392
215,576	222,311	248,072	270,793	253,960	278,804
314,563	312,980	325,410	344,540	367,141	384,491
87,977	89,505	269,217	268,659	324,463	306,212
5,097,365	6,270,934	5,904,028	5,542,365	5,156,558	4,856,938
$ 21,399,420	$ 23,122,063	$ 22,779,315	$ 22,799,868	$ 22,617,816	$ 24,535,227
$ 250,524	$ 237,722	$ 289,686	$ 531,658	$ 639,524	$ 615,829
94,613	75,511	80,842	141,432	59,551	85,549
282,380	313,587	285,394	306,336	301,196	335,198
138,400	115,507	138,383	140,219	147,234	171,154
313,602	276,359	270,467	69,000	124,698	126,482
111,537	107,625	115,365	96,006	91,626	92,358
158,736	145,548	185,523	99,052	197,966	33,722
28,662	37,507	38,068	42,502	63,009	44,347
6,017,307	7,691,076	8,324,841	7,400,703	7,816,666	9,055,464
86,563	45,398	97,682	37,134	30,663	17,766
7,482,324	9,045,840	9,826,251	8,864,042	9,472,133	10,577,869

(continued on next page)

Schedule 2 (continued from previous page)
CHANGES IN NET POSITION
Last Ten Fiscal Years (In Thousands)
(Accrual basis of accounting)

	2005	2006	2007	2008
Business-type activities:				
Charges for Services:				
Lottery Operations	938,370	1,093,196	1,203,821	1,229,486
Unemployment Compensation	783,594	758,350	676,838	638,186
University System	799,122	860,042	887,183	954,039
Liquor Control	313,308	349,454	379,741	406,421
Other Business-type Activities	210,964	192,481	217,402	213,758
Operating Grants and Contributions	770,971	803,972	891,998	664,179
Capital Grants and Contributions	-	-	-	-
Total business-type activities program revenues	3,816,329	4,057,495	4,256,983	4,106,069
Total primary government program revenues	$ 9,753,719	$ 10,362,995	$ 10,704,733	$ 10,758,274
Net (Expense)/Revenue				
Governmental activities	$ (7,117,843)	$ (7,229,158)	$ (7,174,300)	$ (8,941,465)
Business-type activities	389,225	488,417	554,992	303,389
Total primary government net expense	$ (6,728,618)	$ (6,740,741)	$ (6,619,308)	$ (8,638,076)
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes:				
Personal Income Taxes	$ 4,746,727	$ 5,404,020	$ 4,486,068	$ 6,102,900
Corporate Income Taxes	211,016	443,425	518,260	448,010
Tobacco Taxes	255,035	254,836	276,419	254,524
Healthcare Provider Taxes	N/A	131,371	128,199	154,460
Inheritance Taxes	N/A	N/A	81,068	116,186
Public Utilities Taxes	N/A	N/A	84,455	89,621
Insurance Premium Taxes	N/A	N/A	55,463	42,721
Other Taxes	503,666	419,786	106,101	123,907
Motor Fuels and Other Vehicle Taxes	N/A	N/A	N/A	N/A
Motor Fuels Taxes	407,729	417,916	416,792	413,858
Weight Mile Taxes	253,419	266,221	256,000	237,296
Vehicle Registration Taxes	204,787	207,581	205,205	201,245
Workers' Compensation Insurance Taxes	N/A	N/A	47,745	40,733
Employer-Employee Taxes	266,688	281,974	77,504	76,576
Unrestricted Investment Earnings	44,662	37,934	90,210	81,815
Contributions to Permanent Fund	11,453	-	4,192	-
Capital Contributions	407	1,473	2,853	4,482
Transfers	31,901	124,307	214,557	154,510
Total governmental activities	6,937,490	7,990,844	7,051,091	8,542,844
Business-type activities:				
Other Taxes	13,964	14,851	15,203	16,086
Capital Contributions	700	855	3,615	71,716
Additions to Permanent Endowments	-	2,580	70	-
Special Items	-	-	-	-
Transfers	(31,901)	(124,307)	(214,557)	(154,510)
Total business-type activities	(17,237)	(106,021)	(195,669)	(66,708)
Total primary government	$ 6,920,253	$ 7,884,823	$ 6,855,422	$ 8,476,136
Change in Net Position				
Governmental activities	$ (180,353)	$ 761,686	$ (123,209)	$ (398,621)
Business-type activities	371,988	382,396	359,323	236,681
Total primary government	$ 191,635	$ 1,144,082	$ 236,114	$ (161,940)

Schedule 2 (continued)
CHANGES IN NET POSITION
Last Ten Fiscal Years (In Thousands)
(Accrual basis of accounting)

2009	2010	2011	2012	2013	2014
1,100,228	1,027,735	1,038,805	1,050,315	1,069,064	1,052,945
662,346	859,790	1,022,592	1,083,438	1,092,890	1,064,234
1,003,897	1,156,843	1,288,143	1,356,609	1,438,948	1,527,836
418,559	425,374	443,120	470,421	502,919	524,218
236,151	267,585	431,470	436,945	452,345	428,344
1,064,383	2,238,266	1,986,426	1,621,254	1,139,888	851,199
87,425	108,257	60,081	36,770	60,048	158,927
4,572,989	6,083,850	6,270,637	6,055,752	5,756,102	5,607,703
$ 12,055,313	$ 15,129,690	$ 16,096,888	$ 14,919,794	$ 15,228,235	$ 16,185,572
$ (8,819,731)	$ (7,805,289)	$ (7,049,036)	$ (8,393,461)	$ (7,989,125)	$ (9,100,420)
(524,376)	(187,084)	366,609	513,387	599,544	750,765
$ (9,344,107)	$ (7,992,373)	$ (6,682,427)	$ (7,880,074)	$ (7,389,581)	$ (8,349,655)
$ 5,182,743	$ 4,958,569	$ 5,597,821	$ 5,901,448	$ 6,320,497	$ 6,596,708
253,685	387,639	502,862	440,444	463,012	506,889
250,243	250,135	258,453	249,388	254,483	260,882
143,535	192,077	233,826	423,951	414,267	485,584
77,622	91,845	80,482	102,351	99,318	N/A
88,295	80,790	71,939	72,310	85,781	N/A
46,952	70,291	90,085	94,583	103,251	85,196
140,726	144,931	119,882	156,256	186,038	380,783
N/A	N/A	N/A	N/A	N/A	1,053,611
399,048	406,179	449,462	492,188	487,308	N/A
210,055	208,573	240,056	260,091	251,518	N/A
185,202	245,699	275,344	281,799	282,857	N/A
36,635	30,065	34,942	53,669	50,242	54,126
71,119	65,977	69,429	71,977	72,861	91,343
17,717	3,193	3,306	11,157	4,917	5,516
259	288	14	76	228	297
-	-	-	-	-	-
157,663	129,016	(62,910)	125,915	107,437	133,008
7,261,499	7,265,267	7,964,993	8,737,603	9,184,015	9,653,943
16,340	16,754	16,204	16,893	16,388	17,584
-	-	-	-	-	-
-	-	-	159	241	776
-	-	-	-	-	-
(157,663)	(129,016)	62,910	(125,915)	(107,437)	(133,008)
(141,323)	(112,262)	79,114	(108,863)	(90,808)	(114,648)
$ 7,120,176	$ 7,153,005	$ 8,044,107	$ 8,628,740	$ 9,093,207	$ 9,539,295
$ (1,558,232)	$ (540,022)	$ 915,957	$ 344,142	$ 1,194,890	$ 553,523
(665,699)	(299,346)	445,723	404,524	508,736	636,117
$ (2,223,931)	$ (839,368)	$ 1,361,680	$ 748,666	$ 1,703,626	$ 1,189,640

Schedule 3
FUND BALANCE – GOVERNMENTAL FUNDS
Last Ten Fiscal Years (In Thousands)
(Modified accrual basis of accounting)

Reserved Balances

	2005	2006	2007
General Fund			
Reserved	$ 63,788	$ 86,253	$ 70,317
Unreserved	237,769	736,196	113,579
Total General Fund	$ 301,557	$ 822,449	$ 183,896
All Other Governmental Funds			
Reserved	$ 785,135	$ 823,590	$ 953,764
Unreserved, reported in:			
Special revenue funds	1,911,255	2,640,061	3,658,675
Capital projects fund	64,405	118,136	47,930
Permanent fund	5,749	6,757	6,691
Total all other governmental funds	$ 2,766,544	$ 3,588,544	$ 4,667,060

Restricted Balances

	2011	2012	2013
General Fund			
Nonspendable	$ 79,891	$ 33,361	$ 20,361
Restricted	36,882	109,458	106,241
Committed	10,400	61,534	83,083
Assigned	7,864	-	-
Unassigned	109,117	(162,867)	574,197
Total General Fund	$ 244,154	$ 41,486	$ 783,882
All Other Governmental Funds			
Nonspendable	$ 195,575	$ 82,991	$ 76,641
Restricted	3,974,045	3,988,266	3,582,344
Committed	503,597	545,040	515,440
Assigned	29,146	37,476	20,164
Unassigned	-	-	(46,516)
Total all other governmental funds	$ 4,702,363	$ 4,653,773	$ 4,148,073

Note: Due to changes in the State's fund structure with the implementation of GASB Statement No. 54, fund balance information beginning with 2011 is no longer comparable to previous years. See Note 1 for additional information.

Schedule 3 (continued)
FUND BALANCE – GOVERNMENTAL FUNDS
Last Ten Fiscal Years (In Thousands)
(Modified accrual basis of accounting)

2008	2009	2010	2014
$ 202,823	$ 29,040	$ 35,403	$ 24,430
1,095	(333,796)	(542,747)	255,539
			92,978
			1,327
			394,999
$ 203,918	$ (304,756)	$ (507,344)	$ 769,273
$ 1,180,823	$ 1,082,369	$ 1,429,016	$ 60,728
3,446,971	3,523,322	3,544,868	4,132,949
23,218	130,498	50,420	586,296
8,067	3,788	4,984	23,298
			(18,237)
$ 4,659,079	$ 4,739,977	$ 5,029,288	$ 4,785,034

Schedule 4
CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS
Last Ten Fiscal Years (In Thousands)
(Modified accrual basis of accounting)

	2005	2006	2007	2008
Revenues				
Taxes	$ 6,817,329	$ 7,839,265	$ 6,783,293	$ 8,259,483
Licenses and Fees	369,626	389,766	407,044	438,508
Federal	4,608,759	4,661,448	4,670,353	4,973,781
Rebates and Recoveries	N/A	N/A	N/A	N/A
Charges for Services	223,109	228,606	249,069	307,778
Fines, Forfeitures, and Penalties	68,399	89,559	101,714	100,175
Rents and Royalties	20,226	16,387	15,092	18,185
Investment Income	205,808	253,152	438,158	168,314
Sales	125,399	128,945	127,808	125,282
Donations and Grants	13,447	20,637	33,525	36,940
Contributions to Permanent Funds	11,453	-	4,192	-
Tobacco Settlement Proceeds	73,142	67,145	70,281	90,297
Foreclosure Settlement Proceeds	N/A	N/A	N/A	N/A
Pension Bond Debt Service Assessments	121,895	119,778	120,139	121,035
Unclaimed and Escheat Property Revenue	-	-	-	-
Other	275,937	360,081	328,888	354,518
Total Revenues	12,934,529	14,174,769	13,349,556	14,994,296
Expenditures				
Education	3,203,813	3,620,721	3,762,869	4,174,922
Human Services	4,665,643	4,877,485	4,825,597	5,347,990
Public Safety	905,510	984,969	1,016,728	1,175,881
Economic and Community Development	341,807	309,614	333,064	354,396
Natural Resources	573,781	538,831	603,695	629,624
Transportation	1,767,779	1,461,987	1,656,189	1,636,160
Consumer and Business Services	362,765	381,576	424,068	466,917
Administration	587,665	626,743	436,933	526,691
Legislative	30,688	29,381	35,711	37,456
Judicial	250,438	270,927	288,445	311,716
Capital Improvements/Construction	83,784	114,088	123,885	78,195
Debt Service:				
Principal	131,004	131,702	136,294	179,171
Interest	266,330	238,247	259,986	306,488
Other Debt Service	4,959	4,823	5,588	2,320
Total Expenditures	13,175,966	13,591,094	13,909,052	15,227,927
Excess of Revenues Over (Under) Expenditures	(241,437)	583,675	(559,496)	(233,631)
Other Financing Sources (Uses)				
Transfers from Other Funds	1,596,919	1,655,297	2,212,181	2,215,963
Transfers to Other Funds	(1,474,364)	(1,530,001)	(1,997,976)	(2,058,113)
Insurance Recoveries	-	1,432	3,718	4,046
Debt Issued	593,065	586,744	786,524	99,721
Refunding Debt Issued	21,625	29,610	200,745	14,310
Leases Incurred	3,939	-	-	134
Refunded Debt Payment to Escrow Agent	(130,389)	(38,777)	(210,383)	(15,036)
Total Other Financing Sources (Uses)	610,795	704,305	994,809	261,025
Net Change in Fund Balances	$ 369,358	$ 1,287,980	$ 435,313	$ 27,394
Debt service as a percentage of noncapital expenditures	3.17%	2.84%	3.03%	3.24%

Schedule 4 (continued)
CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS
Last Ten Fiscal Years (In Thousands)
(Modified accrual basis of accounting)

2009	2010	2011	2012	2013	2014
$ 7,004,715	$ 7,123,205	$ 7,952,882	$ 8,570,880	$ 8,969,867	$ 9,542,069
450,855	486,159	515,591	470,480	462,233	495,774
6,044,251	7,413,272	7,971,721	7,251,929	7,480,379	8,623,136
N/A	N/A	N/A	N/A	N/A	292,805
269,196	275,885	289,562	372,361	356,418	250,738
87,915	88,718	81,049	137,354	119,942	107,326
15,779	14,428	14,930	15,645	16,258	17,293
(95,131)	198,153	270,265	51,831	191,017	274,861
107,427	106,400	97,178	91,906	105,796	124,071
71,339	24,552	57,757	24,135	32,694	44,372
259	288	14	76	227	297
98,078	82,327	77,426	78,940	78,909	86,924
N/A	N/A	N/A	25,253	-	-
4,509	6,216	5,608	5,681	6,196	N/A
-	13,716	50,827	15,308	22,057	24,360
345,339	298,061	342,268	440,679	429,523	281,831
14,404,531	16,131,380	17,727,078	17,552,458	18,271,516	20,165,857
4,224,170	4,304,099	3,978,423	4,062,244	3,884,393	4,421,231
6,120,267	7,031,421	7,716,623	8,268,743	8,544,692	9,959,458
1,170,452	1,177,382	1,158,601	1,219,852	1,241,057	1,289,232
397,936	456,169	483,292	416,395	420,351	384,392
658,484	600,470	656,626	623,461	647,606	685,357
1,709,819	1,898,077	1,956,722	1,569,039	1,694,679	1,698,418
480,212	446,994	463,899	281,556	269,701	299,925
417,348	435,164	399,918	343,256	348,600	341,549
39,977	32,036	36,058	33,289	39,405	36,319
317,665	310,468	317,297	336,099	318,209	346,710
90,695	121,440	127,409	129,337	88,583	73,976
229,599	264,679	300,823	331,581	357,106	330,745
288,892	315,650	354,718	350,874	338,645	339,476
8,162	9,248	4,961	6,817	3,440	4,759
16,153,678	17,403,297	17,955,370	17,972,543	18,196,467	20,211,547
(1,749,147)	(1,271,917)	(228,292)	(420,085)	75,049	(45,690)
2,407,080	2,450,401	2,813,236	2,361,835	2,809,301	2,223,916
(2,216,338)	(2,277,548)	(2,607,036)	(2,232,819)	(2,679,360)	(2,054,506)
5,002	2,476	3,140	676	2,224	1,839
1,166,080	1,058,693	425,955	265,197	155,311	596,488
33,997	106,354	112,876	502,389	212,319	266,635
17	558	18	-	-	-
(35,261)	(182,531)	(129,074)	(574,833)	(246,543)	(266,425)
1,360,577	1,158,403	619,115	322,445	253,252	767,947
$ (388,570)	$ (113,514)	$ 390,823	$ (97,640)	$ 328,301	$ 722,257
3.27%	3.55%	3.85%	3.95%	3.99%	3.42%

Schedule 5
PERSONAL INCOME BY INDUSTRY
Last Ten Calendar Years
(In Thousands)

	2004	2005	2006	2007
Farm earnings	$ 1,256,177	$ 1,250,629	$ 1,326,237	$ 1,398,315
Forestry, fishing, and related activities	1,184,089	1,115,763	1,156,980	1,124,842
Mining	127,028	144,847	167,144	160,593
Utilities	539,151	491,039	572,400	569,081
Construction	5,798,496	6,420,273	7,435,599	7,612,278
Manufacturing	12,324,593	12,892,160	13,556,359	13,852,150
Wholesale trade	5,380,062	5,792,164	6,222,178	6,549,658
Retail trade	6,417,490	6,737,687	7,206,140	7,372,641
Transportation and warehousing	3,055,456	3,234,790	3,441,941	3,469,654
Information	2,402,440	2,423,684	2,631,118	2,882,471
Finance and insurance	4,215,737	4,520,109	4,870,200	4,920,966
Real estate, rental, and leasing	1,778,928	1,780,851	1,805,068	1,540,823
Professional, scientific, and technical	5,272,081	5,594,184	6,117,682	6,537,017
Management of companies	2,257,932	2,435,334	2,715,441	2,999,767
Administrative & waste mgmt. services	2,926,055	3,238,246	3,574,443	3,673,472
Educational services	967,066	1,004,258	1,108,201	1,127,015
Health care and social assistance	9,108,051	9,621,072	10,407,280	11,023,762
Arts, entertainment, and recreation	685,585	697,563	742,834	800,828
Accommodation and food services	2,802,136	2,953,539	3,163,860	3,319,704
Other services	3,279,293	3,557,859	3,865,884	3,913,894
Federal government, civilian	2,260,383	2,342,643	2,388,378	2,463,170
Military	420,613	477,069	449,638	453,307
State government	3,358,863	3,249,258	3,191,342	3,392,571
Local government	9,425,761	9,152,997	9,040,549	9,580,606
Other[1]	25,598,515	26,531,177	30,097,310	32,592,768
Total personal income	$ 112,841,981	$ 117,659,195	$ 127,254,206	$ 133,331,353
Overall effective tax rate[2]	5.7%	5.7%	5.7%	5.7%

[1] Includes income from all sources other than wages, salaries, tips, etc.

[2] Overall effective tax rate equals tax as a percentage of adjusted gross income (AGI). Overall effective tax rate for 2013 will not be available until May 2015.

Source: US Department of Commerce, Bureau of Economic Analysis and the Oregon Department of Revenue.

Schedule 5 (continued)
PERSONAL INCOME BY INDUSTRY
Last Ten Calendar Years
(In Thousands)

2008	2009	2010	2011	2012	2013
$ 1,315,071	$ 1,051,073	$ 1,018,966	$ 1,342,825	$ 1,387,992	$ 1,537,400
1,119,686	1,033,218	1,133,575	1,133,932	1,316,850	1,359,271
159,570	124,008	127,685	171,408	167,938	175,257
664,428	626,797	627,395	648,077	650,557	669,728
7,016,427	5,833,580	5,387,772	5,506,142	5,989,190	6,491,684
13,698,638	11,814,637	12,215,504	13,022,099	14,074,175	14,181,220
6,557,963	6,087,143	6,182,016	6,491,346	6,897,039	5,969,448
6,963,801	6,646,828	6,753,286	6,898,753	7,251,028	7,573,447
3,335,123	3,075,251	3,064,178	3,228,953	3,389,562	3,438,080
3,001,074	2,861,969	2,747,981	2,840,569	2,981,945	2,980,434
4,770,061	4,691,810	4,731,821	4,745,487	5,064,751	5,246,110
1,682,923	1,604,931	1,571,498	1,637,940	1,598,071	1,687,771
7,171,781	6,728,012	6,771,326	7,315,885	7,856,680	8,241,600
3,056,207	2,868,396	2,810,236	2,945,770	3,116,795	4,783,722
3,695,485	3,402,719	3,414,186	3,568,606	3,890,278	4,036,225
1,213,697	1,299,234	1,337,583	1,400,431	1,541,953	1,548,044
11,908,797	12,168,472	12,598,136	12,949,552	13,510,433	13,881,777
808,841	766,545	802,933	795,553	897,338	902,856
3,333,396	3,143,284	3,214,275	3,385,987	3,678,595	3,834,468
3,754,298	3,642,958	3,689,043	3,784,679	4,070,173	4,204,643
2,564,707	2,624,514	2,741,984	2,765,722	2,762,823	2,722,352
485,682	551,319	539,235	509,568	481,051	464,170
3,681,699	4,003,710	3,902,177	4,102,086	4,105,087	4,317,434
10,187,679	10,796,963	11,187,910	11,526,941	11,461,385	11,619,906
36,531,086	38,407,439	39,176,398	43,130,194	44,955,804	44,737,987
$ 138,678,120	$ 135,854,810	$ 137,747,099	$ 145,848,505	$ 153,097,493	$ 156,605,034
5.5%	5.5%	5.6%	5.6%	5.7%	N/A

Schedule 6
PERSONAL INCOME TAX RATES
Last Ten Calendar Years

Year	Top Rate	Top Income Tax Rate is Applied to Taxable Income in Excess of: Single & Married Filing Separately	Top Income Tax Rate is Applied to Taxable Income in Excess of: Married Filing Jointly & Head of Household	Overall Effective Tax Rate[1]
2004	9.0%	6,500	13,000	5.7%
2005	9.0%	6,650	13,300	5.7%
2006	9.0%	6,850	13,700	5.7%
2007	9.0%	7,150	14,300	5.7%
2008	9.0%	7,300	14,600	5.5%
2009	11.0%[2]	250,000	500,000	5.5%
2010	11.0%	250,000	500,000	5.6%
2011	11.0%	250,000	500,000	5.6%
2012	9.9%	125,000	250,000	5.7%
2013	9.9%	125,000	250,000	N/A

[1] The overall effective tax rate equals tax as a percentage of adjusted gross income (AGI). The overall effective tax rate for 2013 will not be available until May 2015.

[2] The increases in the top tax rate and applicable taxable income level beginning in 2009 are the result of passage of Oregon Measure 66 in January 2010. For tax year beginning 2012, the tax rate on households with income above $250,000 (above $125,000 for single filers) drops to 9.9 percent.

Source: Oregon Department of Revenue

Schedule 7
PERSONAL INCOME TAX FILERS AND TAX LIABILITY BY INCOME LEVEL
Calendar Years 2003 and 2012
(Dollars In Thousands)

2003

Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
$500,001 and higher	4,503	0.28%	$ 425,297	11.06%
$100,001–$500,000	111,677	6.93%	1,192,585	31.01%
$80,001–$100,000	82,037	5.09%	428,695	11.15%
$60,001–$80,000	148,126	9.19%	556,674	14.48%
$40,001–$60,000	241,321	14.97%	595,448	15.48%
$20,001–$40,000	389,707	24.18%	493,240	12.83%
$10,001–$20,000	281,176	17.44%	123,290	3.21%
$10,000 and lower	353,238	21.92%	29,929	0.78%
Total	1,611,785	100.00%	$ 3,845,158	100.00%

2012

Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
$500,001 and higher	9,275	0.50%	$ 1,002,599	17.52%
$100,001–$500,000	224,292	12.15%	2,349,434	41.05%
$80,001–$100,000	119,868	6.49%	565,450	9.88%
$60,001–$80,000	176,040	9.54%	605,372	10.58%
$40,001–$60,000	253,271	13.72%	584,287	10.21%
$20,001–$40,000	410,593	22.24%	477,459	8.34%
$10,001–$20,000	287,486	15.57%	113,772	1.99%
$10,000 and lower	365,432	19.79%	24,657	0.43%
Total	1,846,257	100.00%	$ 5,723,030	100.00%

Source: Oregon Department of Revenue

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the State's revenue. Tax year 2012 is the most current year available.

Schedule 8
OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years
(In Thousands)

	2005	2006	2007	2008
Governmental Activities				
General Obligation Bonds	$ 2,336,014	$ 2,321,899	$ 2,334,620	$ 2,325,539
Revenue Bonds	1,093,936	1,458,648	2,098,181	2,040,137
Certificates of Participation	895,231	1,090,086	1,090,193	1,081,694
General Appropriation Bonds	440,372	413,026	383,655	351,958
Capital Leases	3,954	3,464	2,949	2,480
Business-type Activities				
General Obligation Bonds	2,009,091	1,991,627	2,065,472	2,271,016
Revenue Bonds	1,783,305	1,694,009	1,672,267	1,761,874
Certificates of Participation	20,633	22,916	31,589	31,320
Capital Leases	711	490	335	164
Total Primary Government	$ 8,583,247	$ 8,996,165	$ 9,679,261	$ 9,866,182
Percentage of Personal Income[1]	7.30%	7.07%	7.26%	7.11%
Per Capita[1]	$ 2.38	$ 2.45	$ 2.60	$ 2.62

[1] Ratios are calculated using personal income and population data found in Schedule 13.

Note: Details regarding the State's debt can be found in Notes 9 and 10 of the financial statements. Amounts of outstanding debt for bonds and certificates of participation represent the outstanding principal, net of discounts, premiums, and other adjustments.

Schedule 8 (continued)
OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years
(In Thousands)

2009	2010	2011	2012	2013	2014
$ 2,361,621	$ 2,333,486	$ 2,656,983	$ 2,977,322	$ 3,144,443	$ 3,193,894
2,770,290	3,326,393	3,344,929	3,234,362	3,170,655	3,509,036
1,283,559	1,496,727	1,295,323	982,314	692,043	620,270
296,002	235,916	171,624	102,779	29,131	-
1,899	13,250	9,638	8,489	2,789	3,027
2,335,703	2,265,774	2,422,682	2,290,038	2,256,660	2,419,832
1,669,920	1,645,617	1,584,235	1,450,979	1,479,103	1,362,942
97,097	120,933	111,319	99,766	85,121	78,057
137	697	615	556	560	69
$ 10,816,228	$ 11,438,793	$ 11,597,348	$ 11,146,605	$ 10,860,505	$ 11,187,127
7.96%	8.30%	7.95%	7.28%	6.93%	6.81%
$ 2.84	$ 2.98	$ 3.00	$ 2.86	$ 2.76	$ 2.82

Schedule 9
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years
(In Thousands)

Year	General Obligation Bonds	Percentage of Personal Income[1]	Per Capita
2005	$ 4,345,105	3.69%	$ 1.20
2006	4,313,526	3.39%	1.18
2007	4,400,092	3.30%	1.18
2008	4,596,555	3.31%	1.22
2009	4,697,324	3.46%	1.23
2010	4,599,260	3.34%	1.20
2011	5,079,665	3.48%	1.31
2012	5,267,360	3.44%	1.35
2013	5,401,103	3.45%	1.37
2014	5,613,726	3.42%	1.42

[1] Ratios are calculated using personal income and population data found in Schedule 13.

Note: Details regarding the State's debt can be found in Notes 9 and 10 of the financial statements. Amounts of outstanding general bonded debt represent the outstanding principal, net of discounts, premiums, and other adjustments.

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Schedule 10
LEGAL DEBT MARGIN CALCULATION
For Fiscal Year 2014

	Constitutional/Statutory Provision	Constitutional Debt Limit[1]	Statutory Debt Limit
General Obligation Bonds			
General Purpose	Article XI Section 7	0.00%	$ -
State Highway	Article XI Section 7	1.00%	-
Veterans' Welfare	Article XI-A	8.00%	-
State Power Development	Article XI-D	1.50%	-
Forest Rehabilitation	Article XI-E	0.19%	-
Higher Education	Article XI-F(1) & XI-G	1.50%	-
Pollution Control[2]	Article XI-H/ORS 468.195	0.50%	260,000,000
Water Resources	Article XI-I(1)	1.50%	-
Elderly and Disabled Housing	Article XI-I(2)	0.50%	-
Alternate Energy Projects	Article XI-J	0.50%	-
Oregon School Bond Guarantee	Article XI-K	0.50%	-
Oregon Opportunity Bonds (OHSU)[3]	Article XI-L/ORS 353.556	0.50%	261,495,000
Seismic Rehab-Public Education Buildings	Article XI-M	0.20%	-
Seismic Rehab-Emergency Service Building	Article XI-N	0.20%	-
Pension Obligation	Article XI-O	1.00%	-
General Purpose GO's	Article XI-Q	1.00%	-
Revenue Bonds			
Highway User Tax	ORS 367.620	0.00%	3,240,000,000
Single and Multi-Family Housing Programs	ORS 456.661	0.00%	2,500,000,000
Oregon State Fair	ORS 565.095	0.00%	10,000,000

[1] Percentages listed are of Real Market Value (RMV) of all taxable real property in the State, based on the January 1, 2013, RMV of $433,473,027,209.

[2] Issuance of Pollution Control bonds is limited by statute to $260 million at any one time.

[3] Bonds issued to finance capital costs of Oregon Health and Science University shall be in an aggregate principal amount that produces net proceeds in an amount that does not exceed $200 million plus the amount of any costs and expenses of issuing the bonds.

Source: Office of the State Treasurer, Debt Management Division, and Oregon Constitution

Note: The legal debt limit for lottery revenue bonds is based on the requirement that unobligated net lottery proceeds be at least 400 percent of the maximum annual debt service on outstanding bonds, including the estimated debt service on proposed new bonds. The debt limit for lottery bonds is not a specific dollar amount; the limit varies based on changes in estimated net lottery proceeds and changes in estimated debt service on proposed new bonds. Therefore, lottery revenue bonds are not included in this schedule.

Schedule 10 (continued)
LEGAL DEBT MARGIN CALCULATION
For Fiscal Year 2014

Legal Debt Limit	Amount Outstanding	Legal Debt Margin
$ 50,000	$ -	$ 50,000
4,334,730,272	-	4,334,730,272
34,677,842,177	274,003,935	34,403,838,242
6,502,095,408	-	6,502,095,408
812,761,926	-	812,761,926
6,502,095,408	1,860,500,886	4,641,594,522
260,000,000	41,387,811	218,612,189
6,502,095,408	-	6,502,095,408
2,167,365,136	112,511,930	2,054,853,206
2,167,365,136	-	2,167,365,136
2,167,365,136	-	2,167,365,136
261,495,000	131,949,824	129,545,176
866,946,054	17,717,741	849,228,313
866,946,054	10,331,863	856,614,191
4,334,730,272	1,894,195,000	2,440,535,272
4,334,730,272	1,271,127,554	3,063,602,718
$ 76,758,613,659	$ 5,613,726,544	$ 71,144,887,115

$ 3,240,000,000	$ 3,142,769,722	$ 97,230,278
2,500,000,000	1,099,546,132	1,400,453,868
10,000,000	-	10,000,000
$ 5,750,000,000	$ 4,242,315,854	$ 1,507,684,146

Schedule 11
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years
(In Thousands)

	2005	2006	2007	2008
General Obligation Bonds				
Debt limit	$ 56,691,300	$ 60,648,799	$ 72,505,925	$ 83,591,921
Total debt applicable to limit	4,345,105	4,313,526	4,400,092	4,596,555
Legal debt margin	$ 52,346,195	$ 56,335,273	$ 68,105,833	$ 78,995,366
Total debt applicable to the limit as a percentage of debt limit	7.66%	7.11%	6.07%	5.50%
Revenue Bonds				
Debt limit	$ 4,838,000	$ 4,938,000	$ 4,938,000	$ 5,110,000
Total debt applicable to limit	2,326,329	2,472,294	3,051,456	3,086,639
Legal debt margin	$ 2,511,671	$ 2,465,706	$ 1,886,544	$ 2,023,361
Total debt applicable to the limit as a percentage of debt limit	48.08%	50.07%	61.80%	60.40%

Source: Office of the State Treasurer, Debt Management Division, and state agencies' disclosures.

Note: Amounts of outstanding debt applicable to the debt limit represent the outstanding principal, net of discounts, premiums and other adjustments.

Schedule 11 (continued)
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years
(In Thousands)

2009	2010	2011	2012	2013	2014
$ 87,606,697	$ 83,182,525	$ 81,105,231	$ 76,868,469	$ 74,668,862	$ 76,758,613
4,697,324	4,599,259	5,079,665	5,267,360	5,401,103	5,613,726
$ 82,909,373	$ 78,583,266	$ 76,025,566	$ 71,601,109	$ 69,267,759	$ 71,144,887
5.36%	5.53%	6.26%	6.85%	7.23%	7.31%
$ 5,950,000	$ 5,950,000	$ 5,950,000	$ 5,950,000	$ 5,750,000	$ 5,750,000
3,728,117	4,229,615	4,196,478	4,048,627	3,958,765	4,242,316
$ 2,221,883	$ 1,720,385	$ 1,753,522	$ 1,901,373	$ 1,791,235	$ 1,507,684
62.66%	71.09%	70.53%	68.04%	68.85%	73.78%

Schedule 12
PLEDGED REVENUES
Last Ten Fiscal Years
(In Thousands)

Lottery Revenue Bonds

					Debt Service Requirements			
Year	Revenues	Expenses	Interest Earnings on GICs[1]	Net Revenues Available for Debt Service	Principal	Interest	Total	Coverage
2005	$ 944,466	$ 511,528	$ 3,404	$ 436,342	$ 44,715	$ 26,769	$ 71,484	6.10
2006	1,092,446	533,895	3,536	562,087	47,670	27,159	74,829	7.51
2007	1,219,556	577,103	3,536	645,989	48,970	25,984	74,954	8.62
2008	1,262,601	583,829	3,533	682,305	56,795	33,714	90,509	7.54
2009	1,111,945	543,662	3,257	571,540	65,985	32,380	98,365	5.81
2010	1,033,880	517,196	3,156	519,840	73,051	51,802	124,853	4.16
2011	1,039,710	514,350	3,156	528,516	75,850	51,601	127,451	4.15
2012	1,068,050	539,942	3,123	531,231	77,635	57,150	134,785	3.94
2013	1,065,255	495,524	3,013	572,744	74,525	54,088	128,613	4.45
2014	1,058,749	500,390	2,739	561,098	72,310	54,310	126,620	4.43

[1] In accordance with the bond indenture, interest earnings on Guaranteed Investment Contracts (GICs) have been included.

Source: Oregon State Lottery financial statements and the Oregon Department of Administrative Services, Chief Financial Office.

Lottery Bonds are secured by future unobligated net lottery proceeds. For additional information, see Note 12.

Highway User Tax Revenue Bonds

		Debt Service Requirements			
Year	Pledged Revenue	Principal	Interest	Total	Coverage
2005	$ 500,399	$ 17,805	$ 23,494	$ 41,299	12.12
2006	487,582	14,040	26,649	40,689	11.98
2007	502,431	14,290	42,723	57,013	8.81
2008	487,125	34,405	60,155	94,560	5.15
2009	447,288	34,365	58,287	92,652	4.83
2010	501,808	41,805	70,020	111,825	4.49
2011	593,995	47,720	103,837	151,557	3.92
2012	566,923	52,070	98,173	150,243	3.77
2013	555,971	56,705	91,187	147,892	3.76
2014	578,008	58,340	100,325	158,665	3.64

Source: Highway User Tax Bond official statements and the Oregon Department of Transportation.

Highway User Tax Revenue Bonds are secured by a pledge of motor fuels, weight-mile, and vehicle registration taxes.

Note: The State also issues revenue bonds that are primarily paid using loan repayments. Schedules for these bonds are not presented because an association of net revenues with debt service requirements is not meaningful.

Schedule 13
DEMOGRAPHIC AND ECONOMIC INDICATORS
Last Ten Calendar Years

Year	Population	Personal Income[1]	Per Capita Personal Income	Unemployment Rate
2005	3,613,202	117,659,195	32,564	6.2%
2006	3,670,883	127,254,206	34,666	5.3%
2007	3,722,417	133,331,353	35,818	5.2%
2008	3,768,748	138,678,120	36,797	6.5%
2009	3,808,600	135,854,810	35,671	11.1%
2010	3,837,208	137,747,099	35,898	10.8%
2011	3,867,937	145,848,505	37,707	9.7%
2012	3,899,801	153,097,493	39,258	8.6%
2013	3,930,065	156,605,034	39,848	7.7%
2014	3,964,750	164,300,000	41,440	7.0%

[1] Personal income presented in thousands.

Source: Population and personal income figures for 2005 through 2013 were supplied by the US Department of Commerce, Bureau of Economic Analysis. The unemployment rates for all years are annual averages and were provided by the Oregon Employment Department.

Population and personal income estimates for 2014 were provided by the Oregon Office of Economic Analysis.

Schedule 14
EMPLOYMENT BY INDUSTRY
Calendar Year 2013 and Nine Years Prior

	2004		2013	
	Number of Employees	Percent of Total	Number of Employees	Percent of Total
Farm employment	68,075	3.18%	66,978	2.96%
Forestry, fishing, and related activities	29,225	1.37%	31,775	1.40%
Mining	3,351	0.16%	6,455	0.28%
Utilities	5,471	0.26%	4,781	0.21%
Construction	120,966	5.66%	108,701	4.80%
Manufacturing	210,362	9.84%	191,160	8.44%
Wholesale trade	82,817	3.87%	79,477	3.51%
Retail trade	236,062	11.04%	237,603	10.49%
Transportation and warehousing	63,917	2.99%	65,350	2.88%
Information	39,187	1.83%	40,721	1.80%
Finance and insurance	81,438	3.81%	95,051	4.20%
Real estate, rental, and leasing	81,685	3.82%	98,885	4.37%
Professional and technical services	117,746	5.50%	141,848	6.26%
Management of companies	27,023	1.26%	39,075	1.72%
Administrative and waste services	115,065	5.38%	120,023	5.30%
Educational services	45,407	2.12%	54,969	2.43%
Health care and social assistance	220,363	10.30%	262,456	11.59%
Arts, entertainment, and recreation	45,322	2.12%	56,285	2.48%
Accommodation and food services	146,368	6.84%	167,525	7.40%
Other services	117,285	5.48%	119,212	5.26%
Federal government, civilian	30,344	1.42%	27,606	1.22%
Military	12,919	0.60%	12,151	0.54%
State government	66,471	3.11%	62,165	2.74%
Local government	172,019	8.04%	174,753	7.72%
Total employment	2,138,888	100.00%	2,265,005	100.00%

Source: US Department of Commerce, Bureau of Economic Analysis

Note: Due to confidentiality issues, the names of the ten principal employers are not available. The categories presented are intended to provide alternative information regarding the concentration of employment in various business sectors.

Schedule 15
GOVERNMENT EMPLOYEES
Last Ten Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Education	12,691	12,411	12,411	13,117	13,117	13,394	13,394	13,485	13,485	624
Human Services	9,281	9,200	9,200	9,753	9,753	11,145	11,145	11,478	11,379	11,694
Public Safety	7,810	8,187	8,187	9,021	9,021	9,069	9,069	8,562	8,532	8,615
Economic and Community Services	1,846	1,753	1,753	1,650	1,650	1,991	1,991	2,358	1,910	1,651
Natural Resources	4,163	4,272	4,272	4,367	4,367	4,332	4,332	4,304	4,288	4,338
Transportation	4,602	4,579	4,579	4,535	4,535	4,554	4,554	4,532	4,533	4,480
Consumer and Business Services	1,559	1,550	1,550	1,593	1,593	1,592	1,592	1,454	1,446	1,421
Administration	2,817	2,879	2,879	2,958	2,958	2,882	2,882	2,809	2,785	2,827
Legislative Branch	394	393	393	404	404	381	381	427	427	429
Judicial Branch	1,896	1,907	1,907	1,975	1,975	1,766	1,766	1,818	1,829	1,840
Total FTE Positions	47,059	47,131	47,131	49,373	49,373	51,106	51,106	51,227	50,614	37,919

Source: Department of Administrative Services, Chief Financial Office.

Note: The number of full time equivalent (FTE) positions is established in the legislatively adopted biennial budget. A distinction between governmental and business-type activities is not available.

In 2014, OUS was legislatively approved to act as a private entity and will no longer be included in the Education FTE figure.

Schedule 16
OPERATING INDICATORS AND CAPITAL ASSET INFORMATION BY FUNCTION
Last Ten Fiscal Years

	2005	2006	2007
Governmental Activities			
Education			
Number of PreK-12 students	552,320	559,215	562,828
Number of FTE community college students	92,054	91,401	91,456
Special education school campuses	2	2	2
Human Services			
Number of individuals eligible for Oregon Health Plan	374,751	381,343	365,940
Average number of basic TANF individuals	42,119	40,527	39,096
Public Safety			
Number of sworn state police officers	582	607	557
Prison inmate population	12,875	13,229	13,497
Number of correctional facilities	13	13	13
Economic and Community Development			
Community development grants provided (in dollars)	11,454,006	17,040,564	9,607,717
Number of technical assistance grants provided	6	8	3
Natural Resources			
Forest acres burned	11,588	11,458	54,104
State park day use visitors (in millions)	40.6	40.1	41.4
Acreage of state parks	101,010	97,340	97,447
Miles of forest roads	3,123	3,155	3,202
Transportation			
Licensed drivers (in millions)	3.0	3.0	3.1
Vehicle miles traveled on state highway system (in billions)	20.7	20.7	20.6
State highway system miles	7,426	7,420	7,416
Number of state owned bridges	2,664	2,676	2,666
Consumer and Business Services			
Number of employers covered by workers' compensation	94,900	96,800	98,700
Historic premiums written for all insurance lines (in billions)	15.0	16.2	17.4
Average bank and credit union assets (in billions)	35.4	46.0	58.7
Construction employment (in thousands)	90.8	100.8	104.2
Administration			
Number of tax returns filed	1,697,166	1,755,568	1,835,095
Percent of returns filed electronically	56.0%	58.0%	62.0%
Uniform rent square footage	1,796,482	1,810,942	1,896,185
Leased office space square footage	3,522,641	3,784,762	4,372,625
Number of motor pool vehicles	3,689	3,814	3,922
Legislative			
Number of bills introduced	2,957	-	2,744
Number of bills becoming law	844	-	909
Length of legislative session (in days)	208	1	171
Capitol building	1	1	1
Judicial			
Cases filed in circuit courts	611,946	602,896	605,753
Number of circuit court judges	169	173	173

Sources: Various state agencies

Note: Figures for 2013 and 2014 that are not available until a later date are indicated with N/A.

Schedule 16 (continued)
OPERATING INDICATORS AND CAPITAL ASSET INFORMATION BY FUNCTION
Last Ten Fiscal Years

2008	2009	2010	2011	2012	2013	2014
566,067	564,064	561,698	561,331	560,951	563,714	567,100
94,587	105,149	121,815	124,988	117,653	117,233	104,339
2	2	1	1	1	1	1
386,662	426,578	495,872	590,406	619,994	672,210	971,104
42,338	48,321	54,994	61,768	70,881	74,313	70,046
646	604	660	773	610	606	606
13,553	13,925	14,021	14,026	14,186	14,578	14,632
14	14	14	14	14	14	14
10,704,034	2,791,056	15,065,341	8,093,200	12,496,300	17,299,550	18,590,649
6	5	4	4	5	6	5
7,860	7,000	6,065	2,272	17,396	103,836	53,018
40.3	40.1	41.2	40.0	40.4	42.1	43.2
97,446	100,379	103,474	105,684	108,613	108,654	108,499
3,225	3,255	3,305	3,377	3,400	3,432	3,456
3.1	3.1	3.0	3.0	3.0	3.1	N/A
19.5	19.8	19.7	19.4	19.4	19.6	N/A
7,415	7,422	7,415	7,403	7,401	7,401	N/A
2,671	2,681	2,693	2,703	2,709	2,717	2,725
98,300	94,800	93,900	99,900	101,400	98,900	N/A
17.9	17.7	17.2	17.5	18.0	19.7	N/A
40.7	42.0	40.5	39.1	44.0	45.0	N/A
94.2	74.1	67.7	68.6	69.9	74.1	N/A
1,805,843	1,768,397	1,791,680	1,824,788	1,846,257	N/A	N/A
63.0%	67.0%	75.0%	79.0%	81.0%	N/A	N/A
1,904,531	1,953,760	1,953,760	1,954,332	1,954,332	1,954,332	1,954,332
4,425,500	4,532,405	4,676,051	5,104,986	4,518,791	4,020,638	4,569,927
3,922	4,247	4,247	4,183	3,993	3,994	3,993
87	2,613	195	3,021	275	2,511	252
54	914	105	732	112	788	126
19	169	25	150	34	156	36
1	1	1	1	1	1	1
610,334	599,605	565,397	552,601	549,803	544,687	536,922
173	173	173	173	173	173	173

(continued on next page)

Schedule 16 (continued from previous page)
OPERATING INDICATORS AND CAPITAL ASSET INFORMATION BY FUNCTION
Last Ten Fiscal Years

	2005	2006	2007
Business-Type Activities			
Housing and Community Services			
Number of low income single family home loans closed	1,447	1,149	1,195
Number of affordable rental units produced	719	608	522
Veterans' Loan			
Number of outstanding loans	8,013	6,612	5,672
Percent of delinquent loans	0.21%	0.32%	0.25%
Lottery Operations			
Number of retailers	3,484	3,579	3,691
Number of video terminals	10,438	11,125	11,831
Unemployment Compensation			
Number of claims paid	2,209,165	1,923,182	2,050,678
Amount of claims paid (in millions)	558.0	503.4	569.4
University System			
Total headcount enrollment	76,141	76,595	76,339
Degrees awarded	16,694	16,979	17,116
Number of university campuses	7	7	7
State Hospital System			
Number of mental health patient days served	304,731	284,265	282,993
Number of state owned hospital beds	834	781	790
Liquor Control			
Number of state retail outlets	241	243	241
Number of cases sold	2,108,035	2,295,797	2,431,531
Other Business-type Activities			
Number of residents in Oregon Veterans' Home	132	135	140
Number of state owned parking spaces	4,507	4,507	4,656

Schedule 16 (continued)
OPERATING INDICATORS AND CAPITAL ASSET INFORMATION BY FUNCTION
Last Ten Fiscal Years

2008	2009	2010	2011	2012	2013	2014
1,850	836	171	383	520	360	394
1,003	421	-	144	239	-	94
4,883	4,069	3,404	2,850	2,408	2,050	1,934
0.10%	0.47%	0.73%	1.54%	1.45%	1.61%	1.45%
3,785	3,855	3,916	3,901	3,907	3,848	3,843
12,205	12,365	12,344	12,202	12,175	12,037	11,951
3,275,097	8,422,488	8,762,507	6,764,818	5,035,594	3,552,320	N/A
954.9	2,688.4	2,704.1	1,953.0	1,489.8	1,067.4	N/A
77,778	82,868	87,968	91,345	92,925	93,657	94,129
16,897	16,944	17,920	18,694	20,209	20,830	21,359
7	7	7	7	7	7	7
284,640	268,052	247,104	232,892	226,104	231,355	222,776
788	756	709	719	771	685	727
242	240	243	247	249	248	248
2,551,732	2,572,865	2,573,935	2,676,106	2,791,591	2,911,100	2,955,352
140	138	144	140	140	144	140
4,665	4,568	4,545	4,544	4,484	4,742	4,605

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Statewide Single Audit Report

State of Oregon

For Fiscal Year Ended June 30,

2014

Secretary of State
Jeanne P. Atkins

Audits Division, Director
Gary Blackmer

Office of the Secretary of State

Jeanne P. Atkins
Secretary of State

Robert Taylor
Deputy Secretary of State

Audits Division

Gary Blackmer
Director

255 Capitol Street NE, Suite 500
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(503) 986-2255

The Honorable Kate Brown
Governor of Oregon

We have conducted a statewide audit in accordance with *Government Auditing Standards*, the Single Audit Act Amendments of 1996, U. S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the related OMB Circular A-133 Compliance Supplement including any applicable addendums. This report encompasses the year ended June 30, 2014, and is required for the State to continue receiving federal financial assistance, which, as shown in this report, totals approximately $10.6 billion.

As required by the Single Audit Act, we issued a report dated December 29, 2014, on the State of Oregon's financial statements. That report was included in the State of Oregon's *Comprehensive Annual Financial Report* for the year ended June 30, 2014.

This report contains the remaining components required by the Single Audit Act:

- *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.* This component contains our report on the State of Oregon's internal control over financial reporting and compliance with laws, regulations, contracts and grant agreements that affect the financial statements. Part of the schedule of findings and questioned costs relates to this report.

- *Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133.* This component contains our report on the State of Oregon's compliance with the requirements applicable to each of its major federal programs as described in OMB Circular A-133 and internal controls over compliance. Part of the schedule of findings and questioned costs relates to this report. This component also contains our report on the State of Oregon's schedule of expenditures of federal awards for the year ended June 30, 2014.

- *Schedule of Expenditures of Federal Awards.* This schedule is not a required part of the State of Oregon's financial statements, but is required by OMB Circular A-133. The schedule shows State expenditures of federal awards, for the fiscal year ended June 30, 2014, excluding the Oregon Health and Science University. The notes, which accompany the schedule, are considered an integral part of the schedule. They provide disclosures regarding the reporting entity, the significant accounting policies used in preparing the schedule, the value of federal awards expended in the form of non-cash assistance, unemployment insurance and the value of pass-through awards received by the State from non-federal entities.

- *Schedule of Findings and Questioned Costs.* This schedule lists 11 current year audit findings regarding internal control related to financial reporting. It also lists 42 current year audit

findings regarding compliance with the requirements of major federal programs and related internal controls.

- *Schedule of Prior Year Findings.* This schedule lists the current status of prior year findings that remained uncorrected at the end of fiscal year 2013.

OMB Circular A-133 requires management to provide a plan of corrective action on the findings and recommendations for the fiscal year ended June 30, 2014. Management's response and planned corrective actions are included in this schedule. We did not audit management's response, and accordingly, we express no opinion on it.

OREGON AUDITS DIVISION

Gary Blackmer
Director

T A B L E O F C O N T E N T S

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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* 1

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133 3

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Office of the Secretary of State

Jeanne P. Atkins
Secretary of State

Robert Taylor
Deputy Secretary of State

Audits Division

Gary Blackmer
Director

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Salem, OR 97310

(503) 986-2255

The Honorable Kate Brown
Governor of Oregon

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*

Independent Auditor's Report

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 governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Oregon as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the State of Oregon's basic financial statements, and have issued our report thereon dated December 29, 2014. Our report includes a reference to other auditors who audited the financial statements of the following discretely presented component units: State Accident Insurance Fund Corporation, and Oregon Health and Science University. Other auditors also audited the financial statements of the Oregon University System, the Common School Fund and the Public Employees Retirement System, as described in our report on the State of Oregon's financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State of Oregon's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Oregon's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Oregon'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audits we and the other auditors did not identify any deficiencies in internal control that we consider to be material weaknesses. We and the other auditors did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be significant deficiencies. Items 2014-001 through 2014-011.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Oregon'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 determination of financial statement amounts. 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 and those of the other auditors disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The State of Oregon's Response to Findings

The State of Oregon's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The State of Oregon'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 result of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity'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
December 29, 2014

Office of the Secretary of State

Jeanne P. Atkins
Secretary of State

Robert Taylor
Deputy Secretary of State

Audits Division

Gary Blackmer
Director

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The Honorable Kate Brown
Governor of Oregon

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Independent Auditor's Report

Report on Compliance for Each Major Federal Program

We have audited the State of Oregon's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the State of Oregon's major federal programs for the year ended June 30, 2014. The State of Oregon's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. We did not audit the State of Oregon's compliance with the following major federal programs:

CFDA#	Name of Federal Program or Cluster
84.126	Rehabilitation Services_Vocational Rehabilitation Grants to States
cluster	Workforce Investment Act (WIA) Cluster
cluster	Research and Development Cluster

Other auditors audited the State of Oregon's compliance with these programs' requirements and their reports thereon have been furnished to us. Our opinion, insofar as it relates to these programs, is based solely on the reports of the other auditors.

The State of Oregon's basic financial statements include the operations of the Oregon Health and Science University, which expended approximately $325 million in federal awards, which is not included in the State of Oregon's schedule of expenditures of federal awards for the year ended June 30, 2014. Our audit, described below, did not include the operations of the Oregon Health and Science University because the component unit engaged other auditors to perform an audit in accordance with OMB Circular A-133. To obtain a copy of that report, please refer to note disclosure 2 of the schedule of expenditures of federal awards.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the State of Oregon's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in

Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State of Oregon's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the State of Oregon's compliance.

Basis for Qualified Opinion on Foster Care Title IV-E, Adoption Assistance Title IV-E, Medicaid Cluster

As described in Findings 2014-012 through 2014-015, and 2014-018 through 2013-021, in the accompanying schedule of findings and questioned costs, the State of Oregon did not comply with requirements regarding the following:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2014-012	93.658 93.659	Foster Care Title IV-E Adoption Assistance Title IV-E	Period of Availability
2014-013	93.658 93.659	Foster Care Title IV-E Adoption Assistance Title IV-E	Reporting
2014-014	93.658	Foster Care Title IV-E	Eligibility
2014-015	93.658	Foster Care Title IV-E	Activities Allowed or Unallowed
2014-018	93.777 93.778	Medicaid Cluster	Activities Allowed or Unallowed and Eligibility
2014-019	93.777 93.778	Medicaid Cluster	Special Tests and Provisions
2014-020	93.777 93.778	Medicaid Cluster	Special Tests and Provisions
2014-021	93.777 93.778	Medicaid Cluster	Special Tests and Provisions

Compliance with such requirements is necessary, in our opinion, for the State of Oregon to comply with the requirements applicable to that program.

Qualified Opinion on Foster Care Title IV-E, Adoption Assistance Title IV-E, Medicaid Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the State of Oregon complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Foster Care Title IV-E, Adoption Assistance Title IV-E, and Medicaid Cluster for the year ended June 30, 2014.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, based on our audit and the reports of other auditors, the State of Oregon complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures and reports of other auditors disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2014-024 through 2014-028, 2014-030 through 2014-034, 2014-039 through 2014-042, 2014-044 through 2014-048, and 2014-050 through 2014-052. Our opinion on each major federal program is not modified with respect to these matters.

The State of Oregon's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The State of Oregon's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the State of Oregon is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the State of Oregon's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Oregon's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-012 through 2014-014, 2014-016, 2014-018 through 2014-019, 2014-022, 2014-024, and 2014-036 through 2014-038 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We and the other auditors consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-015, 2014-017, 2014-020, 2014-021,

2014-023, 2014-025, 2014-026, 2014-028 through 2014-035, 2014-039 through 2014-045, and 2014-047 through 2014-053 to be significant deficiencies.

The State of Oregon's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The State of Oregon's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Oregon as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the State of Oregon's basic financial statements. We issued our report thereon dated December 29, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Office of the Secretary of State, Audits Division

State of Oregon

March 10, 2015, except for the Schedule of Expenditures of Federal Awards, as to which the date is December 29, 2014

State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
Department of Agriculture							
10.025	Plant and Animal Disease, Pest Control, and Animal Care		$ 2,381,770	$ 13,000	$ 2,394,770	$ 2,359,744	$ 35,026
10.069	Conservation Reserve Program		--	64,413	64,413	64,413	--
10.093	Voluntary Public Access and Habitat Incentive Program		89,222	--	89,222	89,222	--
10.163	Market Protection and Promotion		40,904	--	40,904	40,904	--
10.170	Specialty Crop Block Grant Program - Farm Bill		539,629	870,898	1,410,527	1,410,527	--
10.202	Cooperative Forestry Research		943,793	--	943,793	943,793	--
10.500	Cooperative Extension Service		4,395,003	--	4,395,003	4,395,003	--
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children		54,932,261	18,224,459	73,156,720	73,156,720	--
10.558	Child and Adult Care Food Program		360,842	33,069,797	33,430,639	33,422,376	8,263
10.560	State Administrative Expenses for Child Nutrition		2,979,525	--	2,979,525	2,979,525	--
10.567	Food Distribution Program on Indian Reservations		32,292	196,113	228,405	228,405	--
10.574	Team Nutrition Grants		--	5,507	5,507	5,507	--
10.576	Senior Farmers Market Nutrition Program		873,241	10,000	883,241	883,241	--
10.579	Child Nutrition Discretionary Grants Limited Availability		84,453	61,084	145,537	145,537	--
10.580	Supplemental Nutrition Assistance Program, Process and and Technology Improvement Grant		(19,689)	--	(19,689)	(19,689)	--
10.582	Fresh Fruit and Vegetable Program		29,874	2,244,868	2,274,742	2,274,742	--
10.588	Assessment of Alternatives to Face-to-Face Interviews in SNAP		17,846	--	17,846	17,846	--
10.604	Technical Assistance for Specialty Crops Program		1,771	--	1,771	1,771	--
10.652	Forestry Research		64,082	--	64,082	64,082	--
10.664	Cooperative Forestry Assistance		5,274,063	445,562	5,719,625	5,719,625	--
10.672	Rural Development, Forestry, and Communities		165	--	165	165	--
10.674	Wood Utilization Assistance		79,533	1,411	80,944	80,944	--
10.675	Urban and Community Forestry Program		73,592	--	73,592	73,592	--
10.676	Forest Legacy Program		62,527	--	62,527	62,527	--
10.678	Forest Stewardship Program		39,318	--	39,318	39,318	--
10.679	Collaborative Forest Restoration		122,857	--	122,857	122,857	--
10.680	Forest Health Protection		1,171,644	--	1,171,644	1,171,644	--
10.688	ARRA - Wildland Fire Management		248,570	--	248,570	248,570	--
10.693	Watershed Restoration and Enhancement Agreement Authority		6,382	--	6,382	--	6,382
10.868	Rural Energy for America Program		44,775	--	44,775	44,775	--
10.902	Soil and Water Conservation		129	23,543	23,672	23,672	--
10.XXX	Other Department of Agriculture Programs						
		11 CS 11060600 003	17,087	--	17,087	17,087	--
		AG0471 C 09 0011	17,789	--	17,789	17,789	--
		V-2013-001	131,942	--	131,942	--	131,942
		WRP-66-0436-2-095	252,757	--	252,757	252,757	--
10.XXX	Total Other Department of Agriculture Programs		$ 419,575	$ --	$ 419,575	$ 287,633	$ 131,942
Total Department of Agriculture			**$ 75,289,949**	**$ 55,230,655**	**$ 130,520,604**	**$ 130,338,991**	**$ 181,613**

Department of Commerce						
11.008	NOAA Mission-Related Education Awards	$ 13,073	$ --	$ 13,073	$ 13,073	$ --
11.303	Economic Development_Technical Assistance	130,172	10,000	140,172	140,172	--
11.407	Interjurisdictional Fisheries Act of 1986	86,825	--	86,825	--	86,825
11.419	Coastal Zone Management Administration Awards	2,184,438	295,660	2,480,098	2,282,299	197,799
11.420	Coastal Zone Management Estuarine Research Reserves	653,503	--	653,503	653,503	--
11.429	Marine Sanctuary Program	32,002	--	32,002	32,002	--
11.436	Columbia River Fisheries Development Program	6,061,757	--	6,061,757	6,061,757	--
11.437	Pacific Fisheries Data Program	702,112	--	702,112	--	702,112
11.438	Pacific Coast Salmon Recovery_Pacific Salmon Treaty Program	4,173,314	3,987,685	8,160,999	6,699,049	1,461,950
11.439	Marine Mammal Data Program	43,334	--	43,334	9,275	34,059
11.441	Regional Fishery Management Councils	203,941	--	203,941	--	203,941
11.463	Habitat Conservation	24,344	--	24,344	24,344	--
11.467	Meteorologic and Hydrologic Modernization Development	82,777	--	82,777	82,777	--
11.472	Unallied Science Program	232,902	--	232,902	232,902	--
11.473	Coastal Services Center	124,946	--	124,946	124,946	--
11.549	State and Local Implementation Grant Program	232,924	--	232,924	232,924	--
11.558	ARRA - State Broadband Data and Development Grant Program	191,005	334,238	525,243	525,243	--
11.558	State Broadband Data and Development Grant Program	590,326	--	590,326	590,326	--
11.XXX	Other Department of Commerce Programs					
	14 16	35,785	--	35,785	--	35,785
	14 21	81,525	--	81,525	--	81,525
	14 25	41,713	--	41,713	--	41,713
	AB133F-12-CN-0084	660,474	--	660,474	660,474	--
	OR BASE 2013	15,656	--	15,656	--	15,656
	SSP 2014 6	440	--	440	--	440
11.XXX	Total Other Department of Commerce Programs	$ 835,593	$ --	$ 835,593	$ 660,474	$ 175,119
Total Department of Commerce		**$ 16,599,288**	**$ 4,627,583**	**$ 21,226,871**	**$ 18,365,066**	**$ 2,861,805**
Department of Defense						
12.106	Flood Control Projects	$ 1,662,915	$ 26,605	$ 1,689,520	$ 1,611,417	$ 78,103
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	55,893	--	55,893	55,893	--
12.400	Military Construction, National Guard	2,382,234	--	2,382,234	2,382,234	--
12.401	National Guard Military Operations and Maintenance (O&M) Projects	33,694,461	--	33,694,461	33,694,461	--
12.404	National Guard Challenge Program	4,006,295	--	4,006,295	4,006,295	--
12.550	The Language Flagship Grants to Institutions of Higher Education	901,443	389,679	1,291,122	--	1,291,122
12.XXX	Other Department of Defense Programs					
	00000000000000001000	6,003,149	--	6,003,149	6,003,149	--
	OR6213820917	(182,343)	(3,130)	(185,473)	(185,473)	--
	W911SR1320002	516,077	1,164	517,241	517,241	--
	W9127 N 12 2 0004	35,048	--	35,048	35,048	--
	W9127N 10 2 0008	4,266	--	4,266	4,266	--
	W9127N 10 2 00080015	581	--	581	581	--
	W9127N 10 2 00080019	376,212	--	376,212	376,212	--

The accompanying notes are an integral part of this schedule.

State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
		W9127N 10 2 00080021	49,200	--	49,200	49,200	--
		W9127N 12 2 00040006	430,352	--	430,352	430,352	--
		W9127N 12 2 00040007	11,223	--	11,223	11,223	--
		W9127N 12 2 00040010	183,271	--	183,271	183,271	--
		W9127N 12 2 00041003	916,558	--	916,558	916,558	--
		W9127N 12 2 00041005	679,129	2,658	681,787	681,787	--
		W9127N 12 2 00041007	820,079	--	820,079	820,079	--
		W9127N 12 2 00041008	197,494	--	197,494	197,494	--
		W9127N 12 2 00041011	191,625	--	191,625	191,625	--
		W9127N 12 2 0005	231,498	--	231,498	231,498	--
		W9127N 12 2 10041004	529,850	1,030	530,880	530,880	--
		W9127N 122 0004 1013	380,335	--	380,335	380,335	--
		W9127N09200070010	141,675	--	141,675	141,675	--
		W9127N10 2 0008 0020	409,909	--	409,909	409,909	--
		W9127N10 2 0008 0022	169,767	--	169,767	169,767	--
		W9127N10 2 0008 0023	40,235	--	40,235	40,235	--
		W9127N10 2 0008 0024	81,484	--	81,484	81,484	--
		W9127N10200080017	15,029	--	15,029	15,029	--
		W9127N12200041001	1,373,072	1,123	1,374,195	1,374,195	--
		W9127N12200041002	1,607,938	--	1,607,938	1,607,938	--
		W9127N12200041009	595,798	--	595,798	595,798	--
		W9127N1320002	18,841	--	18,841	18,841	--
		W9127N200040012	22,360	--	22,360	22,360	--
12.XXX	Total Other Department of Defense Programs		$ 15,849,712	$ 2,845	$ 15,852,557	$ 15,852,557	$ --
Total Department of Defense			**$ 58,552,953**	**$ 419,129**	**$ 58,972,082**	**$ 57,602,857**	**$ 1,369,225**
Department of Housing and Urban Development							
14.231	Emergency Solutions Grants Program		$ 215,954	$ 1,629,420	$ 1,845,374	$ 1,845,374	$ --
14.235	Supportive Housing Program		89,902	--	89,902	89,902	--
14.239	Home Investment Partnerships Program		3,947,359	1,410,819	5,358,178	5,358,178	--
14.241	Housing Opportunities for Persons with AIDS		905,509	422,315	1,327,824	1,327,824	--
14.256	ARRA - Neighborhood Stabilization Program		127,170	--	127,170	127,170	--
14.400	Equal Opportunity in Housing		312,374	--	312,374	312,374	--
14.703	Sustainable Communities Regional Planning Grant Program		48,221	--	48,221	--	48,221
14.XXX	Other Department of Housing and Urban Development						
		B08DN410001	159,479	1,859,043	2,018,522	2,018,522	--
14.XXX	Total Other Department of Housing and Urban Development		$ 159,479	$ 1,859,043	$ 2,018,522	$ 2,018,522	$ --
Total Department of Housing and Urban Development			**$ 5,805,968**	**$ 5,321,597**	**$ 11,127,565**	**$ 11,079,344**	**$ 48,221**
Department of the Interior							
15.214	Non-Sale Disposals of Mineral Material		$ --	$ 396,250	$ 396,250	$ 396,250	$ --

15.225	Recreation Resource Management	135,528	232,619	368,147	368,147	--
15.227	Distribution of Receipts to State and Local Governments	17,325	129,119	146,444	129,119	17,325
15.228	National Fire Plan - Wildland Urban Interface Community Fire Assistance	133,251	--	133,251	133,251	--
15.231	Fish, Wildlife and Plant Conservation Resource Management	1,714,379	--	1,714,379	1,714,379	--
15.233	Forests and Woodlands Resource Management	19,417	--	19,417	19,417	--
15.234	Secure Rural Schools and Community Self-Determination	58,837	--	58,837	53,998	4,839
15.238	Challenge Cost Share	39,951	--	39,951	39,951	--
15.504	Title XVI Water Reclamation and Reuse Program	312,686	--	312,686	312,686	--
15.517	Fish and Wildlife Coordination Act	40,563	--	40,563	40,563	--
15.608	Fish and Wildlife Management Assistance	25,406	--	25,406	25,406	--
15.614	Coastal Wetlands Planning, Protection and Restoration Program	7,957	137,672	145,629	145,629	--
15.615	Cooperative Endangered Species Conservation Fund	776,717	1,836	778,553	778,553	--
15.616	Clean Vessel Act Program	55,865	120,293	176,158	176,158	--
15.622	Sportfishing and Boating Safety Act	--	3,720	3,720	3,720	--
15.626	Enhanced Hunter Education and Safety Program	9,346	34,360	43,706	43,706	--
15.630	Coastal Program	407	--	407	407	--
15.634	State Wildlife Grants	876,619	--	876,619	876,619	--
15.647	Migratory Bird Conservation	112	--	112	112	--
15.650	Research Grants (Generic)	6,465	--	6,465	6,465	--
15.657	Endangered Species Conservation - Recovery Implementation Funds	133,570	--	133,570	133,570	--
15.661	Lower Snake River Compensation Plan	3,145,384	--	3,145,384	3,145,384	--
15.664	Fish and Wildlife Coordination and Assistance Programs	7,461	--	7,461	7,461	--
15.666	Endangered Species Conservation-Wolf Livestock Loss Compensation and Prevention	--	56,116	56,116	56,116	--
15.808	U.S. Geological Survey_Research and Data Collection	407,249	--	407,249	407,249	--
15.809	National Spatial Data Infrastructure Cooperative Agreements Program	11,669	--	11,669	11,669	--
15.810	National Cooperative Geologic Mapping Program	188,722	--	188,722	188,722	--
15.812	Cooperative Research Units Program	(2,204)	--	(2,204)	--	(2,204)
15.814	National Geological and Geophysical Data Preservation Program	13,448	--	13,448	13,448	--
15.904	Historic Preservation Fund Grants-In-Aid	715,699	69,634	785,333	785,333	--
15.916	Outdoor Recreation_Acquisition, Development and Planning	383,304	453,113	836,417	836,417	--
15.923	National Center for Preservation Technology and Training	13,137	--	13,137	13,137	--
15.944	Natural Resource Stewardship	(39,653)	--	(39,653)	(39,653)	--
15.945	Cooperative Research and Training Programs - Resources of the National Park System	18,833	--	18,833	18,833	--
15.946	Cultural Resources Management	14,228	--	14,228	14,228	--
15.954	National Park Service Conservation, Protection, Outreach, and Education	33,520	--	33,520	33,520	--
15.XXX	Other Department of the Interior Programs					
	-	41,503	--	41,503	41,503	--
	09FG1U1410	49,101	--	49,101	49,101	--
	277821	521	--	521	--	521
	27782A	4,371	--	4,371	--	4,371
	38542	54,019	--	54,019	54,019	--
	4112GP572	11,478	--	11,478	11,478	--

The accompanying notes are an integral part of this schedule.

State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
		45000471715	88,599	--	88,599	88,599	--
		F12PX02925	10,882	--	10,882	10,882	--
		F13AP003023	311,000	--	311,000	311,000	--
		F13PC00293	9,046	--	9,046	9,046	--
		F14AC00219	3,408	--	3,408	3,408	--
		G13AC00009	112,950	--	112,950	112,950	--
		H1530080001	10,721	--	10,721	10,721	--
		H7700111012	15,300	--	15,300	15,300	--
		L09AC16024	1,909	--	1,909	1,909	--
		L10AC20502	11,434	--	11,434	11,434	--
		L13AC00209	9,488	--	9,488	9,488	--
		LOPTX	2,210	--	2,210	2,210	--
		R13AP11036	22,033	--	22,033	22,033	--
		R13AP13007	186,309	--	186,309	186,309	--
		USFW AGMT NAT HERIT	182,157	94,565	276,722	276,722	--
15.XXX	Total Other Department of the Interior Programs		$ 1,138,439	$ 94,565	$ 1,233,004	$ 1,228,112	$ 4,892
Total	**Department of the Interior**		**$ 10,413,637**	**$ 1,729,297**	**$ 12,142,934**	**$ 12,118,082**	**$ 24,852**
Department of Justice							
16.017	Sexual Assault Services Formula Program		$ 26,235	$ 352,404	$ 378,639	$ 378,639	$ --
16.523	Juvenile Accountability Block Grants		2,662	268,255	270,917	270,917	--
16.525	Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus		106,731	--	106,731	106,731	--
16.540	Juvenile Justice and Delinquency Prevention_Allocation to States		290,433	153,715	444,148	444,148	--
16.543	Missing Children's Assistance		344,408	--	344,408	344,408	--
16.548	Title V_ Delinquency Prevention Program		3,190	--	3,190	3,190	--
16.550	State Justice Statistics Program for Statistical Analysis Centers		56,624	--	56,624	56,624	--
16.554	National Criminal History Improvement Program (NCHIP)		17,266	--	17,266	17,266	--
16.575	Crime Victim Assistance		373,942	4,458,428	4,832,370	4,832,370	--
16.576	Crime Victim Compensation		1,879,949	--	1,879,949	1,879,949	--
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program		250,338	--	250,338	1	250,337
16.582	Crime Victim Assistance/Discretionary Grants		3,350	--	3,350	--	3,350
16.585	Drug Court Discretionary Grant Program		144,904	453,976	598,880	460,746	138,134
16.588	Violence Against Women Formula Grants		312,308	1,324,690	1,636,998	1,636,998	--
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program		40,171	--	40,171	--	40,171
16.593	Residential Substance Abuse Treatment for State Prisoners		23,812	130,252	154,064	154,064	--
16.595	Community Capacity Development Office		81,512	--	81,512	12,174	69,338
16.606	State Criminal Alien Assistance Program		3,828,504	--	3,828,504	3,828,504	--
16.608	Tribal Court Assistance Program		135,047	--	135,047	135,047	--

16.710	Public Safety Partnership and Community Policing Grants	297,233	--	297,233	297,233	--
16.727	Enforcing Underage Drinking Laws Program	158,153	--	158,153	158,153	--
16.735	PREA Program: Demonstration Projects to Establish "Zero Tolerance" Cultures for Sexual Assault in Correctional Facilities	125,687	--	125,687	125,687	--
16.741	DNA Backlog Reduction Program	746,727	--	746,727	746,727	--
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	132,952	--	132,952	132,952	--
16.750	Support for Adam Walsh Act Implementation Grant Program	111,622	--	111,622	111,622	--
16.751	Edward Byrne Memorial Competitive Grant Program	50,345	--	50,345	50,345	--
16.752	Economic High-Tech and Cyber Crime Prevention	512	8,410	8,922	8,922	--
16.754	Harold Rogers Prescription Drug Monitoring Program	(8,832)	--	(8,832)	(8,832)	--
16.812	Second Chance Act Prisoner Reentry Initiative	144,367	--	144,367	118,741	25,626
16.813	NICS Act Record Improvement Program (NARIP)	649,290	--	649,290	649,290	--
16.816	John R. Justice Prosecutors and Defenders Incentive Act	12,277	--	12,277	12,277	--
16.922	Equitable Sharing Program	8,001	--	8,001	8,001	--
Total Department of Justice		**$ 10,349,720**	**$ 7,150,130**	**$ 17,499,850**	**$ 16,972,894**	**$ 526,956**
Department of Labor						
17.002	Labor Force Statistics	$ 1,127,906	$ --	$ 1,127,906	$ 1,127,906	$ --
17.005	Compensation and Working Conditions	165,556	--	165,556	165,556	--
17.225	ARRA - Unemployment Insurance	(1,357,800)	--	(1,357,800)	(1,357,800)	--
17.225	Unemployment Insurance	897,499,720	--	897,499,720	897,499,720	--
17.235	Senior Community Service Employment Program	48,866	1,210,810	1,259,676	1,259,676	--
17.245	Trade Adjustment Assistance	6,835,670	--	6,835,670	6,835,670	--
17.261	WIA Pilots, Demonstrations, and Research Projects	80,594	--	80,594	43,134	37,460
17.271	Work Opportunity Tax Credit Program (WOTC)	443,317	--	443,317	443,317	--
17.273	Temporary Labor Certification for Foreign Workers	106,394	--	106,394	106,394	--
17.275	ARRA - Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	13,315	38,279	51,594	51,594	--
17.277	Workforce Investment Act (WIA) - National Emergency Grants	8,597	1,522,876	1,531,473	1,531,473	--
17.503	Occupational Safety and Health State Program	5,617,864	--	5,617,864	5,617,864	--
17.600	Mine Health and Safety Grants	83,391	--	83,391	83,391	--
17.XXX	Other Department of Labor Programs					
	GS10F0042M	68,529	--	68,529	--	68,529
17.XXX	Total Other Department of Labor Programs	$ 68,529	$ --	$ 68,529	$ --	$ 68,529
Total Department of Labor		**$ 910,741,919**	**$ 2,771,965**	**$ 913,513,884**	**$ 913,407,895**	**$ 105,989**
Department of State						
19.017	Environmental and Scientific Partnerships and Programs	$ 9,315	$ --	$ 9,315	$ 9,315	$ --
19.040	Public Diplomacy Programs	9,170	--	9,170	9,170	--
19.401	Academic Exchange Programs_Scholars	75,518	--	75,518	75,518	--
19.421	Academic Exchange Programs - English Language Programs	1,524,514	--	1,524,514	1,524,514	--
19.500	Middle East Partnership Initiative (MEPI)	277,427	--	277,427	277,427	--
Total Department of State		**$ 1,895,944**	**$ --**	**$ 1,895,944**	**$ 1,895,944**	**$ --**

The accompanying notes are an integral part of this schedule.

State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
Department of Transportation							
20.106	Airport Improvement Program		$ 1,332,486	$ --	$ 1,332,486	$ 1,332,486	$ --
20.215	Highway Training and Education		57,598	--	57,598	57,598	--
20.218	National Motor Carrier Safety		2,176,386	633,159	2,809,545	2,809,545	--
20.232	Commercial Driver's License Program Improvement Grant		409,912	--	409,912	409,912	--
20.240	Fuel Tax Evasion-Intergovernmental Enforcement Effort		226,573	--	226,573	226,573	--
20.319	ARRA - High-Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants		1,147,004	652,329	1,799,333	1,799,333	--
20.505	Metropolitan Transportation Planning and State and and Non-Metropolitan Planning and Research		223,452	394,004	617,456	617,456	--
20.509	ARRA - Formula Grants for Rural Areas		2,960,661	223,461	3,184,122	3,184,122	--
20.509	Formula Grants for Rural Areas		1,187,051	10,793,949	11,981,000	11,981,000	--
20.520	Paul S. Sarbanes Transit in the Parks		--	56,917	56,917	56,917	--
20.608	Minimum Penalties for Repeat Offenders for Driving While Intoxicated		294,391	147,160	441,551	284,390	157,161
20.614	National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants		108,989	--	108,989	108,989	--
20.616	National Priority Safety Programs		780,890	155,045	935,935	901,591	34,344
20.700	Pipeline Safety Program State Base Grant		252,642	--	252,642	252,642	--
20.701	University Transportation Centers Program		61,377	--	61,377	19,414	41,963
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants		213,984	--	213,984	214,391	(407)
20.933	National Infrastructure Investments		5,262	--	5,262	5,262	--
Total Department of Transportation			**$ 11,438,658**	**$ 13,056,024**	**$ 24,494,682**	**$ 24,261,621**	**$ 233,061**
Department of the Treasury							
21.XXX	Other Department of Treasury Programs						
		ASSET FORFEITURE	$ 171,664	$ --	$ 171,664	$ 171,664	$ --
		NFMC	49,089	318,634	367,723	367,723	--
21.XXX	Total Other Department of Treasury Programs		$ 220,753	$ 318,634	$ 539,387	$ 539,387	$ --
Total Department of the Treasury			**$ 220,753**	**$ 318,634**	**$ 539,387**	**$ 539,387**	**$ --**
Office of Personnel Management							
27.011	Intergovernmental Personnel Act (IPA) Mobility Program		$ 161,129	$ --	$ 161,129	$ 161,129	$ --
Total Office of Personnel Management			**$ 161,129**	**$ --**	**$ 161,129**	**$ 161,129**	**$ --**
Equal Employment Opportunity Commission							
30.001	Employment Discrimination_Title VII of the Civil Rights Act of 1964		$ 398,750	$ --	$ 398,750	$ 398,750	$ --
Total Equal Employment Opportunity Commission			**$ 398,750**	**$ --**	**$ 398,750**	**$ 398,750**	**$ --**

General Services Administration						
39.002	Disposal of Federal Surplus Real Property	$ --	$ 44,473	$ 44,473	$ 44,473	$ --
39.003	Donation of Federal Surplus Personal Property	148,702	1,445,959	1,594,661	1,594,661	--
Total General Services Administration		**$ 148,702**	**$ 1,490,432**	**$ 1,639,134**	**$ 1,639,134**	**$ --**
National Endowment for the Arts						
45.024	Promotion of the Arts_Grants to Organizations and Individuals	$ 73,779	$ --	$ 73,779	$ 73,779	$ --
45.025	Promotion of the Arts_Partnership Agreements	105,235	644,900	750,135	698,690	51,445
Total National Endowment for the Arts		**$ 179,014**	**$ 644,900**	**$ 823,914**	**$ 772,469**	**$ 51,445**
National Endowment for the Humanities						
45.129	Promotion of the Humanities_Federal/State Partnership	$ 5,489	$ --	$ 5,489	$ --	$ 5,489
45.149	Promotion of the Humanities_Division of Preservation and Access	151,031	--	151,031	150,347	684
45.163	Promotion of the Humanities_Professional Development	99,698	--	99,698	99,698	--
Total National Endowment for the Humanities		**$ 256,218**	**$ --**	**$ 256,218**	**$ 250,045**	**$ 6,173**
Institute Of Museum and Library Services						
45.301	Museums for America	$ 162,115	$ --	$ 162,115	$ 162,115	$ --
45.303	Conservation Project Support	76,463	--	76,463	76,463	--
45.310	Grants to States	1,117,592	926,797	2,044,389	2,044,389	--
45.312	National Leadership Grants	65,749	104,651	170,400	170,400	--
Total Institute Of Museum and Library Services		**$ 1,421,919**	**$ 1,031,448**	**$ 2,453,367**	**$ 2,453,367**	**$ --**
National Science Foundation						
47.041	Engineering Grants	$ 10	$ --	$ 10	$ 10	$ --
47.049	Mathematical and Physical Sciences	2,348	--	2,348	--	2,348
47.050	Geosciences	246,271	79,061	325,332	325,332	--
47.070	Computer and Information Science and Engineering	100	--	100	100	--
47.075	Social, Behavioral, and Economic Sciences	27,909	--	27,909	27,909	--
47.076	Education and Human Resources	664,103	2,452	666,555	623,384	43,171
47.078	Polar Programs	693	--	693	693	--
47.080	Office of Cyberinfrastructure	714,972	--	714,972	714,972	--
47.082	ARRA - Trans-NSF Recovery Act Research Support	(1,785)	--	(1,785)	(1,785)	--
Total National Science Foundation		**$ 1,654,621**	**$ 81,513**	**$ 1,736,134**	**$ 1,690,615**	**$ 45,519**
Small Business Administration						
59.037	Small Business Development Centers	$ 54,281	$ --	$ 54,281	$ --	$ 54,281
59.061	State Trade and Export Promotion Pilot Grant Program	66,464	207,564	274,028	274,028	--
Total Small Business Administration		**$ 120,745**	**$ 207,564**	**$ 328,309**	**$ 274,028**	**$ 54,281**
Department of Veterans Affairs						
64.005	Grants to States for Construction of State Home Facilities	$ 17,017,752	$ --	$ 17,017,752	$ 17,017,752	$ --
64.015	Veterans State Nursing Home Care	6,063,755	--	6,063,755	6,063,755	--
64.125	Vocational and Educational Counseling for Servicemembers and Veterans	77,055	--	77,055	77,055	--

The accompanying notes are an integral part of this schedule.

State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
64.XXX	Other Department of Veterans Affairs Programs	9999	126	--	126	126	--
64.XXX	Total Other Department of Veterans Affairs Programs		$ 126	$ --	$ 126	$ 126	$ --
Total Department of Veterans Affairs			**$ 23,158,688**	**$ --**	**$ 23,158,688**	**$ 23,158,688**	**$ --**
Environmental Protection Agency							
66.032	State Indoor Radon Grants		$ 56,204	$ --	$ 56,204	$ 56,204	$ --
66.034	Surveys, Studies, Research, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act		993,001	62,963	1,055,964	1,055,964	--
66.039	National Clean Diesel Emissions Reduction Program		1,205	--	1,205	1,205	--
66.040	State Clean Diesel Grant Program		5,973	109,896	115,869	115,869	--
66.419	Water Pollution Control State, Interstate, and Tribal Program Support		174,755	--	174,755	174,755	--
66.432	State Public Water System Supervision		904,459	327,268	1,231,727	1,231,727	--
66.454	Water Quality Management Planning		204,910	--	204,910	204,910	--
66.460	Nonpoint Source Implementation Grants		(1,847)	656,655	654,808	654,808	--
66.461	Regional Wetland Program Development Grants		150,818	--	150,818	145,981	4,837
66.472	Beach Monitoring and Notification Program Implementation Grants		245,709	--	245,709	245,709	--
66.514	Science to Achieve Results (STAR) Fellowship Program		23,285	--	23,285	23,285	--
66.605	Performance Partnership Grants		9,704,264	--	9,704,264	9,704,264	--
66.608	Environmental Information Exchange Network Grant Program and Related Assistance		193,290	--	193,290	193,290	--
66.700	Consolidated Pesticide Enforcement Cooperative Agreements		340,219	--	340,219	340,219	--
66.707	TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals		185,990	--	185,990	185,990	--
66.709	Multi-Media Capacity Building Grants for States and Tribes		69,555	--	69,555	69,555	--
66.802	Superfund State, Political Subdivision, and Indian Tribe Site_Specific Cooperative Agreements		303,237	--	303,237	303,237	--
66.804	Underground Storage Tank Prevention, Detection, and Compliance Program		413,000	--	413,000	413,000	--
66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program		1,297,419	--	1,297,419	1,297,419	--
66.809	Superfund State and Indian Tribe Core Program Cooperative Agreements		125,000	--	125,000	125,000	--
66.817	State and Tribal Response Program Grants		1,024,200	--	1,024,200	1,024,200	--
66.818	Brownfields Assessment and Cleanup Cooperative Agreements		31,341	83,973	115,314	115,314	--
66.950	National Environmental Education Training Program		87,821	--	87,821	--	87,821
66.951	Environmental Education Grants		22,694	12,529	35,223	35,223	--
Total Environmental Protection Agency			**$ 16,556,502**	**$ 1,253,284**	**$ 17,809,786**	**$ 17,717,128**	**$ 92,658**
Department of Energy							
81.041	ARRA - State Energy Program		$ (179)	$ --	$ (179)	$ (179)	$ --

81.041	State Energy Program	472,282	--	472,282	472,282	--
81.042	Weatherization Assistance for Low-Income Persons	160,577	1,945,159	2,105,736	2,105,736	--
81.049	Office of Science Financial Assistance Program	4,114	--	4,114	4,114	--
81.087	Renewable Energy Research and Development	450,075	--	450,075	450,075	--
81.104	Environmental Remediation and Waste Processing and Disposal	787,109	--	787,109	787,109	--
81.106	Transport of Transuranic Wastes to the Waste Isolation Pilot Plant: States and Tribal Concerns, Proposed Solutions	76,152	--	76,152	--	76,152
81.112	Stewardship Science Grant Program	28,639	--	28,639	--	28,639
81.117	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	18,884	--	18,884	--	18,884
81.119	State Energy Program Special Projects	6,281	--	6,281	6,281	--
81.121	Nuclear Energy Research, Development and Demonstration	155	--	155	--	155
81.122	ARRA - Electricity Delivery and Energy Reliability, Research, Development and Analysis	199,936	--	199,936	199,936	--
81.XXX	Other Department of Energy Programs					
	12 48	13,859	--	13,859	--	13,859
	12 67	269,628	--	269,628	--	269,628
	13 46	13,735	--	13,735	--	13,735
	13 47	51,081	--	51,081	--	51,081
	13 52	369,689	--	369,689	--	369,689
	13 67	130,050	--	130,050	--	130,050
	13 68	246,960	--	246,960	--	246,960
	13 77	624,277	--	624,277	--	624,277
	14 41	382,702	--	382,702	--	382,702
	1984 025 00	307,914	--	307,914	307,914	--
	1988 053 08	1,820	--	1,820	1,820	--
	1992 026 04	938,328	--	938,328	938,328	--
	1993 066 00 59142	22,886	--	22,886	22,886	--
	1994 042 00	330,585	--	330,585	330,585	--
	1998 016 00	314,594	--	314,594	314,594	--
	2007 299 00 60985	259,038	--	259,038	259,038	--
	2007 404 00	43,238	--	43,238	43,238	--
	2008 718 00	20,100	--	20,100	20,100	--
	2010 035 00	218,730	--	218,730	218,730	--
	2011 004 00	111,154	--	111,154	111,154	--
	44552	168,058	1,640,025	1,808,083	1,808,083	--
	56429021 0060620	431,133	--	431,133	431,133	--
	59270	82,332	--	82,332	82,332	--
	59445 1993 040 00	233,737	--	233,737	233,737	--
	59665	95,038	--	95,038	95,038	--
	60212 1993 066 00	772,684	--	772,684	772,684	--
	60326 1998 007 04	150,933	--	150,933	150,933	--
	60447 2011 004 00	175,680	--	175,680	175,680	--
	60629 2011 006 00	118,537	--	118,537	118,537	--
	60848	104,826	--	104,826	104,826	--
	62538 2011 004 00	753,450	--	753,450	753,450	--

The accompanying notes are an integral part of this schedule.

State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
		62559 1988 053 04	441,048	--	441,048	441,048	--
		62674 1988 053 08	146,960	--	146,960	146,960	--
		62683	96,899	--	96,899	96,899	--
		62872 2007 404 00	216,831	--	216,831	216,831	--
		63090 2007 404 00	238,907	--	238,907	238,907	--
		63178 1988 053 08	132,034	--	132,034	132,034	--
		63186	1,137,864	--	1,137,864	1,137,864	--
		63214 2007 402 00	70,771	--	70,771	70,771	--
		63235	62,281	--	62,281	62,281	--
		63237 1993 060 00	726,687	--	726,687	726,687	--
		63378	868,986	--	868,986	868,986	--
		63486	438,235	--	438,235	438,235	--
		63516	463,588	--	463,588	463,588	--
		63517	532,359	--	532,359	532,359	--
		63615	187,566	--	187,566	187,566	--
		63616 1996 040 00	33,520	--	33,520	33,520	--
		64769	264,657	--	264,657	264,657	--
		68396-02	47,107	--	47,107	--	47,107
		IGA 402 000	150,001	--	150,001	--	150,001
		PO 1276073	6,200	--	6,200	--	6,200
81.XXX	Total Other Department of Energy Programs		$ 14,019,277	$ 1,640,025	$ 15,659,302	$ 13,354,013	$ 2,305,289
Total	**Department of Energy**		**$ 16,223,302**	**$ 3,585,184**	**$ 19,808,486**	**$ 17,379,367**	**$ 2,429,119**
Department of Education							
84.002	Adult Education_Basic Grants to States		$ 924,553	$ 4,118,320	$ 5,042,873	$ 5,042,873	$ --
84.010	Title I Grants to Local Educational Agencies		2,097,146	142,172,633	144,269,779	144,269,779	--
84.011	Migrant Education_State Grant Program		973,725	9,181,570	10,155,295	10,155,295	--
84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth		11,283	1,455,785	1,467,068	1,467,068	--
84.015	National Resource Centers Program for Foreign Language and Area Studies or Foreign Language and International Studies Program and Foreign Language and Area Studies Fellowship Program		692,809	--	692,809	692,809	--
84.016	Undergraduate International Studies and Foreign Language Programs		78,791	--	78,791	78,791	--
84.048	Career and Technical Education_Basic Grants to States		1,613,877	10,952,788	12,566,665	12,566,665	--
84.116	Fund for the Improvement of Postsecondary Education		15,653	--	15,653	1,184	14,469
84.126	Rehabilitation Services_Vocational Rehabilitation Grants to States		47,710,942	--	47,710,942	47,710,942	--
84.129	Rehabilitation Long_Term Training		356,003	--	356,003	356,003	--
84.141	Migrant Education_High School Equivalency Program		461,724	--	461,724	461,724	--
84.144	Migrant Education_Coordination Program		19,708	22,397	42,105	42,105	--
84.160	Training Interpreters for Individuals who are Deaf and Individuals who are Deaf-Blind		204,996	153,434	358,430	358,430	--

84.169	Independent Living_State Grants	479,558	--	479,558	479,558	--
84.177	Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind	467,727	--	467,727	467,727	--
84.181	Special Education_Grants for Infants and Families	8,641,923	4,664,456	13,306,379	4,788,699	8,517,680
84.187	Supported Employment Services for Individuals with the Most Significant Disabilities	356,793	--	356,793	356,793	--
84.195	Bilingual Education Professional Development	224,112	--	224,112	224,112	--
84.196	Education for Homeless Children and Youth	173,877	449,215	623,092	623,092	--
84.224	Assistive Technology	9,773	428,511	438,284	430,747	7,537
84.235	Rehabilitation Services Demonstration and Training Programs	771,950	--	771,950	771,950	--
84.265	Rehabilitation Training_State Vocational Rehabilitation Unit In_Service Training	68,422	--	68,422	68,422	--
84.287	Twenty-First Century Community Learning Centers	316,747	12,385,711	12,702,458	12,702,458	--
84.299	Indian Education-Special Programs for Indian Children	392,739	--	392,739	392,739	--
84.305	Education Research, Development and Dissemination	48,864	--	48,864	48,864	--
84.323	Special Education - State Personnel Development	514,462	184,345	698,807	671,930	26,877
84.324	Research in Special Education	1,053,334	1,010,078	2,063,412	2,048,976	14,436
84.325	Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	2,241,097	3,000	2,244,097	2,205,744	38,353
84.326	Special Education_Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	5,130,027	1,606,371	6,736,398	6,124,359	612,039
84.327	Special Education_Educational Technology_Media and Materials for Individuals with Disabilities	3,408	--	3,408	--	3,408
84.330	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	314,301	--	314,301	314,301	--
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs	2,335,806	371,229	2,707,035	2,707,035	--
84.335	Child Care Access Means Parents in School	185,734	--	185,734	185,734	--
84.350	Transition to Teaching	152,296	--	152,296	152,296	--
84.357	Reading First State Grants	5	--	5	--	5
84.358	Rural Education	72,147	1,443,160	1,515,307	1,515,307	--
84.365	English Language Acquisition State Grants	309,578	7,453,543	7,763,121	7,763,121	--
84.366	Mathematics and Science Partnerships	118,025	1,050,950	1,168,975	1,168,975	--
84.367	Improving Teacher Quality State Grants	1,122,284	20,876,044	21,998,328	21,944,371	53,957
84.368	Grants for Enhanced Assessment Instruments	1,648,827	--	1,648,827	1,648,827	--
84.369	Grants for State Assessments and Related Activities	6,213,223	--	6,213,223	6,213,223	--
84.378	College Access Challenge Grant Program	124,383	--	124,383	124,383	--
84.412	Race to the Top – Early Learning Challenge	1,158,412	1,174,734	2,333,146	2,333,146	--
84.XXX	Other Department of Education Programs					
	00060313	118,502	--	118,502	118,502	--
	2401Q1	9,013	--	9,013	--	9,013
	ED08CO0071	115,231	--	115,231	115,231	--
84.XXX	Total Other Department of Education Programs	$ 242,746	$ --	$ 242,746	$ 233,733	$ 9,013
Total Department of Education		**$ 90,053,790**	**$ 221,158,274**	**$ 311,212,064**	**$ 301,914,290**	**$ 9,297,774**

The accompanying notes are an integral part of this schedule.

State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
National Archives and Records Administration							
89.003	National Historical Publications and Records Grants		$ 74,196	$ --	$ 74,196	$ 74,196	$ --
Total National Archives and Records Administration			**$ 74,196**	**$ --**	**$ 74,196**	**$ 74,196**	**$ --**
Elections Assistance Commission							
90.401	Help America Vote Act Requirements Payments		$ 1,039,040	$ 73,840	$ 1,112,880	$ 1,112,880	$ --
Total Elections Assistance Commission			**$ 1,039,040**	**$ 73,840**	**$ 1,112,880**	**$ 1,112,880**	**$ --**
United States Institute of Peace							
91.001	Annual Grant Competition		$ 15,995	$ --	$ 15,995	$ 15,995	$ --
91.004	Public Education for Peacebuilding Awards Program		1,803	--	1,803	1,803	--
Total United States Institute of Peace			**$ 17,798**	**$ --**	**$ 17,798**	**$ 17,798**	**$ --**
Department of Health and Human Services							
93.041	Special Programs for the Aging_Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation		$ 16,126	$ 61,099	$ 77,225	$ 77,225	$ --
93.042	Special Programs for the Aging_Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals		298,825	--	298,825	298,825	--
93.043	Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services		--	258,568	258,568	258,568	--
93.048	Special Programs for the Aging_Title IV and Title II_Discretionary Projects		358,041	64,963	423,004	423,004	--
93.051	Alzheimer's Disease Demonstration Grants to States		20,027	123,006	143,033	143,033	--
93.052	National Family Caregiver Support, Title III, Part E		47,980	1,627,601	1,675,581	1,675,581	--
93.069	Public Health Emergency Preparedness		4,028,092	4,131,381	8,159,473	8,159,473	--
93.070	Environmental Public Health and Emergency Response		883,030	165,338	1,048,368	1,048,368	--
93.071	Medicare Enrollment Assistance Program		--	66,838	66,838	66,838	--
93.088	Advancing System Improvements to Support Targets for Healthy People 2010		67,804	--	67,804	46,545	21,259
93.089	Emergency System for Advance Registration of Volunteer Health Professionals		(31,156)	8,892	(22,264)	(22,264)	--
93.090	ARRA - Guardianship Assistance		(6)	--	(6)	(6)	--
93.090	Guardianship Assistance			6,536,993	--	6,536,993	6,536,993
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program		278,712	312,725	591,437	591,437	--
93.103	Food and Drug Administration_Research		673,293	--	673,293	673,293	--
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)		147,382	--	147,382	--	147,382
93.110	Maternal and Child Health Federal Consolidated Programs		116,818	--	116,818	116,818	--
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs		441,238	119,060	560,298	560,298	--

93.127	Emergency Medical Services for Children	130,495	--	130,495	130,495	--
93.130	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	255,626	--	255,626	255,626	--
93.136	Injury Prevention and Control Research and State and Community Based Programs	1,009,781	193,871	1,203,652	1,203,652	--
93.150	Projects for Assistance in Transition from Homelessness (PATH)	221,306	313,713	535,019	535,019	--
93.161	Health Program for Toxic Substances and Disease Registry	154,507	20,830	175,337	175,337	--
93.204	Surveillance of Hazardous Substance Emergency Events	19,628	--	19,628	19,628	--
93.217	Family Planning_Services	530,582	1,934,739	2,465,321	2,465,321	--
93.235	Affordable Care Act (ACA) Abstinence Education Program	507,965	--	507,965	507,965	--
93.236	Grants to States to Support Oral Health Workforce Activities	283,758	--	283,758	283,758	--
93.240	State Capacity Building	356,772	--	356,772	356,772	--
93.243	Substance Abuse and Mental Health Services_Projects of Regional and National Significance	888,268	2,804,863	3,693,131	3,553,271	139,860
93.251	Universal Newborn Hearing Screening	331,693	--	331,693	331,693	--
93.256	State Health Access Program	501,266	--	501,266	501,266	--
93.262	Occupational Safety and Health Program	299,796	61,838	361,634	361,634	--
93.268	Immunization Cooperative Agreements	42,553,145	55,611	42,608,756	42,608,756	--
93.270	Adult Viral Hepatitis Prevention and Control	124,372	--	124,372	124,372	--
93.275	Substance Abuse and Mental Health Services-Access to Recovery	4,743,097	--	4,743,097	4,743,097	--
93.279	Drug Abuse and Addiction Research Programs	(2)	--	(2)	(2)	--
93.283	Centers for Disease Control and Prevention_Investigations and Technical Assistance	9,516,899	367,285	9,884,184	9,833,954	50,230
93.296	State Partnership Grant Program to Improve Minority Health	362	140,000	140,362	140,362	--
93.414	ARRA - State Primary Care Offices	78,458	--	78,458	78,458	--
93.500	Pregnancy Assistance Fund Program	303,850	597,056	900,906	900,906	--
93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	2,657,716	2,210,567	4,868,283	4,868,283	--
93.506	ACA Nationwide Program for National and State Background Checks for Direct Patient Access Employees of Long Term Care Facilities and Providers	1,525	--	1,525	1,525	--
93.507	PPHF National Public Health Improvement Initiative	456,158	45,337	501,495	501,495	--
93.511	Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	977,420	--	977,420	977,420	--
93.517	Affordable Care Act – Aging and Disability Resource Center	386,306	311,659	697,965	697,965	--
93.519	Affordable Care Act (ACA) – Consumer Assistance Program Grants	223,836	--	223,836	223,836	--
93.521	The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements	2,544,565	50,355	2,594,920	2,594,920	--
93.525	State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	575,444	--	575,444	575,444	--
93.538	Affordable Care Act - National Environmental Public Health Tracking Program-Network Implementation	921,199	--	921,199	921,199	--

The accompanying notes are an integral part of this schedule.

State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
93.539	Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds		584,917	334,870	919,787	919,787	--
93.544	The Patient Protection and Affordable Care Act of 2010 (ACA) (Affordable Care Act) authorizes Coordinated Chronic Disease Prevention and Health Promotion Program		226,425	166,070	392,495	392,495	--
93.556	Promoting Safe and Stable Families		3,441,637	576,435	4,018,072	4,018,072	--
93.563	Child Support Enforcement		39,953,641	8,708,975	48,662,616	48,662,616	--
93.566	Refugee and Entrant Assistance_State Administered Programs		3,680,332	--	3,680,332	3,680,332	--
93.568	Low-Income Home Energy Assistance		962,112	34,054,141	35,016,253	35,016,253	--
93.569	Community Services Block Grant		273,316	4,771,617	5,044,933	5,044,933	--
93.576	Refugee and Entrant Assistance_Discretionary Grants		113,986	--	113,986	113,986	--
93.579	U.S. Repatriation		899	--	899	899	--
93.584	Refugee and Entrant Assistance_Targeted Assistance Grants		607,833	--	607,833	607,833	--
93.586	State Court Improvement Program		484,656	--	484,656	484,656	--
93.587	Promote the Survival and Continuing Vitality of Native American Languages		32,683	--	32,683	--	32,683
93.590	Community-Based Child Abuse Prevention Grants		337,978	--	337,978	337,978	--
93.597	Grants to States for Access and Visitation Programs		55,525	72,212	127,737	127,737	--
93.599	Chafee Education and Training Vouchers Program (ETV)		563,443	--	563,443	563,443	--
93.600	Head Start		1,172,072	--	1,172,072	1,172,072	--
93.601	Child Support Enforcement Demonstrations and Special Projects		45,259	5,532	50,791	50,791	--
93.605	Family Connection Grants		746,195	--	746,195	746,195	--
93.617	Voting Access for Individuals with Disabilities_Grants to States		28,507	30,000	58,507	58,507	--
93.624	ACA - State Innovation Models: Funding for Model Design and Model Testing Assistance		7,738,060	391,835	8,129,895	8,129,895	--
93.630	Developmental Disabilities Basic Support and Advocacy Grants		1,062,293	--	1,062,293	1,062,293	--
93.632	University Centers for Excellence in Developmental Disabilities Education, Research, and Service		451,500	--	451,500	451,500	--
93.643	Children's Justice Grants to States		270,182	--	270,182	270,182	--
93.645	Stephanie Tubbs Jones Child Welfare Services Program		4,315,503	--	4,315,503	4,315,503	--
93.648	Child Welfare Research Training or Demonstration		456,690	--	456,690	--	456,690
93.652	Adoption Opportunities		275,865	--	275,865	275,865	--
93.658	ARRA - Foster Care_Title IV-E		(63,487)	--	(63,487)	(63,487)	--
93.658	Foster Care_Title IV-E		80,161,146	655,273	80,816,419	80,816,419	--
93.659	ARRA - Adoption Assistance		(838,063)	--	(838,063)	(838,063)	--
93.659	Adoption Assistance		27,875,764	--	27,875,764	27,875,764	--
93.667	Social Services Block Grant		22,416,197	4,274,335	26,690,532	26,690,532	--
93.669	Child Abuse and Neglect State Grants		176,134	--	176,134	176,134	--
93.671	Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services		5,678	1,266,821	1,272,499	1,272,499	--
93.674	Chafee Foster Care Independence Program		2,483,629	--	2,483,629	2,483,629	--

93.701	ARRA - Trans-NIH Recovery Act Research Support	67,708	--	67,708	--	67,708
93.708	ARRA - Head Start	(3,430)	--	(3,430)	(3,430)	--
93.708	Head Start	398,719	145,152	543,871	543,871	--
93.712	ARRA - Immunization	(49,826)	--	(49,826)	(49,826)	--
93.719	ARRA - State Grants to Promote Health Information Technology	787,324	--	787,324	787,324	--
93.723	ARRA - Prevention and Wellness_State, Territories and Pacific Islands	(4,026)	--	(4,026)	(4,026)	--
93.724	ARRA - Prevention and Wellness_Communities Putting Prevention to Work Funding Opportunities Announcement (FOA)	1,510	15,324	16,834	16,834	--
93.733	Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance – financed in part by the Prevention and Public Health Fund (PPHF)	692,841	--	692,841	692,841	--
93.734	Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Management Education Programs – financed by Prevention and Public Health Funds (PPHF)	261,456	260,066	521,522	521,522	--
93.735	State Public Health Approaches for Ensuring Quitline Capacity – Funded in part by Prevention and Public Health Funds (PPHF)	305,748	--	305,748	305,748	--
93.744	PPHF: Breast and Cervical Cancer Screening Opportunities for States, Tribes and Territories solely financed by Prevention and Public Health Funds	61,910	--	61,910	61,910	--
93.745	PPHF: Health Care Surveillance/Health Statistics – Surveillance Program Announcement: Behavioral Risk Factor Surveillance System Financed in Part by Prevention and Public Health Funds	(11,749)	--	(11,749)	(11,749)	--
93.767	Children's Health Insurance Program	214,192,030	--	214,192,030	214,192,030	--
93.768	Medicaid Infrastructure Grants to Support the Competitive Employment of People with Disabilities	144,466	--	144,466	144,466	--
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	507,421	201,870	709,291	709,291	--
93.791	Money Follows the Person Rebalancing Demonstration	527,926	--	527,926	527,926	--
93.796	State Survey Certification of Health Care Providers and Suppliers (Title XIX) Medicaid	2,145,560	--	2,145,560	2,145,560	--
93.855	Allergy, Immunology and Transplantation Research	18,877	--	18,877	18,877	--
93.859	Biomedical Research and Research Training	15,901	--	15,901	15,901	--
93.889	National Bioterrorism Hospital Preparedness Program	2,790,309	1,580,814	4,371,123	4,371,123	--
93.917	HIV Care Formula Grants	4,746,123	1,358,137	6,104,260	6,104,260	--
93.928	Special Projects of National Significance	345,397	--	345,397	345,397	--
93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	13,041	--	13,041	13,041	--
93.940	HIV Prevention Activities - Health Department Based	1,324,350	1,052,881	2,377,231	2,377,231	--
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	724,970	408,422	1,133,392	1,133,392	--
93.945	Assistance Programs for Chronic Disease Prevention and Control	1,469,754	58,876	1,528,630	1,528,630	--
93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	99,094	--	99,094	99,094	--
93.958	Block Grants for Community Mental Health Services	1,808,535	3,521,399	5,329,934	5,329,934	--

The accompanying notes are an integral part of this schedule.

State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
93.959	Block Grants for Prevention and Treatment of Substance Abuse		4,122,425	18,401,113	22,523,538	22,523,538	--
93.969	PPHF Geriatric Education Centers		82,025	--	82,025	--	82,025
93.977	Preventive Health Services_Sexually Transmitted Diseases Control Grants		374,857	--	374,857	374,857	--
93.991	Preventive Health and Health Services Block Grant		428,422	86,304	514,726	514,726	--
93.994	Maternal and Child Health Services Block Grant to the States		3,459,894	4,255,325	7,715,219	7,715,219	--
93.XXX	Other Department of Health and Human Services Programs						
		1265-49256	123,399	--	123,399	--	123,399
		HHSM500201100039C	(30,778)	--	(30,778)	(30,778)	--
93.XXX	Total Other Department of Health and Human Services Programs		$ 92,621	$ --	$ 92,621	$ (30,778)	$ 123,399
Total	**Department of Health and Human Services**		**$ 527,479,682**	**$ 102,700,994**	**$ 630,180,676**	**$ 629,059,440**	**$ 1,121,236**
Corporation For National and Community Service							
94.003	State Commissions		$ 277,171	$ --	$ 277,171	$ 277,171	$ --
94.006	AmeriCorps		362,698	2,451,014	2,813,712	2,813,820	(108)
94.007	Program Development and Innovation Grants		13,983	--	13,983	12,983	1,000
94.009	Training and Technical Assistance		59,071	--	59,071	59,071	--
94.013	Volunteers in Service to America		4,553	--	4,553	4,553	--
Total	**Corporation For National and Community Service**		**$ 717,476**	**$ 2,451,014**	**$ 3,168,490**	**$ 3,167,598**	**$ 892**
Office of National Drug Control Policy Reauthorization Act of 2006							
95.001	High Intensity Drug Trafficking Areas Program		$ 1,732,853	$ 1,394,534	$ 3,127,387	$ 3,127,387	$ --
Total	**Office of National Drug Control Policy Reauthorization Act of 2006**		**$ 1,732,853**	**$ 1,394,534**	**$ 3,127,387**	**$ 3,127,387**	**$ --**
Social Security Administration							
96.008	Social Security_Work Incentives Planning and Assistance Program		$ 20,291	$ --	$ 20,291	$ 20,291	$ --
Total	**Social Security Administration**		**$ 20,291**	**$ --**	**$ 20,291**	**$ 20,291**	**$ --**
Department of Homeland Security							
97.012	Boating Safety Financial Assistance		$ 118,458	$ 1,943,273	$ 2,061,731	$ 2,061,731	$ --
97.023	Community Assistance Program_State Support Services Element (CAP-SSSE)		123,223	20,327	143,550	143,550	--
97.029	Flood Mitigation Assistance		(15)	76,057	76,042	76,042	--
97.036	Disaster Grants - Public Assistance (Presidentially Declared)		553,611	10,038,960	10,592,571	10,592,571	--
97.039	Hazard Mitigation Grant		1,027,438	1,660,303	2,687,741	2,687,741	--
97.041	National Dam Safety Program		116,006	--	116,006	116,006	--
97.042	Emergency Management Performance Grants		831,965	5,172,511	6,004,476	5,994,704	9,772
97.043	State Fire Training Systems Grants		17,125	--	17,125	17,125	--
97.044	Assistance to Firefighters Grant		2	--	2	2	--
97.045	Cooperating Technical Partners		575,812	--	575,812	575,812	--
97.046	Fire Management Assistance Grant		40,226,983	--	40,226,983	40,226,983	--

97.047	Pre-Disaster Mitigation		8,169		242,669		250,838		250,838		--
97.052	Emergency Operations Center		6,087		473,891		479,978		479,978		--
97.056	Port Security Grant Program		66,000		--		66,000		66,000		--
97.070	Map Modernization Management Support		133,543		--		133,543		133,543		--
97.082	Earthquake Consortium		16,437		--		16,437		16,437		--
Total Department of Homeland Security		**$**	**43,820,844**	**$**	**19,627,991**	**$**	**63,448,835**	**$**	**63,439,063**	**$**	**9,772**
United States Agency for International Development											
98.001	USAID Foreign Assistance for Programs Overseas	$	83,159	$	16,500	$	99,659	$	--	$	99,659
98.XXX	Other USAID Programs										
	0770-SO11-61		90		--		90		--		90
98.XXX	Total Other USAID Programs	$	90	$	--	$	90	$	--	$	90
Total United States Agency for International Development		**$**	**83,249**	**$**	**16,500**	**$**	**99,749**	**$**	**--**	**$**	**99,749**
SNAP Cluster											
10.551	ARRA - Supplemental Nutrition Assistance Program	$	3,147,263	$	--	$	3,147,263	$	3,147,263	$	--
10.551	Supplemental Nutrition Assistance Program		1,181,087,923		--		1,181,087,923		1,181,087,923		--
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program		70,330,292		--		70,330,292		70,330,292		--
Total SNAP Cluster		**$**	**1,254,565,478**	**$**	**--**	**$**	**1,254,565,478**	**$**	**1,254,565,478**	**$**	**--**
Child Nutrition Cluster											
10.553	School Breakfast Program	$	373,838	$	33,938,167	$	34,312,005	$	34,312,005	$	--
10.555	National School Lunch Program		766,040		115,813,570		116,579,610		116,579,610		--
10.556	Special Milk Program for Children		--		130,922		130,922		130,922		--
10.559	Summer Food Service Program for Children		2,534,971		6,081,187		8,616,158		8,616,158		--
Total Child Nutrition Cluster		**$**	**3,674,849**	**$**	**155,963,846**	**$**	**159,638,695**	**$**	**159,638,695**	**$**	**--**
Food Distribution Cluster											
10.565	Commodity Supplemental Food Program	$	14,442	$	482,539	$	496,981	$	496,981	$	--
10.568	Emergency Food Assistance Program (Administrative Costs)		81,755		1,039,584		1,121,339		1,121,339		--
10.569	Emergency Food Assistance Program (Food Commodities)		--		6,235,591		6,235,591		6,235,591		--
Total Food Distribution Cluster		**$**	**96,197**	**$**	**7,757,714**	**$**	**7,853,911**	**$**	**7,853,911**	**$**	**--**
Food Service Schools and Roads Cluster											
10.665	Schools and Roads_Grants to States	$	349,751	$	60,778,160	$	61,127,911	$	60,778,160	$	349,751
Total Food Service Schools and Roads Cluster		**$**	**349,751**	**$**	**60,778,160**	**$**	**61,127,911**	**$**	**60,778,160**	**$**	**349,751**
Economic Development Cluster											
11.307	Economic Adjustment Assistance	$	7,223,822	$	--	$	7,223,822	$	7,223,822	$	--
Total Economic Development Cluster		**$**	**7,223,822**	**$**	**--**	**$**	**7,223,822**	**$**	**7,223,822**	**$**	**--**
CDBG - Entitlement Grants Cluster											
14.218	Community Development Block Grants/Entitlement Grants	$	156,218	$	--	$	156,218	$	--	$	156,218
Total CDBG - Entitlement Grants Cluster		**$**	**156,218**	**$**	**--**	**$**	**156,218**	**$**	**--**	**$**	**156,218**

The accompanying notes are an integral part of this schedule.

State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
CDBG - State Administered CDBG Cluster							
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii		$ 428,684	$ 11,447,486	$ 11,876,170	$ 11,876,170	$ --
Total CDBG - State Administered CDBG Cluster			**$ 428,684**	**$ 11,447,486**	**$ 11,876,170**	**$ 11,876,170**	**$ --**
Fish and Wildlife Cluster							
15.605	Sport Fish Restoration Program		$ 6,141,788	$ --	$ 6,141,788	$ 6,141,788	$ --
15.611	Wildlife Restoration and Basic Hunter Education		10,300,558	300	10,300,858	10,300,858	--
Total Fish and Wildlife Cluster			**$ 16,442,346**	**$ 300**	**$ 16,442,646**	**$ 16,442,646**	**$ --**
JAG Program Cluster							
16.738	Edward Byrne Memorial Justice Assistance Grant Program		$ 769,609	$ 2,724,463	$ 3,494,072	$ 3,144,363	$ 349,709
16.803	ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program_Grants to States and Territories		194,670	831,164	1,025,834	1,025,834	--
16.803	Edward Byrne Memorial Justice Assistance Grant (JAG) Program_Grants to States and Territories		88,561	--	88,561	481	88,080
Total JAG Program Cluster			**$ 1,052,840**	**$ 3,555,627**	**$ 4,608,467**	**$ 4,170,678**	**$ 437,789**
Employment Service Cluster							
17.207	Employment Service/Wagner-Peyser Funded Activities		$ 15,791,484	$ --	$ 15,791,484	$ 15,791,484	$ --
17.801	Disabled Veterans' Outreach Program (DVOP)		2,458,422	--	2,458,422	2,458,422	--
17.804	Local Veterans' Employment Representative Program		303,112	--	303,112	303,112	--
Total Employment Service Cluster			**$ 18,553,018**	**$ --**	**$ 18,553,018**	**$ 18,553,018**	**$ --**
WIA Cluster							
17.258	WIA Adult Program		$ 772,071	$ 8,742,311	$ 9,514,382	$ 9,514,382	$ --
17.259	WIA Youth Activities		531,190	9,876,001	10,407,191	10,407,191	--
17.278	WIA Dislocated Worker Formula Grants		1,878,072	9,558,227	11,436,299	11,436,299	--
Total WIA Cluster			**$ 3,181,333**	**$ 28,176,539**	**$ 31,357,872**	**$ 31,357,872**	**$ --**
Highway Planning and Construction Cluster							
20.205	ARRA - Highway Planning and Construction		$ 58,569	$ 3,260	$ 61,829	$ 61,829	$ --
20.205	Highway Planning and Construction		437,025,962	40,163,595	477,189,557	476,333,577	855,980
20.219	Recreational Trails Program		350,038	1,302,350	1,652,388	1,652,388	--
Total Highway Planning and Construction Cluster			**$ 437,434,569**	**$ 41,469,205**	**$ 478,903,774**	**$ 478,047,794**	**$ 855,980**
Federal Transit Cluster							
20.500	Federal Transit Capital Investment Grants		$ --	$ 1,822,426	$ 1,822,426	$ 1,822,426	$ --
20.507	Federal Transit Formula Grants		1,968,040	--	1,968,040	1,968,040	--
Total Federal Transit Cluster			**$ 1,968,040**	**$ 1,822,426**	**$ 3,790,466**	**$ 3,790,466**	**$ --**

Highway Safety Cluster						
20.600	State and Community Highway Safety	$ 1,713,460	$ 967,042	$ 2,680,502	$ 2,578,890	$ 101,612
20.601	Alcohol Impaired Driving Countermeasures Incentive Grants I	590,234	600,439	1,190,673	1,021,102	169,571
20.602	Occupant Protection Incentive Grants	(129,731)	143,681	13,950	(21,603)	35,553
20.609	Safety Belt Performance Grants	11,602	12,472	24,074	24,074	--
20.610	State Traffic Safety Information System Improvement Grants	46,746	1,087,077	1,133,823	1,133,823	--
20.612	Incentive Grant Program to Increase Motorcyclist Safety	5,000	--	5,000	5,000	--
20.613	Child Safety and Child Booster Seats Incentive Grants	--	38,844	38,844	38,844	--
Total Highway Safety Cluster		**$ 2,237,311**	**$ 2,849,555**	**$ 5,086,866**	**$ 4,780,130**	**$ 306,736**
Transit Services Programs Cluster						
20.513	Enhanced Mobility of Seniors and Individuals with Disabilities	$ 8,028	$ 10,363,056	$ 10,371,084	$ 10,371,084	$ --
20.521	New Freedom Program	--	61,561	61,561	61,561	--
Total Transit Services Programs Cluster		**$ 8,028**	**$ 10,424,617**	**$ 10,432,645**	**$ 10,432,645**	**$ --**
Clean Water State Revolving Fund Cluster						
66.458	ARRA - Capitalization Grants for Clean Water State Revolving Funds	$ --	$ 84,176	$ 84,176	$ 84,176	$ --
66.458	Capitalization Grants for Clean Water State Revolving Funds	--	15,667,017	15,667,017	15,667,017	--
Total Clean Water State Revolving Fund Cluster		**$ --**	**$ 15,751,193**	**$ 15,751,193**	**$ 15,751,193**	**$ --**
Drinking Water State Revolving Fund Cluster						
66.468	ARRA - Capitalization Grants for Drinking Water State Revolving Funds	$ 6	$ --	$ 6	$ 6	$ --
66.468	Capitalization Grants for Drinking Water State Revolving Funds	3,500,707	5,113,499	8,614,206	8,614,206	--
Total Drinking Water State Revolving Fund Cluster		**$ 3,500,713**	**$ 5,113,499**	**$ 8,614,212**	**$ 8,614,212**	**$ --**
Special Education Cluster (IDEA)						
84.027	Special Education_Grants to States	$ 6,306,393	$ 110,961,326	$ 117,267,719	$ 117,162,178	$ 105,541
84.173	Special Education_Preschool Grants	182,420	2,977,611	3,160,031	3,160,031	--
Total Special Education Cluster (IDEA)		**$ 6,488,813**	**$ 113,938,937**	**$ 120,427,750**	**$ 120,322,209**	**$ 105,541**
TRIO Cluster						
84.042	TRIO_Student Support Services	$ 1,721,061	$ --	$ 1,721,061	$ 1,721,061	$ --
84.044	TRIO_Talent Search	283,579	--	283,579	283,579	--
84.047	TRIO_Upward Bound	226,147	--	226,147	226,147	--
84.217	TRIO_McNair Post_Baccalaureate Achievement	662,754	--	662,754	662,754	--
Total TRIO Cluster		**$ 2,893,541**	**$ --**	**$ 2,893,541**	**$ 2,893,541**	**$ --**
Statewide Data Systems Cluster						
84.384	ARRA - Statewide Data Systems	$ 1,932,338	$ 1,090,228	$ 3,022,566	$ 3,022,566	$ --
Total Statewide Data Systems Cluster		**$ 1,932,338**	**$ 1,090,228**	**$ 3,022,566**	**$ 3,022,566**	**$ --**

The accompanying notes are an integral part of this schedule.

State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
School Improvement Grants Cluster							
84.377	School Improvement Grants		$ 214,531	$ 5,542,711	$ 5,757,242	$ 5,757,242	$ --
84.388	ARRA - School Improvement Grants		83,205	1,159,263	1,242,468	1,242,468	--
Total School Improvement Grants Cluster			**$ 297,736**	**$ 6,701,974**	**$ 6,999,710**	**$ 6,999,710**	**$ --**
Aging Cluster							
93.044	Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers		$ 154,150	$ 4,258,862	$ 4,413,012	$ 4,413,012	$ --
93.045	Special Programs for the Aging_Title III, Part C_Nutrition Services		121,821	6,784,459	6,906,280	6,906,280	--
93.053	Nutrition Services Incentive Program		--	1,670,054	1,670,054	1,670,054	--
Total Aging Cluster			**$ 275,971**	**$ 12,713,375**	**$ 12,989,346**	**$ 12,989,346**	**$ --**
TANF Cluster							
93.558	Temporary Assistance for Needy Families		$ 162,003,817	$ 455,114	$ 162,458,931	$ 162,458,931	$ --
Total TANF Cluster			**$ 162,003,817**	**$ 455,114**	**$ 162,458,931**	**$ 162,458,931**	**$ --**
CCDF Cluster							
93.575	Child Care and Development Block Grant		$ 23,556,976	$ 4,762,875	$ 28,319,851	$ 28,319,851	$ --
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund		45,231,567	--	45,231,567	45,231,567	--
Total CCDF Cluster			**$ 68,788,543**	**$ 4,762,875**	**$ 73,551,418**	**$ 73,551,418**	**$ --**
Medicaid Cluster							
93.775	State Medicaid Fraud Control Units		$ 1,503,032	$ --	$ 1,503,032	$ 1,503,032	$ --
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare		3,901,287	--	3,901,287	3,901,287	--
93.778	ARRA - Medical Assistance Program		29,073,201	--	29,073,201	29,073,201	--
93.778	Medical Assistance Program		4,797,235,570	--	4,797,235,570	4,797,128,337	107,233
Total Medicaid Cluster			**$ 4,831,713,090**	**$ --**	**$ 4,831,713,090**	**$ 4,831,605,857**	**$ 107,233**
Disability Insurance/SSI Cluster							
96.001	Social Security_Disability Insurance		$ 25,886,247	$ --	$ 25,886,247	$ 25,886,247	$ --
Total Disability Insurance/SSI Cluster			**$ 25,886,247**	**$ --**	**$ 25,886,247**	**$ 25,886,247**	**$ --**
Homeland Security Cluster							
97.008	Non-Profit Security Program		$ (45,892)	$ 5,377,066	$ 5,331,174	$ 5,377,066	$ (45,892)
97.053	Citizens Community Resilience Innovation Challenge		16,145	39,882	56,027	56,027	--
97.071	Metropolitan Medical Response System		--	101,270	101,270	101,270	--
97.073	State Homeland Security Program (SHSP)		1,637,990	3,106,193	4,744,183	4,717,928	26,255
Total Homeland Security Cluster			**$ 1,608,243**	**$ 8,624,411**	**$ 10,232,654**	**$ 10,252,291**	**$ (19,637)**

Student Financial Assistance Programs						
84.007	Federal Supplemental Educational Opportunity Grants	$ 3,981,243	$ --	$ 3,981,243	$ 3,981,243	$ --
84.033	Federal Work-Study Program	4,578,779	--	4,578,779	4,578,111	668
84.038	Federal Perkins Loan Program-Federal Capital Contributions	9,387,245	--	9,387,245	9,387,245	--
84.063	Federal Pell Grant Program	128,662,591	--	128,662,591	128,662,591	--
84.268	Federal Direct Student Loans	559,950,165	--	559,950,165	559,950,165	--
84.379	Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	1,363,882	--	1,363,882	1,363,882	--
84.408	Postsecondary Education Scholarships for Veteran's Dependents	3,811	--	3,811	3,811	--
Total	**Student Financial Assistance Programs**	**$ 707,927,716**	**$ --**	**$ 707,927,716**	**$ 707,927,048**	**$ 668**
Research and Development Cluster						
Research and Development – Department of Agriculture						
10.001	Agricultural Research Basic and Applied Research	$ 2,475,583	$ 10,125	$ 2,485,708	$ 2,261,099	$ 224,609
10.025	Plant and Animal Disease, Pest Control, and Animal Care	50,455	--	50,455	39,764	10,691
10.156	Federal-State Marketing Improvement Program	40,618	--	40,618	40,618	--
10.170	Specialty Crop Block Grant Program - Farm Bill	20,624	--	20,624	--	20,624
10.200	Grants for Agricultural Research, Special Research Grants	886,692	52,182	938,874	479,379	459,495
10.203	Payments to Agricultural Experiment Stations Under the Hatch Act	3,933,904	--	3,933,904	3,933,904	--
10.206	Grants for Agricultural Research Competitive Research Grants	(6,128)	--	(6,128)	25,432	(31,560)
10.207	Animal Health and Disease Research	70,141	--	70,141	70,141	--
10.210	Higher Education-Graduate Fellowships Grant Program	164,331	--	164,331	145,827	18,504
10.215	Sustainable Agriculture Research and Education	165,195	--	165,195	63,905	101,290
10.217	Higher Education-Institution -Challenge Grants Program	23,051	--	23,051	--	23,051
10.219	Biotechnology Risk Assessment Research	100,172	--	100,172	100,172	--
10.220	Higher Education Multicultural Scholars Program	119,101	--	119,101	119,101	--
10.250	Agricultural and Rural Economic Research, Cooperative Agreements and Collaborations	12,579	2,041	14,620	14,620	--
10.255	Research Innovation and Development Grants in Economic (RIDGE)	1,274	--	1,274	--	1,274
10.290	Agricultural Market and Economic Research	31,118	--	31,118	31,118	--
10.303	Integrated Programs	242,221	13,370	255,591	155,623	99,968
10.304	Homeland Security Agricultural	39,886	--	39,886	14,011	25,875
10.305	International Science and Education Grants	25,532	--	25,532	25,532	--
10.307	Organic Agriculture Research and Extension Initiative	941,555	337,192	1,278,747	1,030,422	248,325
10.309	Specialty Crop Research Initiative	1,251,482	668,840	1,920,322	1,403,000	517,322
10.310	Agriculture and Food Research Initiative (AFRI)	8,210,658	431,712	8,642,370	4,984,482	3,657,888
10.311	Beginning Farmer and Rancher Development Program	100,356	6,522	106,878	111,499	(4,621)
10.312	Biomass Research and Development Initiative Competitive Grants Program (BRDI)	41,974	--	41,974	--	41,974
10.320	Sun Grant Program	35,080	77,196	112,276	112,276	--
10.450	Crop Insurance	1,095,217	--	1,095,217	1,095,217	--
10.500	Cooperative Extension Service	601,313	2,750	604,063	525,855	78,208
10.558	Child and Adult Care Food Program	6,637	--	6,637	6,637	--
10.652	Forestry Research	172,771	3,288	176,059	154,727	21,332
10.664	Cooperative Forestry Assistance	40,245	22,488	62,733	62,733	--

The accompanying notes are an integral part of this schedule.

State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
10.675	Urban and Community Forestry Program		89,810	--	89,810	89,810	--
10.680	Forest Health Protection		105,246	--	105,246	105,022	224
10.688	ARRA - Wildland Fire Management		102,405	--	102,405	97,622	4,783
10.868	Rural Energy for America Program		39,649	--	39,649	39,649	--
10.902	Soil and Water Conservation		(34,496)	150,051	115,555	115,555	--
10.903	Soil Survey		34,107	--	34,107	9,116	24,991
10.907	Snow Survey and Water Supply Forecasting		316,079	--	316,079	316,079	--
10.912	Environmental Quality Incentives Program		25,861	--	25,861	25,861	--
10.921	Conservation Security Program		(11)	--	(11)	(11)	--
10.XXX	Other Department of Agriculture Programs						
		01-12-OSU	8,644	--	8,644	--	8,644
		08-CR-11061500-033	(157)	--	(157)	(157)	--
		08-JV-11261952-502 PNW	8,789	--	8,789	8,789	--
		08-JV-11261953-492 PNW	870	--	870	870	--
		08-JV-11261967-084 PNW	9,155	--	9,155	9,155	--
		09-CA-11261952-030 PNW	99,034	--	99,034	99,034	--
		09-CA-11261953-022 PNW	59,487	--	59,487	59,487	--
		09-CR-11061800-035	7,997	--	7,997	7,997	--
		09-CR-11061800-039	114	--	114	114	--
		09-CR-11061800-050	8,627	--	8,627	8,627	--
		09-CS-11050650-021	22,276	--	22,276	22,276	--
		09-JV-11221611-264	59,465	--	59,465	59,465	--
		09-JV-11261935-008 PNW	10,500	--	10,500	10,500	--
		09-JV-11261952-012 PNW	62,324	--	62,324	62,324	--
		09-JV-11261952-014PNW	63,234	--	63,234	63,234	--
		09-JV-11261952-031 PNW	115,439	--	115,439	115,439	--
		09-JV-11261952-048 PNW	68,816	--	68,816	68,816	--
		09-JV-11261952-051 PNW	108,133	--	108,133	108,133	--
		09-JV-11261952-065 PNW	6,907	--	6,907	6,907	--
		09-JV-11261953-063 PNW	46,519	--	46,519	46,519	--
		09-JV-11261955-044 PNW	7,398	--	7,398	7,398	--
		09-JV-11261957-021 PNW	16,949	--	16,949	16,949	--
		09-JV-11261957-037 PNW	4,471	--	4,471	4,471	--
		09-JV-11261975-070 PNW	29,972	--	29,972	29,972	--
		09-JV-11261976-015 PNW	139,343	--	139,343	139,343	--
		09-JV-11261985-050 PNW	50,131	--	50,131	50,131	--
		09-JV-11272138-030	5,202	--	5,202	5,202	--
		10-CR-11221633-217	(8)	--	(8)	(8)	--
		10-CS-11221632-281	228,570	--	228,570	228,570	--
		10-JV-11221635-242	1,370	--	1,370	1,370	--
		10-JV-11242309-084	104,481	--	104,481	104,481	--
		10-JV11242309-116	25,558	--	25,558	25,558	--

10-JV-11261900-058 PNW	35,631	--	35,631	35,631	--
10-JV-11261952-078	115,957	--	115,957	115,957	--
10-JV-11261952-085 PNW	2,016	--	2,016	2,016	--
10-JV-11261952-104 PNW	5,279	--	5,279	5,279	--
10-JV-11261953-015 PNW	8,803	--	8,803	8,803	--
10-JV-11261953-021 PNW	161,655	--	161,655	161,655	--
10-JV-11261953-023 PNW	48,934	--	48,934	48,934	--
10-JV-11261953-035 PNW	27,461	--	27,461	27,461	--
10-JV-11261953-043 PNW	90,842	--	90,842	90,842	--
10-JV-11261953-062 PNW	12,074	--	12,074	12,074	--
10-JV-11261953-067 PNW	14,199	--	14,199	14,199	--
10-JV-1126-1953-091	47,925	--	47,925	47,925	--
10-JV-11261955-018 PNW	24,566	--	24,566	24,566	--
10-JV-11261955-053 PNW	20,065	--	20,065	20,065	--
10-JV-11261957-094	73,048	--	73,048	73,048	--
10-JV-11261976-082 PNW	19,791	--	19,791	19,791	--
10-JV-11261991-055 PNW	37,585	--	37,585	37,585	--
10-JV-11272138-066	(425)	--	(425)	(425)	--
11-8130-0043-CA	(1)	--	(1)	(1)	--
11-JV-11111129-137	76,028	--	76,028	76,028	--
11-JV-11221635-139	13,707	--	13,707	13,707	--
11-JV-11221636-190	24,061	--	24,061	24,061	--
11-JV-11242305-110	117,621	--	117,621	117,621	--
11-JV-11261952-027 PNW	155,352	--	155,352	155,352	--
11-JV-11261952-029	63,554	--	63,554	63,554	--
11-JV-11261952-033 PNW	12,638	--	12,638	12,638	--
11-JV-11261952-054 PNW	37,338	--	37,338	37,338	--
11-JV-11261952-078	165,906	--	165,906	165,906	--
11-JV-11261952-088 PNW	95,611	--	95,611	95,611	--
11-JV-11261953-069	11,937	--	11,937	11,937	--
11-JV-11261953-074 PNW	47,531	--	47,531	47,531	--
11-JV-11261955-076	9,784	--	9,784	9,784	--
11-JV-11261955-085	12,322	--	12,322	12,322	--
11-JV-11261959-091 PNW	97,127	--	97,127	97,127	--
11-JV-11261967-064	16,638	--	16,638	16,638	--
11-JV-11261975-080	23,531	--	23,531	23,531	--
11-JV-11261976-101	174,421	--	174,421	174,421	--
12-7453-0854-CA	6,795	--	6,795	6,795	--
12-8130-0043-CA	8,170	--	8,170	8,170	--
12-CA-11060600-014	62,823	390	63,213	63,213	--
12-CR-11061800-024	15,646	--	15,646	15,646	--
12-CS-11061000-030	344	--	344	344	--
12-DG-11261944-093	13,076	--	13,076	13,076	--
12-JV-11221632-066	38,560	--	38,560	38,560	--
12-JV-11261904-019	16,098	--	16,098	16,098	--
12-JV-11261904-027	32,497	--	32,497	32,497	--

The accompanying notes are an integral part of this schedule.

State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
		12-JV-11261927-094	22,415	--	22,415	22,415	--
		12-JV-11261952-013	43,823	--	43,823	43,823	--
		12-JV-11261952-037	35,287	--	35,287	35,287	--
		12-JV-11261953-011	12,274	--	12,274	12,274	--
		12-JV-11261959-057	131,237	--	131,237	131,237	--
		12-JV-11261962-048	54,728	--	54,728	54,728	--
		12-JV-11261967-033	63,464	--	63,464	63,464	--
		12-JV-11261975-014	167,068	--	167,068	167,068	--
		12-JV-11261975-092	9,103	--	9,103	9,103	--
		12-JV-11261979-047	35,939	--	35,939	35,939	--
		12-JV-11261979-050	44,336	--	44,336	44,336	--
		12-JV-11261979-062	64,488	--	64,488	64,488	--
		12-JV-11261979-083	1,307	--	1,307	1,307	--
		12-JV-11261987-010	52,596	--	52,596	52,596	--
		12-JV-11261989-051	68,973	--	68,973	68,973	--
		12-JV-11272139-050	42,893	--	42,893	42,893	--
		13-7453-0854-CA	85,255	--	85,255	85,255	--
		13-8130-0043-CA	35,000	--	35,000	35,000	--
		13-8130-0304-CA	22,049	--	22,049	22,049	--
		13-8130-0310-CA	56,166	--	56,166	56,166	--
		13-CR-11261900-095	6,309	--	6,309	6,309	--
		13-CR-11261952-036	102,627	--	102,627	102,627	--
		13-CS-11011600-047	8,022	--	8,022	8,022	--
		13-CS-11083601-004	1,246	--	1,246	1,246	--
		13-JV-11261952-034	38,959	--	38,959	38,959	--
		13-JV-11261952-038	3,789	--	3,789	3,789	--
		13-JV-11261952-042	95,076	--	95,076	95,076	--
		13-JV-11261952-047	20,212	--	20,212	20,212	--
		13-JV-11261952-048	28,996	--	28,996	28,996	--
		13-JV-11261953-006	60,882	--	60,882	60,882	--
		13-JV-11261953-026 PNW	126,843	--	126,843	126,843	--
		13-JV-11261953-051	32,314	--	32,314	32,314	--
		13-JV-11261957-065	44,479	--	44,479	44,479	--
		13-JV-11261959-075 PNW	315,465	--	315,465	315,465	--
		13-JV-11261975-081	3,487	--	3,487	3,487	--
		13-JV-11261985-074 PNW	795	--	795	795	--
		14-JV-11261976-014	7,647	--	7,647	7,647	--
		2007 CIPF	10,945	--	10,945	10,945	--
		2009-65107-05928	122,954	--	122,954	122,954	--
		2010-1591	(2,972)	--	(2,972)	--	(2,972)
		2012-CA-11062754-002	34,390	--	34,390	34,390	--
		2012-JV-11261955-056	25,265	--	25,265	25,265	--

	2012-JV-11261975-054	5,382	--	5,382	5,382	--
	2012-JV-11261985-073	4,326	--	4,326	4,326	--
	2013-1117	266,576	--	266,576	266,576	--
	2013-1498	29,060	--	29,060	--	29,060
	2013-2768	4,301	--	4,301	--	4,301
	2013-CR-11061000-011	187,014	--	187,014	187,014	--
	2013-JV-11261953-011	19,854	--	19,854	19,854	--
	20718	4,314	--	4,314	--	4,314
	68-0436-2-146	70,504	--	70,504	70,504	--
	68-7482-10-533	11,157	--	11,157	11,157	--
	802	20,266	--	20,266	--	20,266
	C0475A	15,665	--	15,665	15,665	--
	J1730A	183,541	--	183,541	--	183,541
	L10PX03036	19,875	--	19,875	19,875	--
	MO-OR-0436-2001	10,676	--	10,676	10,676	--
	NFS 09-CR-11060102-037	15,631	--	15,631	15,631	--
	NFS 11-CR-11062756-019	1,072,484	--	1,072,484	1,072,484	--
	NFS 12-CR-11062754-017	156,586	--	156,586	156,586	--
	NFS 13-CR-11062754-031	21,073	--	21,073	21,073	--
	NFS13-CR-11062754-024	19,335	--	19,335	19,335	--
	ORFO--4/24/13-01-AA	3,301	--	3,301	--	3,301
	PO 4500044530	9,662	--	9,662	9,662	--
	Z0005B	23,669	--	23,669	23,669	--
	Z0007B	208	--	208	208	--
	Z0029B	17,164	--	17,164	17,164	--
	Z0038B	17,252	--	17,252	17,252	--
	Z0047A	3,984	--	3,984	3,984	--
10.XXX	Total Other Department of Agriculture Programs	$ 7,823,122	$ 390	$ 7,823,512	$ 7,573,057	$ 250,455
Research and Development – Department of Commerce						
11.008	NOAA Mission-Related Education Awards	28,718	--	28,718	28,718	--
11.012	Integrated Ocean Observing System (IOOS)	1,052,555	--	1,052,555	--	1,052,555
11.307	Economic Adjustment Assistance	240,254	--	240,254	4,632	235,622
11.312	Research and Evaluation Program	105,669	107,768	213,437	213,437	--
11.417	Sea Grant Support	2,263,012	77,361	2,340,373	2,307,006	33,367
11.419	Coastal Zone Management Administration Awards	155,614	--	155,614	--	155,614
11.420	Coastal Zone Management Estuarine Research Reserves	2,463	--	2,463	2,463	--
11.431	Climate and Atmospheric Research	1,342,916	154,447	1,497,363	1,484,597	12,766
11.432	National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes	2,436,510	50,384	2,486,894	2,405,023	81,871
11.439	Marine Mammal Data Program	104,888	--	104,888	104,888	--
11.440	Environmental Sciences, Applications, Data, and Education	859,726	--	859,726	680,488	179,238
11.452	Unallied Industry Projects	4,146	--	4,146	4,146	--
11.460	Special Oceanic and Atmospheric Projects	62,924	--	62,924	62,924	--
11.463	Habitat Conservation	29,001	--	29,001	29,000	--
11.468	Applied Meteorological Research	34,409	--	34,409	34,409	--

The accompanying notes are an integral part of this schedule.

State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
11.469	Congressionally Identified Awards and Projects		13,188	--	13,188	--	13,188
11.472	Unallied Science Program		285,093	--	285,093	38,741	246,352
11.473	Coastal Services Center		(205)	--	(205)	--	(205)
11.478	Center for Sponsored Coastal Ocean Research_Coastal Ocean Program		276,696	--	276,696	276,696	--
11.481	Educational Partnership Program		277,264	--	277,264	--	277,264
11.557	ARRA - Broadband Technology Opportunities Program (BTOP)		72,417	176,145	248,562	248,562	--
11.557	Broadband Technology Opportunities Program (BTOP)		19,494	--	19,494	19,494	--
11.609	Measurement and Engineering Research and Standards		25,848	--	25,848	25,848	--
11.XXX	Other Department of Commerce Programs						
		2014-835 / PO-CIE-13-Samp	14,764	--	14,764	--	14,764
		F0769A	13,214	--	13,214	--	13,214
		IPA 1311	139,036	--	139,036	139,036	--
		U0947A	5,376	--	5,376	--	5,376
		X0158A	21,598	--	21,598	--	21,598
		X0158C	14,100	--	14,100	--	14,100
11.XXX	Total Other Department of Commerce Programs		$ 208,088	$ --	$ 208,088	$ 139,036	$ 69,052
Research and Development – Department of Defense							
12.107	Navigation Projects		19,116	--	19,116	--	19,116
12.114	Collaborative Research and Development		34,664	--	34,664	34,664	--
12.300	Basic and Applied Scientific Research		6,465,523	444,280	6,909,803	5,843,358	1,066,445
12.351	Basic Scientific Research - Combating Weapons of Mass Destruction		(1,885)	--	(1,885)	--	(1,885)
12.420	Military Medical Research and Development		1,528,911	161,541	1,690,452	1,626,884	63,568
12.431	Basic Scientific Research		368,663	--	368,663	75,007	293,656
12.630	Basic, Applied, and Advanced Research in Science and Engineering		94,290	--	94,290	--	94,290
12.800	Air Force Defense Research Sciences Program		620,613	--	620,613	479,751	140,862
12.900	Language Grant Program		125,823	--	125,823	--	125,823
12.910	Research and Technology Development		994,307	226,640	1,220,947	616,426	604,521
12.XXX	Other Department of Defense Programs						
		116984	81,858	--	81,858	--	81,858
		119254	82,494	--	82,494	--	82,494
		123-000022	213,410	--	213,410	--	213,410
		12-SUBC-440-0000254797	647	--	647	--	647
		13-BGCA-Army-OSU	142,347	--	142,347	--	142,347
		13-SUBC-440-0000277815	46,259	--	46,259	--	46,259
		14-SUBC-440-0000300419	29,601	--	29,601	--	29,601
		1723-S4	177,418	--	177,418	--	177,418
		2012-2039-01	149,909	--	149,909	--	149,909
		2013-1693	(1)	--	(1)	--	(1)
		2691-ARM-1S/OSU	56,096	--	56,096	--	56,096

	2797	11,750	59,399	71,149	--	71,149
	2914	38	--	38	--	38
	3002962241	15,063	--	15,063	--	15,063
	39730-001 through 39730-007	26,631	--	26,631	--	26,631
	5185-007-50-000/N000173-11-C-	75,019	--	75,019	--	75,019
	691994	85,510	--	85,510	--	85,510
	AFR 03-101/OS-01	63,924	--	63,924	--	63,924
	APL 109717 CLIN M5D02	73,717	--	73,717	--	73,717
	CW1935437	91,447	--	91,447	--	91,447
	FA9453-13-C-0274	64,375	6,750	71,125	71,125	--
	H98230-08-C-0329	76,382	--	76,382	76,382	--
	HR0011-11-C-0074	(56)	--	(56)	(56)	--
	IB1303-A	18,306	--	18,306	--	18,306
	IPA-13-0012	15,030	--	15,030	15,030	--
	KG112-UO-2	243,049	--	243,049	--	243,049
	N39430-14-C-1435	69,558	--	69,558	69,558	--
	N62583-09-C-0109	2,888	--	2,888	2,888	--
	P308393/D12PC00435	(37,716)	29,197	(8,519)	--	(8,519)
	PO 10083638	359,011	--	359,011	--	359,011
	RM107A	(37,226)	--	(37,226)	(37,226)	--
	RM107B	(229)	--	(229)	(229)	--
	RM108A	(30,907)	--	(30,907)	(30,907)	--
	RM108B	(27,050)	--	(27,050)	(27,050)	--
	S12-08-OSU	34,296	--	34,296	--	34,296
	SA-ICEII-OSU-03	25,583	--	25,583	--	25,583
	V0645A	3,803	--	3,803	--	3,803
	W9127N12-2-0006	4,634	--	4,634	4,634	--
	W9127N-14-2-0005	9,502	--	9,502	9,502	--
	W912DW-12-C-0028	106,767	--	106,767	106,767	--
	W912EF-13-C-0008	93,498	59,352	152,850	152,850	--
	W912EF-14-C-0003	208,720	43,195	251,915	251,915	--
	W912HQ-11-C-0006	171,071	258,307	429,378	429,378	--
	W912HQ-11-C-0049	492,001	165,505	657,506	657,506	--
	W912HQ-12-C-0004	233,995	100,874	334,869	334,869	--
	W912HZ-13-2-0001	1,735,420	324,228	2,059,648	2,059,648	--
12.XXX	Total Other Department of Defense Programs	$ 5,257,842	$ 1,046,807	$ 6,304,649	$ 4,146,584	$ 2,158,065
Research and Development – Department of Housing and Urban Development						
14.881	Moving to Work Demonstration Program	2,536	--	2,536	--	2,536
14.XXX	Other Department of Housing and Urban Development					
	H-21646 RG	41,844	--	41,844	41,844	--
14.XXX	Total Other Department of Housing and Urban Development	$ 41,844	$ --	$ 41,844	$ 41,844	$ --

The accompanying notes are an integral part of this schedule.

State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
Research and Development – Department of the Interior							
15.224	Cultural Resource Management		140,797	--	140,797	140,797	--
15.225	Recreation Resource Management		695	--	695	695	--
15.228	National Fire Plan - Wildland Urban Interface Community Fire Assistance		3,409	--	3,409	3,409	--
15.230	Invasive and Noxious Plant Management		22,740	--	22,740	22,740	--
15.231	Fish, Wildlife and Plant Conservation Resource Management		481,477	--	481,477	481,477	--
15.232	Wildland Fire Research and Studies Program		201,379	--	201,379	201,379	--
15.233	Forests and Woodlands Resource Management		44,992	--	44,992	44,992	--
15.234	Secure Rural Schools and Community Self-Determination		17,105	--	17,105	17,105	--
15.236	Environmental Quality and Protection Resource Management		47,024	8,426	55,450	55,450	--
15.238	Challenge Cost Share		42,600	--	42,600	42,600	--
15.421	Alaska Coastal Marine Institute		4,713	--	4,713	--	4,713
15.423	Bureau of Ocean Energy Management (BOEM) Environmental Studies Program (ESP)		410,800	--	410,800	384,089	26,711
15.517	Fish and Wildlife Coordination Act		442,405	--	442,405	442,405	--
15.608	Fish and Wildlife Management Assistance		57,884	--	57,884	57,884	--
15.649	Service Training and Technical Assistance (Generic Training)		29,667	--	29,667	29,667	--
15.650	Research Grants (Generic)		91,895	--	91,895	91,895	--
15.652	Undesirable/Noxious Plant Species		(902)	--	(902)	(902)	--
15.655	Migratory Bird Monitoring, Assessment and Conservation		62,736	--	62,736	62,736	--
15.657	Endangered Species Conservation - Recovery Implementation Funds		85,476	--	85,476	85,476	--
15.664	Fish and Wildlife Coordination and Assistance Programs		9,569	--	9,569	9,569	--
15.669	Cooperative Landscape Conservation		7,362	--	7,362	7,362	--
15.673	Wildlife Without Borders – Critically Endangered Animal Conservation Fund		1,373	--	1,373	1,373	--
15.805	Assistance to State Water Resources Research Institutes		146,086	--	146,086	146,086	--
15.807	Earthquake Hazards Research Grants		171,433	--	171,433	171,433	--
15.808	U.S. Geological Survey_Research and Data Collection		1,264,704	23,507	1,288,211	1,270,650	17,561
15.812	Cooperative Research Units Program		383,330	--	383,330	383,330	--
15.820	National Climate Change and Wildlife Science Center		549,912	390,990	940,902	940,902	--
15.904	Historic Preservation Fund Grants-In-Aid		36,510	--	36,510	36,510	--
15.915	Technical Preservation Services		136,315	--	136,315	136,315	--
15.945	Cooperative Research and Training Programs - Resources of the National Park System		612,792	--	612,792	603,838	8,954
15.XXX	Other Department of the Interior Programs						
		13-PG-40-1179/13-PG-40-1180	24,500	--	24,500	24,500	--
		2014-2146	2,500	--	2,500	2,500	--
		248045	972	--	972	--	972
		248050	14,447	--	14,447	--	14,447
		248055	(1,933)	--	(1,933)	--	(1,933)

	F13PX02154	5,000	--	5,000	5,000	--
	G10AC00702	409,876	315,679	725,555	725,555	--
	G12PX00614	11,159	--	11,159	11,159	--
	G12PX01031	11,280	--	11,280	11,280	--
	GS09T13BHD0052	556,423	--	556,423	556,423	--
	GS286A	35,371	--	35,371	35,371	--
	GS286B	48,106	--	48,106	48,106	--
	H8W07060001 / P10AC00405	33,424	--	33,424	33,424	--
	H8W07060001 / P10AC00485	89,915	--	89,915	89,915	--
	H8W07060001 J8W07090011	121,147	--	121,147	121,147	--
	H8W07060001 J8W07100006	27,945	--	27,945	27,945	--
	H8W07060001 J8W07100051	4,041	--	4,041	4,041	--
	H8W07060001/P10AC00484	72,642	--	72,642	72,642	--
	H8W07060001/P10AC00563	(30)	--	(30)	(30)	--
	H8W07060001/P10AC00565	23,199	--	23,199	23,199	--
	H8W07060001J8W07080022	889	--	889	889	--
	J8W07090016/P09AC00268	50,377	--	50,377	50,377	--
	J8W07100012/P10AC00407	99,554	--	99,554	99,554	--
	J8W07100029 / P10AC00567	62,347	--	62,347	62,347	--
	L0177A	8,225	--	8,225	8,225	--
	L0178A	6,186	--	6,186	6,186	--
	L10AC20520	3,484	--	3,484	3,484	--
	L11PX02055	13,415	--	13,415	13,415	--
	L13PX00969	18,716	--	18,716	18,716	--
	P13PX00710	7,791	--	7,791	7,791	--
	PO 14-PG-40-1154/55/57	11,416	--	11,416	11,416	--
	R10PC40037	(44)	--	(44)	(44)	--
	TASK J8W07080013/P08AC00187	17,899	--	17,899	17,899	--
	TASK J8W07080020	10,643	--	10,643	10,643	--
	US-OR-201-1	108	--	108	--	108
	US-WA-122-4	42,356	--	42,356	--	42,356
15.XXX	Total Other Department of the Interior Programs	$ 1,843,346	$ 315,679	$ 2,159,025	$ 2,103,075	$ 55,950
Research and Development – Department of Justice						
16.541	Part E - Developing, Testing and Demonstrating Promising New Programs	532,736	56,447	589,183	589,183	--
16.548	Title V_ Delinquency Prevention Program		80,210	40,891	121,101	121,101
16.726	Juvenile Mentoring Program		286,560	2,670	289,230	69,996
Research and Development – Department of Labor						
17.268	H-1B Job Training Grants		99,197	--	99,197	--
17.XXX	Other Department of Labor Programs					
	2013-1911	8,915	--	8,915	--	8,915
17.XXX	Total Other Department of Labor Programs	$ 8,915	$ --	$ 8,915	$ --	$ 8,915

The accompanying notes are an integral part of this schedule.

State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
Research and Development – Department of State							
19.401	Academic Exchange Programs_Scholars		(442)	--	(442)	--	(442)
19.415	Professional and Cultural Exchange Programs - Citizen Exchanges		246,100	9,904	256,004	256,004	--
19.501	Public Diplomacy Programs for Afghanistan and Pakistan		162,979	--	162,979	162,979	--
Research and Development – Department of Transportation							
20.109	Air Transportation Centers of Excellence		55,936	--	55,936	55,936	--
20.205	Highway Planning and Construction		(8,304)	51,175	42,871	--	42,871
20.507	Federal Transit Formula Grants		34,738	--	34,738	--	34,738
20.514	Public Transportation Research		(86)	--	(86)	(86)	--
20.701	University Transportation Centers Program		3,715,376	198,280	3,913,656	2,990,586	923,070
20.761	Biobased Transportation Research		388,528	281,477	670,005	670,005	--
20.XXX	Other Department of Transportation Programs						
		12SUBS-440-0000250200	10,570	--	10,570	--	10,570
		13-C-AJFE-OSU-01	2,798	--	2,798	2,798	--
		13KJSK0014	48,751	26,742	75,493	(1)	75,494
		39426	79,018	--	79,018	--	79,018
		65A0497	30,459	--	30,459	--	30,459
		DTFR53-11-C-00013	3,386	--	3,386	3,386	--
		GCA6766	93,996	--	93,996	--	93,996
		HR 15-44	50,401	38,145	88,546	--	88,546
		HR-03-99	5,250	28,382	33,632	(1)	33,633
		Mueller-DTFH64-12-G-00048	583	--	583	583	--
		NCHRP-161	40,280	--	40,280	--	40,280
		SUB0000413 HR 14-29	35,906	18,278	54,184	--	54,184
		TCRP A-40/SUB0000436	29,452	26,648	56,100	--	56,100
		TCRPC-20	151,152	18,756	169,908	--	169,908
		Z0049A	17,575	--	17,575	17,575	--
20.XXX	Total Other Department of Transportation Programs		$ 599,577	$ 156,951	$ 756,528	$ 24,340	$ 732,188
Research and Development – Office of Personnel Management							
27.011	Intergovernmental Personnel Act (IPA) Mobility Program		138,733	--	138,733	138,733	--
Research and Development – Department of National Aeronautics and Space Administration							
43.001	Science		2,933,554	191,272	3,124,826	2,407,492	717,334
43.002	Aeronautics		162,613	--	162,613	--	162,613
43.007	Space Operations		48,420	--	48,420	48,420	--
43.008	Education		124,095	--	124,095	96,686	27,409
43.009	Cross Agency Support		77,595	62,830	140,425	140,425	--

43.XXX	Other NASA programs					
		11DHK055	58,457	--	58,457	--	58,457
		1453508	1,545	--	1,545	--	1,545
		1469950	69,938	--	69,938	--	69,938
		1475568	28,291	--	28,291	--	28,291
		1495237	33,563	--	33,563	--	33,563
		1990036-299774	46,081	--	46,081	--	46,081
		2013-2691	22,948	--	22,948	--	22,948
		702013	59,909	--	59,909	--	59,909
		INNX10AH81G	(401)	--	(401)	(401)	--
		NNA11AC01G	1,276	--	1,276	1,276	--
		NNX08AR37G	156,188	--	156,188	156,188	--
		NNX08AR40G	8,046	--	8,046	8,046	--
		NNX09AK30G	47,080	16,118	63,198	63,198	--
		NNX09AK88G	77,112	--	77,112	77,112	--
		NNX09AL30G	97,354	--	97,354	97,354	--
		NNX09AN92H	1,224	--	1,224	1,224	--
		NNX09AP66A	7,069	--	7,069	7,069	--
		NNX09AR39G	11,491	--	11,491	11,491	--
		NNX10AE91G	28,582	--	28,582	28,582	--
		NNX10AK68H	467,977	17,735	485,712	485,712	--
		NNX10AO92G	294,373	5,408	299,781	299,781	--
		NNX10AO93G	92,222	69,008	161,230	161,230	--
		NNX10AO98G	432,132	--	432,132	432,132	--
		NNX10AP79G	107,171	9,133	116,304	116,304	--
		NNX10AR15G	148,469	--	148,469	148,469	--
		NNX10AT70G	402,879	59,024	461,903	461,903	--
		NNX10AT82A	79,506	4,318	83,824	83,824	--
		RSA 1492265	22,500	--	22,500	--	22,500
		Y88256	135,451	--	135,451	--	135,451
43.XXX	Total Other NASA programs		$ 2,938,433	$ 180,744	$ 3,119,177	$ 2,640,494	$ 478,683
Research and Development – National Endowment for the Humanities							
45.024	Promotion of the Arts_Grants to Organizations and Individuals		7,500	7,500	15,000	15,000	--
45.160	Promotion of the Humanities_Fellowships and Stipends		(6,701)	--	(6,701)	(6,701)	--
45.161	Promotion of the Humanities_Research		(7,569)	--	(7,569)	--	(7,569)
45.163	Promotion of the Humanities_Professional Development		45,232	--	45,232	45,232	--
Research and Development – Institute of Museum and Library Services							
45.312	National Leadership Grants		360,150	--	360,150	353,875	6,275
Research and Development – National Science Foundation							
47.041	Engineering Grants		5,931,444	94,624	6,026,068	4,478,733	1,547,335
47.049	Mathematical and Physical Sciences		10,453,062	770,639	11,223,701	11,045,451	178,250
47.050	Geosciences		25,375,987	2,935,723	28,311,710	21,610,980	6,700,730

The accompanying notes are an integral part of this schedule.

State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
47.070	Computer and Information Science and Engineering		6,312,406	231,417	6,543,823	6,428,801	115,022
47.074	Biological Sciences		8,189,435	710,564	8,899,999	7,757,434	1,142,565
47.075	Social, Behavioral, and Economic Sciences		978,185	121,206	1,099,391	1,089,722	9,669
47.076	Education and Human Resources		5,129,862	202,332	5,332,194	4,749,751	582,443
47.078	Polar Programs		1,716,121	59,250	1,775,371	1,622,740	152,631
47.079	Office of International and Integrative Activities		373,308	408,033	781,341	735,875	45,466
47.080	Office of Cyberinfrastructure		748,277	--	748,277	481,336	266,941
47.082	ARRA - Trans-NSF Recovery Act Research Support		883,184	148,382	1,031,566	1,011,654	19,912
47.XXX	Other National Science Foundation Programs						
		2013-2648	20,000	--	20,000	--	20,000
		J1763A	7,629	--	7,629	--	7,629
		J1901A	1,204	--	1,204	--	1,204
		PO 2011-173 OSU	21,917	--	21,917	--	21,917
		PO T347A11	8,943	--	8,943	--	8,943
		PO T349A11	53,399	--	53,399	--	53,399
		PO T349B11	53,744	--	53,744	--	53,744
		PO T350A11	9,688	--	9,688	--	9,688
		PO T351A11	15,876	--	15,876	--	15,876
		SAF-13-03	25,220	--	25,220	--	25,220
		SAF-13-04	29,965	--	29,965	--	29,965
		T333A11	14,963	--	14,963	--	14,963
		T334A11	398	--	398	--	398
		T337B11	4,737	--	4,737	--	4,737
		T341A11	37,775	--	37,775	--	37,775
		T341B11	54,426	--	54,426	--	54,426
		T344A11	20,375	--	20,375	--	20,375
		T344B11	75,272	--	75,272	--	75,272
		U0910A	2,000	--	2,000	--	2,000
47.XXX	Total Other National Science Foundation Programs		$ 457,531	$ --	$ 457,531	$ --	$ 457,531
Research and Development – Department of Veterans Affairs							
64.XXX	Other Department of Veterans Affairs Programs						
		648C24008	18,684	--	18,684	18,684	--
64.XXX	Total Other Department of Veterans Affairs Programs		$ 18,684	$ --	$ 18,684	$ 18,684	$ --
Research and Development – Environmental Protection Agency							
66.041	Climate Showcase Communities Grant Program		42,750	--	42,750	--	42,750
66.123	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program		53,956	50,328	104,284	--	104,284
66.461	Regional Wetland Program Development Grants		81,364	15,580	96,944	96,944	--
66.469	Great Lakes Program		131,821	--	131,821	--	131,821

66.509	Science to Achieve Results (STAR) Research Program	729,709	20,066	749,775	736,736	13,039
66.510	Surveys, Studies, Investigations and Special Purpose Grants within the Office of Research and Development	2,856	--	2,856	2,856	--
66.514	Science to Achieve Results (STAR) Fellowship Program	62,944	--	62,944	62,944	--
66.516	P3 Award: National Student Design Competition for Sustainability	43,032	--	43,032	43,032	--
66.708	Pollution Prevention Grants Program	12,785	--	12,785	12,785	--
66.716	Research, Development, Monitoring, Public Education, Training, Demonstrations, and Studies	862,949	8,689	871,638	808,092	63,546
66.XXX	Other Environmental Protection Agency Programs					
	2011-2051	(291)	--	(291)	--	(291)
	4783-RFA09-1/09-4	9,226	--	9,226	--	9,226
	EP-14-H-000177	29,577	--	29,577	29,577	--
	HQ-596-13-15	82,218	--	82,218	82,218	--
	V0559A	36,347	--	36,347	--	36,347
66.XXX	Total Other Environmental Protection Agency Programs	$ 157,077	$ --	$ 157,077	$ 111,795	$ 45,282
Research and Development – Nuclear Regulatory Commission						
77.006	U. S. Nuclear Regulatory Commission Nuclear Education Grant Program	378,033	--	378,033	378,033	--
77.008	U.S. Nuclear Regulatory Commission Scholarship and Fellowship Program	91,157	--	91,157	91,157	--
77.XXX	Other Nuclear Regulatory Commission Programs					
	NRC-HQ-11-C-04-0011	43,860	--	43,860	43,860	--
77.XXX	Total Other Nuclear Regulatory Commission Programs	$ 43,860	$ --	$ 43,860	$ 43,860	$ --
Research and Development – Department of Energy						
81.049	ARRA - Office of Science Financial Assistance Program	30,227	--	30,227	30,227	--
81.049	Office of Science Financial Assistance Program	5,290,099	539,328	5,829,427	5,566,855	262,572
81.057	University Coal Research	163,341	--	163,341	163,341	--
81.079	Regional Biomass Energy Programs	6,263	--	6,263	--	6,263
81.087	ARRA - Renewable Energy Research and Development	102,322	--	102,322	--	102,322
81.087	Renewable Energy Research and Development	3,461,702	1,045,647	4,507,349	4,379,293	128,056
81.089	Fossil Energy Research and Development	469,162	--	469,162	345,787	123,375
81.104	Environmental Remediation and Waste Processing and Disposal	124,395	--	124,395	--	124,395
81.113	Defense Nuclear Nonproliferation Research	13,180	4,046	17,226	17,226	--
81.117	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	302,324	--	302,324	302,324	--
81.121	Nuclear Energy Research, Development and Demonstration	1,317,807	34,213	1,352,020	1,274,623	77,397
81.122	ARRA - Electricity Delivery and Energy Reliability, Research, Development and Analysis	16,270	2,578	18,848	--	18,848
81.135	Advanced Research Projects Agency - Energy	1,515,992	35,946	1,551,938	1,082,653	469,285
81.XXX	ARRA - Other Department of Energy Programs					
	PO 1256445	163,279	--	163,279	--	163,279
81.XXX	Total ARRA – Other Department of Energy Programs	$ 163,279	$ --	$ 163,279	$ --	$ 163,279

The accompanying notes are an integral part of this schedule.

State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
81.XXX	Other Department of Energy Programs						
		00044868-00021	178,083	--	178,083	--	178,083
		00044868-00023	125,951	--	125,951	--	125,951
		00044868-00025	10,678	--	10,678	--	10,678
		00044868-00029	435,195	--	435,195	--	435,195
		00044868-00030	25,364	--	25,364	--	25,364
		00044868-00031	23,777	--	23,777	--	23,777
		00044868-00032	200,000	--	200,000	--	200,000
		00044868-00033	34,468	--	34,468	--	34,468
		00044868-00034	31,954	--	31,954	--	31,954
		00058865/2003-054-00	134,979	--	134,979	134,979	--
		00063427/2003-054-00	191,172	--	191,172	191,172	--
		12-308C	60,924	--	60,924	--	60,924
		128748	108,668	111,763	220,431	--	220,431
		130712-DOE-01	47,004	--	47,004	--	47,004
		135748	23,056	--	23,056	--	23,056
		138995	248,513	--	248,513	--	248,513
		182174	1,754	--	1,754	--	1,754
		199062 Task# 210570	12,189	--	12,189	--	12,189
		199062-202090	39,427	--	39,427	--	39,427
		199062-204923	51,431	--	51,431	--	51,431
		199062-229222	16,232	--	16,232	--	16,232
		2013-2140	23,699	--	23,699	--	23,699
		2013-2877	19,372	--	19,372	--	19,372
		281420	142,041	--	142,041	142,041	--
		347K771	104,034	--	104,034	--	104,034
		4F-30401	54,359	--	54,359	--	54,359
		58234	2,232	--	2,232	2,232	--
		59611	220,602	--	220,602	220,602	--
		59885 / 1998-014-00	50,680	--	50,680	50,680	--
		60846 / 1997-024-00	474,317	82,398	556,715	556,715	--
		60945	934	--	934	934	--
		62827 / 1988-014-00	192,188	--	192,188	192,188	--
		7033440	192,515	--	192,515	--	192,515
		757176	56,893	--	56,893	--	56,893
		B605762	39,014	--	39,014	--	39,014
		C13-11 / PO C1301130	185,595	--	185,595	--	185,595
		C14-07 / PO C01400730	33,188	--	33,188	--	33,188
		DE-AC52-09NA29324	87,723	--	87,723	87,723	--
		MASTER 107557; TO 183148	(949)	--	(949)	--	(949)
		NO. B607377	4,186	--	4,186	--	4,186
		PO 1276073	214,515	--	214,515	--	214,515

	PO 1355324	29,029	--	29,029	--	29,029
	RES1000163	4,479	--	4,479	--	4,479
	RES1100426 / 004	66,050	--	66,050	--	66,050
	RES1100426 / 005	20,643	--	20,643	--	20,643
	RES1100426 / 006	16,738	--	16,738	--	16,738
	RES1100426 / 007	54,200	--	54,200	--	54,200
	RES1100426 / 013	41,212	--	41,212	--	41,212
	RES1100426 / 019	95,419	--	95,419	--	95,419
	RES1100426 / 023	76,254	--	76,254	--	76,254
	RES1100426/009	83,403	--	83,403	--	83,403
	RES1100426/012	57,809	--	57,809	--	57,809
	RES1100426/014	89,279	--	89,279	--	89,279
	RES1100426/015	52,049	--	52,049	--	52,049
	RES1100426/016	39,589	--	39,589	--	39,589
	RES1100426/017	54,427	--	54,427	--	54,427
	RES1100426/018	24,167	--	24,167	--	24,167
	RES1100426/026	15,936	--	15,936	--	15,936
	RES1100426/20	41,857	--	41,857	--	41,857
	RES1100426/21	40,703	--	40,703	--	40,703
	RES1100426/22	28,341	--	28,341	--	28,341
	U0883A	1,821	--	1,821	--	1,821
	XCI-0-40426-01	315,505	--	315,505	--	315,505
81.XXX	Total Other Department of Energy Programs	$ 5,346,867	$ 194,161	$ 5,541,028	$ 1,579,266	$ 3,961,762
Research and Development – Department of Education						
84.027	Special Education_Grants to States	24,798	--	24,798	--	24,798
84.042	TRIO_Student Support Services	231,999	--	231,999	231,999	--
84.047	TRIO_Upward Bound	417,580	--	417,580	417,580	--
84.116	Fund for the Improvement of Postsecondary Education	1,621	--	1,621	--	1,621
84.126	Rehabilitation Services_Vocational Rehabilitation Grants to States	183,111	--	183,111	--	183,111
84.133	National Institute on Disability and Rehabilitation Research	1,490,320	85,586	1,575,906	1,462,803	113,103
84.149	Migrant Education_College Assistance Migrant Program	477,380	--	477,380	477,380	--
84.184	Safe and Drug-Free Schools and Communities_National Programs	(21,800)	--	(21,800)	--	(21,800)
84.229	Language Resource Centers	162,691	--	162,691	162,691	--
84.305	Education Research, Development and Dissemination	3,051,611	393,573	3,445,184	3,073,274	371,910
84.324	Research in Special Education	6,108,384	1,750,376	7,858,760	6,880,510	978,250
84.325	Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	552,686	--	552,686	552,686	--
84.326	Special Education_Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	228,755	14,863	243,618	243,505	113
84.327	Special Education_Educational Technology Media, and Materials for Individuals with Disabilities	1,280,022	421,204	1,701,226	1,701,226	--
84.365	English Language Acquisition State Grants	739,075	74,683	813,758	813,758	--
84.366	Mathematics and Science Partnerships	6,192	--	6,192	--	6,192
84.400	Centers for Independent Living	307,855	--	307,855	--	307,855

The accompanying notes are an integral part of this schedule.

State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
84.XXX	ARRA - Other Department of Education Programs						
		2013-1297	132,338	542,149	674,487	--	674,487
84.XXX	Total ARRA - Other Department of Education Programs		$ 132,338	$ 542,149	$ 674,487	$ --	$ 674,487
84.XXX	Other Department of Education Programs						
		6	27,848	--	27,848	--	27,848
84.XXX	Total Other Department of Education Programs		$ 27,848	$ --	$ 27,848	$ --	$ 27,848
Research and Development – Smithsonian Institution							
85.601	Smithsonian Institution Fellowship Program		3,534	--	3,534	3,534	--
Research and Development – Vietnam Education Foundation							
85.802	Fellowship Program		50,603	--	50,603	50,603	--
Research and Development – Department of Health and Human Services							
93.043	Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services		835	--	835	--	835
93.060	Competitive Abstinence Education (CAE)		28,276	--	28,276	--	28,276
93.103	Food and Drug Administration_Research		79,021	--	79,021	12,872	66,149
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)		223,678	--	223,678	--	223,678
93.110	Maternal and Child Health Federal Consolidated Programs		260,837	--	260,837	260,837	--
93.113	Environmental Health		2,505,784	--	2,505,784	2,090,949	414,835
93.114	Applied Toxicological Research and Testing		1,548,370	--	1,548,370	1,548,370	--
93.117	Preventive Medicine and Public Health Residency Training Program, Integrative Medicine Program, and National Coordinating Center for Integrative Medicine		20,149	--	20,149	--	20,149
93.121	Oral Diseases and Disorders Research		728,745	--	728,745	390,227	338,518
93.135	Centers for Research and Demonstration for Health Promotion and Disease Prevention		150,088	--	150,088	110,811	39,277
93.136	Injury Prevention and Control Research and State and Community Based Programs		293,202	16,179	309,381	309,381	--
93.143	NIEHS Superfund Hazardous Substances_Basic Research and Education		3,242,132	70,316	3,312,448	3,312,448	--
93.172	Human Genome Research		3,242,866	236,942	3,479,808	3,230,272	249,536
93.173	Research Related to Deafness and Communication Disorders		1,394,706	--	1,394,706	1,062,890	331,816
93.213	Research and Training in Complementary and Alternative Medicine		137,698	--	137,698	37,416	100,282
93.226	Research on Healthcare Costs, Quality and Outcomes		18,096	--	18,096	18,096	--
93.239	Policy Research and Evaluation Grants		33,694	11,758	45,452	--	45,452
93.242	Mental Health Research Grants		2,688,007	75,227	2,763,234	1,946,642	816,592
93.243	Substance Abuse and Mental Health Services_Projects of Regional and National Significance		235,068	--	235,068	--	235,068

93.262	Occupational Safety and Health Program	368,498	--	368,498	--	368,498
93.273	Alcohol Research Programs	538,910	117,913	656,823	313,145	343,678
93.279	Drug Abuse and Addiction Research Programs	1,307,229	217,075	1,524,304	1,009,892	514,412
93.281	Mental Health Research Career/Scientist Development Awards	112,309	--	112,309	112,309	--
93.282	Mental Health National Research Service Awards for Research Training	32,603	--	32,603	32,603	--
93.286	Discovery and Applied Research for Technological Innovations to Improve Human Health	546,435	89,507	635,942	635,942	--
93.296	State Partnership Grant Program to Improve Minority Health	11,205	--	11,205	--	11,205
93.307	Minority Health and Health Disparities Research	236,996	52,520	289,516	238,755	50,761
93.310	Trans-NIH Research Support	642,847	--	642,847	642,847	--
93.350	National Center for Advancing Translational Sciences	15,997	--	15,997	--	15,997
93.351	Research Infrastructure Programs	3,812,335	80,693	3,893,028	3,642,634	250,394
93.359	Nurse Education, Practice Quality and Retention Grants	32,201	--	32,201	--	32,201
93.389	National Center for Research Resources	647,962	127,897	775,859	775,859	--
93.393	Cancer Cause and Prevention Research	231,515	99,921	331,436	281,236	50,200
93.394	Cancer Detection and Diagnosis Research	108,954	--	108,954	108,954	--
93.395	Cancer Treatment Research	36,290	--	36,290	--	36,290
93.396	Cancer Biology Research	70,020	--	70,020	70,020	--
93.398	Cancer Research Manpower	58,941	--	58,941	28,532	30,409
93.399	Cancer Control	103,423	--	103,423	84,779	18,644
93.575	Child Care and Development Block Grant	(4,169)	--	(4,169)	--	(4,169)
93.600	Head Start	211,549	--	211,549	211,549	--
93.632	University Centers for Excellence in Developmental Disabilities Education, Research, and Service	41,710	--	41,710	1,647	40,063
93.670	Child Abuse and Neglect Discretionary Activities	28,052	--	28,052	--	28,052
93.701	ARRA - Trans-NIH Recovery Act Research Support	90,198	--	90,198	90,198	--
93.702	ARRA - National Center for Research Resources, Recovery Act Construction Support	64,313	--	64,313	64,313	--
93.708	ARRA - Head Start	24,304	--	24,304	--	24,304
93.715	ARRA - Comparative Effectiveness Research-AHRQ	(21,757)	--	(21,757)	--	(21,757)
93.767	Children's Health Insurance Program	104,505	--	104,505	--	104,505
93.837	Cardiovascular Diseases Research	1,702,143	--	1,702,143	1,488,997	213,146
93.838	Lung Diseases Research	66,453	--	66,453	66,453	--
93.839	Blood Diseases and Resources Research	444,255	--	444,255	--	444,255
93.846	Arthritis, Musculoskeletal and Skin Diseases Research	633,691	40,862	674,553	674,553	--
93.847	Diabetes, Digestive, and Kidney Diseases Extramural Research	1,214,367	--	1,214,367	886,959	327,408
93.848	Digestive Diseases and Nutrition Research	(759)	--	(759)	(759)	--
93.853	Extramural Research Programs in the Neurosciences and Neurological Disorders	83,635	57,380	141,015	141,015	--
93.855	Allergy, Immunology and Transplantation Research	2,205,139	270,570	2,475,709	1,810,688	665,021
93.856	Microbiology and Infectious Diseases Research	23,100	--	23,100	--	23,100
93.859	Biomedical Research and Research Training	9,779,485	337,246	10,116,731	9,441,999	674,732
93.865	Child Health and Human Development Extramural Research	6,050,701	305,922	6,356,623	5,736,482	620,141
93.866	Aging Research	1,756,372	327,778	2,084,150	1,975,166	108,984
93.867	Vision Research	435,117	--	435,117	435,117	--

The accompanying notes are an integral part of this schedule.

State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
93.928	Special Projects of National Significance		21,647	--	21,647	--	21,647
93.969	PPHF Geriatric Education Centers		81,140	--	81,140	--	81,140
93.989	International Research and Research Training		82,258	--	82,258	--	82,258
93.XXX	Other Department of Health and Human Services Programs						
		00994-02731.003,PO13RRG00006	19,629	--	19,629	--	19,629
		200-2012-M-53392	20,270	--	20,270	20,270	--
		2013-1596	109,789	--	109,789	--	109,789
		2013-1931	77,660	--	77,660	--	77,660
		2014-1415	63,446	--	63,446	--	63,446
		211-2012-M-52370	17,957	--	17,957	17,957	--
		254-2013-M-56028	2,501	--	2,501	2,501	--
		270404	9,908	--	9,908	--	9,908
		PO#65597	76,019	--	76,019	--	76,019
		SC-05-02054 001-03	5,000	--	5,000	--	5,000
		U0928A	197,854	--	197,854	--	197,854
		U0928B	212,928	--	212,928	--	212,928
		U0928C	116,247	--	116,247	--	116,247
93.XXX	Total Other Department of Health and Human Services Programs		$ 929,208	$ --	$ 929,208	$ 40,728	$ 888,480
Research and Development – Department of Homeland Security							
97.130	National Nuclear Forensics Expertise Development Program		31,850	--	31,850	--	31,850
Research and Development – United States Agency for International Development							
98.001	USAID Foreign Assistance for Programs Overseas		377,548	--	377,548	287,896	89,652
98.XXX	Other USAID Programs						
		AID-OAA-LA-10-00006	372,216	57,007	429,223	429,223	--
		EPP-A-00-06-00012	1,190,132	656,353	1,846,485	1,846,485	--
98.XXX	Total Other USAID Programs		$ 1,562,348	$ 713,360	$ 2,275,708	$ 2,275,708	$ --
Total Research and Development Cluster			**$ 232,027,980**	**$ 20,366,515**	**$ 252,394,495**	**$ 207,317,484**	**$ 45,077,011**
TOTAL EXPENDITURES OF FEDERAL AWARDS			**$ 9,619,344,830**	**$ 960,106,082**	**$ 10,579,450,912**	**$ 10,513,513,282**	**$ 65,937,630**

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2014

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the State of Oregon and is presented using the bases of accounting of the originating funds. These include both the modified accrual and accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Therefore, some amounts presented in the schedule may differ from the amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Reporting Entity

The financial statements of the State of Oregon include all fund types for all agencies, boards, commissions, authorities, courts, and colleges and universities that are legally part of the State's primary government and its component units. The Oregon Health and Science University (OHSU) is a legally separate component unit. For the year ended June 30, 2014, OHSU has issued separate financial statements and has obtained a separate single audit as outlined in Subpart E.500 of OMB Circular A-133. Therefore, the accompanying schedule does not include the federal grant activity of OHSU. A copy of these reports can be obtained from OHSU, 2525 SW Third Avenue, Suite 245, Portland, Oregon 97201.

Note 3. Programs Involving Non-Cash Assistance

Federal expenditures reported in the schedule include the following non-cash assistance programs. All values are either fair market value at the time of receipt or assessed value provided by the federal agency.

CFDA Number	Title	Type of Assistance	Value
10.555	National School Lunch Program	Commodities	$ 12,213,303
10.559	Summer Food Service Program for Children	Commodities	23,085
10.565	Commodity Supplemental Food Program	Commodities	384,643
10.567	Food Distribution Program on Indian Reservations	Commodities	101,541
10.569	Emergency Food Assistance Program	Commodities	6,235,591
39.003	Donation of Federal Surplus Personal Property	Donated Federal Surplus	1,594,661
93.268	Immunization Cooperative Agreements	Vaccines	37,938,837
	Total		$58,491,661

Note 4. Unemployment Insurance

State unemployment tax revenues and the other governmental, tribal and non-profit reimbursements in lieu of State taxes are deposited into the Unemployment Trust Fund in the U.S. Treasury. These funds may only be used to pay benefits under federally approved State unemployment law.

State unemployment insurance funds are included with federal funds in the total expenditures for CFDA 17.225 (Unemployment Insurance Program). Of the $896,141,920.27 reported as expenditure for the Unemployment Insurance program, $635,439,310.80 represented expenditures of State funds held in the Unemployment Trust Fund.

Note 5. Supplemental Nutrition Assistance Program (SNAP) (CFDA No. 10.551)

The reported expenditures for benefits under the Supplemental Nutrition Assistance Program (SNAP) (CFDA No. 10.551) are supported by both regularly appropriated funds and incremental funding made available under section 101 of the American Recovery and Reinvestment Act of 2009. The portion of total expenditures

for SNAP benefits that is supported by Recovery Act funds varies according to fluctuations the cost of the Thrifty Food Plan, and to changes in participating households' income, deductions, and assets. This condition prevents USDA from obtaining the regular and Recovery Act components of SNAP benefits expenditures through normal program reporting processes. As an alternative, USDA has computed a weighted average percentage to be applied to the national aggregate SNAP benefits provided to households in order to allocate an appropriate portion thereof to Recovery Act funds. This methodology generates valid results at the national aggregate level but not at the individual State level. Therefore, we cannot validly disaggregate the regular and Recovery Act components of our reported expenditures for SNAP benefits. At the national aggregate level; however, Recovery Act funds account for 0.64 percent of USDA's total expenditures for SNAP benefits in the Federal fiscal year ended September 30, 2014.

Note 6. Revolving Loan Fund (RLF) Grant (CFDA 11.307)

The Expenditures for the Revolving Loan Fund (RLF) Grant (CFDA 11.307) made during the year ended June 30, 2014 are calculated as follows:

1)	Balance of RLF loans outstanding at the end of the fiscal year	$ 6,736,614
2)	Cash and investment balance in the RLF at the end of fiscal year	2,886,188
3)	Administrative expenses paid out of RLF income during the recipient's fiscal year	8,961
4)	The unpaid principal of all loans written off during the fiscal year	0
	Total	$ 9,631,763
5)	The Federal share of RLF (2,000,000/2,667,000)	75%
6)	Federal awards expended during the fiscal year	$ 7,223,822

Note 7. Pass-Through Awards

The State of Oregon received the following amounts as a subrecipient of non-federal entities:

CFDA Number	Organization	Amount	ID Number
10.001	Columbia University	$ 211,192	2 (GG006033) / PO G02812
10.001	Intrn'l Crops Research Institute for the Semi-Arid Tropics	8,736	project 213
10.001	University of Nebraska	4,680	25-6235-0205-005
10.025	Virginia Tech	10,691	422368-19201
10.025	Washington State University	39,955	06403010000000
10.170	Washington State University	20,624	116477 G003014
10.200	University of California, Davis	(238)	201117720-OSU-4 ECS
10.200	University of California, Davis	(51)	013145-06
10.200	University of California, Davis	349	201223372-11-OSU-Pscheidt-OH
10.200	University of California, Davis	1,134	201302570-06-OSU-DeFrnsc-FoodU
10.200	University of California, Davis	3,041	201302570-21-OSU-DeFrancso-ECS
10.200	University of California, Davis	7,048	201223372-10-OSU-DeFrancsco-OH
10.200	University of California, Davis	8,374	201223372-12-OSU-Santamaria-OH
10.200	University of California, Davis	8,934	201302570-16-OSU-Peachey-OHort
10.200	University of California, Davis	9,992	201302570-18-OSU-Santamaria-OH
10.200	University of California, Davis	10,002	201302570-17-OSU-Pscheidt-OHor
10.200	University of California, Davis	11,737	201223372-16-OSU-Peachey-ECS
10.200	University of California, Davis	14,129	201117720-Oregon
10.200	University of California, Davis	4,663	201302570-15-OSU-DeFrncs-OHOR
10.200	University of California, Davis	117,109	201223372-02-OSU-DFrncsc-FoodU
10.200	University of Idaho	(5)	BAK305_SB_003 / P0028638
10.200	University of Idaho	1,268	BAK306-SB-003 / P0033107

10.200	University of Idaho	31,079	BAK307-SB-001 / PO P0037258
10.200	University of Washington	5,449	2010-38500-21758
10.200	University of Washington	10,876	734595
10.200	Washington State University	293	114878 G002919
10.200	Washington State University	941	114878_G002863
10.200	Washington State University	1,775	114863_G002791
10.200	Washington State University	3,526	11878_G002862
10.200	Washington State University	198,068	105577_G003125
10.206	Michigan State University	7,745	61-4244F
10.206	University of Arizona	(39,305)	PO Y452465
10.210	University of Idaho	18,504	BJKH93-SB-002 / PO P0035020
10.215	Benton Soil and Water Conservation District	18,203	2012-492
10.215	Utah State University	(64)	90758005
10.215	Utah State University	11,814	100893033
10.215	Utah State University	18,255	120833005
10.215	Utah State University	26,297	110892013
10.215	Utah State University	26,784	100893039
10.217	University of Missouri	23,051	C00041710-2
10.255	Mississippi State University	1,274	018000-321470-12
10.303	Montana State University	5,340	G193-12-W3778
10.303	North Dakota State University	3,268	FAR0021476
10.303	University of California, Davis	4,856	SA7747
10.303	University of California, Davis	24,927	SA7761
10.303	University of California, Davis	25,910	SA7764
10.303	University of California, Davis	35,667	SA7733
10.304	University of California, Davis	25,875	201303063-03
10.307	Auburn University	21,100	12-EPP-373011-OSU
10.307	Cornell University	832	67385-9952
10.307	Cornell University	17,678	64325-9780
10.307	Ohio State University	52,463	600030380 / PO RF01307878
10.307	Pennsylvania State University	32,220	4736-OSU-USDA-0638
10.307	Rutgers, The State University of New Jersey	50,071	4832 / PO S1769900
10.307	University of California at Santa Cruz	13,150	S0183654
10.307	University of Wyoming	5,412	USDACSRE45108MM
10.307	Washington State University	25,837	110036_G002575
10.307	Washington State University	29,561	119028 G003171
10.309	Citrus Research & Development Foundation, Inc	7,694	13-011NU-790
10.309	Cornell University	45,032	61314-9365
10.309	Michigan State University	9,405	RC100888OSU
10.309	Michigan State University	87,359	RC102039B
10.309	University of California Berkeley	43,003	PO BB00104457 / sub 00006987
10.309	University of California, Davis	6,174	201013048-01
10.309	University of Florida	195,679	UF09152 / Proj 00080376
10.309	University of Wisconsin	70,185	350K862
10.309	Washington State University	5,030	111356_G002639
10.309	Washington State University	21,205	111356_G002640
10.309	Washington State University	26,557	111349_G002606
10.310	Boston University	122,083	4500001197
10.310	Iowa State University	1,309	416-41-07D
10.310	North Dakota State University	6,212	FAR-0015525-5
10.310	Oregon Health & Sciences University	34,274	1002187_PSU
10.310	Oregon Health & Sciences University	112,779	1002187_OSU

10.310	Purdue University	14,775	8000047951-AG
10.310	University of Alaska	71,419	UAF 12-0011
10.310	University of Arizona	112	PO 185016
10.310	University of California Riverside	26	S-000477
10.310	University of California Riverside	15,202	S000617
10.310	University of California, Davis	41,909	200912493-02
10.310	University of California, Davis	99,962	201015718-19
10.310	University of Delaware	74,530	25866
10.310	University of Idaho	(46)	BJKH57-SB-001 / PO P0025252
10.310	University of Idaho	604,001	BJKL03-SB-001 / PO P0031110
10.310	University of Minnesota	15,030	H003346401
10.310	University of Washington	834,451	729759
10.310	Virginia Tech	50,000	422274-19201
10.310	Virginia Tech	370,035	422262-19201
10.310	Washington State University	14,686	115320 G002932
10.310	Washington State University	1,175,139	115808 G002981
10.311	Entrepreneurial Development Services	(4,621)	Not Available
10.312	University of Hawaii	41,974	MA120041
10.500	Kansas State University	4,367	S14132
10.500	New Mexico State University	928	Q01461
10.500	University of Idaho	4,428	BJKL79-SB-002
10.500	University of Nebraska	9,711	25-6365-0040-120
10.500	University of Nebraska	10,003	25-6365-0040-109
10.500	University of Wyoming	38	1000781
10.500	University of Wyoming	5,828	1002139
10.500	University of Wyoming	13,329	1001769
10.500	Utah State University	29,576	110897008
10.558	Head Start of Lane County	8,263	19247
10.652	Lake County Resource Initiative/ USDA	7,244	-
10.652	U.S. Endowment for Forestry & Communities, Inc.	14,089	12-CA-11330126-090
10.665	Clackamas County	166,907	1936002286000
10.665	Jackson County	117,477	1936002298000
10.665	Klamath Falls	12,725	1936002301
10.665	Linn County	238,000	1936002305000
10.665	Tillamook County	17,633	1936002312000
10.680	University of Massachusetts - Amherst	224	14 007769 B 00
10.688	The Nature Conservancy	4,783	ARRA 10-SA-11060489-077
10.693	South Santiam Watershed Council	6,382	19428
10.903	National Resources Conservation Service	24,991	68-0436-13-074
11.012	Southeastern Universities Research Association	11,432	2013-011
11.012	University of Washington	1,041,123	730279
11.307	Oregon BEST	13,971	MASTER 2012-PSU BEST-EDA;TO#1
11.307	Oregon Nanoscience and Microtechnologies Institute	(68)	Task #2 to Master Agr 2012-EDA
11.307	Portland Development Commission	6,996	712003
11.307	Portland Development Commission	8,640	Not Available
11.307	Portland Development Commission	21,753	2014-1585
11.307	Portland Development Commission	23,120	2014-1856
11.307	Portland Development Commission	27,823	2014-1705
11.307	Portland Development Commission	57,692	2013-2459
11.307	Portland Development Commission	68,744	712001
11.307	Special Econ. Development & Adjustments Assist.	6,951	-
11.407	Pacific States Marine Fish Com	54,971	936002376

11.417	University of Alaska	30,765	PO FP30062 / UAF 12-0083
11.417	University of Delaware	2,602	33698
11.419	PRBO Conservation Science	68,320	Not Available
11.419	University of New Hampshire	87,295	11-040 AMEND.2
11.419	University of New Hampshire	191,957	1026000937 000
11.431	University of Washington	12,766	742904
11.432	University of California / San Diego	49,993	40824434/PO S9000307
11.432	University of Miami	31,878	6-6440A-3712 / P131564
11.437	Pacific States Marine Fish Com	493,075	936002376
11.438	Pacific Salmon Commission	1,010,662	9909840528
11.439	Pacific States Marine Fish Com	16,004	936002376
11.440	University of Maryland	48,772	Z763707 / Part II
11.440	University of Maryland	130,466	Z763707 / Part I
11.441	North Pacific Fishery Mgmt. Council	29,287	920060367
11.441	Pacific Fishery Mgmt. Council	62,046	910982918
11.441	Pacific States Marine Fish Commission	42,975	936002376
11.469	Inter-American Tropical Tuna Commission	13,188	2014-1807
11.472	North Pacific Research Board	910	904 / F4904-00
11.472	North Pacific Research Board	7,896	1014 / F4014-00
11.472	North Pacific Research Board	8,439	1105 / F4015-01
11.472	North Pacific Research Board	40,786	1228 / F5228-01
11.472	North Pacific Research Board	89,983	1310
11.472	North Pacific Research Board	98,338	1205 / F5205-00
11.473	University of Washington	(205)	457268
11.481	University of Maryland Eastern Shore	138,506	PO U156442 / year 3
11.481	University of Maryland Eastern Shore	138,758	PO U156442 / year 2
12.106	Pacific States Marine Fish Com	57,774	936002376
12.107	Washington Department of Ecology	19,116	C1300095
12.300	Georgia Institute of Technology	79,636	RB857-G1 AMEND. 3
12.300	Monterey Bay Aquarium Research Institute	35,681	1410457
12.300	University of California	23,692	43019217
12.300	University of California, San Diego	63,067	38513698 / PO S9000246
12.300	University of Washington	24,106	740898
12.300	University of Washington	794,822	710505
12.300	Woods Hole Oceanographic Institution	45,440	A100908
12.351	Radiation Monitoring Devices, Inc. - DTRA	(1,885)	HDTRA 1-11-1-0045
12.420	Brain Trauma Foundation	28,821	130908
12.420	University of Illinois, Urbana-Champaign	34,747	2009-02748-01, A2435
12.431	Academy of Applied Science	2,600	13-20
12.431	Academy of Applied Science, Inc.	41	42002
12.431	Raytheon BBN Technologies Corporation. - DOD	9,690	14364
12.431	University of Connecticut	61,699	UCHC6-35019356
12.431	University of Connecticut	72,816	UCHC6-45993783
12.431	University of Washington	43,762	548644
12.431	University of Washington	103,049	715233 MOD. #5
12.550	Institute of International Education	363,035	NSEP-U631073-PDX-RUS
12.550	Institute of International Education	928,087	NSEP-U631073-UO-CHN-K12 MOD1
12.630	Clarkson University	42,848	032150-1
12.630	University of California	51,442	37697661 PO:S9000212
12.800	The University of Texas at Austin	79,255	SUB: UTA12-001068
12.800	University Politecnico di Milano	61,607	2013-1400
12.900	Language Grant Program	36,146	H98230-14-1-0004

12.900	University of Maryland	89,677	H98230-13-1-0017
12.910	BAE Systems	200,059	776,911.00
12.910	Galois Inc.	202,376	2014-1451
12.910	Regents of University of Michigan	113,167	3002669960
12.910	University of California, Los Angeles	62,503	1015 G PA090
12.910	University of Florida	26,415	UR-EIES-1205020-PSU
14.218	Portland Development Commission	156,218	PSU-EOI
14.235	Lane County	21,669	40000000000004
14.239	City of Salem	84,902	40000000000011
14.703	Lane Council of Governments	2,197	18514 MOD #2
14.703	Lane Council of Governments	46,025	18331
14.881	Home Forward	2,536	Not Available
15.227	Benton County	16,688	1936002285
15.234	Columbia Soil & Water Conservation	4,821	1930988772000
15.421	University of Alaska	4,713	PO FP40112 / UAF 14-0023
15.423	University of Texas at Austin	26,876	UTA13-000307
15.808	Oregon Health & Sciences University	(1,042)	GEBSN0060A1
15.808	Southern California Earthquake Center	18,603	Y80786 MOD #2
15.812	University of Wyoming	(2,204)	DOIUSGS43626-OREGON
15.945	University of California, Davis	8,954	201120800-05
16.582	Natl Assoc Voca Asst Administr	3,350	1682
16.585	Columbia County	40,846	1022
16.585	Josephine County	29,243	1018
16.585	Marion County	68,045	1029
16.590	Lane County	40,171	1013
16.726	National 4-H Council	41,003	2013-1548
16.726	National 4-H Council	49,269	2013-2227
16.726	National 4-H Council	57,994	2013-14 NMP4
16.726	National 4-H Council	70,967	2012-13_NMP3
16.738	Lincoln County	33,536	1028
16.738	Lutheran Community Services NW	60,055	1024
16.738	Marion County	97,643	1029
16.738	Multnomah County	65,138	1020
16.738	Union County	36,647	1011
16.803	Benton County	15,673	1025
16.803	Douglas County	5,966	1026
16.803	Harney County	14,515	1023
16.803	Lincoln County	6,529	1028
16.803	Linn County	3,879	1016
16.803	Marion County	19,108	1029
16.803	Mid-Willamette Val Commaction	12,167	1031
16.803	Ontrack Inc	6,977	1027
16.803	UNION COUNTY	3,321	1011
16.812	Clackamas County	7,167	1030
16.812	Jackson County	18,459	1008
17.261	CTR 4 Employment Security and ITSC	37,460	00000000053000
17.268	Worksystems, Inc.	99,197	12-60805
19.401	Institute of International Education	(442)	2013-987
20.205	National Academy of Sciences	34,375	SHRP C-06(B)
20.205	University of Southern Florida	8,496	2117-1406-00-A
20.205	University of Wyoming	29,555	1001785 - OREGON
20.507	Home Forward	34,738	Not Available

20.701	Oregon Transportation Research & Ed Consortium	(56)	2012-B-02/2012-483
20.701	Oregon Transportation Research & Ed Consortium	352	CY-B-02
20.701	Oregon Transportation Research & Ed Consortium	1,485	NITC-UO-03
20.701	Oregon Transportation Research & Ed Consortium	3,550	2012-B-01/2012-524 MOD #1
20.701	Oregon Transportation Research & Ed Consortium	4,467	NITC-UO-02
20.701	Oregon Transportation Research & Ed Consortium	5,173	CY-B-04
20.701	Oregon Transportation Research & Ed Consortium	9,576	NITC-UO-07
20.701	Oregon Transportation Research & Ed Consortium	9,759	NITC-UO-01
20.701	Oregon Transportation Research & Ed Consortium	9,887	CY-B-05
20.701	Oregon Transportation Research & Ed Consortium	64,669	NITC-UO-04
20.701	Oregon Transportation Research & Ed Consortium	84,318	NITC-UO-05
20.701	Oregon Transportation Research & Ed Consortium-PSU USDOT	3,195	NITC-UO-13
20.701	Oregon Transportation Research & Ed Consortium-PSU USDOT	5,563	NITC-UO-15
20.701	Oregon Transportation Research & Ed Consortium-PSU USDOT	7,825	NITC-UO-12
20.701	Oregon Transportation Research & Ed Consortium-PSU USDOT	13,327	CY-B-01
20.701	Oregon Transportation Research & Ed Consortium-PSU USDOT	18,382	NITC-UO-11
20.701	Oregon Transportation Research & Ed Consortium-PSU USDOT	23,182	NITC-UO-10
20.701	Oregon Transportation Research & Ed Consortium-PSU USDOT	25,027	NITC-UO-09
20.701	University of Alaska	3,776	UAF-14-0080 (PO FP42422)
20.701	University of Alaska	20,653	UAF 13-0133
20.701	University of Washington	(23)	739437-5
20.701	University of Washington	3,115	739437-6
20.701	University of Washington	3,767	739437-11
20.701	University of Washington	4,876	739437-10
20.701	University of Washington	6,472	739437-2
20.701	University of Washington	6,819	739437-8
20.701	University of Washington	29,733	739437-3
20.701	University of Washington	55,234	739437-4
20.701	University of Washington	122,398	739437-7
20.701	University of Washington	406,012	739437-1
20.701	University Transportation Center	12,520	Not Available
43.001	Resources for the Future	28,415	RFF #1611
43.001	Southwest Research Institute	27,995	F99004AU
43.001	The University of Texas at Austin	74,788	UTA11-000570
43.001	University of Maryland	27,334	6836-Z6814001
43.001	University of Michigan	15,000	3002788435
43.001	University of Texas at Austin	126,617	UTA12-001012
43.001	University of Texas at Austin	202,927	UTA12-001014 MOD #2
43.001	University of Virginia	75,582	GP10162-138186
43.001	University of Washington	50,002	732969
43.001	Voxtel Corporation - NASA	30,081	20343 AMEND #1
43.001	Woods Hole Oceanographic Institution	19,599	A101010
43.001	Woods Hole Oceanographic Institution	38,995	A101009
43.002	Jet Propulsion Lab	50,159	1249878
43.002	Jet Propulsion Lab	112,454	1450091
43.008	Purdue University	3,706	PRIME:NNX12AK93A;SUB4103-50584
43.008	University of Alabama, Huntsville	23,704	SUB2012-052
45.025	Oregon Arts Commission	(14)	FY13-DES-11540
45.025	Oregon Arts Commission	4,490	FY12-DES-10642
45.025	Oregon Arts Commission - NEA	531	FY14-CTG-12755
45.025	Oregon Arts Commission - NEA	3,000	FY14-OSG-12175
45.025	Oregon Arts Commission - NEA	4,431	20092

45.025	Oregon Arts Commission - NEA	10,000	FY14-OSG-12255
45.025	Oregon Arts Commission - NEA	29,008	FY14-DES-12006
45.129	Oregon Humanities	5,489	455
45.149	University of Delaware	684	26367 AMEND. #1
45.161	Massachusetts Historical Society	(7,569)	-
45.312	Purdue University	6,275	4112-46075
47.041	Agricultural & Environmental Geographic Information Sys, Ltd	5,476	2014-1669
47.041	Boise State University	86,488	5020-A
47.041	Carnegie Mellon University	1,808	1121858-295904
47.041	Carnegie Mellon University	36,032	1121711-277808
47.041	CSD-Nano	62,875	2013-1389
47.041	Georgia Institute of Technology	22,024	RB061-G2
47.041	Purdue University	44,702	NEES-4101-39854
47.041	Purdue University	1,053,601	NEES-4101-31879
47.041	SupraSensor Technologies	26,654	19219
47.041	Trillium FiberFuels, Inc.	72,196	2013-1199
47.041	University of Colorado	11,531	1549503
47.041	University of Hawaii	6,299	MA110005
47.041	University of Idaho	18,481	GNK698-SB-001
47.041	Virginia Tech	3,440	478714-19201
47.041	Washington State University	7,473	10353 G002834
47.041	Washington State University	88,254	116505 G002970
47.049	California Institute of Technology	47,333	75ADV-1090013
47.049	Missouri University of Science and Technology	31,596	00037161-01
47.049	University of Delaware	84,686	27187
47.049	University of Notre Dame - National Science Foundation	2,348	-
47.049	Willamette University	6,074	SUB AG WU-NSFRCN-06-2013
47.049	Willamette University	8,562	WU-NSFRCN-04-2013
47.050	Columbia University	17,944	4(GG002806) / PO G03589
47.050	Consortium for Ocean Leadership	1	SA12-11 WBS 1.8.3
47.050	Consortium for Ocean Leadership	1	SA12-11/WBS 1.8.7
47.050	Consortium for Ocean Leadership	376	T339A11
47.050	Consortium for Ocean Leadership	1,667	T340B11
47.050	Consortium for Ocean Leadership	5,317	SA12-11/WBS 1.8.4.2.3.1
47.050	Consortium for Ocean Leadership	7,665	SA12-11/WBS 1.8.4.5
47.050	Consortium for Ocean Leadership	7,712	T334B11
47.050	Consortium for Ocean Leadership	10,583	SA12-11 WBS 1.8.7.3
47.050	Consortium for Ocean Leadership	10,716	SA12-11/WBS 1.8.7.2
47.050	Consortium for Ocean Leadership	12,740	SA-11-08
47.050	Consortium for Ocean Leadership	15,000	T340A11
47.050	Consortium for Ocean Leadership	20,232	SA 12-11/WBS 1.8.4.2.3
47.050	Consortium for Ocean Leadership	21,377	SA12-11/WBS 1.8.4.1
47.050	Consortium for Ocean Leadership	23,292	SA 12-11/WBS 1.8.2.4
47.050	Consortium for Ocean Leadership	26,979	SA12-11/WBS 1.8.4.1.3
47.050	Consortium for Ocean Leadership	55,378	SA12-11/WBS 1.8.4.1.3.2
47.050	Consortium for Ocean Leadership	68,880	SA12-11/WBS 1.8.1.4
47.050	Consortium for Ocean Leadership	99,096	SA12-11/WBS 1.8.4.1.6
47.050	Consortium for Ocean Leadership	99,223	SA12-11/WBS 1.8.4.1.3.1
47.050	Consortium for Ocean Leadership	102,007	SA 12-11 WBS 1.8.4.2
47.050	Consortium for Ocean Leadership	122,037	SA12-11/WBS 2.8.1.4
47.050	Consortium for Ocean Leadership	139,513	SA12-11/WBS 1.8.2.5
47.050	Consortium for Ocean Leadership	207,635	SA12-11/WBS 1.8.4.2.1

47.050	Consortium for Ocean Leadership	218,676	SA12-11/WBS 1.8.5
47.050	Consortium for Ocean Leadership	252,856	SA12-11/WBS 1.8.4.1.5
47.050	Consortium for Ocean Leadership	284,774	SA12-11/WBS 1.8.1.5 PY5
47.050	Consortium for Ocean Leadership	338,767	SA12-11/WBS1.8.4.2.2
47.050	Consortium for Ocean Leadership	460,344	SA12-11/WBS 1.8.4.1.2
47.050	Consortium for Ocean Leadership	626,785	SA12-11 WBS 1.8.4
47.050	Consortium for Ocean Leadership	766,978	SA 12-11/WBS 1.8.4.1.4
47.050	Consortium for Ocean Leadership	845,338	SA12-11/WBS 1.8.3.3
47.050	Florida International University	138,731	800001121-01
47.050	Incorporated Research Institution for Seismology	340,482	75-MT
47.050	Incorporated Research Institutions for Seismology	188,542	05-OSU-SAGE
47.050	Oregon Health & Sciences University	20,604	GSTCN0108S8
47.050	Oregon Health & Sciences University	105,225	GSTCN0106S4
47.050	Oregon Health & Sciences University	459,359	GSTCN0106S1
47.050	Pennsylvania State University	891	4949-OSU-NSF-1726
47.050	The University of Texas at Austin	21,401	UTA13-000592
47.050	University of Akron	12,321	540064-OSU
47.050	University of Alaska	30,901	PO FP40101 / UAF 13-0131
47.050	University of Alaska	207,740	PO FP802513 / UAF 08-0037
47.050	University of California at Santa Cruz	63,751	S0184031
47.050	University of California, Berkeley - NSF	23,126	00008435
47.050	University of California, San Diego	20,841	34828061 / PO S9000109
47.050	University of Colorado	47,623	1550973 / PO 1000294288
47.050	University of Hawaii	49,464	MA130035 / PO Z10048082
47.050	University of Maryland	29,567	PO 3861
47.050	University of Southern California	31,798	33897890/PO 10043427
47.050	Woods Hole Oceanographic Institution	16,461	A100900
47.050	Woods Hole Oceanographic Institution	22,013	A101018
47.070	Computing Research Association	47,334	CIF-E-003
47.070	University of California, Los Angeles	22,800	0070 G PC456 MOD #2
47.070	University of California, Los Angeles - NSF	34,377	0070 G RC848
47.070	University of Southern California	10,511	43854715
47.074	American Museum of Natural History	30,682	40634
47.074	Carnegie Institute	9,401	6-2091-02
47.074	Cold Spring Harbor Lab	489,901	52930113/213 / PO 920802-SV
47.074	University of California, Davis	(824)	201015754-01
47.074	University of Hawaii	315,975	PO Z795332/Z925587
47.074	University of Pittsburgh	49,089	0005463(011312-01)
47.074	University of South Dakota	33,762	USD-1201 AMEND.#2
47.074	University of Wisconsin - Madison	18,001	471K424
47.074	Virginia Tech	18,549	478784-19201
47.074	Virginia Tech	61,338	478718-19201
47.074	Yale University	116,690	C13D11578 (D01820)
47.075	American Sociological Assn	681	Not Available
47.075	University of Utah - NSF	8,988	10031411-OREGON
47.076	Association of Science-Technology Centers	11,663	2014-1116
47.076	Dartmouth College	47,849	751
47.076	Denver Museum of Nature and Science	9,024	2013-1390
47.076	El Camino Community College	240	NSF 0168669
47.076	El Camino Community College	43,171	PO610285
47.076	Harvard University	4,350	5069094-118114
47.076	Hispanic Communications Network	24,258	2013-2000

47.076	Mathematical Assn of America	17,640	DRL-0910240
47.076	Oregon Museum of Science and Industry	5,723	2014-1675
47.076	Oregon Museum of Science and Industry	29,229	D10-07
47.076	Rogue Community College	80	ATE-NSF 1002822 9/1/11
47.076	SRI International - National Science Foundation	29,554	134-000008 MOD #1
47.076	Teachers Development Group	93,371	04-DRL02
47.076	University of California, Los Angeles	49,083	0070 G PD877
47.076	University of California, San Diego	26,257	PO 10296221
47.076	University of Colorado	17,946	1547120
47.076	University of Washington	60,244	658615
47.076	University of Washington	85,072	658608
47.076	University of Wisconsin - Madison	67,268	446K434
47.076	Winona State University	3,592	PO 277654
47.078	HT Harvey and Associates	17,462	Project # 3426-01
47.078	Regents of University of Colorado	81,273	1548194 PO: 77305/1000046795
47.078	The University of Texas at Austin	16,721	UTA13-000572
47.078	University of Nebraska	37,175	25-0505-0010-002
47.079	Michigan Technological University	45,466	1110090Z7 P0090366 MOD #1
47.080	University of California, Los Angeles	163,779	0145 G MB061 AMEND. 4
47.080	University of Hawaii	14,987	MA120047 MOD #1
47.080	University of Illinois, Urbana-Champaign	88,174	2010-07189-01 MOD #3
47.082	Rutgers, The State University of New Jersey	11,762	4-32571 / 4127 / PO S1411525
47.082	University of New Mexico	(3)	976021-874U
47.082	University of New Mexico	8,153	976021-874U-2
59.037	Lane Community College	6,000	SJB 13-SJB-146
59.037	Lane Community College	6,798	SUB OF: SBAHQ-10-V-0004
59.037	Lane Community College	8,069	MATCH REQD
59.037	Lane Community College	10,520	SBAHQ-12-B-0031
59.037	Lane Community College	22,894	SBAHQ-12-B-0069
66.041	City of Corvallis	42,750	2011-1734
66.123	Washington Dept of Fish & Wildlife	104,284	PRIME:R10-PS-1007;SUB:12-1525
66.461	Lane Council of Governments - EPA	4,837	-
66.469	Central Michigan University	124,571	2011-1086
66.469	Loyola University Chicago	7,250	511045
66.509	Arizona State University	12,627	14-498
66.509	Arizona State University - EPA	413	14-497
66.716	Texas A & M University	10,017	07-S140740
66.716	Washington State University	53,529	117644 G003088
66.950	N Amer Assoc for Envir Ed	(65)	NT-83497401
66.950	N Amer Assoc for Envir Ed	15,881	18911
66.950	N Amer Assoc for Envir Ed/Cornell Univ/EPA	72,005	-
81.049	Dept of Energy Environmental Restoration	38,797	1992-026-01
81.049	Montana State University	65,004	G130-12-W3521
81.049	OnTo Technology LLC	20,827	2012-DE-SC0006336
81.049	Regents of UC - Davis	47,105	DE-SC0008937,201223767-PSU
81.049	Stanford University	41,096	60404141-109779-A
81.049	U California Lawrence Berkeley National Laboratory - DOE	49,744	7084143 MOD.#
181.079	South Dakota State University	20	3TA160
81.079	South Dakota State University	6,243	3TB160
81.087	Alta Rock Energy, Inc.	25,371	2013-535
81.087	Bay Area Photovoltaic Consortium (BAPVC)	96,964	60314363-51077-U AMEND #1
81.087	Boise State University	61,244	014G106215-D (DE-EE0001120)

81.087	Columbia Power Technologies	19,171	2013-1354
81.087	Daimler Trucks North America	15,707	2011-462
81.087	Dehlsen Associates LLC	11,812	PO 00529/2014-1697
81.087	South Dakota State University	110	3TC160
81.089	Research Partnership to Secure Energy for America	79,704	08121-2801-02
81.089	Southern Methodist University	43,670	G001244-7500
81.104	Vanderbilt University	124,395	19067-S2
81.106	Western Governor's Association	76,527	000000045
81.112	Western Governor's Association	40,000	0840747227000
81.112	Western Governor's Association	107,172	0840747227000
81.117	WA State Dept. of Commerce	31,170	00000000006000
81.121	Idaho National Laboratory	77,397	00044868-00036
81.121	Krell Institute - Department of Energy Computational Science	155	-
81.122	Centralia College	9,854	Not Available
81.122	University of Minnesota	8,994	A000211535
81.135	Sharp Laboratories of America	118,792	2013-2150
81.135	University of California Santa Barbara	210,975	KK1335
81.135	University of California, Santa Barbara	139,518	KK1336 MOD #1
84.027	Federated States of Micronesia - USDE	64,795	1088444
84.027	Lebanon Community School District	24,798	2014-890
84.027	State of Iowa-Department of Education/USDE	40,746	043414 AMEND #1
84.033	Mt Hood Community College	668	Not Available
84.116	Regents of University of Michigan	1,621	3002042570
84.116	University of Denver	2,941	SC36537A-01-03
84.116	Willamette University	11,182	SUB AG WU-FIPSE02-13
84.126	Cincinnati Children's Hospital Medical Center	183,111	20261
84.133	Oregon Health & Sciences University	78,730	9007327-PSU
84.133	Temple University	16,478	300104-PSU
84.133	University of Cincinnati	17,894	107354 AMEND #4
84.181	Alaska Department of Health & Social Services	71,976	0613-028 AMEND #1
84.181	Lane Education Service District	8,443,922	2402F0 EC CARES 2013-14
84.181	Lane Education Service District - ED	1,782	21212
84.184	Linn Benton Lincoln ESD	(21,800)	-
84.224	Access Technologies Inc.	7,537	Not Available
84.305	Florida State University	(7,702)	R01296 AMEND.2
84.305	Harvard University	9,668	108074-5065884
84.305	University of Virginia	103,129	GM10128-139152
84.305	WestEd	266,815	S12-022 MOD #1
84.323	Napa County Office of Education	26,877	-
84.324	IRIS Media Inc.	14,436	18899
84.324	Oregon Research Institute	414,013	R324A090111, MOD 6
84.324	University of Connecticut	315,929	7169
84.324	University of North Carolina at Chapel Hill	132,713	5-39253
84.324	University of Wisconsin - Madison	115,594	409K640 MOD #1
84.325	Salas University	15,139	SALAS SUBCONTRACT 83403
84.325	Salus University	23,214	83401
84.326	California State University Northridge	32,229	SUBAWARD F-11-2963-WOU
84.326	California State University Northridge	98,858	SUBAWARD F-11-2963-3WOU
84.326	South Carolina School for the Deaf and Blind	89,540	SUBGRANT OF H326C080022
84.326	University of Connecticut	155,864	UCHC6-36186474/46087620
84.326	University of Kansas Center for Research, Inc.	127,901	FY2013-042-M1
84.326	University of North Carolina at Chapel Hill	113	5-54391 AMEND.#4

84.326	University of North Carolina at Chapel Hill	105,406	5-39294 MOD #1
84.327	Oregon Health & Science University	3,408	SUB OF USDE H327S130010
84.357	American Samoa Government	12,575	C56206A
84.366	Teachers Development Group	6,192	101-19902-A
84.367	National Writing Project	17,960	92-OR01-SEED2012
84.367	National Writing Project	30,562	92-OR03-SEED2012 #4
84.367	The National Writing Project Corporation	3,734	92-OR02-SEED2012
84.367	USDE-National Writing Project	1,701	92-OR03-SEED2012 MOD #5A
84.400	WestEd	307,855	S00025167.0
93.043	Rogue Valley Council of Governments	835	Not Available
93.060	Northwest Family Services	28,276	19550
93.088	Futures Without Violence	56,471	40000000000012
93.088	Public Health Data Standards	11,333	40000000000014
93.103	University of California, Davis	66,149	08002947-CPS-02
93.104	Native American Rehabilitation Association	223,678	CONTRACT #: C 14-02
93.104	Northwest Portland Area Indian Health Board	47,431	C13-02, PO # 22184
93.104	Northwest Portland Area Indian Health Board	99,951	C14-03 PO #23502
93.113	Arizona State University - NIH	9,737	21241
93.113	Dahl Natural, LLC	103,639	2013-792
93.113	Omega Optics, Inc	73,696	OSU2014-996
93.113	Pennsylvania State University	81,945	4597-OSU-DHHS-9964
93.113	University of Alaska, Anchorage	145,817	P0418820 AMEND #5
93.117	Oregon Health & Sciences University	20,149	9005907-APHPM0177-PSU
93.121	Mayo Clinic	(6,904)	2R01DE014036-10
93.121	Mayo Clinic	35,948	PO 6328517
93.121	Oregon Health & Sciences University	82,507	AB10M0046 OSU
93.121	University of Colorado, Denver	76,417	FY10.530.001 AMEND.7
93.121	University of Colorado, Denver - NIH	77,823	2-5-17173
93.121	University of Michigan, Ann Arbor	72,727	3002420859 AMEND #4
93.135	West Virginia University	39,277	03-606F-OSU
93.172	Fred Hutchinson Cancer Research Center	(181)	662382/708548 AMEND #1
93.172	Fred Hutchinson Cancer Research Center	17,737	0000756692
93.172	Fred Hutchinson Cancer Research Center - NIH	48,118	0000784934 AMEND #1
93.172	Lawrence Berkeley National Laboratory	10,109	6905761 MOD#3
93.172	University of Cambridge	16,516	RG60870
93.172	University of North Carolina at Chapel Hill	157,237	5-31042
93.173	Albert Einstein College of Medicine	306,564	9-526-6278/310480
93.173	Oregon Health & Sciences University	24,766	1001858_PSU
93.173	State University of New York	485	R879441
93.213	Oregon Health & Sciences University	46,198	90051415_OSU
93.213	University of Illinois, Chicago	54,084	2010-02881-03
93.239	Stanford University	21,552	60209585-104354-H
93.239	Stanford University Use vendor 890012939	23,900	60294488-104354-L
93.241	Oregon Health & Science University	(150)	20000000000011
93.242	Dartmouth College	20,420	909
93.242	Oregon Health & Sciences University	109,224	1002328_PSU
93.242	Pennsylvania State University	396,323	4880-UO-DHHS-2118 MOD #1
93.242	University of Minnesota	290,625	A000285204 AMEND.10
93.243	Cascadia Behavioral Healthcare	66,721	Not Available
93.243	Georgetown University	17,560	Not Available
93.243	Mental Health Association of Oregon	1,029	PSU-2-2011
93.243	Mental Health Association of Oregon	9,508	201SOW279

93.243	Multnomah Educational Service District	15,835	MESD #: C01041
93.243	Multnomah Educational Service District	29,237	C01040
93.243	Multnomah Educational Service District	44,924	C01576
93.243	Multnomah Educational Service District	77,376	C01575
93.243	Native American Rehabilitation Association	18,366	Not Available
93.243	Outside In	20,224	Not Available
93.243	Yellowhawk Tribal Health Center	73,646	Not Available
93.262	Center for Construction Research and Training	6,917	13-10-PS
93.262	Center for Construction Research and Training	29,074	13-2-PS
93.262	Oregon Health & Science University	23,506	Not Available
93.262	Oregon Health & Sciences University	13,791	GCROE0147A AMEND.4
93.262	Oregon Health & Sciences University	35,900	GCROE0200B_OSU
93.262	Oregon Health & Sciences University	43,983	GCROE0200A_UO MOD #4
93.262	Oregon Health & Sciences University	174,269	GCROE0200A_PSU
93.262	University of Washington	14,115	745822
93.262	Washington State Labor & Industries	26,943	K2379
93.273	Arizona State University	300,437	13-291 MOD #1
93.273	UCLA	43,241	1182 G RA352
93.279	Arizona State University - NIH	202,140	14-478
93.279	Northwestern University - NIH	10,514	60035189 UO
93.279	Oregon Social Learning Center / NIH	211,411	TDAP (SUB NIH-035763)
93.279	University of California	67,883	41941221
93.279	University of Pennsylvania	22,465	559481 PO#3033687
93.283	Natl Assoc Chronic Dis Direct	50,230	40000000000015
93.296	Willamette Neighborhood Housing Services	11,205	2014-1083
93.307	Bauer Labs	31,369	2013-2233
93.307	IRIS Media, Inc. - NIH	19,392	19688
93.350	Oregon Health & Sciences University	15,997	9006282-019-OSU
93.351	Louisiana State University	124,180	75904 MOD #1
93.351	Oregon Health & Sciences University	126,213	1002942_OSU
93.359	Oregon Health & Sciences University	32,201	9009002_CP/9009002-CP2
93.393	Brown University	15,861	630
93.393	University of Southern California	34,339	Not Available
93.395	Fred Hutchinson Cancer Research Center	14,598	791030
93.395	Fred Hutchinson Cancer Research Center	21,692	764831
93.398	Oregon Health & Sciences University	30,409	9004125-OSU
93.399	University of Southern California	9,808	44219776
93.399	University of Michigan, Ann Arbor	8,837	3002557848
93.575	Oregon Child Care Resource and Referral Network	(4,169)	05-07RR04
93.587	Confederated Tribes of the Grand Ronde	3,842	19233 MOD #1
93.587	Confederated Tribes of the Grand Ronde - DHHS	18,213	18581
93.587	Mississippi Band of Choctaw Indians	10,628	19517 MOD #1
93.632	University of Missouri-Kansas City	40,063	0044374/00010547
93.648	The Research Foundation of State Univ. of New York	83,655	AWARD # 1105807-16-62495
93.648	The Research Foundation of State Univ. of New York	105,523	AWARD # 1105807-24-62495
93.648	The Research Foundation of State Univ. of New York	267,512	14-06/1113708-4-66158
93.670	Northwest Professional Consortium Inc. dba NPC Research	28,052	Not Available
93.701	Oregon Health & Science University	46,841	1001472_PSU_CARDER
93.701	Oregon Health & Sciences University	20,867	GEMME0099AST_PSU
93.708	Oregon Childhood Development Coalition	24,304	LETTER OF AGREEMENT
93.715	Oregon Health & Sciences University	(21,757)	ASMM10126ST
93.767	University of Washington	104,505	755555

93.778	Lane Education Service District	260,836	MEDICAID
93.837	Elex Biotech LLC	21,852	120420
93.837	Oregon Health & Sciences University	33,806	GCROE0192A_PSU
93.837	University of Minnesota	248	D002108601 MOD #1
93.837	University of Toledo Health Science Center	157,240	N-2009-48
93.839	Oregon Health & Sciences University	444,255	GPEDI0500A/GPEDI0472A
93.847	Cornell University	14,382	56938-8961
93.847	George Washington University - NIH	85,514	13-S26
93.847	Pacific Diabetes Technologies, Inc.	93,911	2013-1459
93.847	University of Colorado, Denver - NIH	133,601	FY14.346.001
93.855	Aradigm Corporation	111,035	2014-1030
93.855	Mount Sinai School of Medicine	222,621	0254-3242-4609
93.855	Oregon Health & Sciences University	10,774	GMMBI0187A
93.855	University of Chicago	19,103	FP053989
93.855	University of Texas Southwestern	24,327	130602 PO RGC0000000407
93.855	University of Texas Southwestern	80,628	120606
93.855	University of Washington	18,878	30000000000001
93.855	University of Washington	87,861	755607
93.855	University of Wisconsin - Madison	108,673	358K212 MOD #2
93.856	DesignMedix Inc	23,100	201PEY329
93.859	Dartmouth College	90,993	1173
93.859	Quintessence Chemicals	32,656	18895
93.859	Texas A & M University	50,669	99-S090064 AMEND.4
93.859	University of California Santa Barbara	1,244	KK1406
93.859	University of Chicago - NIH	206,749	FP055460
93.859	University of Florida	62,549	00093919/UF11153
93.859	University of New Mexico	14,434	04809W-2RX67C/04809W-70C1
93.859	University of Pennsylvania	61,009	555217
93.859	Virginia Tech	11,752	431698-19201
93.859	Wake Forest University	142,678	WFUHS13114
93.865	Brown University	26,983	501/PO 277096
93.865	Duke University	8,021	13-NIH-1051
93.865	Georgia State University	93,044	SP00010461-04 MOD #3
93.865	Harvard University	8,717	114119.50711
93.865	IRIS Media, Inc. - NIH	29,987	20660 MOD #1
93.865	Oregon Center for Applied Science	6,620	20014
93.865	Oregon Health & Sciences University	61,561	1002131-OSU2
93.865	Oregon Social Learning Center	25,457	AMENDMENT 3
93.865	Oregon Social Learning Center / NIH	356,661	5R01HD042608
93.866	Boston University	60,132	4418-5/9500227912/4500000183
93.866	World Health Organization (WHO) - NIH	48,852	APW#2013/358581-0
93.928	University of North Carolina at Chapel Hill	21,647	PRIME:5H97HA15148-04;SUB:5-
93.969	Oregon Health & Sciences University	10,059	SUB#:9006177_PSU
93.969	Oregon Health & Sciences University	71,966	ASONO0303-PSU
93.969	Oregon Health & Sciences University	81,140	ASONO0303-OSU
93.989	National Institute of Health of Peru	75,561	2014-1444
93.989	Smithsonian Institution	6,697	09-SUBC-440-0000172121
94.006	Cow Creek Band of Umpqua Tribe of Indians	(108)	19357
94.007	Oregon Campus Compact	1,000	Not Available
94.013	CORP for National and Community Services	4,553	99999999
97.008	Portland State University Foundation	(45,892)	Not Available
97.042	Yamhill County - FEMA	9,772	20860

97.073	Douglas County, Oregon	17,188	27932
97.130	University of South Carolina	31,850	MUSC14-012
98.001	Eurasia Foundation - US Agency International Development	3,000	W13-1005
98.001	Eurasia Foundation - US Agency International Development	62,344	W13-2008
98.001	Innovation for Poverty Action	32,675	Not Available
98.001	International Rescue Committee - USAID	34,315	AID-391-A-13-00005
98.001	University of California	56,977	00008194 BB00213826
10.XXX	Catholic Relief Services - USDA	131,942	V-2013-001
10.XXX	Consortium for Research on Renewable Industrial Materials	20,266	802
10.XXX	Engineering and Land Planning Associates	(2,972)	2010-1591
10.XXX	Mercy Corps	29,060	2013-1498
10.XXX	National 4-H Council	4,301	2013-2768
10.XXX	Northwest Center for Alternatives to Pesticides	8,644	01-12-OSU
10.XXX	Pheasants Forever	183,541	J1730A
10.XXX	The Nature Conservancy	3,301	ORFO - - 4/24/13-01-AA
10.XXX	Washington State University	4,314	20718
11.XXX	National Marine Sanctuary Foundation	13,214	F0769A
11.XXX	North Pacific Research Board	14,100	X0158C
11.XXX	North Pacific Research Board	21,598	X0158A
11.XXX	Northern Taiga Ventures, Inc.	14,764	2014-835 / PO-CIE-13-Samp
11.XXX	Pacific Salmon Commission	138,362	9909840528
11.XXX	Pacific States Marine Fish Com	132,058	936002376
12.XXX	Adams Engineering & Communication Technology Inc	25,583	SA-ICEII-OSU-03
12.XXX	Auburn University	142,347	13-BGCA-Army-OSU
12.XXX	Computational Physics Inc.	75,019	5185-007-50-000/N000173-11-C-
12.XXX	Haley Aldrich, Inc.	26,631	39730-001 through 39730-007
12.XXX	HDR One Company	38	2914
12.XXX	HDR One Company	71,149	2797
12.XXX	HDR One Company	82,494	119254
12.XXX	InfoBeyond Technology LLC	18,306	IB1303-A
12.XXX	Intel Corporation	91,447	CW1935437
12.XXX	Johns Hopkins University	73,717	APL 109717 CLIN M5D02
12.XXX	Johns Hopkins University	81,858	116984
12.XXX	Luna Innovations	56,096	2691-ARM-1S/OSU
12.XXX	North Carolina State University	151,326	2012-2039-01
12.XXX	Palo Alto Research Center	(8,519)	P308393/D12PC00435
12.XXX	Pennsylvania State University	34,296	S12-08-OSU
12.XXX	Science Applications International Corporation	359,011	PO 10083638
12.XXX	Seattle Institute for Biomedical and Clinical Research/DOD	243,049	KG112-UO-2
12.XXX	Smithsonian Institute	29,601	14-SUBC-440-0000300419
12.XXX	Smithsonian Institution	647	12-SUBC-440-0000254797
12.XXX	Smithsonian Institution	46,259	13-SUBC-440-0000277815
12.XXX	SRI International	213,410	123-000022
12.XXX	Torc Robotics	63,924	AFR 03-101/OS-01
12.XXX	University of Michigan	15,063	3002962241
12.XXX	University of Washington	85,510	691994
12.XXX	Vanderbilt University	177,418	1723-S4
12.XXX	Wasatch Molecular, Inc.	(1)	2013-1693
15.XXX	Center for Plant Conservation	(1,933)	248055
15.XXX	Center for Plant Conservation	972	248045
15.XXX	Center for Plant Conservation	14,447	248050
15.XXX	Ducks Unlimited	108	US-OR-201-1

15.XXX	Ducks Unlimited	42,356	US-WA-122-4
15.XXX	Tualatin River Watershed Council	521	277821
15.XXX	Tualatin River Watershed Council	4,371	27782A
17.XXX	Community Services Consortium	8,915	2013-1911
17.XXX	Economic Systems Inc	60,000	40000000000011
20.XXX	California Department of Transportation	30,459	65A0497
20.XXX	ICF International	75,494	13KJSK0014
20.XXX	National Academy of Sciences	33,633	HR-03-99
20.XXX	National Academy of Sciences	40,280	NCHRP-161
20.XXX	National Academy of Sciences	54,184	SUB0000413 HR 14-29
20.XXX	National Academy of Sciences	56,100	TCRP A-40/SUB0000436
20.XXX	National Academy of Sciences	88,546	HR 15-44
20.XXX	National Academy of Sciences	169,908	TCRPC-20
20.XXX	Oil Spill Recovery Institute	79,018	39426
20.XXX	Smithsonian Institution	10,570	12SUBC-440-0000250200
20.XXX	Washington State Dept of Transportation	93,996	GCA6766
43.XXX	Ball Aerospace	58,457	11DHK055
43.XXX	Carnegie Mellon University	46,081	1990036-299774
43.XXX	Jet Propulsion Lab	1,545	1453508
43.XXX	Jet Propulsion Lab	22,500	RSA 1492265
43.XXX	Jet Propulsion Lab	28,291	1475568
43.XXX	Jet Propulsion Lab	33,563	1495237
43.XXX	Jet Propulsion Lab	69,938	1469950
43.XXX	Los Gatos Research, Inc.	22,948	2013-2691
43.XXX	University of Southern California	135,451	Y88256
43.XXX	University of Washington	59,909	702013
47.XXX	Consortium for Ocean Leadership	398	T334A11
47.XXX	Consortium for Ocean Leadership	4,737	T337B11
47.XXX	Consortium for Ocean Leadership	8,943	PO T347A11
47.XXX	Consortium for Ocean Leadership	9,688	PO T350A11
47.XXX	Consortium for Ocean Leadership	14,963	T333A11
47.XXX	Consortium for Ocean Leadership	15,876	PO T351A11
47.XXX	Consortium for Ocean Leadership	20,375	T344A11
47.XXX	Consortium for Ocean Leadership	25,220	SAF-13-03
47.XXX	Consortium for Ocean Leadership	29,965	SAF-13-04
47.XXX	Consortium for Ocean Leadership	37,775	T341A11
47.XXX	Consortium for Ocean Leadership	53,399	PO T349A11
47.XXX	Consortium for Ocean Leadership	53,744	PO T349B11
47.XXX	Consortium for Ocean Leadership	54,426	T341B11
47.XXX	Consortium for Ocean Leadership	75,272	T344B11
47.XXX	Earth and Space Research	21,917	PO 2011-173 OSU
47.XXX	Oregon Nanoscience and Microtechnologies Institute	20,000	2013-2648
47.XXX	Suitland Technology Education Engagement Resource Centre, Inc	7,629	J1763A
66.XXX	City of Lowell	(291)	2011-2051
66.XXX	Health Effects Institute	9,226	4783-RFA09-1/09-4
66.XXX	Tetra Tech, Inc.	36,347	V0559A
81.XXX	Argonne National Laboratory - U.S. Department of Energy	54,359	4F-30401
81.XXX	Battelle Memorial Institute	(949)	MASTER 107557; TO 183148
81.XXX	Built Environment and Sustainable Technologies	19,372	2013-2877
81.XXX	Columbia River Inter-Tribal Fish Commission	33,188	C14-07 / PO C01400730
81.XXX	Columbia River Inter-Tribal Fish Commission	185,595	C13-11 / PO C1301130
81.XXX	Confed Tribes Umatilla Indian	80,229	930624734

81.XXX	DOE Pacific Northwest National Lab	1,754	182174
81.XXX	DOE Pacific Northwest National Lab	12,189	199062 Task# 210570
81.XXX	DOE Pacific Northwest National Lab	16,232	199062-229222
81.XXX	Idaho National Laboratory	10,678	00044868-00025
81.XXX	Idaho National Laboratory	23,777	00044868-00031
81.XXX	Idaho National Laboratory	25,364	00044868-00030
81.XXX	Idaho National Laboratory	31,954	00044868-00034
81.XXX	Idaho National Laboratory	34,468	00044868-00033
81.XXX	Idaho National Laboratory	47,107	68396-02
81.XXX	Idaho National Laboratory	125,951	00044868-00023
81.XXX	Idaho National Laboratory	178,083	00044868-00021
81.XXX	Idaho National Laboratory	200,000	00044868-00032
81.XXX	Idaho National Laboratory	220,431	128748
81.XXX	Idaho National Laboratory	248,513	138995
81.XXX	Idaho National Laboratory	435,195	00044868-00029
81.XXX	Idaho State University	60,924	12-308C
81.XXX	Lawrence Berkeley National Lab	192,515	7033440
81.XXX	Lawrence Livermore National Laboratory	4,186	NO. B607377
81.XXX	Lawrence Livermore National Laboratory	39,014	B605762
81.XXX	National Renewable Energy Lab	315,505	XCI-0-40426-01
81.XXX	Pacific Northwest National Lab	23,056	135748
81.XXX	Pacific Northwest National Lab	39,427	199062-202090
81.XXX	Pacific Northwest National Lab	51,431	199062-204923
81.XXX	Pacific States Marine Fish Com	2,029,089	936002376
81.XXX	Sandia National Laboratories	29,029	PO 1355324
81.XXX	Sandia National Laboratories	163,279	PO 1256445
81.XXX	Sandia National Laboratories	214,515	PO 1276073
81.XXX	Terraqua, Inc.	23,699	2013-2140
81.XXX	TRSX Technologies	47,004	130712-DOE-01
81.XXX	University of Washington	56,893	757,176.00
81.XXX	University of Wisconsin - Madison	104,034	347K771
81.XXX	URS Corporation	4,479	RES1000163
81.XXX	URS Corporation	15,936	RES1100426/026
81.XXX	URS Corporation	16,738	RES1100426 / 006
81.XXX	URS Corporation	20,643	RES1100426 / 005
81.XXX	URS Corporation	24,167	RES1100426/018
81.XXX	URS Corporation	28,341	RES1100426/22
81.XXX	URS Corporation	39,589	RES1100426/016
81.XXX	URS Corporation	40,703	RES1100426/21
81.XXX	URS Corporation	41,212	RES1100426 / 013
81.XXX	URS Corporation	41,857	RES1100426/20
81.XXX	URS Corporation	52,049	RES1100426/015
81.XXX	URS Corporation	54,200	RES1100426 / 007
81.XXX	URS Corporation	54,427	RES1100426/017
81.XXX	URS Corporation	57,809	RES1100426/012
81.XXX	URS Corporation	66,050	RES1100426 / 004
81.XXX	URS Corporation	76,254	RES1100426 / 023
81.XXX	URS Corporation	83,403	RES1100426/009
81.XXX	URS Corporation	89,279	RES1100426/014
81.XXX	URS Corporation	95,419	RES1100426 / 019
84.XXX	Forest Grove School District	27,848	6
84.XXX	George Mason University	674,487	2013-1297

84.XXX	Lane County SD 4J	9,013	2401Q1
93.XXX	American Institutes for Research	5,000	SC-05-02054 001-03
93.XXX	American Institutes for Research	19,629	00994-02731.003,PO13RRG00006
93.XXX	Confederated Tribes of Siletz Indians of Oregon	9,908	270404
93.XXX	Confederated Tribes of Siletz Indians of Oregon	63,446	2014-1415
93.XXX	Confederated Tribes of Siletz Indians of Oregon	77,660	2013-1931
93.XXX	Coordinated Program Development, LLC	109,789	2013-1596
93.XXX	Washington State Department of Social and Health Services	123,399	1265-49256
93.XXX	Yellowhawk Tribal Health Center	76,019	PO# 65597
98.XXX	AECOM International Development, Inc.	90	0770-SO11-61
		$ 63,495,057	

State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Section I—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	☐ yes ☒ no
Significant deficiencies identified that are not considered to be material weaknesses?	☒ yes ☐ none reported
Noncompliance material to financial statements noted?	☐ yes ☒ no

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	☒ yes ☐ no
Significant deficiencies identified that are not considered to be material weaknesses?	☒ yes ☐ none reported
Type of auditor's report issued on compliance for major programs:	Qualified: Foster Care - Title IV-E Adoption Assistance - Title IV-E Medicaid Cluster Unmodified: All Other Major Programs
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	☒ yes ☐ no

Identification of Major Programs

CFDA#	Name of Federal Program or Cluster
10.558	Child and Adult Care Food Program
17.225	Unemployment Insurance
84.010	Title I, Part A
84.126	Rehabilitation Services_Vocational Rehabilitation Grants to States
93.268	Immunization Cooperative Agreements
93.558	Temporary Assistance for Needy Families (TANF) Cluster
93.563	Child Support Enforcement
93.568	Low-Income Home Energy Assistance
93.658	Foster Care Title IV-E
93.659	Adoption Assistance Title IV-E
93.767	Children's Health Insurance Program
97.036	Disaster Grants Public Assistance (Presidentially Declared Disasters)
97.046	Fire Management Assistance Grant
cluster	Supplemental Nutrition Assistance Program (SNAP) Cluster
cluster	Child Nutrition Cluster
cluster	Workforce Investment Act (WIA) Cluster
cluster	Special Education (IDEA) Cluster
cluster	Child Care Development Fund (CCDF) Cluster
cluster	Medicaid Cluster
cluster	Research and Development Cluster

Dollar threshold used to distinguish between type A and type B programs: $30,000,000

Auditee qualified as low-risk auditee? ☐ yes ☒ no

Section II – Financial Statement Findings

Management Response and Corrective Action Plans were not subjected to auditing procedures.

2014-001 Department of Human Services

Controls in Receipting Unit Should Continue To Be Strengthened
Significant Deficiency

The Department of Human Services (department) receipted more than $562 million in revenue through paper checks during fiscal year 2014. As part of our fiscal year 2013 audit, we found that two administrative employees within the department's Office of Financial Services picked up the checks from the mailroom, sorted them into category types, and accounted for the checks at an aggregated level by category type. The administrative staff then delivered the checks by category type to individuals in the Receipting Unit who were each solely responsible for the custody and recording of checks for their category type in the financial records. Of the $562 million, about $52 million was exposed to risk of misappropriation throughout the fiscal year.

Department management is responsible for establishing adequate controls and safeguards to ensure all checks are properly accounted for and controlled. Checks lost before being receipted are more difficult to trace and detect than a check that is logged and tracked. The department's control process needs to include enough information to track a check from when it is opened in the mail through its delivery to the receipting unit to when the revenue is recorded in SFMA. Such a process generally includes a method to track the check information (amount, remittance detail) and ensure no one person has both access to the check and the accounting records. This would help ensure the detection of a missing, altered, or replaced check with one of a lesser value.

To improve controls over the custody and recording of checks, the department piloted a new reconciliation process in March 2014 for some of the check category types. The department's process includes having the checks received by two employees and recorded on a log. The log is to include the sender's name, the purpose for which the money was sent, and the amount. The process also includes department staff reconciling the number and dollar amount of checks received to the number and dollar amount of checks deposited. Although this reconciliation process was not fully implemented until after the close of fiscal year 2014, it is a start to ensuring sufficient controls are in place to ensure all checks received are deposited into the bank and appropriately recorded in the financial records.

We recommend department management ensure internal controls over its check receipting process are sufficient to ensure all checks are safeguarded, properly tracked and accounted for in its financial records.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We agree with the recommendation.

In May 2014 the agency fully implemented its new check receipting and reconciliation process. We continue to look for opportunities to improve the receipting control structure and reduce the potential risk of lost checks within the agency. We are conducting a process improvement event to look at online electronic deposit upon check opening, rather than later in the receipting process. We are also continuing to reduce the number of checks received in the agency by offering online

payment options and increasing the number of payments that are identified through the accounts receivable process.

Anticipated Completion Date: May 2014

2014-002 Oregon Health Authority
Lack of Assurance that Controls Exist and are Effective over a Significant Financial System
Significant Deficiency

Management is responsible for ensuring internal controls are adequate to provide reasonable assurance that transactions are accurate and properly recorded and executed in accordance with management's objectives. That same level of assurance is required for services and financial information provided to the department by independent service providers.

During the audit, we noted that Oregon Health Authority management does not have assurance that information processed through the Medicaid Management Information System (MMIS) is accurate and reliable. The department has relied on an independent service provider to maintain the MMIS since its implementation in 2008. The MMIS processes Medicaid eligible claims including payments to providers and individuals, capitated payments for managed care, and other non-claim payments and transactions. The MMIS processed $4.6 billion in expenditures in fiscal year 2014.

We inquired of management regarding internal controls over transactions processed through the MMIS. Management demonstrated an understanding of the internal controls related to the MMIS information for the processes carried out within the department. However, without an adequate understanding and documentation of the controls implemented by the service provider, or an independent review of those controls, management does not have adequate assurance that the MMIS financial information, as a whole, is accurate and reliable. Specifically, management lacks assurance that the service provider for the MMIS has adequate controls to ensure the $4.6 billion in expenditures processed through the system in fiscal year 2014 was accurately reported.

We recommend department management seek adequate assurance for the accuracy of all financial information they report. Management should have a documented understanding of the controls involved in transactions, whether automated or manual, to ensure the integrity of the information. When necessary, such as for significant financial systems operated by independent service providers, department management should obtain timely independent assurance over the accuracy and reliability of the information.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We agree with the recommendation.

Medical Assistance Programs of the Oregon Health Authority released a Request for Proposal (RFP) in late December 2014 to procure an independent contractor to perform annual audits of the internal controls implemented by Hewlett-Packard (HP) Enterprise Services, LLC, for its operation of the MMIS. The selected contractor will be required to perform the annual audits in accordance with the American Institute of Certified Public Accountants (AICPA) Statement on Standards for

Attestation Engagements (SSAE) No. 16, Reporting for Controls at a Service Organization, and provide the agency with annual SSAE 16 "type 2 reports" documenting the internal controls and the operating effectiveness of those controls. HP Enterprise Services is required by its contract with OHA to take immediate corrective action to remedy all material weaknesses, deficiencies, or findings identified in a SSAE 16 type 2 audit report. The first annual audit by the selected contractor will be for state fiscal year 2015, ending in June 2015. OHA will require the selected contractor to submit annual audit reports by the end of September following each state fiscal year.

In addition to the ongoing effort to better oversee and document the contractor controls within the drug rebate program addressed in last year's audit, staff from Medical Assistance Programs and the Office of Financial Services meet biweekly with Hewlett Packard counterparts from technical and financial areas to discuss MMIS data questions and anomalies, system testing, outstanding MMIS production changes, and upcoming system changes and impacts. The group also reviews and manages an action item list to document the group's work and those responsible for taking action.

Anticipated Completion Date: September 30, 2015

2014-003 Department of Administrative Services
Repair and Maintenance Costs Should Not Be Capitalized
Significant Deficiency

The department owns and operates approximately three million square feet of building space that is generally occupied by state agencies. The department's management is responsible for maintaining the buildings in operating order with the expectation that they will continue to serve the state through the term of their established useful lives. According to accounting standards, maintenance costs are expensed in the year in which the work is performed. A cost can be capitalized if it is related to an improvement, such as a significant renovation that extends the original useful life of the building. By capitalizing a cost, the state is able to spread the cost over future years and not bear the impact of the expense all at once.

The Oregon Accounting Manual defines improvements to existing assets as follows: *"An addition or improvement, unlike a repair, provides additional value, enhances a capital asset's functionality, or extends a capital asset's expected useful life. Repairs and maintenance only retain value."* When determining if a project should be capitalized or expensed, care is needed to distinguish actions that lengthen the useful life of an asset from those that merely avoid shortening it. (Stephen J. Gauthier, *Accounting for Capital Assets.* (Chicago: GFOA, 2008), page 37).

During our audit, we found the department capitalized costs for regular maintenance, which is not in compliance with Governmental Accounting Standards. The scope of work as defined in the work order was to *"pressure wash, remove and replace caulking and sealant, finish painting (as required), and traction area resurfacing of specific areas"* for several of its buildings. Such work is performed to retain the building in operational condition and does not extend the original useful life or enhance the functionality of the building.

Management's capitalization policies are not sufficiently detailed to assist project level decisions on whether work should be capitalized or expensed.

This is a repeat finding.

We recommend management develop a capitalization policy that allows for appropriate decisions regarding when building costs should be capitalized and when they should be expensed in the current period. The capitalization policy should agree with Governmental Accounting Standards.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
DAS agrees with the recommendation. The corrective actions planned include review and revision of DAS policies by Enterprise Asset Management (EAM) to clearly detail and differentiate between work that is routine maintenance and work that extends the useful life of the building in the scope of work of projects. These policies will be reviewed by Statewide Accounting and Reporting Services to ensure conformance to the Oregon Accounting Manual and Generally Accepted Accounting Principles for state and local governments. The contact person responsible for this corrective action is the EAM Manager of Planning & Construction Management.

2014-004 Department of Administrative Services
Estimated Useful Lives Associated with Buildings are Not Periodically Reviewed
Significant Deficiency

Governmental Accounting Standards require that capital assets be depreciated over the estimated number of years the asset will provide service, or its "useful life". Depreciation aims at allocating costs to benefiting periods in proportion to the benefit received each period. The objective is to properly state the value of capital assets on the balance sheet and not have capital assets that are fully depreciated while they are still in service. It is important that management perform a periodic review over the reasonableness of the estimated useful lives assigned to its buildings and building improvements to ensure they do not become fully depreciated while still in service. Since a change in estimate needs to be made prospectively, the earlier management is alerted to changes in the useful life of its building, the sooner management is able to adjust its capital assets records to more accurately reflect the value of its assets.

Department management currently has no process for reviewing the remaining estimated useful lives of their buildings and building improvements and, as a result, some buildings may be approaching full depreciation while they are expected to remain in service for many years to come.

We recommend management implement a process to regularly review the useful lives of its buildings and building improvements to ensure compliance with Governmental Accounting Standards.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
DAS agrees with the recommendation. In addition to the revisions of DAS policies based on the response to the Audit Division's first recommendation, DAS will review and revise current policies to include a process to regularly review the useful lives of DAS buildings.

2014-005 Department of Revenue
Perform Cash Reconciliations on a Regular and Timely Basis
Significant Deficiency

During fiscal year 2014, the department received, processed and deposited over $7 billion in revenues from various tax programs. To facilitate efficient accounting, the department set up specific cash accounts for these tax programs. Much of the cash received is processed through the Revenue Suspense Account at the Oregon State Treasury before being transferred to the General Fund or other funds, as appropriate. State policy recommends that departments reconcile cash accounts on a regular basis. Cash reconciliations are an important internal control to provide assurance that cash received by the Treasury agrees to amounts recorded by the department.

The department's usual process is to perform monthly reconciliations between cash accounts in its subsidiary accounting system and related accounts at the Oregon State Treasury and the state accounting system. During the audit, we found the department completed monthly reconciliations of its subsidiary accounting system to the Revenue Suspense Account at the Oregon State Treasury for July 2013 through September 2013, but did not complete the reconciliations for October 2013 through June 2014. Department management reported staffing shortages and other priorities contributed to reconciliations not being completed. By not performing the monthly reconciliations, the department has less assurance errors will be detected and corrected in a timely manner.

We recommend department management ensure cash accounts in its subsidiary accounting system are consistently reconciled to Oregon State Treasury accounts.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We agree and have developed a plan to have all reconciliations current by June 30, 2015. The plan includes reprioritization of our workload, utilizing other staff to assist, where possible, and cross-training our Accountants on the most complex of reconciliations to reduce the risk of this occurring in the future.

Anticipated Completion Date: June 30, 2015

2014-006 Department of Revenue
Perform Management Review of Taxes Receivables Accruals
Significant Deficiency

Department management must ensure proper accounting and reporting of receivables for the statewide annual financial statements. For this purpose, state agencies are to estimate and accrue receivables that are expected to be collected within 90 days of fiscal year end. Department management is responsible for ensuring the accuracy and completeness of the information that supports its year end accruals.

Each year, as part of its annual financial reporting process, the department prepares estimates of the taxes receivable accrual for department administered tax programs. These estimates involve many separate calculations and are based on several sources of data, including

historical trends, uncollectible taxes, refunds payable, and other information contained in the department's subsidiary accounting system. Typically, these estimates are calculated by a Revenue Accountant and reviewed by a more senior Revenue Accountant or the Budget and Finance Manager. Because the calculations are fairly complex and interdependent, it is especially important a review is done to ensure the accruals are accurate. For fiscal year 2014, this review was not completed due to staffing shortages and other priorities.

In reviewing the taxes receivable estimates prepared for fiscal year 2014, we found multiple errors in the department's calculation, such as incorrectly calculated percentages and omitted amounts. Although the errors were not material to this year's financial statements, they impacted all five of the audited Taxes Receivable accounts.

We recommend department management perform effective and timely reviews of the taxes receivable estimates to ensure accrual calculations are accurate.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We agree. Our Accountant 4, Accountant 3 and Finance Manager will be trained to perform the review of the Tax Receivable accruals by July 31, 2015, The desk procedure and any supporting documentation will be reviewed and updated, if necessary.

Anticipated Completion Date: July 31, 2015

2014-007 Oregon University System
Lack of Proper Segregation of Duties in the Internal Control Structure Related to Information Technology
Significant Deficiency

Criteria: A fundamental concept in a strong system of internal control is the segregation of duties. The basic premise is that no one employee should have access to both assets and the related accounting records or to all phases of a transaction. If the separation of duties is inadequate, there is a resulting risk that intentional fraud or unintentional errors could occur and not be detected. As it relates to information technology and applications, controls should be assigned to employees to technically prohibit one user from performing all phases of a transaction.

Condition: During our review of segregations of duties conflicts within the Banner system, we noted employees with incompatible access rights, as follows:

- Oregon State University. Fourteen employees had the ability to:
    - Payroll: 1) add, change, delete an employee with in the payroll system, 2) establish payment method and pay rates, 3) process payroll, and 4) update paid-time off accrual thresholds.
    - General Disbursements: 1) Add vendor, 2) input an invoice, 3) approve invoice, and 4) process a payment to the vendor.
    - General Ledger: 1) Add, change or delete accounts; 2) open, close a period, and 3) post a journal entry.

- Western Oregon University. Two employees had the ability to:
  - Payroll: 1) add, change, delete an employee with in the payroll system, 2) establish payment method and pay rates, 3) process payroll, and 4) update paid-time off accrual thresholds.
  - General Disbursements: 1) Add vendor, 2) input an invoice, 3) approve invoice, and 4) process a payment to the vendor.
  - General Ledger: 1) Add, change or delete accounts; 2) open, close a period, and 3) post a journal entry.

  Three other employees had the ability to:
  - General Disbursements: 1) Add vendor, 2) input an invoice, 3) approve invoice, and 4) process a payment to the vendor.
  - General Ledger: 1) Add, change or delete accounts; 2) open, close a period, and 3) post a journal entry.

  Lastly, three other employees at WOU had the ability to add, change delete an employee within the payroll system, 2) establish payment method and pay rates, 3) process payroll, and 4) update paid-time off accrual thresholds.

Cause: A review of Banner Access rights had not been performed to identify improper segregation of duties.

Effect: While the universities had certain manual compensating controls in place, such access rights allow for fraud or error to go undetected, especially if certain compensating controls are no performed consistently, or are not at a low enough level to detect certain instances of fraud or error.

We recommend management should ensure proper segregation of duties is established by removing access rights so that no one employee has the ability to perform all phases of a transaction. If in the rare circumstances that access rights can not be removed for certain employees, an automated process should be implemented so that when and if these employees perform a series of transactions that violates proper segregation of duties, a supervisor is informed and must approve that the actions taken by the employee were authorized and appropriate.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
Oregon State University: We agree. We have removed update capabilities of the fourteen employees who had conflicting access rights within the Banner system, and we will periodically review Banner access rights to ensure proper segregation of duties.

Western Oregon University: WOU acknowledges the finding and has already removed access to address the issue going forward.

2014-008 Oregon Department of Forestry
Accounting for Liabilities Needs Improvement
Significant Deficiency

Liabilities directly related to the Environmental Management Fund and expected to be paid from the fund with current resources, should be reported in the Environmental Management Fund in the state's financial statements. In fiscal year 2014, the department obtained a short-term loan to cover department expenses incurred by a heavy forest fire season. Department management does not have policies or procedures in place to account for loans, and recorded the loan liability in the Government-Wide Reporting Fund, rather than the Environmental Management Fund. Subsequent to the close of the fiscal year and our audit inquiries, the department sought guidance from the Department of Administrative Services on how to properly account for the loan; and as a result, adjustments were made to properly reflect the loan balance of $20 million in the Environmental Management Fund.

We recommend department management seek appropriate and timely guidance prior to year-end to properly record transactions for financial reporting purposes.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
The Department agrees with this finding. Although we did book this liability in the manner approved in the past by our DAS analyst, we did not update this procedure in the current period because we were not aware of any change in reporting requirements until the matter arose in the audit. In future years, as part of our year-end process, ODF will review any unusual or infrequent items and seek guidance to confirm proper accounting treatment prior to year-end.

Anticipated Completion Date: July 2015

2014-009 Oregon Department of Forestry
Control to Ensure Proper Recording of Revenue Need Improvement
Significant Deficiency

The Oregon Accounting Manual (OAM) provides a comprehensive set of policies and procedures to assist agencies with reporting financial transactions in accordance with generally accepted accounting principles. The OAM includes guidance on establishing internal controls to help ensure all transactions are recorded in the financial system and are supported by appropriate documentation. An adequately designed system of internal controls includes periodic monitoring of controls by management to ensure they are implemented and functioning as intended.

During testing of the State Forest Lands and Other Charges for Services revenue accounts, we identified the following weaknesses in internal controls over the recording of revenue:

- The department could not locate supporting documentation for 3 of the 14 items we selected for cut-off testing in Other Charges for Services.
- A November 2013 reduction of revenue transaction was not entered into the subsidiary system. This error caused revenue in the state's accounting system to be overstated by $71,000.

- Management did not maintain evidence of its controls by ensuring the reconciliations of the subsidiary data to source documentation were retained. Further, because evidence of the reconciliation control work was not retained, more time was spent than necessary by agency and audit staff to re-collect and verify the controls.

During fiscal year 2014, management operated with staffing constraints, especially due to a heavy fire season. When accounting staff are re-assigned it is especially important to ensure controls are being properly performed and documentation is retained to support the effectiveness of controls and the accuracy of transactions.

We recommend management strengthen its review and monitoring of internal control procedures, implementing policies if needed, to ensure staff are performing procedures and retaining documentation as necessary to ensure the complete and accurate recording of revenue.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
The Department agrees with this recommendation.

- *Supporting documentation: The Department agrees with this finding. Over the course of the audit, the Department supplied hundreds of documents that were requested for testing. We were able to supply all at the time of request, except the three mentioned in this finding. These three were part of a batch of revenue documents that were misfiled together. For future audits, we will put in place procedures to ensure that all supporting documentation requested by the auditors is provided in a timely manner.*
- *Reduction of revenue: The Department agrees with this finding. The subsystem from which these transactions originated is over 40 years old and is being replaced. Currently, this type of transaction must be manually accounted for and reported on. After we reported on the transactions for this process, a reconciliation on a timber sale revealed that a transaction was missed because it was entered after the close of the period. The $71,000 was not included in State Forest Lands revenue, which totaled approximately $83 million for Fiscal Year 2014. Until the new system is in place, management will put procedures in place to ensure that manual transactions entered close to the end of the period are properly recorded.*
- *Evidence of controls: The Department agrees with this finding. It involves the same subsystem discussed in the previous paragraph. The system is being replaced by a new subsystem, WALT, which will be in place in 2016. The reconciliation process described in this finding will be incorporated into the controls of the new system. Until the new system is in place, management will design a process to keep all reconciliation documents until the end of the following audit period.*

Anticipated Completion Date: July 2015

2014-010 Oregon Department of Fish and Wildlife
Federal Revenue Accrual Procedures Need Improvement
Significant Deficiency

The state's accounting policy directs that revenue, within governmental funds, be recognized using the modified accrual basis of accounting. Under this basis of accounting, revenue must be both measurable and available to finance current period expenditures. For the state, revenue is considered "available" if it is collected within 90 days of the fiscal year-end.

The department is responsible for estimating the revenue it will receive within 90 days of the fiscal year-end. A receivable estimation methodology generally includes the consistent application of relevant factors and could include an analysis of collection patterns. Management should also monitor the reasonableness of the estimate. The department has modified its estimation process many times due to changes in senior accounting staff. When reviewing federal revenue and related receivables for fiscal year 2014, we found more revenue was received than the department had estimated. The department's estimate resulted in the following misstatements:

- Federal Revenue was understated by $8.6 million;
- Accounts Receivable was understated by $8.6 million; and
- Noncurrent Receivables were overstated by $4.1 million.

We recommend management analyze collection patterns for the 90-day accrual period and develop a consistent methodology for estimating federal revenue, current receivables, and noncurrent receivables.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
The Department agrees with this finding.

Subsequent to its last audit, the Department developed new methodology to utilize for the process of estimating its revenue and receivables. We have identified the circumstances that caused the issue and will refine the methodology for identifying and classifying long-term federal receivables at year-end. The recent implementation of new billing software and improved online drawdown functionality should allow for a higher level of predictability with respect to collection rates. Furthermore, the Department will better ensure any invoices generated in the new billing system are reflected on the primary book of record (SFMS) in the period which they are earned, rather than the period in which they are collected.

Anticipated Completion Date: March 31, 2015

2014-011 Oregon Department of Transportation
Strengthen Cash Handling Procedures for Fuels Taxes
Significant Deficiency

In fiscal year 2014, the department collected over $493 million in revenue from fuels taxes. These taxes are applied to the purchase of gasoline, aircraft fuels, ethanol blends, and other use fuels, and are generally collected and remitted to the department by retailers and distributors. While the department collects the majority of this revenue through wire transfers and

electronic payments, during state fiscal year 2014, approximately $7.2 million was collected in the form of checks.

During our audit, we reviewed the department's procedures for processing fuels tax receipts. We noted some procedures that were contrary to the Oregon Accounting Manual's guidance for handling cash receipts. For example, the Oregon Accounting Manual recommends that two individuals open the mail, and responsibilities for preparing deposits and recording receipts be separated to help ensure that no one individual has control of cash transactions from beginning to end. We found that generally only one employee opened the mail, prepared the deposit, and recorded the transactions. By not separating these responsibilities, the department increases the risk that funds may be recorded incorrectly or go missing.

We recommend department management review and revise the existing cash handling procedures for fuels taxes to ensure receipts continue to be correctly recorded and to strengthen safeguards over the receipts.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We agree with the finding and recommendation.

Financial Services management will review and revise existing desk procedures to ensure adequate separation of duties in the receipt and processing of fuels tax receipts.

Anticipated Completion Date: February 27, 2015

Section III – Federal Awards Findings and Questioned Costs

Management Response and Corrective Action Plans were not subjected to auditing procedures.

2014-012 Department of Human Services
Reimbursements Submitted Outside Period of Availability

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Foster Care – Title IV-E (93.658) Adoption Assistance – Title IV-E (93.659)
Federal Award Numbers and Year:	1301OR1401; 2013, 1401OR1401; 2014 1301OR1407; 2013, 1401OR1407; 2014
Compliance Requirement:	Period of Availability
Type of Finding:	Material Weakness, Material Noncompliance

Per federal requirements, to be eligible for federal funding, expenditures incurred must be submitted for reimbursement within two years after the calendar quarter in which the department made the expenditure (period of availability). There is no time limit imposed for adjustments that would decrease federal funding.

During our audit, we determined the department's child welfare system, OR-Kids, refinances transactions as far back as January 1, 2008. The system was not designed to prevent the department from requesting federal reimbursement for expenditures incurred outside the period of availability.

When preparing the quarterly expenditure reports during fiscal year 2014, the department used various methods to identify adjustment transactions that were outside the period of availability. For the quarter ended December 31, 2013, the department would have excluded $603,000 in Title IV-E Adoption Assistance federal expenditures from the quarterly report under the current methodology. For the quarter ended June 30, 2014, the department excluded $747,000 in Title IV-E Adoption Assistance federal expenditures from the quarterly report as they determined they were outside the period of availability.

The department previously performed reconciliations of reported federal expenditures to actual expenditures requested for federal cash reimbursement (reimbursement), but temporarily suspended this process for Title IV-E Foster Care and Title IV-E Adoption Assistance. The department resumed this reconciliation practice in June 2014 for the quarter ending March 31, 2014. For reimbursements exceeding the reported allowable expenditures, the department reduced the amount requested for reimbursement. The department did not make corrections to the accounting records after performing this reconciliation and reimbursement reduction. Further, the amounts identified for exclusion in the preparation of the quarterly expenditure reports did not agree to the subsequent reimbursement reductions resulting from the reconciliation. Specifically, in the report preparation process, $23,000 in Title IV-E Foster Care expenditures and $664,000 in Title IV-E Adoption Assistance expenditures were excluded from the March 2014 report. However, the subsequent reconciliation in June 2014 resulted in a reimbursement reduction of $222,000 for Title IV-E Foster Care and $593,000 for Title IV-E Adoption Assistance. The department was unable to provide documentation to support the reimbursement reduction was for amounts claimed outside the period of availability.

We recommend department management implement system changes to OR-Kids to prevent transactions from reimbursing outside the period of availability. We also recommend management make appropriate corrections and adjustments to the accounting records to prevent the department from requesting federal reimbursement for expenditures incurred outside the period of availability.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We agree with the finding.

The federal draws are being reconciled at the end of each quarter to the total federal expenditures reported to Administration for Children and Families (ACF). Remediation adjustments were completed in December 2014, and we are currently reviewing adjustments to what was reported. All necessary adjustments to the state accounting system and revision of any federal reports will be reflected in the June 30, 2015 quarterly report.

Anticipated Completion Date: July 31, 2015

2014-013 Department of Human Services
Quarterly CB -496 Not Supported

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Foster Care – Title IV-E (93.658) Adoption Assistance – Title IV-E (93.659)
Federal Award Numbers and Year:	1301OR1401; 2013, 1401OR1401; 2014 1301OR1407; 2013, 1401OR1407; 2014
Compliance Requirement:	Reporting
Type of Finding:	Material Weakness, Material Noncompliance

The department is responsible for reporting quarterly financial information for the Foster Care and Adoption Assistance programs on the CB-496 report. The report contains multiple sections, including sections for reporting expenditures and prior quarter expenditure adjustments. Expenditures are actual payments made to vendors, service providers and contractors or actual payments for administrative, personnel, and other cost items. The expenditures must be actual, verifiable transactions supported by readily available accounting records and source documentation.

We found the quarterly reports submitted throughout the year by the department were prepared using different methodologies that were not always supported by accounting records or other source documentation and included various types of adjustments that were not always recorded in the accounting system. Specifically, we found:

- To report prior quarter adjustments, the department uses a process that nets increases and decreases recorded in the accounting system and excludes expenditures that have net increases that are older than two years from the report date. This process may result in not including adjustments that should be reported. The department adopted this process because of the limitations in the availability of data to determine the actual

amount of transactions recorded outside the period of availability. Refer to finding Reimbursements Submitted Outside Period of Availability.

- According to the department, from implementation through June 2014, the child welfare system, OR-Kids, was refinancing transactions that resulted in submitting duplicate federal requests for reimbursement; see Statewide Single Audit Report Number 2014-09, finding number 2013-24. Some of these duplicate transactions were financed outside the period of availability, and would have been excluded from reporting based on the process identified above; other transactions would have been included in the quarterly reports. In the current year, the department made accounting adjustments to correct the effects of the duplicate claims and included these adjustments in the fiscal year 2014 reports; however, the department is unable to determine the portion of these adjustments that had already reduced expenditures in the reports filed in the current and prior years.
- For the quarter ended December 31, 2013, the requirements of Section 3 (Foster Care Demonstration Project) of the quarterly report were revised. The department prepared and submitted the revised Foster Care Demonstration Project format, but did not update Part 1, Line 17 (Demonstration Project Costs) of the report to reflect the amounts derived from the revised Foster Care Demonstration Project section, resulting in over-reporting total expenditures related to Demonstration Project Costs in Part 1 by $2 million.
- For the quarter ended June 30, 2014, the department did not use complete data when preparing the Foster Care Demonstration Project section of the report, resulting in underreporting expenditures by about $265,000 in Part 3, and over-reporting total expenditures by about $265,000 in Part 1, Line 1 (Maintenance Assistance Payments).

We recommend department management implement and document processes to ensure quarterly CB-496 reports are complete, accurate, and adequately supported by the accounting records.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We agree with the finding.

All documentation is currently being filed with the report, as well as saved electronically. A new reconciliation process is currently in place to ensure quarterly reports reconcile to the state accounting system.

Anticipated Completion Date: March 31, 2015

2014-014 Department of Human Services
Provider Eligibility Not Supported

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Foster Care – Title IV-E (93.658)
Federal Award Numbers and Year:	1301OR1401; 2013, 1401OR1401; 2014
Compliance Requirement:	Eligibility
Type of Finding:	Material Weakness, Material Noncompliance
Questioned Costs:	$8,100

Federal regulations require that the department meet certain requirements to receive Foster Care funding for certain child welfare expenditures. The department is required to determine child eligibility and maintain documentation of that determination, as well as ensuring providers have met a criminal background check, child abuse and neglect registry check and the foster home is fully licensed. In Oregon, a provider home is fully licensed after initially completing a home study, criminal background check, and child and abuse neglect registry check; these must also be completed at each two-year renewal for continuing certification as a licensed foster home.

We reviewed a sample of 60 cases to determine whether eligibility was supported and identified the following exceptions:

- In one case, the required initial home study, background checks, and child and abuse and neglect registry checks were not completed. The department was unable to provide documentation to support the provider certification, resulting in known questioned costs of $8,100, and projected errors that total $407,000.
- For one case, the department was unable to provide documentation to support that a criminal background check for the provider was completed for the most recent renewal certification.
- In one case the department was unable to provide documentation to support that a home study and child and abuse neglect registry check was completed for a renewal. A subsequent renewal had occurred and the department provided all required documentation.
- Two cases where the department was unable to provide documentation to support that a child and abuse neglect registry check was completed for a renewal. For one case, subsequent to our audit period, a renewal was performed and the department provided all required documentation.

We recommend department management ensure all required documentation is completed, reviewed, and maintained. We also recommend department management reimburse the federal agency for costs paid to the provider who was not certified at the time of payment.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We agree with the finding.

The department participated in a Federal Title IV-E Foster Care review in July 2014. During that review, similar compliance issues were identified. The department is required to complete a

Program Improvement Plan (PIP) by April 23, 2015, to address these issues. Upon approval of the PIP, the department has one year to implement the plan.

The PIP will include changes to OR-Kids to ensure the Title IV-E specialist is able to accurately ascertain all required elements of the certification procedures are completed prior to determining a child is Title IV-E eligible and reimbursable. The earliest the implementation of the PIP will be completed is April 30, 2016. Until the PIP is fully implemented, Federal Policy, Planning and Resources Unit will develop procedures for the Title IV-E Specialists to view criminal background check documentation, certificates and home studies to ensure the Title IV-E eligibility does not begin prior to the first of the month in which all the required certification procedures are completed. The Title IV-E specialists will receive this training by August 31, 2015.

Adjustments on the error cases identified during the audit will be completed by August 31, 2015.

Anticipated Completion Date: April 30, 2016

2014-015 Department of Human Services
Undocumented Methodology for Costs Charged to Program

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Foster Care – Title IV-E (93.658)
Federal Award Numbers and Year:	1301OR1401; 2013, 1401OR1401; 2014
Compliance Requirement:	Activities Allowed or Unallowed
Type of Finding:	Significant Deficiency, Noncompliance

The Title IV-E Foster Care program provides federal matching funds for child placement and other administrative or training costs associated with the program.

We selected a random sample of 25 administrative or training transactions recorded in the department's accounting system that were directly charged to the Foster Care program. For 2 transactions, while the activity may be allowable, the department could not support its methodology for how the costs were allocated to the Foster Care program prior to the federal financial participation rate being applied.

One transaction was an invoice for professional legal services related to general juvenile immigration. The department allocated the $182 payment as follows: 70% to Title IV-E Foster Care, 12% to Title IV-E Adoption Assistance, and 18% to state only programs.

The second transaction was an invoice for investigative services for specific cases and the support did not identify what program the case was related to. The department allocated the invoice amount of $7,857 as follows: 65% to Title IV-E Foster Care and 35% to state only programs.

Upon inquiry, the department stated the allocations were a product of past management and no basis or explanation was available as to the allocation of the costs.

We recommend department management ensure its methodology for allocating administrative costs to the Title IV-E Foster Care program is documented and adequately supported.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We agree with the finding.

The Federal Policy, Planning and Resources manager will work with the Permanency manager to review, develop and document a methodology for allocating the administrative costs for all contracts. This will be completed by October 31, 2015.

Anticipated Completion Date: October 31, 2015

2014-016 Department of Human Services
Federal Adoption Assistance Eligibility Incorrectly Closed

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Adoption Assistance – Title IV-E (93.659)
Federal Award Numbers and Year:	1301OR1407; 2013, 1401OR1407; 2014
Compliance Requirement:	Eligibility
Type of Finding:	Material Weakness

The department relies on information entered in its child welfare system (OR-Kids) to ensure payments are made to providers and to receive appropriate federal reimbursement. Part of the information necessary to ensure adoption assistance subsidies are paid, and the department receives appropriate reimbursement for federal eligibility, is maintained in an eligibility determination screen in OR-Kids.

For 12 of 60 (20%) Title IV-E Adoption Assistance cases we reviewed, the child was correctly determined eligible for Title IV-E Adoption Assistance, but the federal eligibility was closed in OR-Kids. As a result, the department is not receiving federal reimbursement of $15,000 in fiscal year 2014 for these eligible cases. As this error is expected to be representative of the population of eligibility determinations occurring in fiscal year 2014, the department could have requested federal reimbursement for an estimated $3.8 million. The department investigated the causes for these exceptions and determined that, in some cases, the department's process of closing pre-adoptive cases was incorrect and caused the system to close federal eligibility for adoption assistance. For the other cases, the department is still researching what caused the federal adoption assistance eligibility to close.

During the prior year audit, the department identified this as a known problem and it was included as part of a prior year finding; refer to the Statewide Single Audit Report, Secretary of State audit report number 2014-09; finding 2013-023.

We recommend department management identify all causes of closed federal eligibility and improve its case management processes to ensure federal reimbursements are received for eligible cases. We also recommend department management re-open federal eligibility for all eligible cases that were incorrectly closed.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We agree with the finding.

The department has already identified human error as the cause of most of the closed Title IV-E eligibility, and efforts are underway to correct the eligibility on these cases. The corrections will be completed by April 30, 2015. The Post Adoptions manager and the Title IV-E coordinator will continue to have a monthly report to monitor any new cases where Title IV-E eligibility closes in order to ensure proper federal reimbursement and to continue the analysis on why Title IV-E eligibility is closed. The Post Adoptions manager and Title IV-E coordinator will work with OR-Kids business analysts if an OR-Kids deficiency is discovered. If an OR-Kids deficiency is discovered, appropriate actions will be taken to fix the system.

Anticipated Completion Date: April 30, 2015

2014-017 Department of Human Services
Improve Reliability of Data Used to Estimate Savings in State Expenditures

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Adoption Assistance – Title IV-E (93.659)
Federal Award Numbers and Year:	1301OR1407; 2013, 1401OR1407; 2014
Compliance Requirement:	Level of Effort
Type of Finding:	Significant Deficiency

Beginning in fiscal year 2010, states are required to have two sets of program eligibility criteria for the Title IV-E Adoption Assistance. One set of criteria applies to a child who is considered an "applicable child" due to the child's age, length of time in care, or as a sibling of an applicable child. The second set of criteria is for a child who is considered "not an applicable child" and who, in order to receive Title IV-E Adoption Assistance, must meet the eligibility requirements in place before 2010.

States are also required to estimate any savings in state expenditures as a result of applying the additional Title IV-E Adoption Assistance applicable child eligibility rules and spend an amount equal to the savings to provide other program related services.

Beginning in fiscal year 2010, the department began noting whether a child met the applicable child criteria and estimating the amount of savings based on a methodology that included multiple assumptions, such as the manually tracked number of applicable children, the average payment amount, and other parameters. According to the department, during fiscal year 2014, issues were identified with the applicable child eligibility data in the child welfare system (OR-Kids) and the department began a process to correct errors.

During our audit, a question was raised about the department's practice to not determine if the applicable child criteria was met if the child was already eligible for Title IV-E Foster Care. As a result, the department submitted a question to the federal agency seeking clarification.

We tested 60 eligibility cases and reviewed whether the department correctly identified whether a child was or was not an applicable child. We identified 4 cases where applicable child criteria was met in addition to the prior eligibility for Title IV-E Foster Care that were not

identified or noted as an applicable child in OR-Kids. According to the department, the OR-Kids system will not allow them to check more than one eligibility box. Therefore, if a child is eligible for Title IV-E Foster Care, or other eligibility criteria, and is an applicable child, both boxes cannot be marked. We also noted 5 additional cases where the department determined the child met the applicable child criteria and noted the eligibility in a comment box rather than marking the applicable eligibility section in OR-Kids.

In order for the department to estimate the savings in state expenditures, it is necessary for the department to have accurate data related to applicable child eligibility. If the data is not accurate, the department may not accurately estimate the savings to be spent on program related costs in future years.

We recommend department management continue to correct known applicable child eligibility data issues and develop a consistent process to identify and document applicable child eligibility to ensure data used to estimate the savings in state expenditures is accurate. Also, once clarification is received from the federal agency, department management should ensure applicable child eligibility is applied appropriately to prior cases and make any necessary corrections.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We agree with the finding.

The department was working on cleaning up Adoptions Assistance Applicable Child eligibility based on our interpretation of the federal regulation specific to applicable child; however, based on the questions brought forward during last year's audit, we determined we needed clarification. The department requested assistance from Region X and we were told a program instruction was coming. The department will wait to clean up the applicable child eligibility and finalize our methodology for calculating the applicable child savings until after we receive this clarification. We will also develop a tracking mechanism for the use of the funds at that time. We estimate the completion date will be August 31, 2015. However, this completion date is contingent on when the program instruction from the Children's Bureau is delivered.

Anticipated Completion Date: August 31, 2015

2014-018 Department of Human Services/Oregon Health Authority
Ensure Medicaid Payments are Sufficiently Supported

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Medicaid Cluster (93.777, 93.778)
Federal Award Numbers and Year:	1305OR5MAP; 2013, 1305OR5ADM; 2013, 1405OR5MAP; 2014, 1405OR5ADM; 2014
Compliance Requirement:	Activities Allowed or Unallowed, Eligibility
Type of Finding:	Material Weakness, Material Noncompliance
Questioned Costs:	$472

Federal regulations require certain conditions be met for the department and authority to receive Medicaid funding for medical claims, including a signed application and verifying certain

types of client reported income. In addition, for certain clients in community based care the department calculates a client liability, which is a share of their monthly cost of care.

We tested 82 fiscal year 2014 Medicaid claims and found the following:

- For ten clients, the department could not provide applications. Through review of available documentation, we were able to determine that the clients were eligible for Medicaid.
- For two clients, there was no evidence that a redetermination had been performed that covered the audit period; however, we were able to verify the clients were eligible for Medicaid.
- For one client, the client liability was incorrectly calculated as not all medical deductions were included, which resulted in the client's liability being overstated by $105. For another, the client amount calculated for the client liability could not be supported, resulting in questioned costs of $52.
- For five clients, the department was unable to provide documentation demonstrating income from sources such as a pension or annuity had been verified; however, based upon amounts narrated, the clients were eligible for Medicaid.
- For two clients, support for the payment amount could not be provided, resulting in $420 of questioned costs.
- For one client, the case file had been scanned into the authority's imaging system; however, the authority was unable to locate the documentation. We were able to verify the client was eligible for Medicaid.

We recommend department and authority management strengthen controls to ensure sufficient documentation is maintained to demonstrate compliance with federal requirements, support for payment amounts and income is retained, and the client liability is calculated accurately.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We agree with the finding.

The department will be working within our programs to ensure these requirements are shared with staff and continued to be followed appropriately. The Deputy Chief Operating Officer for Aging and People with Disabilities (APD)/Developmental Disabilities (DD), will be working with APD to provide this communication to staff by May 2015.

Since the period of time covered by the audit, DHS Self-Sufficiency field offices have been in the process of moving toward electronic case files as part of our EDMS Expansion project. As part of this effort, in November 2014 an all-staff transmittal was issued identifying the standardized data capture elements for offices that have moved to electronic case files. This standardization assists in locating documentation in EDMS. Additionally, DHS Self-Sufficiency field offices were also provided with refresher tools on archiving to help in documenting which case files and time frames are shipped to Archives to be scanned.

Anticipated Completion Date: May 31, 2015

2014-019 Department of Human Services
Strengthen Controls to Ensure Provider Eligibility Documentation is Maintained

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Medicaid Cluster (93.777, 93.778)
Federal Award Numbers and Year:	1305OR5MAP; 2013, 1305OR5ADM; 2013, 1405OR5MAP; 2014, 1405OR5ADM; 2014
Compliance Requirement:	Special Tests and Provisions
Type of Finding:	Material Weakness, Material Noncompliance
Questioned Costs:	$30,762

As part of the Medicaid cluster, provider eligibility requirements differ depending upon the type of services provided; however, all providers are subject to specified database checks and are required to sign an adherence to federal regulations agreement (agreement). State requirements also include a background check for providers such as homecare workers, personal care providers, and adult foster homes. The department is responsible for determining the eligibility of these Medicaid providers.

We tested 49 providers receiving Medicaid funds during fiscal year 2014 that were the department's responsibility and found the department could improve its documentation supporting provider eligibility. Specifically, we found:

- The department was unable to provide agreements for five providers. This resulted in $30,762 of questioned costs for the fiscal year.
- The department could not provide evidence of required database checks for eleven providers. We were able to verify these providers were eligible to provide services.

We recommend department management strengthen controls to ensure documentation supporting a provider's eligibility determination is retained. For current providers with missing documentation, we recommend the department verify they are eligible to provide services.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We agree with the finding.

The department's Aging and People with Disabilities (APD) and Office of Developmental Disability Services (ODDS) Provider Relations Unit has taken steps to require the submission of provider enrollment agreements and other items necessary to ensure provider eligibility determination when processing new, reenrolling, and revalidating providers. There are exceptions for some specific providers where the provider eligibility documentation is maintained in the field and only a portion of the provider validation is completed by the Provider Relations Unit. For those specific providers with documentation maintained in the field, APD and ODDS management will remind local office managers of the necessity to retain the provider eligibility documentation within their provider files.

The department will verify the eligibility of the five current providers identified with missing provider enrollment agreements and will take the necessary steps to revalidate or close the associated provider numbers. For the eleven providers missing evidence of the required database checks, the department will complete new database checks to confirm the providers' eligibility.

Anticipated Completion Date: June 30, 2015

2014-020 Department of Human Services
Improve Timeliness of Nursing Facility Surveys

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Medicaid Cluster (93.777, 93.778)
Federal Award Numbers and Year:	1305OR5MAP; 2013, 1305OR5ADM; 2013, 1405OR5MAP; 2014, 1405OR5ADM; 2014
Compliance Requirement:	Special Tests and Provisions
Type of Finding:	Significant Deficiency, Noncompliance

Federal regulations require the department to conduct surveys of nursing facilities receiving federal monies to determine compliance with applicable federal requirements. The survey should include prescribed health and safety standards and occur at a survey interval of no greater than 15 months.

We reviewed 15 of the 143 nursing facilities receiving federal monies to verify the department performed the surveys and at an interval not exceeding 15 months. For 9 of the 15 facilities, the surveys were not completed within the 15 month interval, ranging from two to nine months late.

According to the department, the reviews were not completed timely due to limited staffing resources. Without completing surveys in the time frame stipulated by federal regulations, there is an increased risk that Medicaid clients could receive substandard care.

We recommend management develop a plan based on current resources to ensure the timely completion of provider health and safety standard surveys for nursing facilities.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We agree with the finding.

Oregon has a long history of meeting the Centers for Medicare and Medicaid Services (CMS) performance standards related to surveying facilities in fewer than 15.9 months. The Nursing Facility Licensing Unit is dedicated to bringing our CMS performance standard back into compliance and we anticipate reaching compliance in early 2016.

Over the past four years various staffing resource issues, such as the position freeze and mandatory furloughs, have significantly affected our ability to complete our work timely. In fact, our vacancy rate for surveyors reached 34% by the end of the freeze.

Implementation of the CMS Quality Indicator Survey (QIS) process also contributed to our failure to meet the CMS performance standards. In addition to the general difficulties inherent in a new

process and system, it increased our required survey team size (particularly for small facilities) for a period of time, increased training requirements, and lengthened total survey time during the implementation period.

Over the past four years we have implemented several continuous improvement activities that have resulted in efficiency gains to the survey process, in turn reducing the amount of time it takes to survey facilities. Those efficiencies have resulted in a 33% reduction in new surveyor training time. We have made efforts to minimize survey-related travel and made a 10% reduction in report writing time. We have implemented an electronic document workflow process, streamlined our report review process to facilitate a faster turnaround time between surveys, and provided provider training on how they can prepare for and assist with the survey process. Since January 2013 we have hired 19 new surveyors. However, we have had 16 surveyors leave in the same time period due to retirements, promotional opportunities, competition with private industry related to salary, and surveyors not demonstrating skills needed to make it through trial service.

Over the coming year, we are taking the following steps to achieve compliance with this CMS requirement.

- *We have received approval to hire three additional surveyors based on a historical vacancy factor. Hiring these three surveyors will allow us to hire and train well in advance of any anticipated or unanticipated departures. Based on current vacancies, projected new hires, and training restraints, we expect to have these three positions filled in August 2015, staff trained within six months of hire and enrolled in CMS basic LTC surveyor training as soon as possible thereafter.*
- *All remaining surveyor vacancies will be filled by August 2015. We project all new surveyors will be trained, CMS certified and QIS registered approximately six months after hire.*
- *We will assess the survey and training teams to optimize production, optimize survey and surveyor turnaround time.*
- *We will evaluate utilization of CMS-approved survey contractor to help us complete surveys. This resource is dependent on CMS support and availability within other states.*
- *We have also brought retired/resigned surveyors back on a temporary basis to perform surveys.*
- *We will continue to survey the oldest facilities first (facilities that haven't been surveyed in the greatest amount of time). Though this will cause us to survey more facilities above 15.9 months in the short run, it will help us achieve compliance sooner, and minimize the time between surveys as much as possible.*

Our goal is to achieve compliance with this requirement, and to have no facility with a survey interval over 15.9 months in early 2016.

Anticipated Completion Date: March 31, 2016

2014-021 Oregon Health Authority
Strengthen ADP Risk Analyses and System Security Review Procedures

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Medicaid Cluster (93.777, 93.778)
Federal Award Numbers and Year:	1305OR5MAP; 2013, 1305OR5ADM; 2013, 1405OR5MAP; 2014, 1405OR5ADM; 2014
Compliance Requirement:	Special Tests and Provisions
Type of Finding:	Significant Deficiency, Noncompliance

Federal regulation (45 CFR § 95.621) prescribes that states are responsible for the security of all operational Automatic Data Processing (ADP) systems involved in the administration of health and human service programs, including Medicaid. ADP requirements include establishing a security plan, biennially reviewing ADP system security installations involved in program administration, and establishing and maintaining a program for conducting periodic risk analyses, which includes performing risk analyses whenever significant system changes occur.

Prior year findings, dating back to fiscal year 2007, indicate that the authority has not devoted sufficient resources to fully comply with the federal requirement to perform ADP risk analyses and system security reviews. Inquiries with the authority during fiscal year 2014 revealed the following:

- The authority does not have a documented security plan addressing federally required components. The authority, however, does conduct vulnerability scans of the Medicaid Management Information System (MMIS) software at least every three years with the most recent scan performed in August 2012.
- The authority has not conducted reviews of the ADP system security installation on a biennial basis. The most recent review conducted over the MMIS system was in April 2011. Further, the authority has not conducted system security installation reviews of the other systems involved in the administration of the Medicaid program.
- The authority does not have a formalized risk analysis program in place to address all systems involved with the administration of the Medicaid program. The authority obtained a SSAE 16 Type II review of the MMIS from a third party during fiscal year 2013, which focused on user access and system security. The authority did not obtain a review of the several additional systems employed to administer the Medicaid program.

Without conducting ADP risk analyses and security reviews in accordance with federal regulations, the authority is less able to determine whether systems administering the Medicaid program are adequately safeguarding program assets and maintaining program integrity.

We recommend management develop a security plan that addresses all federally required components, develop and implement a formalized risk analysis program, and ensure system security reviews are conducted timely for all applicable systems involved in the administration of the Medicaid program.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We agree with the finding.

The authority is in the process of hiring for key positions within the Information Security and Privacy Office (ISPO), including a Chief Information Security Officer (CISO), and a Chief Information Security Architect. The development of a documented security plan will be a priority assignment for these individuals once hired.

The authority has commenced development of a risk assessment program. In January 2014, the Information Security and Privacy Office (ISPO) hired a position for this body of work. The risk assessment program is in the operational pilot phase. Two risk assessments have been completed on systems that process electronic protected health information. A third assessment on the Medicaid Management Information System (MMIS) commenced in November 2014 and is in progress. The risk assessment process under development is based on the guidance contained in NIST Special Publication 800-30. The process includes establishment of a schedule to ensure review of the MMIS on a biennial basis.

Anticipated Completion Date: December 31, 2015

2014-022 Oregon Health Authority
Improve Controls Over the Identification and Review of MMIS Key Edits

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Medicaid Cluster (93.777, 93.778)
Federal Award Numbers and Year:	1305OR5MAP; 2013, 1305OR5ADM; 2013, 1405OR5MAP; 2014, 1405OR5ADM; 2014
Compliance Requirement:	Allowable Costs/Cost Principles
Type of Finding:	Material Weakness

The authority is responsible for managing the Medicaid Management Information System (MMIS), which processed over $3 billion in Medicaid federally funded claims during fiscal year 2014. To ensure payments from the MMIS are made in accordance with state and federal regulations, MMIS contains numerous edits to prevent improper payments.

During our prior two audits of the Medicaid Cluster we identified certain edits related to age and gender were not functioning as intended. Additionally, we found the authority only reviews new MMIS edits and does not perform testing of key system edits currently in operation to ensure they are still functioning as intended.

In response to the prior year findings, the authority requested a change to MMIS to address the age and gender edits that were not functioning. This change was not implemented by the end of fiscal year 2014. The authority developed a plan to address the testing of claims that processed during the fiscal year; however, the plan did not adequately identify and test key system edits.

We recommend management develop a plan that identifies key MMIS edits and implement procedures to periodically test key system edits to ensure they are functioning as intended.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We agree with the finding.

Medical Assistance Programs (MAP) intends to identify the key edits based on frequency of posting and posting on high-cost claims. Once the key edits are identified, random samples of claims that posted a key edit will be pulled and reviewed manually for correct payment. It is planned this will be done each quarter with the sample size of 20 to 25 claims per quarter. The results of these reviews will be recorded for documentation purposes.

Anticipated Completion Date: June 30, 2015

2014-023 Oregon Health Authority
Ensure Required Provider Screening is Documented

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Medicaid Cluster (93.777, 93.778)
Federal Award Numbers and Year:	1305OR5MAP; 2013, 1305OR5ADM; 2013, 1405OR5MAP; 2014, 1405OR5ADM; 2014
Compliance Requirement:	Special Tests and Provisions
Type of Finding:	Significant Deficiency

Federal regulations require the authority to screen all Medicaid enrolled providers by ensuring providers are not listed in any of the following four federal databases: the Social Security Administration's Death Master File (DMF); the National Plan and Provider Enumeration System (NPPES); the List of Excluded Individuals/Entities (LEIE); and the Excluded Parties List System (EPLS).

During our review, we found that the authority did not maintain adequate documentation of their provider screenings. Authority management stated all required database checks were occurring; however, documentation of those checks was not maintained. For the providers in our sample, we were able to conduct database checks and did not identify any errors. Providers not screened in accordance with federal requirements could be ineligible for Medicaid funds, which would require the authority to repay the federal government for any funds the authority awarded to ineligible providers.

We recommend that authority management maintain evidence of the initial and renewing database checks for enrolled providers.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We agree with the finding.

It is important to the authority that all program integrity requirements to keep excluded persons or entities from participating in the various Medicaid programs be followed. Medical Assistance Programs (MAP) enrollment staff has been checking these required exclusion databases per the updated enrollment policies and procedures manual since March, 2011. As the enrollment effort is largely a paperless process, producing paper screen prints for each database result and matching these prints to the electronic application was deemed impractical. By using the procedures developed for the ACA requirements in combination with the added security of the required

automated monthly Medicaid Exclusion Database (MED) checks, management was confident the intent of compliance to these checks was not compromised from March 2011 to the point where a permanent Medicaid Management Information System (MMIS) solution could be implemented into the production MMIS environment.

The permanent MMIS solution, which consists of a new panel in the provider subsystem where enrollment staff "checks" a separate box for each required database went into production in the MMIS in August 2014. These checking actions are both date stamped and recorded for audit purposes. All enrollments and revalidations that occurred after the August 2014 date now have the permanent evidence of being reviewed.

Anticipated Completion Date: March 31, 2016

2014-024 Department of Human Services
Improve Compliance with Work Verification Plan

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Temporary Assistance for Needy Families (93.558)
Federal Award Numbers and Year:	2013G996115; 2013, 2013G991524; 2013 2014G996115; 2014, 2014G991524; 2014
Compliance Requirement:	Special Tests and Provisions
Type of Finding:	Material Weakness, Noncompliance

Federal regulations require each state to maintain adequate documentation, verification, and internal control procedures to ensure accuracy of data used in calculating work participation rates. Each state must have procedures to count and verify reported actual hours of work activities and must comply with its Work Verification Plan as approved by the Department of Health and Human Services (HHS). Oregon's Work Verification Plan states employment attendance will be documented and verified in one of four ways: pay stubs, time cards, sign-in sheets or other specific attendance records, or by documenting a phone conversation with the employer. If a client has stable employment, the department may use a six-month projection of actual hours. However, if the department receives information that actual hours have changed, the department is required to re-verify the current average and update the projection as needed.

We randomly selected 25 participating clients and reviewed case file documentation for verification of work activity participation for one month during the fiscal year. We found 17 cases where the department did not adhere to the approved Work Verification Plan policies and procedures for maintaining documentation of hours of participation, appropriately projecting hours of participation, and accurately reporting hours of participation in their automated data processing system.

These inaccurate or unverified hours were used in calculating the work participation rate reported to HHS. If the state fails to follow the approved Work Verification Plan, HHS may penalize the state. This is a repeat finding.

We recommend department management strengthen controls to ensure adherence to department policy and procedure regarding documentation of participation, projection of hours of participation, and to ensure data entered into the automated data processing system is accurate and complete.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We agree with the finding.

Work Verification Plan reviews (also known as the JOBS Audits) are currently conducted annually. A summary of audit results is shared statewide, most recently in March 2015 for the 2014 review summary. The department plans on continuing these audits and building in more opportunities for coaching and mentoring for branch leadership, staff and partners. This will allow for further guidance on the correct use of JOBS activity codes, correct use of attendance tracking documents (including treatment, education and job readiness hours), and accurate counting toward participation hours. The JOBS Activity Guidelines (JAG) will be used as the curriculum of this targeted effort. The JAG will be adjusted and updated to ensure compliance with the Work Verification Plan as needed. The next field audits will occur during the fall and winter of 2015 with the review summary available by the first quarter of calendar year 2016.

The 2014 JOBS Audit summary will be shared with the TANF Training Unit at the April 2015 monthly TANF Integrity meeting as well as the April 2015 line manager quarterly. Case management training will be reviewed for accuracy and updated by June 30, 2015, if needed, to support the 2014 review findings.

The department has identified point persons for each district (most by branch level), known as the Work Verification Points, who disseminate participation information, share best practices and strategies to prevent errors, and provide policy responses in an efficient manner. This method allows the department to give consistent consultation statewide in a concise way. Branches are able to use the information as mini 'huddle' topics in a quick turnaround design. The department will start posting these 'huddle' topic emails to our internal website in May 2015.

The department will continue to pursue an electronic document storage system for TANF JOBS records.

Our internal Federal Data group identified two systems issues that contributed to the conflicting data in the findings. Both are being addressed by programmers and business analysts in conjunction with TANF Program. These fixes will be programmed and reflected for FY 2015 data.

The department has submitted a Work Verification Plan effective July 1, 2014 that addresses the usage of at least the first two consecutive weeks of verified attendance with instructions to enter the actual average and project out the same weekly average for up to six months.

Anticipated Completion Date: September 30, 2016

2014-025 Department of Human Services
Improve Documentation of Required Income and Benefit Verifications

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Temporary Assistance for Needy Families (93.558)
Federal Award Numbers and Year:	2013G996115; 2013, 2013G991524; 2013 2014G996115; 2014, 2014G991524; 2014
Compliance Requirement:	Special Tests and Provisions
Type of Finding:	Significant Deficiency, Noncompliance

Federal regulations require each state to participate in the Income Eligibility and Verification System (IEVS), which includes using income and benefit screens accessible through the department's client maintenance system, when making TANF eligibility determinations. The verification of using these screens is to be documented by the caseworker in the case file for each client.

Of 60 files randomly selected for fiscal year 2014 testing, 8 showed no evidence in the case file documentation that relevant income information was verified using IEVS screens when determining eligibility. We verified these clients did meet TANF financial eligibility criteria. However, by not providing assurance of verification of the use of IEVS screens, the department increases the risk of providing benefits to TANF ineligible individuals.

We recommend department management ensure verification of income with IEVS screens is clearly documented in client case files when determining client eligibility.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We agree with the finding.

The department has made great strides to improve the awareness and knowledge of this requirement to field staff.

The department held statewide accuracy and case management summits, at which time this topic was discussed to build awareness. An Action Request Transmittal was sent in October 2014 to clarify expectations and provide guidelines and examples of necessary narrations to support that IEVS screens were indeed checked. The summits were followed up by a policy transmittal in November 2014 of all the Questions and Answers which allowed an additional reminder to be visible statewide. December 2014 allowed the "On Target" to put an article on the front page to keep the importance on the radar.

TANF Quality Assurance reviews revised their criteria in January 2015 to add IEVS as a specific element for review. This raises awareness in a way that requires follow up and corrections to be made.

In February, the department was able to implement a systems support in the form of an "IEVS checked" box on the TRACS narrative systems and sent a Policy Transmittal in on February 27, 2015.

These cited efforts at education, awareness, and systems support constitute the corrective action plan for this finding.

Anticipated Completion Date: April 30, 2015

2014-026 Department of Human Services
Improve Accuracy and Completeness of Performance Data Reports

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Temporary Assistance for Needy Families (93.558)
Federal Award Numbers and Year:	2013G996115; 2013, 2013G991524; 2013 2014G996115; 2014, 2014G991524; 2014
Compliance Requirement:	Reporting
Type of Finding:	Significant Deficiency, Noncompliance

Federal regulations require the department collect monthly, and report quarterly in the ACF-199 report, certain non-financial data elements for services paid with TANF federal funding. Federal regulations also require the department to report data quarterly, in the ACF-209 report, for TANF eligible clients whose benefits are paid with designated state funds called separate state program maintenance of effort (SSP-MOE). Reports should include all activity of the reporting period and should be supported by applicable performance records.

We reviewed data submitted on the ACF-199 reports and identified the following inaccuracies for 5 of 40 randomly selected cases:

- 1 case received TANF benefits for April 2014, but was not included on the April 2014 report.
- 4 cases had one or more key line items that were reported in error.

During our Special Tests and Provisions testing we found the following additional ACF-199 TANF Data Report errors:

- 7 cases where the ACF-199 report showed a sanction, yet no sanction was imposed.
- 4 cases where work participation hours were incorrectly reported.

Additionally, the FY2014 ACF-199 report did not include any data for TANF funded child welfare cases. Similar to last year, child welfare system coding issues were causing data inconsistencies.

We also reviewed data submitted on ACF-209 quarterly reports and identified instances of cases being reported twice with conflicting information. For example, a client's reported work participation status indicated "participating and meeting the minimum requirements" in one entry and a second entry indicated the client was "required to participate but not meeting minimum requirements." According to the department, this is due to an error in programming that has yet to be corrected.

This finding has been on-going since fiscal year 2010.

We recommend department management ensure complete and accurate client information is used to compile the quarterly data reports.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We agree with the finding.

The department agrees that the data populating the ACF-199 and ACF-209 reports need to be as accurate and complete as possible. Currently, a team of Office of Information Services (OIS), Office of Business Intelligence (OBI), Self-Sufficiency Business Analysts, and Self-Sufficiency Program (SSP) staff meets weekly to address known or presenting data quality issues for these federal reports. Significant progress has been achieved over the past year to increase the data accuracy and completeness of these reports. This includes resolving several of the items listed in this audit findings report. DHS recognizes that a continued effort is still necessary in order to resolve known data quality and data completeness issues.

It was identified that the programming that applies the data set to the month of assistance was not aligned and caused future codings to reflect as sanctions or programs before their actual effective date. Specifically related to the sanctions, a data collection fix was implemented and will be reflected in data transmitted from March 1, 2015 forward.

Additional errors related to complete hours (including excused and holiday) not transmitting as recorded in TRACS has been identified and should be fixed for FY 2015 data or before, if possible.

A team consisting of Child Welfare Business Analyst, OBI, Self-Sufficiency Business Analysts, Programmers, and Program have been working to refine the requirements and data extraction coding for the data needed from the Child Welfare case management system. Progress has been made to correctly identify the population needed in the federal reports. Test data was sent to Self-Sufficiency programmers in March 2015. Once the data is validated, it is anticipated that Child Welfare data will be sent to Self–Sufficiency OIS staff for inclusion in the TANF federal reports. Estimated date of code moving to production for ongoing monthly data to be included is in time for the final rerun of FY 2014 data, June 30, 2015.

The department has already begun to make programming changes to correct the duplicate client reporting issue. Based on programmer time and data transmittal dates the department expects partial compliance by June 2015 and full compliance by June 2016.

Anticipated Completion Date: June 30, 2016

2014-027 Department of Human Services
Questionable Interpretation of Federal Five-Year Time Limit

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Temporary Assistance for Needy Families (93.558)
Federal Award Numbers and Year:	2013G996115; 2013, 2013G991524; 2013 2014G996115; 2014, 2014G991524; 2014
Compliance Requirement:	Eligibility
Type of Finding:	Noncompliance

The department may not be in compliance with federal regulations over TANF as it is using a different definition for eligibility than specified in the TANF regulations. The TANF federal regulations specify no state may use any of its federal TANF funds to provide assistance to a family that includes an adult head-of-household or a spouse of the head-of-household who has received federal assistance for a total of five years (i.e., 60 cumulative months, whether or not consecutive). The federal regulations over the TANF program also specify that states may not count toward the five-year limit, any month of assistance received by an adult while living in "Indian country," as defined in section 1151 of title 18, United States Code where at least 50% of adults were not employed. Indian tribes are granted authority to establish and operate Tribal TANF programs and determine their own TANF eligibility criteria. Two tribes in Oregon currently operate Tribal TANF programs: The Klamath Tribes and Confederated Tribes of Siletz Indians.

Rather than use the US Code to define "Indian country," the department uses the Bureau of Indian Affairs (BIA) definition of "service areas" as defined by 25 CFR, which is broader than "Indian country" and encompasses 24 of 36 Oregon counties. The department was directed by the US Department of Health and Human Services to seek guidance from the BIA and the Office of the Solicitor in the US Department of Interior on determining Oregon's "Indian country". The department requested guidance from BIA, who noted they did not use the term "Indian country" and provided the definition of "service area" per CFR 25.

Consequently, there may be TANF clients improperly receiving federal assistance that have exceeded the five-year time limit. Most recently, 8 of the counties in BIA's designated "service areas" had more than 50% of adults not employed. Based on this determination, for FY2014 the department exempted an average of approximately 2,300 total cases each month, out of approximately 24,000 statewide cases, from the federal time limit monthly count.

We recommend the department seek a conclusion from the federal government to ensure five-year time limit monthly exemptions are being appropriately applied in accordance with federal regulations.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We agree with the finding.

The department agrees that a conclusion should be sought on the time limit exemption associated to Indian Country. The department has followed the advice from the Administration for Children and Families (ACF) by consulting with the local Bureau of Indian Affairs, as well as the Department

of Interior, Office of the Solicitor. The department also consulted with Oregon Tribes, three of which submitted letters affirming the State's current interpretation of Indian Country.

The department will seek validation from ACF that the current interpretation of Indian Country used by the department for the purposes of time limits falls within the realm permissible by federal law. The department will complete this inquiry by June 30, 2015.

Anticipated Completion Date: June 30, 2015

2014-028 Oregon Health Authority
Ensure Compliance Site Visits are Performed Timely

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Immunization Cooperative Agreements (93.268)
Federal Award Numbers and Year:	1H23IP000767-01; 2013, 5H23IP000767-02; 2014, 3H23IP000693-01S1; 2014, 1H23IP000785-01; 2013, 5H23IP000785-02; 2014, 3H23IP000785-01S1; 2013
Compliance Requirement:	Special Tests and Provisions
Type of Finding:	Significant Deficiency, Noncompliance

In state fiscal year 2014, the authority processed vaccine orders to 481 different providers throughout the State of Oregon. To comply with Centers for Disease Control requirements, the authority must perform a compliance site visit of its enrolled and active providers at least once every other calendar year. According to authority management, due to limited resources, the authority was not able to perform compliance site visits timely for 26 of the 481 providers. Without performing compliance site visits in a timely manner, providers could be operating out of compliance with the Immunization Program requirements.

We recommend management ensure compliance site visits are performed timely for all enrolled and active providers.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We agree with the finding.

The Centers for Disease Control and Prevention (CDC) have added new requirements to the Vaccines for Children (VFC) program over the past two years that create additional work related to provider site visits. These additional requirements, in addition to Oregon vaccine stewardship laws, have increased the length of time spent preparing for, completing, and following up on VFC site visits. Health Educators are now spending approximately 2.5 hours on site per visit, per clinic site, rather than 1.5 hours seen previously, and follow-up time has increased proportionately. At times, the new follow-up requirements require staff to complete additional overnight trips to ensure that clinics retain appropriate eligibility screening documentation.

To address the additional resource expense that the new site visit requirements necessitate, the Oregon Immunization Program is in the process of reviewing, and when needed, reprioritizing work in order to allow for timely site visits, while still complying with other grant-required activities. In addition to reprioritizing and eliminating non-required tasks, we are working on implementing several solutions to streamline required tasks, including tablets that will be used to

reduce data entry time by entering site visit data directly into the CDC database during the visit, and new follow-up templates are being developed to increase the efficiency of provider follow up. We will seek other efficiencies through effective management of all resources.

The Oregon Immunization Program is scheduled for our on-site review by the CDC April 7-9, 2015. We have set aside time to discuss this compliance issue with our project officer in the hopes CDC can assist us in finding additional efficiencies or the necessary resources to meet the requirement.

Anticipated Completion Date: July 1, 2015

2014-029 Oregon Health Authority
Strengthen Controls Over Timesheet Review

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Immunization Cooperative Agreements (93.268)
Federal Award Numbers and Year:	1H23IP000767-01; 2013, 5H23IP000767-02; 2014, 3H23IP000693-01S1; 2014, 1H23IP000785-01; 2013, 5H23IP000785-02; 2014, 3H23IP000785-01S1; 2013
Compliance Requirement:	Allowable Costs/Cost Principles
Type of Finding:	Significant Deficiency

Payroll costs can be directly charged to the Immunization Cooperative Agreements Grant as long as those costs are directly related to allowable efforts in the Immunization Program. Employees are expected to track and submit their time into the payroll system using the proper coding to reflect the programs they worked on during the month. The employee's supervisor is responsible for approving the hours and coding selected by the employee and does this by reviewing the Timesheet Audit and Control Report, which displays the 12 digit coding indicating how the charges are entered into the system. The supervisor reviews the hours and coding, and locks the timesheet to show approval. The report shows only the coding and does not display the program title or other information that could allow for a more efficient and effective review.

We reviewed a sample of 43 employee pay periods, which included reviewing employee timesheets and reports used to support employee payroll funding splits in the system. Ten of the 43 monthly payroll entries we reviewed were not locked in the system by the supervisor, signifying the supervisory review was performed.

We did not identify any funding split errors in our testing. However, a properly designed system of internal control should provide sufficiently detailed information to allow supervisors to efficiently and effectively review employee payroll data for the purpose of preventing and detecting unallowable costs charged to federal programs.

We recommend management consider implementing a payroll process that is sufficiently detailed to allow for an efficient and effective review of employee time and coding. We also recommend management ensure controls are fully implemented to document the review used to justify payroll funding splits.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We agree with the finding.

In April and May of 2014, the Public Health Division completed a large-scale project to address and clarify Time and Activity reporting requirements that come with federal grant funding. This project included development of policies, tools to assist both staff and managers in meeting this requirement, and a mandatory training event for every Public Health Division employee. This training has a component for all employees and then an additional component for managers who review and approve time. Registration for the event was required, and attendance was tracked to ensure all employees received the information. All of the procedures and tools created and presented in training are available on PHD's Intranet for use by staff at any time.

While the policy clearly states the process and tools to use in reviewing time, we recognize room for improvement in the area of documentation. The only documentation of managers' review and approval of timesheets and work activity coding is currently through the locking of the timesheets. Each manager receives information from the staff assigned to review timesheet coding in comparison with where staff have been assigned to work. If coding does not appear accurate or complete, both the individual employee and manager are notified. The employee is expected to fix errors and respond. After a final review, another email is sent to the managers notifying them that errors are resolved and timesheets are ready to lock. At this point, if the timesheets are not locked, we do not have a way to demonstrate the review and approval of time by management.

PHD will conduct a rigorous review and make necessary changes to ensure documentation of the manager's approval of the time recorded. This would be in addition to their locking of the employee timesheet. In the interim, the program will begin creating a more thorough record of the coding reviews that occur, in accordance with the Division procedure, to keep a monthly file of the reports used to verify time (Timesheet Audit and Control report), as well as the communications between staff and with managers that demonstrate the review was completed. Additionally, we will assign staff to review the locking status of the timesheets prior to the period close and follow up with an additional reminder to managers as necessary. We will also incorporate a review of the lock reports when received after the monthly close. If there are any unlocked timesheets on the report, the approving manager will be required to explain, in writing, why this occurred and what will be done to prevent a recurrence in the future. This explanation will be filed with other review documentation for the month. This will be an accountability and performance measure for the approving manager.

The agency is working with the Department of Administrative Services on a recommendation to enhance the new e-time system to allow both the manager and staff to see the descriptive name of the activity charged at time entry and time locking. This enhancement will allow the agency to more efficiently and effectively manage payroll costs charged to grants.

Anticipated Completion Date: July 1, 2015

2014-030 Department of Human Services/Oregon Health Authority
Update Cash Management Clearance Patterns

Federal Awarding Agency:	U.S. Department of Agriculture U.S. Department of Health and Human Services
Program Title and CFDA Number:	Supplemental Nutrition Assistance Program (SNAP) Cluster (10.551, 10.561) Temporary Assistance for Needy Families (93.558) Foster Care – Title IV-E (93.658) Children's Health Insurance Program (93.767) Medicaid Cluster (93.777, 93.778)
Federal Award Numbers and Year:	Various
Compliance Requirement:	Cash Management
Type of Finding:	Significant Deficiency, Noncompliance

The Federal Cash Management Improvement Act requires states that receive federal funding to enter into an agreement (CMIA agreement) with the U.S. Department of Treasury. For certain federal programs, the CMIA agreement details the funding techniques to be used for requesting federal funds. The State's CMIA agreement included a clearance pattern technique for certain federal programs.

For the federal programs specified above, the clearance pattern specified in the CMIA agreement was not followed during fiscal year 2014. The spreadsheets used to calculate the federal draws for each program reflected the prior fiscal year clearance pattern. We compared the fiscal year 2013 and 2014 clearance patterns for each federal program. Based on the differences, federal funds were not requested before allowed for Temporary Assistance for Needy Families, Foster Care – Title IV-E, and the Supplemental Nutrition Assistance Program. However, Federal funds were requested before allowed, by up to 11 percent, during the 11-day clearance period for Medicaid and the Children's Health Insurance Program (CHIP). If clearance patterns are not updated timely and federal funds are requested before allowed, the State may owe the federal government interest.

We recommend management determine the amount of interest owed to the federal government for Medicaid and CHIP and ensure clearance patterns in the draw calculation spreadsheet are updated annually to reflect any changes in the CMIA agreement.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We agree with the finding.

We are currently determining the amount of interest owed and will include it with our interest spreadsheet which is sent to the Oregon Department of Administrative Services on December 1, 2015. The accountant has put on the calendar a reminder to update the check clearance pattern percent and has also put a note in the spreadsheet to update. We are also looking into other alternatives to ensure accurate draws going forward.

Anticipated Completion Date: March 31, 2015

2014-031 Department of Human Services/Oregon Health Authority
Timely Submit Changes to Cost Allocation Plan Statistics

Federal Awarding Agency:	U.S. Department of Agriculture U.S. Department of Health and Human Services
Program Title and CFDA Number:	Supplemental Nutrition Assistance Program (SNAP) Cluster (10.551, 10.561) Immunization Cooperative Agreements (93.268) Temporary Assistance for Needy Families (93.558) Child Care and Development Fund Cluster (93.575, 93.596) Foster Care – Title IV-E (93.658) Adoption Assistance – Title IV-E (93.659) Children's Health Insurance Program (93.767) Medicaid Cluster (93.777, 93.778)
Federal Award Numbers and Year:	Various
Compliance Requirement:	Allowable Costs/Cost Principles
Type of Finding:	Significant Deficiency, Noncompliance

The department administers separate federally approved cost allocation plans for both the department and the authority. The plans outline the allocation methods used to apportion various cost pools to federal programs.

Although federal rules allow for state agencies to make changes to the federally approved plans, the rules require state agencies to promptly notify the federal oversight agency when changes are made that will affect the allocation of costs. At a minimum, state agencies are required to submit an annual statement certifying that their cost allocation plan is not outdated.

While performing testing of the cost allocation process, we identified instances in which the statistics used to allocate costs for March 2014 were not the statistics listed in the applicable federally approved cost allocation plans. According to the department, when changes are made to the plans the department only communicates those changes to the federal government when subsequent plans are submitted. Since fiscal year 2013, it has been the department's goal to submit updated plans at the beginning of each fiscal year. Due to turnover in the cost allocation unit, an updated plan has not been submitted since June 2013.

Failure to follow the requirements of the federally approved cost allocation plans may result in allocated costs being disallowed by the federal oversight agency.

We recommend the department update the cost allocation plans to reflect current practices and ensure future changes are communicated timely.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We agree with the finding.

Historically, the agency submitted biennial updates to the cost allocation plan and submitted changes to the plan annually when significant changes were made. There were

no significant modifications to the plan during the last year so an update was not submitted to the Division of Cost Allocation.

The agency agrees that updates to the plan should be submitted annually, even if no changes are made. Further, the agency is currently communicating with the Division of Cost Allocation for guidance on their process for the submission of amendments to the public assistance cost allocation plans regarding mid-year modifications.

Anticipated Completion Date: July 31, 2015

2014-032 Department of Human Services
Improve Controls Over Income Calculations for Eligibility

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Child Care and Development Fund Cluster (93.575, 93.596)
Federal Award Numbers and Year:	2014G996005; 2014, 2014G999004; 2014, 2014G999005; 2014, 2013G996005; 2013, 2013G999004; 2013, 2013G999005; 2013
Compliance Requirement:	Eligibility
Type of Finding:	Significant Deficiency, Noncompliance
Questioned Costs:	$287,176

The Child Care Development Fund program offers federal funding to states to increase the availability, affordability, and quality of child care services. As required by federal regulation, the department has developed a sliding fee scale, based on family size and income, that provides for cost sharing by families that receive child care services (monthly copay). Proof of income is required when applying for the program.

We tested a random sample of 65 families for eligibility and verified the copay calculated for each family was accurate based on family size and income. We identified 4 cases where the client's monthly copay was incorrectly calculated. The exceptions were due to the caseworker (1) using medical income instead of the calculated child care income in 2 cases; (2) using client's estimate of income instead of the pay stub provided; and (3) retroactively applying a change to the case when the change should have only been made going forward.

These errors caused the department to underestimate the client's monthly copay ranging from $23 to $80. The known questioned costs are $190 and the projected questioned costs are $287,000.

Additionally, for 3 cases, the department was unable to locate documentation of the client's income. Based on the income narrated, the client was eligible and the copay was correctly calculated.

We recommend department management ensure client's monthly copay is correctly calculated and client's income documentation is maintained.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We agree with the finding.

Four cases were identified for incorrect copay calculation. Two of the cases cited were due to using medical income instead of the calculated child care income (audit sample months were August and October of 2013). During these sample months, workers were calculating income for medical and child care at the same time. We anticipate this will not be an ongoing issue because Self Sufficiency workers stopped determining medical eligibility in December 2013. The remaining two cases cited were due to conversions between TANF and ERDC. An article will be published in the "On Target" newsletter, and a transmittal will be issued highlighting the requirements for calculating the copay and verifying income for case conversions. Reminders will also be given at the statewide Program Manager and Line Manager meetings.

Self Sufficiency field offices are in the process of moving toward electronic case files as part of our EDMS Expansion project. In November 2014, a transmittal was issued identifying the standardized data capture elements for offices that have moved to electronic case files to assist in locating documentation in EDMS.

Anticipated Completion Date: May 31, 2015

2014-033 Department of Education
Improve Controls Over Period of Availability

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Child Care and Development Fund Cluster (93.575, 93.596)
Federal Award Numbers and Year:	2012G996005; 2012, 2013G999004; 2013
Compliance Requirement:	Period of Availability
Type of Finding:	Significant Deficiency, Noncompliance
Questioned Costs:	$122,977

In accordance with federal regulations, mandatory funds (CFDA 93.596) for states requesting matching funds shall be obligated in the fiscal year the funds are granted. Further, discretionary fund (CFDA 93.595) allotments shall be obligated in the fiscal year the funds are awarded or in the succeeding fiscal year.

We identified $120,834 in payroll costs and $2,143 in services and supplies costs that were charged to the grant award after the end of the obligation period. Beginning July 1, 2013, the department was transferred responsibility for administering this program from another state agency. Although the department established coding to ensure expenditures were charged to the correct grant award, the coding was not updated timely after the end of the federal fiscal year, allowing these costs to be charged after the obligation period. In addition, these costs were not identified during the department's grant review process.

We recommend department management ensure system coding is either updated timely or ensure the grant review process identifies costs charged after the end of an obligation period.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We agree with this finding and the recommendation that department management ensure either system coding is updated timely or the grant review process identifies costs charged after the end of an obligation period.

Our planned corrective action is as follows:

ODE will create procedures to improve controls over the period of availability, including:

1. *reviewing payroll and accounting profiles – such as index numbers – for appropriateness;*
2. *inactivating payroll and accounting profiles deemed no longer appropriate;*
3. *reviewing transactions during grant closeout; and*
4. *correcting transactions posted outside the period of availability.*

Anticipated Completion Date: June 1, 2015

2014-034 Department of Education
Improve Subaward Reporting Under the Transparency Act

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Child Care and Development Fund Cluster (93.575, 93.596)
Federal Award Numbers and Year:	2014G996005; 2014, 2014G999004; 2014, 2014G999005; 2014
Compliance Requirement:	Reporting
Type of Finding:	Significant Deficiency, Noncompliance

Under the Federal Funding Accountability and Transparency Act (FFATA), the department is required to collect and report information on each subaward or amendment of $25,000 or more in federal funds in the FFATA Subaward Reporting System (system). The reporting must be done by the end of the month following the month in which the subaward was made.

We were unable to test compliance as no subaward reports were uploaded to the system during fiscal year 2014 for this program. During the fiscal year, the department passed-through over $4 million to 59 subrecipients of which 35 were paid more than $25,000 during the year. According to the department, part of the issue is because responsibility of administering the program was transferred to the department from another state agency beginning July 1, 2013. When this change occurred, the federal award was not available in the system for the department to report. However, the department could not provide any evidence that they made a "good faith" effort to comply with the reporting requirement by contacting the grantor.

By not meeting this reporting requirement, the department is in violation of federal requirements and the transparency objective of FFATA cannot be met as there is incomplete subaward information in the federal system.

We recommend department management ensure all FFATA reports for this program are submitted as required.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We agree with this finding and the recommendation that department management ensure all FFATA reports for this program are submitted as required.

Corrective action already has been taken as follows:

Even though the Child Care and Development Fund programs were transferred to ODE on July 1, 2013, ODE wasn't able to report under FFATA because the transferring state agency - the original prime awardee - needed to make the request to the federal government to transfer reporting to ODE. As of December 2014, the federal government granted FFATA reporting permissions to ODE. The department began reporting for the programs in January 2015.

Anticipated Completion Date: January 2015

2014-035 Department of Education
Strengthen Controls over Earmarking

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Child Care and Development Fund Cluster (93.575, 93.596)
Federal Award Numbers and Year:	2013G996005; 2013
Compliance Requirement:	Earmarking
Type of Finding:	Significant Deficiency

For the 2013 grant award, the department's award included dollars that are required to be spent on three types of targeted funds. One of the targeted funds was for activities to increase the quality of child care for infants and toddlers.

The department uses coding in the accounting system to identify and track the program's expenditures related to various activities including targeted fund activities. As part of preparing the quarterly financial report (ACF-696), the department monitors program expenditures to ensure matching, earmarking and targeted funds requirements are met.

We reviewed the final financial report submitted to the federal awarding agency in December 2014 for the 2013 grant award. Based on the report, it appeared the department had not expended $169,099 as required for the infant and toddler targeted funds. Upon further review, we found the department's final financial report was not accurate as it did not include $250,000 expended for these targeted fund activities. The department prepared the final report using summary data from both the department and the Department of Human Services (DHS). Prior to completion of the summary data the department made accounting entries to record the targeted fund expenditures made by DHS to a different grant year; however, the department did not notify DHS of these accounting entries. As a result, the DHS summary data and the final financial report did not include $250,000 expended for infant and toddler targeted funds for the 2013 grant award.

We recommend department management notify DHS of accounting entries the department makes to data DHS reports to the department so DHS can update its accounting records and update the data reports it submits to the department. We also recommend the department update and resubmit the report for the 2013 grant award.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We agree with this finding and the recommendation that department management notify the Department of Human Services (DHS) of accounting entries ODE makes to DHS-reported data (thereby allowing DHS to update its accounting records and update the data it submits to ODE) and submit an updated report for the 2013 grant award.

Our planned corrective action is as follows:

1. *ODE will update its procedures to ensure DHS is notified when ODE makes adjusting entries to DHS transactions so DHS can update its accounting records and the reports it submits to ODE*
2. *ODE will contact our federal partner, the U.S. Department of Health and Human Services, and request we be allowed to submit the corrected 2013 grant award report.*

Anticipated Completion Date: June 1, 2015

2014-036 Oregon Housing and Community Services Department
Improve Reviews of Subrecipients

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Low-Income Home Energy Assistance (CFDA 93.568)
Federal Award Numbers and Year:	2014G992201; 2014, 2014G995623; 2014, 2013G992201; 2013, 2013G994002; 2013
Compliance Requirement:	Activities Allowed or Unallowed, Earmarking, Subrecipient Monitoring
Type of Finding:	Material Weakness

Federal regulations state that program funds may only be used for certain allowable activities. In addition, the regulations specify "earmarking" limits on the use of these funds. The department passes most of its LIHEAP funds through to subrecipients who perform the majority of the program activities. Department management is responsible for monitoring subrecipients, as necessary, to ensure compliance with program requirements including allowable activities and earmarking requirements.

We reviewed monitoring files and found that, specific to fiscal monitoring, there was insufficient evidence of adequate monitoring to provide assurance that only costs from allowable activities are reimbursed with federal funds or that limitations were not exceeded. This is a repeat finding.

We recommend department management strengthen its fiscal monitoring to ensure federal reimbursements are for allowable program activities and required limitations are not exceeded.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
The agency agrees with this finding.

The agency currently monitors subrecipients following guidelines established by the Office of Management and Budget (OMB) Circulars A-87 (2 CFR part 225). The agency has documented processes, procedures, and checklists to ensure uniformity of monitoring and subrecipient compliance with guidance under OMB circular A-122 (2 CFR part 230) and the Uniform Guidance (2 CFR part 200). Additionally, OHCS has internal systems that establish controls to adequately earmark funds into specific categories, ensuring funds are used for the intended purposes. The agency is implementing a new procedure which will expand the scope of items being monitored and establish a risk based approach to the sample selection. This will ensure a statistically relevant sample is reviewed to provide adequate evidence that the expense was entered under the appropriate earmarked category and was for an allowable purpose.

Anticipated Completion Date: March 31, 2015

2014-037 Oregon Housing and Community Services Department
Improve Reviews of Subrecipient Allocated Costs

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Low-Income Home Energy Assistance (CFDA 93.568)
Federal Award Numbers and Year:	2014G992201; 2014, 2014G995623; 2014, 2013G992201; 2013, 2013G994002; 2013
Compliance Requirement:	Allowable Costs/Cost Principles, Subrecipient Monitoring
Type of Finding:	Material Weakness

Federal regulations require the department, as a recipient of federal awards, to monitor the costs of subrecipients, as necessary, to ensure that federal awards are used for allowable costs in compliance with laws, regulations, and the provisions of contracts or grant agreements. Federal cost principle circulars are applicable to department subrecipients that receive federal pass-through funds and require the use of cost allocation plans or indirect cost rates for costs that are allocated to federal programs. The department is responsible for reviewing its subrecipients' cost allocation plans to ensure subrecipients follow general cost principles, including gaining assurances that expenditures charged to federal programs are reasonable, equitably distributed, and adequately documented.

We reviewed four subrecipient fiscal monitoring files and found that although all files included a copy of a cost allocation plan that was mathematically verified, there was no evidence that the plans were reviewed to ensure general cost principles were applied. This is a repeat finding.

We recommend department management develop procedures and provide training to staff to ensure the cost allocation plans of its subrecipients are sufficiently reviewed to determine whether the cost allocation plans are in compliance with applicable cost principles.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
The agency agrees with this finding.

The agency has already provided clarification, procedures, and trainings to the fiscal monitor in order to examine and test application of cost allocations. This has provided assurances that costs are equitably distributed and adequately documented. An updated procedure is being created to ensure costs are allocated on a reasonable basis and that basis is applied correctly.

Anticipated Completion Date: March 31, 2015

2014-038 Oregon Department of Housing and Community Services
Strengthen Controls Over Cash Management

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Low-Income Home Energy Assistance (CFDA 93.568)
Federal Award Numbers and Year:	2014G992201; 2014, 2014G995623; 2014, 2013G992201; 2013, 2013G994002; 2013
Compliance Requirement:	Cash Management
Type of Finding:	Material Weakness

Federal regulations require program costs be paid with entity funds before reimbursement is requested from the federal government. The exception to the cost reimbursement basis is the advancement of federal monies to meet immediate cash needs. When federal funds are provided prior to the expending of entity funds, recipients must minimize the time elapsing between the advancement and use of federal funds. The department is responsible for ensuring its subrecipients minimize the time between the draw-down and disbursement of federal funds for federal program purposes. We found the department does not have adequate controls to ensure this occurs. Department management is developing a new process for reviewing subrecipient requests for funds to ensure the requests are made on a reimbursement basis and only for authorized costs. This new process was not implemented during fiscal year 2014. This is a repeat finding.

We recommend department management ensure adequate controls are implemented to ensure subrecipient requests for funds are in compliance with federal cash management requirements.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
The agency agrees with this finding.

The agency currently requires subrecipients to specify the amount of a funding request that is for a reimbursement or an advance. To complement the existing process, the agency is implementing a new procedure that will require documentation from the subrecipients accounting system with each funding request. This documentation will specify the period in which the expenditure occurred and whether or not this was a reimbursement or an advance request. This documentation will be tested as part of the expanded scope of items being monitored with an emphasis on ensuring any funds advanced to a subrecipient are due to an immediate cash need and the time between the draw-down and disbursement of funds is minimized.

Anticipated Completion Date: June 1, 2015

2014-039 Department of Justice
Improve Controls and Ensure Compliance with Transparency Act Reporting

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Child Support Enforcement (93.563)
Federal Award Numbers and Year:	1304OR4005; 2013, 1404OR4005; 2014
Compliance Requirement:	Reporting
Type of Finding:	Significant Deficiency, Noncompliance

Federal regulations require recipients of federal awards totaling $25,000 or more to report certain grant information in the Federal Funding Accountability and Transparency Act (FFATA) reporting system no later than the end of the month the awards are made to a subrecipient.

When we inquired, the department had not filed any FFATA reports for fiscal year 2014. This was due, in part, to a misunderstanding of the Child Support Program management's communication with the federal oversight agency. As a result, the department was not in compliance with FFATA reporting requirements.

We recommend management improve controls to ensure compliance with FFATA reporting requirements.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We concur there is a need to improve controls to ensure compliance with the Federal Funding Accountability and Transparency Act (FFATA) reporting requirements. Previous attempts to file the FFATA report were unsuccessful because the online Portal reflected an incorrect DUNS number. We were under the impression that filing the SF424M, a mandatory application for federal assistance form, took the place of the reporting requirement temporarily until a permanent fix was made on the online Portal. The Office of Grants Management, Region 10 has confirmed that the filing of SF424M does not replace the FFATA reporting requirement. The following corrective actions will be taken:

- *The FFATA reporting for FY 2014 has been completed and will be certified by April 30, 2015.*

- *A procedure for FFATA reporting will be established that includes reconciliation of monthly subrecipient payments to the cumulative balance reported on the FFATA reporting website.*
- *The ASD Financial Services Accounting Manager and the DCS Performance, Budget, and Statistics Manager will have joint responsibility for reviewing the accuracy and completeness of the report, as well as ensuring timeliness in reporting.*

Anticipated Completion Date: May 30, 2015

2014-040 Department of Justice
Continue to Strengthen Controls Over Financial Reporting

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Child Support Enforcement (93.563)
Federal Award Numbers and Year:	1404OR4005; 2014
Compliance Requirement:	Reporting
Type of Finding:	Significant Deficiency, Noncompliance

Department management is responsible for designing and implementing controls to provide reasonable assurance that reports of federal awards submitted to the federal awarding agency include all activity of the reporting period, are supported by underlying accounting records, and are fairly presented in accordance with program requirements.

In the prior year's audit we were unable to determine if the quarterly financial reports were prepared entirely in accordance with program requirements and the department was unable to provide sufficient documentation to demonstrate that the report was complete and accurate.

During the current year's audit we reviewed the Child Support Enforcement Program's Financial Reports for the quarters ended March 31 and June 30, 2014. We found the March 31 quarter end report was complete and accurate in accordance with program requirements. For the June 30 quarter end, we found one reporting line, ADP Operations expenses, was overstated by $24,547 due to certain data being accounted for in duplicate. Although we identified this error, we found the supporting documentation retained for the reports was improved, allowing us to determine whether the reports were complete, accurate, and prepared in accordance with program requirements.

We recommend department management continue to strengthen controls to ensure reported amounts are complete, accurate, and agree to accounting records; and we recommend management submit corrections for the miss-reported amounts for the quarter ended June 30, 2014.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We concur that DOJ's continuing efforts to strengthen internal controls in reporting ensures that financial reports are accurate, complete, and agree to the accounting records. The corrective actions to be taken for the overstatement in expenditures on the Child Support Enforcement Programs Financial Report for the quarter ended June 30, 2014 are as follows:

- *Reduce the ADP Operations expenses by the overstated amount of $24,547 on the Child Support Programs Financial Report for quarter ended March 30, 2015.*
- *Perform a reconciliation of the expenditures reported on the Child Support Programs Financial Report to the SFMA balance to ensure completeness and accuracy of reported amounts.*

Anticipated Completion Date: April 30, 2015

2014-041 Department of Human Services
Controls Over EBT Card Security Were Not Followed

Federal Awarding Agency:	U.S. Department of Agriculture
Program Title and CFDA Number:	Supplemental Nutrition Assistance Program (SNAP) Cluster (10.551, 10.561)
Federal Award Numbers and Year:	Undetermined
Compliance Requirement:	Special Tests and Provisions
Type of Finding:	Significant Deficiency, Noncompliance

Clients participating in the SNAP program receive benefits electronically via Electronic Benefit Transfer (EBT cards). Federal regulations require that the department provide certain minimum security and control procedures over EBT cards. The department has established procedures to meet the minimum security requirements, which include limiting access to EBT card stock to authorized personnel, conducting monthly inventory counts of cards and utilizing logs to record destruction of returned cards. The department communicates these procedures to branch offices through its Field Business Procedures Manual.

We visited 15 of the 119, branch offices to determine if the department's procedures were being followed. Based on our visits, the department did not adequately monitor the branch offices to ensure that they were following established procedures. Specifically, we found:

- One branch office did not keep EBT cards secured at all times.
- One branch office did not use a stock control log to monitor its card inventory.
- One branch did not use the hard-copy destruction log and was not aware of the requirement to use the log.
- Ten branch offices did not always perform the monthly inventories of EBT card stock. Results ranged from one branch not performing inventory for one month to another branch not completing inventory counts for the entire year.

Failure to follow the established procedures could result in the misappropriation and misuse of EBT cards.

We recommend department management ensure branch offices are aware of and follow the established procedures for securing EBT cards.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We agree with the finding.

Self Sufficiency Program Office Managers and Business Experts received the Financial Training for Managers, focusing on Electronic Benefit Transfer (EBT) card security and managing RACF access, in May 2014. In addition, a communication was sent to office leadership in June 2014, regarding the importance of securing EBT cards and following the policy outlined in the Field Business Procedures Manual for monthly inventory.

The Financial Training for Managers was converted to a webinar format and was delivered live to Self-Sufficiency, Child Welfare and Aging and People with Disabilities management on December 23, 2014, February 11, 2015 and February 12, 2015. We have recorded a webinar session and are currently testing it in the Learning Center Test Site. The final product will be available in The Learning Center by March 31, 2015.

Anticipated Completion Date: March 31, 2015

2014-042 Department of Human Services
Expenditures Incurred Outside the Period of Availability

Federal Awarding Agency:	U.S. Department of Agriculture
Program Title and CFDA Number:	Supplemental Nutrition Assistance Program (SNAP) Cluster (10.551, 10.561)
Federal Award Numbers and Year:	7OR400OR4; 2014, 7OR400OR0; 2014, 7OR430OR4; 2014, 7OR4004OR; 2014
Compliance Requirement:	Period of Availability
Type of Finding:	Significant Deficiency, Noncompliance

According to federal requirements, only costs resulting from obligations within the grant award year may be charged to the grant award.

The department's accounting records indicated $941,492 in federal expenditures were charged to the federal fiscal year 2014 grant award after the grant award year ended. We judgmentally selected transactions covering 98% of the dollars to verify the expenditures were obligated or incurred within the grant award timeframe. We identified one transaction totaling $146,257 that was inappropriately charged to the 2014 grant award.

The department primarily relies on timely inactivating accounting system codes to prevent charges outside the period of availability. The department may not inactivate codes if it is aware of allowable expenditures still needing to be charged or adjustments that need to be made. For codes not inactivated timely, the department relies on a review process to identify expenditures incorrectly coded to a grant after the period of availability. For the exception identified, the

department did not timely inactivate the system coding and the error was not identified during the grant award review and adjustment process.

When codes are not inactivated timely and the review process does not identify errors, the risk increases for the department to charge costs to a grant award outside the period of availability.

We recommend department management ensure its review process identifies transactions charged to a grant award outside the period of availability.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We agree with the finding.

The agency has previously reviewed all documents at a detail level except for entries being processed through our cost allocation system. Effective immediately, all transactions, regardless of source, will be reviewed to ensure expenditures were incurred during the period of availability. Corrections will be reflected on the March 31, 2015 quarterly report.

Anticipated Completion Date: April 30, 2015

2014-043 Department of Human Services
Improve EBT Reconciliation Controls

Federal Awarding Agency:	U.S. Department of Agriculture
Program Title and CFDA Number:	Supplemental Nutrition Assistance Program (SNAP) Cluster (10.551, 10.561)
Federal Award Numbers and Year:	Undetermined
Compliance Requirement:	Special Tests and Provisions
Type of Finding:	Significant Deficiency

Oregon uses Electronic Benefit Transfers to provide client benefits and is required by the federal government to have a system in place to reconcile all funds entering into, remaining in, and exiting from the system with the State's accounting system and EBT contractor records.

The department prepares various reconciliations to meet this requirement. We reviewed three months of reconciliations prepared by the department. Based on our review, two reconciliations contained errors that were not identified during the department's review process. As part of their review, the department relies on a check figure in the spreadsheets to indicate if there are any discrepancies between items being reconciled. In both instances, the check figure showed there were no discrepancies.

For one reconciliation, the error was due to a subtotal formula including an extra $982,117, which allowed everything to reconcile. For the second reconciliation, an unknown error existed in the "check figure" formula as it was clear the three subtotals did not reconcile by $61 million. After inquiry, the department provided support for the reconciling items and the reconciliations were corrected.

Failure to identify reconciling items could result in the department not appropriately identifying errors related to the EBT process.

We recommend department management improve its review process by considering implementing a more in depth review, ensuring critical formulas cannot be modified and providing training to staff.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We agree with the finding.

We agree that there were errors in the reconciliation and review process. We have already made changes which included adding additional check digits to capture all reconciling items and formulas, and provided additional training for staff. We will also do a review of the process to consider the effectiveness of the review and the protection of critical formulas.

Anticipated Completion Date: March 31, 2015

2014-044 Department of Education
Improve Subaward Reporting Under the Federal Funding Accountability and Transparency Act

Federal Awarding Agency:	U.S. Department of Agriculture U.S. Department of Education
Program Title and CFDA Number:	Child Nutrition Cluster (10.553, 10.555, 10.556, 10.559) Child and Adult Care Food Program (CACFP)(10.558) Title I, Part A (84.010)
Federal Award Numbers and Year:	7OR300OR3; 2014, S010A130037-13A; 2014
Compliance Requirement:	Reporting
Type of Finding:	Significant Deficiency, Noncompliance

The Title 1, Child Nutrition Cluster (consisting of SBP, NSLP, SMP & SFSP), and CACFP programs are subject to subaward reporting under the Federal Funding Accountability and Transparency Act (FFATA). Federal regulations require recipients of federal awards to report certain subaward information in the FFATA reporting system. Reports are required for all subrecipients receiving a subaward totaling $25,000 or more and must be submitted no later than the end of the month following the month in which the subawards are made. Federal regulations also require that recipients of federal awards establish and maintain internal controls designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. This typically includes independent review of reports to assure accuracy and completeness of data and information reported.

Responsibility for monthly FFATA reporting lies solely with one employee for the Title 1 program and a second employee for the Child Nutrition Cluster and CACFP programs. The employees obtain data, and prepare and submit the reports for their respective programs. However, the department had not implemented controls to ensure the reports were accurately and completely prepared and submitted timely. As a result, the department has less assurance all required FFATA reports are submitted timely and are accurate and complete.

Also, during the audit, we found the department did not report any subaward information for the Child Nutrition Cluster or the Child and Adult Care Food Program, as required, for its FY

2014 federal awards. Furthermore, the department did not report subaward information in a timely manner for 62 subrecipients of its FY 2014 Title 1 federal award.

We recommend department management strengthen existing controls to ensure FFATA reports are independently reviewed prior to submission to the federal government. We further recommend department management ensure required reports are submitted for the Child Nutrition Cluster and CACFP FY 2014 federal awards.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We agree with this finding and the recommendation that department management strengthen existing controls over Federal Funding Accountability and Transparency reporting.

Our planned corrective action is to update our procedures related to FFATA reporting to ensure:

1. *FFATA reports are independently reviewed for completeness and accuracy prior to submission to the federal government.*
2. *All required FFATA reports are submitted for the Child Nutrition Cluster and the Child and Adult Care Food Program.*
3. *An ODE fiscal staff member is identified as backup for the primary submitter so FFATA reports are submitted timely.*

Anticipated Completion Date: June 1, 2015

2014-045 Department of Education
Improve Controls for Subrecipient Administrative Reviews

Federal Awarding Agency:	U.S. Department of Agriculture
Program Title and CFDA Number:	Child Nutrition Cluster (10.553, 10.555, 10.556, 10.559)
Federal Award Numbers and Year:	7OR300OR3; 2014
Compliance Requirement:	Subrecipient Monitoring
Type of Finding:	Significant Deficiency, Noncompliance

Federal regulations require recipients of Federal funding to perform administrative reviews of subrecipients to ensure subrecipients are in compliance with federal requirements. The regulations define a number of critical and general areas these reviews should cover.

The department has developed and implemented an administrative review tool, consisting of an extensive series of questionnaires and checklists, to facilitate and standardize its subrecipient monitoring process. However, the extensive nature of the questionnaires and checklists creates the potential for important areas to be missed. Currently, the administrative review tool does not include a mechanism to assist department staff with verifying that all questions have been addressed. We found the administrative review tools were not always completed in their entirety. Specifically, 11 of 20 administrative review tools we examined were not complete or did not include evidence of monitoring for all critical and general areas of review.

We recommend department management strengthen existing controls to ensure the administrative review tools used during subrecipient monitoring are filled out completely and include evidence of monitoring for all critical and general areas of review.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We agree with this finding and the recommendation that department management strengthen existing controls to ensure the administrative review tools used during sub-recipient monitoring are completed fully and include evidence of monitoring for all critical and general areas of review.

Our planned corrective action is as follows:

1. *For the 2015 administrative reviews, they will be checked for completeness by a staff member and returned to the reviewing specialist when all questions are not answered. The reviewing specialist will enter the missing data and return it to the staff member for verification that the tool is complete.*
2. *For the 2016 administrative reviews, functionality will be added to the review tool indicating which tabs or questions have not been completed. The reviewing specialist will use this as a reference and complete any unanswered questions. The lead worker will spot-check reviews throughout the year to ensure all questions are answered.*
3. *ODE will provide training on the importance of responding to all administrative review tool questions.*

Anticipated Completion Date: July 1, 2015

2014-046 Department of Education
Ensure All Required Administrative Reviews Are Completed

Federal Awarding Agency:	U.S. Department of Agriculture
Program Title and CFDA Number:	Child Nutrition Cluster (10.553, 10.555, 10.556, 10.559)
Federal Award Numbers and Year:	7OR300OR3; 2014
Compliance Requirement:	Subrecipient Monitoring
Type of Finding:	Noncompliance

Federal regulations requiring recipients of federal funding to conduct administrative reviews of subrecipients every five years, were revised to every three years for fiscal year 2014 and thereafter. In an effort to allow states to focus on implementing updated meal patterns, certification, and validation review activities, the federal government allowed states to postpone administrative reviews that were scheduled for fiscal year 2013. Federal guidance directed that any subrecipient whose administrative review was postponed in 2013 or omitted during the prior five-year cycle must be reviewed during the first year of the new three-year cycle beginning fiscal year 2014.

During our review, we found eight subrecipients whose administrative reviews were scheduled for but not fully completed in fiscal year 2013, and were not subsequently reviewed during fiscal year 2014. Department management explained that while prioritizing administrative reviews for fiscal year 2014, it considered those eight as lower risk than subrecipients that had not been visited the prior year, and decided to focus on other subrecipients. Management also

stated it did not have staff available to do the rework that would have been necessary for the eight subrecipients.

We recommend department management ensure it completes all required subrecipient administrative reviews in compliance with federal regulations.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We agree with this finding and the recommendation that department management ensure it completes all required sub-recipient administrative reviews in compliance with federal regulations.

Our planned corrective action is as follows:

1. *Prior to the start of the next cycle and for those sponsors currently participating, ODE will schedule reviews for a three-year cycle.*
2. *A second staff member will verify all sponsors are scheduled for review and it's been not more than three years since a sponsor's last review.*
3. *ODE will adjust review schedules to meet regulatory requirements and request exceptions from the U.S. Department of Agriculture as necessary.*
4. *The spring prior to the review year, ODE will verify continued participation in the National School Lunch Program/School Breakfast Program.*
5. *Finally, ODE will add the administrative review tool to ODE's internal CNPweb tracking system when the sponsor is approved as a subrecipient.*

Anticipated Completion Date: July 1, 2015

2014-047 Department of Education
Strengthen Controls for State Per Pupil Expenditure Calculations

Federal Awarding Agency: U.S. Department of Education
Program Title and CFDA Number: Title I, Part A (84.010)

Federal Award Numbers and Year: S010A120037-12A; 2013, S010A130037-13A; 2014
Compliance Requirement: Reporting
Type of Finding: Significant Deficiency, Noncompliance

Each year, the department must submit its average State Per Pupil Expenditure (SPPE) data to the National Center for Education Statistics. SPPE data are used by the U.S. Department of Education to make allocations under several federal programs, including Title 1, Part A. Federal guidance directs that expenditures from funds received under Title 1 should be excluded from the SPPE calculation results before submitting the data.

We found the department had not excluded Title 1 expenditures totaling $14.8 million from its SPPE calculation results submitted during FY 2014. As a result, SPPE is overstated for the most recent reporting period. Management indicated the reported data were reviewed prior to

submission, but clarified the review primarily consisted of trend analyses. Management added that it does not know why the difference was not identified.

We recommend department management strengthen controls to ensure all Title 1 program expenditures are excluded from its annual SPPE calculation results. We also recommend management submit a corrected report to the U.S. Department of Education, if necessary.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We agree with this finding and the recommendation that department management ensure all Title 1 program expenditures are excluded from its annual SPPE calculation results and submit a corrected report, if necessary.

Our planned corrective action is as follows:

1. *ODE will work with our federal partners at the U.S. Census Bureau and the National Center for Education Statistics (NCES) to verify reporting criteria for our SPPE data are current.*
2. *Once we have verified NCES reporting criteria are correct, ODE will review its programming used for compiling data and ensure it aligns with NCES requirements. ODE will make a correction if it is determined there was an error in the data submitted during fiscal year 2014.*
3. *ODE will complete review of the programming prior to ODE's next reporting cycle, which likely will occur in late April to early May of 2015, and on an annual basis thereafter.*
4. *In addition to the type of analysis performed in past years, a more extensive review will take place prior to future submissions to NCES. For example, future reviews will include comparison to other federal reports compiled by ODE, such as the Detailed Federal Review report, for reasonableness. In addition, instead of comparing to only the previous year for trend analysis and percentage deviation, more years will be taken into account to enhance testing for standard deviation.*

Anticipated Completion Date: June 30, 2015

2014-048 Department of Education
Ensure Subrecipient Monitoring Includes Federal Fiscal Requirements

Federal Awarding Agency:	U.S. Department of Education
Program Title and CFDA Number:	Special Education Cluster (IDEA)(84.027, 84.173)
Federal Award Numbers and Year:	H027A110095; 2012, H173A110100; 2012, H027A120095; 2013, H173A120100; 2013, H027A130160; 2014, H173A130100; 2014
Compliance Requirement:	Subrecipient Monitoring
Type of Finding:	Significant Deficiency, Noncompliance

The department receives Federal funding for Special Education programs (IDEA, part B and Preschool) and passes funding to school districts and education service districts (ESD) through subgrants. Federal regulations require the department to ensure subrecipients are in

compliance with the requirements of the special education programs and have accounting systems and internal controls adequate to administer the awards.

The department has a process in place to monitor and review subrecipients' compliance with specific program requirements, but the process does not consider subrecipients' accounting and internal control systems and certain fiscal requirements, such as accounting, reporting and procurement. The department focused primarily on program requirements and outcomes.

The department could not ensure that subrecipients had adequate accounting and internal control systems in place and complied with federal fiscal requirements. As a result, the funding awarded to the state as well as the districts could be at risk of sanctions or disallowances by the federal grantor agency due to noncompliance.

We recommend department management expand its monitoring processes to include subrecipients' accounting and internal control systems and federal fiscal requirements of the awards.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We agree with this finding and the recommendation that department management expand its monitoring process. This issue was identified by the Office of Special Education Programs through their audit in October 2010, with communication to Oregon occurring in November 2014.

Our planned corrective action is as follows:

ODE will update its procedures for fiscal subrecipient monitoring to include a review of accounting and internal control systems and federal fiscal requirements of the award. ODE is working with its internal auditor and has reviewed other states' sub-recipient auditing procedures to assist us with the development of our procedures.

Anticipated Completion Date: May 1, 2015

2014-049 Department of Education
Improve Procedures for Subaward Reporting Under the Federal Funding Accountability and Transparency Act

Federal Awarding Agency:	U.S. Department of Education
Program Title and CFDA Number:	Special Education Cluster (IDEA)(84.027, 84.173)
Federal Award Numbers and Year:	H027A110095; 2012, H173A110100; 2012, H027A120095; 2013, H173A120100; 2013, H027A130160; 2014, H173A130100; 2014
Compliance Requirement:	Reporting
Type of Finding:	Significant Deficiency

Federal regulations require recipients of federal awards to report certain subaward information in the Federal Funding Accountability and Transparency Act (FFATA) reporting system no later than the end of the month following the month subawards are made totaling $25,000 or more. Federal regulations also require recipients of federal awards to establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program

compliance requirements. This typically includes independent review of reports to assure accuracy and completeness of data and information included in the reports.

Responsibility for FFATA reporting lies solely with one employee who identifies, prepares and submits required reports. However, the department had not implemented a control to ensure those reports are accurately and completely prepared and submitted timely. This was due, in part, to the department not having assigned an employee to independently monitor or review this work.

As a result, the department has less assurance required FFATA reports are filed timely and are accurate and complete.

We recommend department management strengthen existing controls to ensure FFATA reports are independently reviewed prior to submission to the federal government.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We agree with this finding and the recommendation that department management strengthen existing controls over FFATA reporting.

Our planned corrective action is to update our procedures related to FFATA reporting to ensure:

1. *FFATA reports are independently reviewed for completeness and accuracy prior to submission to the federal government.*
2. *An ODE fiscal staff member is identified as backup for the primary submitter so FFATA reports are submitted timely.*

Anticipated Completion Date: June 1, 2015

2014-050 Oregon Employment Department
Inaccurate Performance Data Reporting (TAPR)

Federal Awarding Agency:	U.S. Department of Labor
Program Title and CFDA Number:	Unemployment Insurance (17.225)
Federal Award Numbers and Year:	UI-23913-13-55-A-41; 2013, UI-25227-14-55-A-41; 2014
Compliance Requirement:	Reporting
Type of Finding:	Significant Deficiency, Noncompliance

Federal instructions require the department to quarterly report the characteristics, activities, and outcomes of Trade Act Assistance participants. The department uses a preprogrammed query to extract required data elements from the department's records.

A sample of 25 participants was selected from a quarterly report to verify the reported data elements agreed to the department's records. For 2 participants, the wages reported in the quarterly report were higher than actual recorded wages as coding in the preprogrammed query did not exclude wages flagged as deleted for various reasons. Not accurately reporting participant information impacts the average earnings performance measure of the program.

We recommend department management update the query to ensure it accurately extracts wages for the quarterly report.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We agree with the finding.

The query did not take into account the possibility of wages being deleted after they had been retrieved for reporting purposes. The corrective action is a revision to the query to exclude wages that indicate they are no longer currently associated with the selected customer. The query was updated prior to the end of the audit.

2014-051 Community Colleges and Workforce Development
FFATA Reporting Not Done

Federal Awarding Agency:	U.S. Department of Labor
Program Title and CFDA Number:	Workforce Investment Act Cluster (17.258, 17.259, 17.278)
Federal Award Numbers and Year:	Unknown
Compliance Requirement:	Reporting
Type of Finding:	Significant Deficiency, Noncompliance

Criteria: The Organizations' grants with its federal funder require the Organization to perform subaward reporting under the Transparency Act (FFATA).

Condition: We noted no FFATA reporting was performed.

Cause: According to management, there were insufficient resources allocated to the Organization to be able to comply with this requirement.

Effect: The Organization did not have internal controls in place to ensure that FFATA reporting was completed.

Recommendation: The Organization should establish additional internal controls to ensure that FFATA reporting is completed.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
Management agrees with the finding and is working to ensure that FFATA reporting is completed in a timely manner.

Background: CCWD is aware of the FFATA reporting requirements. CCWD would have been required to start reporting on October 1, 2010. However due to an error in the system with the US Department of Labor (DOL), we were unable to report on the FFATA system, as there was no award reported from DOL for us to link to. DOL solved this issue and notified CCWD on October 11, 2011. At that time, CCWD's WIA Grant Accountant position had been vacant since May of 2011, and already had one failed recruitment. Besides our normal WIA reporting requirements, CCWD also had the American Recovery and Reinvestment Act (ARRA) reporting required with 86 reports due in a relatively short timeline (7 calendar days) after the end of that quarter (9/30/11). With not enough staff to accomplish everything, a risk management

decision was made to cover our normal WIA requirements and the ARRA report as the ARRA reports contained a lot of the same information and were on a federal transparency website.

A new WIA accountant was hired in November and started work in December, but due to the training time to teach the complexities of the WIA grant, CCWD was not fully up to capacity until September 2012, however, at that time we lost our NEG and Title II Accountant. In September 2013, WIA fiscal monitoring was also added onto the Fiscal Manager's responsibilities. Currently there are efforts to separate the two jobs, in order to allow the fiscal manager to concentrate on current fiscal operations.

CCWD is currently working to complete our FFATA reporting on the 2014 Grant Year award.

Instructions have been completed on how to report and an additional line for FFATA reporting has been added to the Notice of Funds Availability (NFA) checklist. Due to a three agency merge on July 1st that CCWD is a part of, we have to push our expected timeline out to December 31, 2015 for resolution.

Anticipated Completion Date: December 31, 2015

2014-052 Department of Forestry
Improve Determination of FEMA Eligible Costs

Federal Awarding Agency:	U.S. Department of Homeland Security
Program Title and CFDA Number:	Fire Management Assistance Grant Program (97.046)
Federal Award Numbers and Year:	FEMA-5036-FM-OR; 2014, FEMA-5037-FM-OR; 2014, FEMA-5039-FM-OR; 2014, FEMA-5046-FM-OR; 2014, FEMA-5056-FM-OR; 2014
Compliance Requirement:	Activities Allowed or Unallowed
Type of Finding:	Significant Deficiency, Noncompliance
Questioned Costs:	$1,518

The Fire Management Assistance Grant reimburses states and other entities for the costs associated with a declared incident (forest fire).

The process to identify FEMA eligible costs includes multiple calculations and considerations, which are supported by invoices, timesheets and other documents.

Although department staff performed reviews at various points in their process for determining FEMA eligible costs, our testing of 60 transactions identified 6 payments where the department incorrectly calculated FEMA eligible costs and subsequently requested reimbursement of federal funds for those costs. Errors identified in our sample both under and overstated eligible costs with a net overstatement of $1,518. Projected, the errors result in questioned costs of over $50,000.

We recommend department management improve their control processes to ensure they are effective to accurately determine FEMA eligible costs.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We agree with the finding.

ODF will develop and implement new audit tools to help ensure consistent calculations and clear direction on FEMA eligibility for different resource types.

Anticipated Completion Date: June 2015

2014-053 Department of Forestry
Improve Controls Over Procurement

Federal Awarding Agency:	U.S. Department of Homeland Security
Program Title and CFDA Number:	Fire Management Assistance Grant Program (97.046)
Federal Award Numbers and Year:	FEMA-5036-FM-OR; 2014, FEMA-5037-FM-OR; 2014, FEMA-5039-FM-OR; 2014, FEMA-5046-FM-OR; 2014, FEMA-5056-FM-OR; 2014
Compliance Requirement:	Procurement, Suspension, and Debarment
Type of Finding:	Significant Deficiency

The Fire Management Assistance Grant (FMAG) provides assistance to states, and local and tribal governments for the mitigation, management, and control of fires on publicly or privately owned forests or grasslands that threaten such destruction as would constitute a major disaster.

The department manages fires, in part, through contracts with businesses and individuals for needed resources such as fire crews, services, equipment and land use.

We found department management could improve controls and processes over contracting and emergency procurement to ensure compliance with the federal grant and state requirements. Specifically, we found:

- The department did not ensure all contractors were not suspended or debarred prior to including those payments in their federal reimbursement requests.
- For non-emergency procurements, the department did not follow their process of completing contracting checklists, which ensure compliance with procurement requirements. The incomplete checklist was not identified by management as contract files are not reviewed.
- The department could not readily identify which of the 516 vendors used during the fire season were subject to contracting requirements because contract records are not maintained in a way that facilitates retrieval of this information. As a result, the department is less able to demonstrate compliance with relevant requirements of the federal grant.

We did not identify instances of non-compliance or questioned costs. However, without adequate controls, the department cannot ensure compliance with federal requirements and risks losing federal funds.

We recommend department management develop and implement procedures to ensure the review for suspension and debarment is performed for all required procurements prior to seeking federal reimbursement for those costs. We also recommend management administer and account for contracts in a way that accommodates review to ensure compliance with federal requirements.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We agree with the finding.

Ensure suspension debarment review: The Department agrees with the finding that contractors of emergency procurements were not checked for suspension or debarment prior to submitting our initial (cash advance) reimbursement request. We will immediately add this verification requirement to the process for establishing pre-season emergency agreements (Incident Resource Agreements) with contractors. We will also add it to the checklist of tasks to perform prior to seeking any reimbursement from FEMA.

We also agree with the finding that for non-emergency procurements, the Department did not consistently complete contracting checklists designed to help ensure compliance with verification of vendor suspension or debarment status and other compliance requirements. ODF will immediately put procedures in place to help ensure that all contract files contain a completed checklist ensuring that this verification requirement has been met. ODF will also select a random sample of grant-related contracts once each year and audit to ensure this checklist was used and is included in the file along with all related documentation as required by the checklist.

Administer and account for contracts to facilitate review: The Department agrees with the finding that records are not maintained in a way that allows for identification of vendors by type of contracts. ODF is undertaking the development of a new purchasing system and will attempt to add this tracking need to the system requirements. This new system would not be available for use until 2016-17. For payments related to the 2014 fire season, ODF will develop a spreadsheet identifying the type of contract under which each vendor was paid. This should allow for monitoring these contracts to ensure compliance with relevant requirements of the federal grant.

Prior Year Financial Statement Findings

This section includes the current status reported by the department of all financial audit findings from fiscal year ended June 30, 2013. It also includes the current status reported by the department of all financial audit findings from fiscal year ended June 30, 2012 that were uncorrected at June 30, 2013.

Finding 2013-001: **Department of Human Services/Oregon Health Authority**
Controls in Receipting Unit Should Be Strengthened
Material Weakness

Recommendation: DHS/OHA management improve controls in the Receipting Unit to ensure all checks are safeguarded, properly tracked and accounted for in the financial records.

Status: Partial corrective action was taken. The agency response is as follows:

The agency appropriately segregates the duties of handling checks in its Salem facility. Under the current system, checks received by mail are sorted by category, recorded by count and delivered to the staff member that is responsible for that category. The item count can be reconciled from the online deposit system reports to an excel spreadsheet created by the unit. The count and amount of checks received through this process is a small portion of the total revenue recorded by the Receipting Unit. We have strengthened internal controls on the handoff of checks by including, in addition to a count of checks, the dollar amount, reconciliation, and a check redistribution log. We continue to look for opportunities to reduce the risk by reducing the number of checks received in the agency.

Finding 2013-002: **Department of Human Services/Oregon Health Authority**
Ensure Expenditures are Recorded in the Proper Fiscal Year
Material Weakness

Recommendation: DHS/OHA management align policies and procedures with governmental accounting standards to record expenditures in the proper period and we recommend management provide training to staff to ensure that prior period adjustments are utilized when appropriate.

Status: Corrective action was taken.

Finding 2013-003: **Department of Human Services/Oregon Health Authority**
Improve Revenue and Expenditure Accrual Methodologies
Material Weakness

Recommendation: DHS/OHA management review and revise accrual methodologies for revenues and expenditures, as necessary, and perform periodic retrospective comparisons of accruals to actual amounts to ensure the accrual methodologies are reasonable.

Status: Corrective action was taken.

Finding 2013-004: **Department of Human Services/Oregon Health Authority**
Improve Controls Over Insurance Premium Revenue

Recommendation: DHS/OHA management implement internal controls to ensure that all insurance premium revenue due to the department is received, properly classified, and properly recorded.

Status: Partial corrective action was taken. The agency response is as follows:

To address audit finding 2013-004, in fiscal year 2014 the agency has obtained detailed reports from Regence necessary to determine the source of cash remitted by Regence, and appropriately recorded the cash received based on information available at the time. These reports were received and incorporated in the accounting record on an ongoing basis during fiscal year 2014.

Additionally, to ensure all insurance premiums due to the agency are remitted by Regence, the agency is utilizing the methodology used in the audit analysis, multiplying monthly member contract counts by the relevant premium rates, and reconciling the results with amounts reported and deposited by Regence for the months the programs were open in fiscal year 2014. This analysis was completed for the OMIP program based on information available at accounting close for fiscal year 2014 in September 2014, and the calculated variance was within one percent.

Finding 2013-005: **Department of Human Services/Oregon Health Authority**
Improve Accounting Controls Over Buildings and Accumulated Depreciation

Recommendation: DHS/OHA management improve controls to ensure account balances are accurately stated and reconciled to supporting documentation.

Status: Partial corrective action was taken. The agency response is as follows:.

We have inventoried and affirmed the existence of the assets in the building and building improvement account. We have not identified any other buildings or building improvements that had not been listed. We have reviewed the calculations on the asset spreadsheet and corrected any errors identified. We have implemented control to ensure accuracy going forward including post-review of recorded entries to documentation and calculations.

Finding 2013-006: **Department of Human Services**
Improve Year-end Financial Reporting

Recommendation: DHS management timely estimate and properly record liabilities in the department's financial records. We also recommend department management implement adequate internal controls to ensure all liabilities are appropriately reported in the financial statements.

Status: Corrective action was taken.

Finding 2013-007: **Department of Human Services/Oregon Health Authority**
Improve Controls Over Drug Rebate Revenues

Recommendation: DHS/OHA management gain a better understanding of the controls already in place and implement the necessary complimentary controls to provide assurance that all drug rebate revenue is correctly calculated, invoiced, received, and recorded in the accounting system.

Status: Partial corrective action was taken. The agency response is as follows:

The CareAssist program is administered by the Office of Pharmacy Programs. The program requested and received a response from HRSA/Office of Pharmacy Affairs (OPA) which indicates that the federal agency is strengthening its process for oversight of the pharmaceutical manufacturer's compliance with providing rebates to 340B covered entities and the accuracy of the rebates provided. The actual calculations of the rebate amounts will still be privileged information and will be only for internal OPA use. The program received guidance from HRSA and will develop a mechanism by which rebates received by CAREAssist are compared over time to identify a variance of more than an expected percentage. The process will be a report automatically generated from the database and will allow the program to follow up with both the manufacturer and OPA for an explanation for the variance.

The Medicaid Pharmacy program is administered through the Division of Medical Assistance Programs (DMAP). While the program had a number of existing reviews, these reviews lacked a formal process, and lacked formal documentation of the review. Program staff will be developing formal processes to adequately oversee the contractor's invoicing of drug rebate. Program staff will work to develop sound methods of documenting the drug rebate invoicing process. Program staff is also working with the contractor to develop additional controls around disposition of payments and delinquent payment by developing and using existing MMIS reports for review. Each month for our Rebate meeting, a check off list has been created and after each meeting, the signed check off list is scanned along with reports reviewed.

The agency has historically contracted with a third-party vendor to provide independent assurance over the controls utilized by Hewlett Packard for the Medicaid Management Information System. The agency is in the process of issuing a Request for Proposal (RFP) to select an independent contractor to perform annual MMIS controls audits. The RFP statement of work includes the review of drug rebate processing. The agency anticipates issuing the RFP in early 2015.

Finding 2013-008: **Department of Administrative Services**
Improve Treasury Fund 0401 Reconciliation Procedures

Recommendation: DAS management incorporate procedures into the current reconciliation of fund 0401 to encompass unreconciled deposits in GL account 0065.

Status: Corrective action was taken.

Finding 2013-009: **Department of Administrative Services**
Improve Accounting Procedures around Buildings and Building Improvements

Recommendation: DAS management strengthen review processes over the capitalization and disposal of buildings and building improvements to prevent similar errors from occurring in the future.

Status: Partial corrective action was taken. The agency response is as follows:

DAS Shared Financial Services staff are continuing to work with Enterprise Asset Management (EAM) to develop processes to verify the supporting documents and amounts for capitalization. The corrections and prior period entries were made for all prior year findings before June 30, 2014.

Audit Division staff noted one instance where repair and maintenance expenses were inappropriately capitalized. The corrections were made for prior year finding. DAS had further discussions with the Audits Division and have decided to include better description of the type of projects and the impact of the work on the life of the assets to determine whether to capitalize or expense the cost.

Finding 2013-010: **Department of Administrative Services**
SFMA Access Review Process Should Be Strengthened

Recommendation: DAS management consider automating the process for preventing conflicting access or otherwise strengthen its manual review process to help ensure effective segregation of duties in SFMA.

Status: Corrective action was taken.

Finding 2013-011: **Oregon State Treasury**
Improve Internal Controls Over Financial Reporting
Material Weakness

Recommendation: OST management strengthen its financial statement review process, including the review of detail behind significant adjustments and disclosures, and consider whether financial reporting procedures could be more robust in certain areas.

Status: Corrective action was taken.

Finding 2013-012: **Oregon Military Department**
Accruals Reporting Process Should Be Improved

Recommendation: OMD management develop and implement written policy and methodology for preparing and reviewing accruals for the Disaster Grant to ensure accurate year-end reporting.

Status: Corrective action was taken.

Finding 2013-013: **Department of Education**
Review Accrual Processes

Recommendation: DOE management review the accrual process and incorporate assessments of all significant accounts when determining whether post-close adjustments should be made to record transactions in the correct period. We also recommend the department not update the prior year post close adjustment unless it was determined to be materially incorrect. Finally, we also recommend management ensure its accrual process includes appropriate adjustments to accounts receivable to ensure the balance is correct in the next fiscal year.

Status: Corrective action was taken.

Finding 2013-014: **Department of Forestry**
Long-Term Accounts Receivable Accruals
Material Weakness

Recommendation: ODF management develop a methodology to estimate and accrue, as long-term, the portion of its receivable balance it expects to receive after the state's 90-day accrual period.

Status: Corrective action was taken.

Finding 2013-015: **Department of Transportation**
Transporting Process for IRP Receipts Should Be Strengthened
Material Weakness

Recommendation: ODOT management implement controls to ensure IRP receipts are appropriately controlled when transported to MCTD.

Status: Corrective action was taken.

Finding 2013-016: **Department of Transportation**
Managerial Reviews of Cost Allocations Should Be Improved

Recommendation: ODOT management ensure that proper review and approval of cost allocations occurs.

Status: Corrective action was taken.

Finding 2013-017: **Department of Transportation**
Fixed Asset Controls Should Be Strengthened

Recommendation: ODOT management strengthen its reconciliation process and review of fixed asset transactions to ensure appropriate and accurate financial reporting.

Status: Corrective action was taken.

Finding 2013-018: **Department of Transportation**
Documentation of System Changes Should Be Maintained

Recommendation: ODOT management ensure TAD follow state policy and maintain adequate documentation of all system changes.

Status: Corrective action was taken.

Finding 2013-019: **Department of Transportation**
Annual Fee Test Processes Could Be Improved

Recommendation: ODOT management implement policies and procedures to ensure reviews of annual fee tests are documented and error notifications to other jurisdictions are followed up on.

Status: Corrective action was taken.

Finding 2013-020: **Department of Transportation**
Federal Revenue Accruals Should Be Complete

Recommendation: ODOT management revise the existing policies and procedures for year end accruals for federal revenues to include an accrual for the eligible indirect cost reimbursements.

Status: Corrective action was taken.

Finding 2013-021: **Department of State Lands**
Internal Control Over Financial Reporting

Recommendation: Procedures should be implemented to ensure significant accounts are reconciled in a timely or accurate manner and reviewed by a supervisor.

Status: Partial corrective action was taken. The agency response is as follows:

The required reconciliations are current at this time, however most of this work was not done in a regular, periodic and timely manner. We anticipate that by December 2014 procedures will be in place to ensure that all significant accounts are reconciled in a timely and accurate manner.

Finding 2013-022: **Oregon University System**
Transfer of Completed Projects from Construction in Progress to a Depreciable Category

Recommendation: Business Offices of the various universities review controls surrounding the timely transfer of construction in progress to a depreciable category upon substantial completion. Such controls should include a period review (quarterly or biannually) by the Business Office of projects within construction in progress to determine if any of those projects should be transferred from construction in progress to a depreciable asset so that depreciation can begin timely for the project.

Status: Corrective action was taken.

Finding 12-03: **Oregon Health Authority**
Insufficient Understanding of a New Program (PEBB)
Material Weakness

Recommendation: OHA management ensure staff obtain a better understanding of the PEBB program and timing of program related revenues and expenditures to ensure accurate and complete year-end reporting in compliance with GAAP. We also recommend management implement procedures for reviewing and evaluating program changes and ongoing business

practices to identify any necessary revisions in financial reporting to ensure compliance with GAAP.

Status: Corrective action was taken.

Finding 12-06: **Oregon Department of Fish and Wildlife**
Federal Revenue Accruals
Material Weakness

Recommendation: Management strengthen its methodology for accruing federal revenue by ensuring its methodology reflects the delays in the federal revenue reimbursement process.

Status: Partial corrective action was taken. The agency response is as follows:

At the close of 2013, the department drafted and implemented a methodology to refine the presentation of federal receivables on the balance sheet. This methodology was utilized at the end of FY13/14 to estimate the portion of accounts receivable to be reclassified from current to long-term (non-current), based on the likelihood of being collected within 90 days of June 30, 2014. After Sept. 30, 2014, a retrospective examination of this estimate showed non-current receivables were materially overstated, after a significant portion was collected more quickly than anticipated. The agency intends to analyze these results and make adjustments/revisions to the methodology as necessary.

Finding 12-07: **Oregon Department of Fish and Wildlife**
Services and Supplies Expenditure Accruals

Recommendation: Department management develop a methodology to estimate and accrue expenditures expected to be paid within 90-days of the fiscal year end.

Status: Corrective action was taken.

Prior Year Federal Award Findings and Questioned Costs

This section includes the current status reported by the department of all federal audit findings from fiscal year ended June 30, 2012. It also includes the current status reported by the department of all federal audit findings from fiscal year ended June 30, 2011 that were uncorrected at June 30, 2012.

Finding 2013-023: **Department of Human Services**
OR-Kids System Weaknesses
Foster Care Title IV-E (93.658)
Adoption Assistance (93.659)
Activities Allowed or Unallowed; Eligibility
Material Weakness, Material Noncompliance
Questioned Costs: $13,010

Recommendation: Department management review user access to OR-Kids, ensure services are coded correctly in OR-Kids, review Adoption Assistance and Foster Care cases to verify eligibility is correct in OR-Kids, and ensure overpayment adjustments process correctly. We also recommend department management reimburse the federal agency for unallowable costs.

Status: Partial corrective action was taken. The agency response is as follows:

The department has made several efforts to improve the access controls around OR-Kids. The primary efforts include:

- Completion of the shift to a Role-Based access strategy for all staff.
- Development of a partner Access Assessment Tool.
- Piloting of Access Assessment Tool.
- Development of an Access Oversight Committee which includes representation of Program, Field, Business, and Internal Audits to consider federal and state regulations around access and approval or denial of requests.

The Federal Compliance Unit (FCU) made the decision to not move forward with any automatic eligibility data remediation in April of 2014. This decision was made after two months of intensive data remediation meetings and the discovery that the work FCU had been doing with Office of Business Intelligence to design a data mart was meeting our needs. Since the decision was made FCU and OBI have been able to concentrate on the data and the reports needed to complete any final manual clean-up. FCU believes the completion of the manual clean-up will be December 31, 2014.

The non-recurring services were corrected and the inappropriate claims were adjusted on the CB-496 report, report period ending June 30, 2014.

Finding 2013-024: **Department of Human Services**
OR-Kids Refinancing Results in Duplicate Claims
Foster Care Title IV-E (93.658)*
Adoption Assistance (93.659)*
Temporary Assistance for Needy Families (93.558)
Medicaid Cluster (93.720, 93.777, 93.778)
Centers for Disease Control and Prevention Investigations and Technical Assistance (93.283)
Stephanie Tubbs Jones Child Welfare Services Program (93.645)
Promoting Safe and Stable Families (93.556)
Social Services Block Grant (93.667)
Chafee Foster Care Independence Program (93.674)
Activities Allowed or Unallowed
Material Weakness, Material Noncompliance*
Questioned Costs: $23.4 million

Recommendation: Department management identify and correct data conversion issues and repay the federal government for the duplicate claims.

Status: Partial corrective action was taken. The agency response is as follows:

The department has applied the data fix necessary to address the data conversion issues that caused the duplicate claims. In addition, the Department has made accounting adjustments related to the refinancing issues. These final adjustments were completed during the first part of January, 2015 with an effective date of December 31, 2014.

Finding 2013-025: **Department of Human Services**
Reimbursements Claimed Outside Period of Availability
Foster Care Title IV-E (93.658)
Adoption Assistance (93.659)
Period of Availability
Material Weakness, Material Noncompliance

Recommendation: Department management make appropriate corrections and adjustments to the accounting records to prevent the department from requesting federal reimbursement for expenditures incurred outside the period of availability.

Status: Partial corrective action was taken. The agency response is as follows:

The federal draws are being reconciled at the end of each quarter to the total federal expenditures reported to ACF. Not all required adjustments have been completed as we are waiting for the OR-Kids remediation to be completed which is projected to be by December 2014. All adjustments for prior quarters based on actual claims will be completed at that time.

Finding 2013-026: **Department of Human Services**
<u>CB-496 Report Not Supported</u>
Foster Care Title IV-E (93.658)
Matching, Reporting
Significant Deficiency, Material Noncompliance

Recommendation: Department management ensure CB-496 reports are complete, accurate, and adequately supported.

Status: Partial corrective action was taken. The agency response is as follows:

Corrective action was taken so that all documentation is retained with the report. OR-Kids remediation is projected to be by December 2014, all adjustments for prior quarters based on actual claims will be completed at that time.

Finding 2013-027: **Department of Human Services**
<u>Certification of Eligibility Not Supported</u>
Foster Care Title IV-E (93.658)
Eligibility
Significant Deficiency, Noncompliance
Questioned Costs: $5,100

Recommendation: Department management ensure all required documentation is completed, reviewed and maintained, and that certification dates in OR-Kids are supported by corroborating documentation. We also recommend department management reimburse the federal agency for costs paid to providers who were not certified at the time of payment.

Status: Partial corrective action was taken. The agency responses is as follows:

The department issued the Informational Memorandum on April 1, 2014, providing clarification on the documentation of the certification dates to record for a Certificate of Approval issued. The eligibility will be corrected in March 2015, and the inappropriate claiming will be adjusted on the CB-496 Quarter Ending March 31, 2015.

All steps were taken for this corrective action plan however; based on the findings in the Federal Review, Oregon was found not to be in substantial compliance. Six out of 80 cases did not pass the federal requirements due to the same type of issues found in the Annual Statewide audit. Oregon will be required to submit a Program Improvement Plan to the Administration for Children and Families (ACF). Once submitted, the department will have one year to implement the Program Improvement Plan.

Finding 2013-028: **Department of Human Services**
<u>CB-496 Report Not Complete</u>
Adoption Assistance (93.659)
Reporting
Significant Deficiency, Noncompliance

Recommendation: Department management ensure CB-496 reports are complete, accurate, and adequately supported. We also recommend department management implement processes to ensure the numbers reported for the average number of children assisted are accurate.

Status: Partial corrective action was taken. The agency response is as follows:

For line items on the report which have no expenditures, OFS confirmed with program this information was correct. Adjustments were completed as necessary to ensure all expenditures were reported on the correct line.

The counts of children with non-recurring Adoption Assistance administrative expenses are calculated using OR-Kids expenditure data for those Adoption Assistance services with "non-recurring" in their title. An error was made when the service types were set up in OR-Kids, such that one service that should have been designated as "non-recurring" was not. On March 12, 2014, that service type title was corrected in OR-Kids. Counts for children receiving this service will be included in the Title IV-E Non-Recurring Administrative Cost Expenses line in future CB-496 reports.

Finding 2013-029: **Department of Human Services**
<u>Improve Documentation of Required Income and Benefit Verifications</u>
Temporary Assistance for Needy Families (93.558)
Special Tests and Provisions
Material Weakness, Noncompliance

Recommendation: Department management ensure verification of income with IEVS screens is clearly documented in client case files when determining client eligibility.

Status: Partial corrective action was taken. The agency response is as follows:

TANF program policy requires Self-Sufficiency workers to verify and document eligibility. Staff are also required to use the information from the IEVS screens, as well as other documentary evidence (oral or written), in determining and verifying financial and non-financial eligibility. This is consistent with federal guidance.

The department agrees with the need to reinforce the importance of narrating that relevant information on income was verified using the IEVS screens. The department will continue to reinforce the importance of

narrating when issues with narrating this factor are identified through the current Quality Assurance and Quality Control reviews.

Training materials were reviewed and updated in the summer of 2014. In October and December 2014, communication transmittals were sent to all staff determining eligibility reinforcing the need to narrate that the appropriate IEVS screens were reviewed and to note the outcome if information is located. This review of screens and narration was also reviewed at the Accuracy Summits held across the state in August, September and October of 2014.

Finding 2013-030: **Department of Human Services**
Improve Compliance with Work Verification Plan
Temporary Assistance for Needy Families (93.558)
Special Tests and Provisions
Material Weakness, Noncompliance

Recommendation: Department management strengthen controls to ensure projected hours of participation appropriately reflect the client's employment status, reported activity participation reflects actual hours, and data entered into the automated data processing system is accurate and complete.

Status: Partial corrective action was taken. The agency response is as follows:

In April 2014, the department made programming changes to correct the automated week calendar so that it aligns with the federal report. This change will affect federal data transmissions from May 2014 forward.

In the spring 2013 the TANF program identified point persons in each district who help communicate to staff the correct coding of participation related information.

Work verification JOBS audits are conducted every year. In January 2014 a summary of audit results was shared statewide. The results included acting on reported changes to update projected hours accurately, and ensuring documented hours are input into TRACS accurately. In the spring of 2014 some areas of the State with lower accuracy received an additional review, training and coaching. Lead staff from many field branches were included so that they could help disseminate the information associated with best practices and error trends.

In February 2014, case management training materials and staff tools were reviewed and revised. Other on-line guides were revised in June 2014 and posted in the "staff tools" website. These tools provide expectations for coding the employment status, projecting hours, and accurately reporting the participation hours related to unsubsidized work on Self Sufficiency TANF cases.

In the summer of 2014, the TANF program created a TANF Federal Participation Toolkit and made it available to all staff. The toolkit was shared at statewide program manager and line manager meetings. It includes several guides to help improve upon the accuracy of work participation data and to maximize federal participation hours for the State. Several districts began conducting case reviews for the purpose of engaging families in JOBS or other activities and to check to ensure that those families are still eligible for TANF. These reviews include ensuring the case plan activities are accurately coded in the TRACS system. In addition, TANF program staff visited a few areas of the state in the fall of 2014 to provide training and consultation on the JOBS Activity Guidelines.

Finding 2013-031: **Department of Human Services**
Implement Controls to Ensure Emergency Assistance Does Not Exceed Maximum Level
Temporary Assistance for Needy Families (93.558)
Eligibility
Significant Deficiency, Noncompliance
Questioned Costs: $229,457

Recommendation: Department management prioritize the correction of OR-Kids coding errors and completion of monitoring reports to ensure the benefit threshold of $25,350 is not exceeded and re-determinations are completed timely.

Status: Corrective action was taken.

Finding 2013-032: **Department of Human Services**
Improve Accuracy and Completeness of Performance Data Reports
Temporary Assistance for Needy Families (93.558)
Reporting
Significant Deficiency, Noncompliance

Recommendation: Department management ensure complete and accurate client information is used to compile the quarterly data reports.

Status: Partial corrective action was taken. The agency response is as follows:

Oregon is still working to include the Child Welfare data into the federal report. Additional code modifications have been identified since the last update. The reprogramming means that there has been an additional delay in the inclusion of the Child Welfare TANF expenditure data for the TANF federal report. As of mid-December, new requirements are almost fully reprogrammed. A test file will be sent to Self-Sufficiency OIS staff for inclusion in the TANF federal reports shortly thereafter. Estimated date of code moving to production for ongoing monthly data to be sent to Self-Sufficiency OIS staff is March 2015.

Finding 2013-033: **Department of Human Services**
Ensure Sufficient Supporting Documentation is Readily Available
Temporary Assistance for Needy Families (93.558)
Eligibility
Significant Deficiency

Recommendation: Department management coordinate resources to better maintain and more readily provide sufficient application documentation.

Status: Corrective action was taken.

Finding 2013-034: **Department of Human Services**
Questionable Interpretation of Federal Five-Year Time Limit
Temporary Assistance for Needy Families (93.558)
Eligibility
Noncompliance

Recommendation: Department management seek additional guidance from the federal government to ensure five-year time limit monthly exemptions are being appropriately applied in accordance with federal regulations.

Status: Partial corrective action was taken. The agency response is as follows:

The department is currently interpreting the "Indian Country" provisions of time limits according to the Bureau of Indian Affairs (BIA) designation of "service area." The TANF program, in coordination with the department's Tribal Affairs Director, sent an inquiry on June 2, 2014 to the U. S. Department of the Interior requesting which areas in Oregon constitute "Indian Country." The Department of the Interior sent a response to DHS on August 1, 2014 which included that the Department of Interior is unable to honor the request of DHS for three main reasons: (1) an undertaking analyzing all lands in Oregon that meet the definition of Indian Country provided in 18 U. S. C. § 1151 would be quite large; (2) the Bureau of Indian Affairs has previously responded indicating they do not use the section 1151 in their administration of social programs, rather, the term Service Area is used; and (3) the Department of Interior's provision of legal advice is limited to the interests that affect one of their client agencies followed by a request from the agency. The Department of the Interior recommended DHS consult with the Tribes affected by the program.

DHS has consulted with Oregon Tribes. DHS is currently unable to modify the definition of "Indian Country". To date there is formal opposition from the Confederated Tribes of Siletz Indians, the Confederated Tribes of Coos, Lower Umpqua, and Siuslaw Indians, as well as the Klamath Tribes. The department continues to work on resolving this issue.

Finding 2013-035: **Department of Human Services**
Provider Eligibility Documentation Not Maintained
Medicaid Cluster (93.777, 93.778)
Special Tests and Provisions
Material Weakness, Material Noncompliance
Questioned Costs: $434,435

Recommendation: Department management strengthen controls to ensure all documentation supporting a provider's eligibility determination is retained. For current providers with missing documentation, we recommend the department verify they are eligible to provide services.

Status: Partial corrective action was taken. The agency response is as follows:

Through the avenue of agenda items at Aging and People with Disabilities (APD) Supervisors Quarterly Meetings, APD Program Managers meeting, articles in the newsletter, "In the Loop," and a training module at the 2013 Regional meetings APD has worked to remind managers and staff of the policies and documentation required to support a provider's eligibility and forms that must be retained within the provider files. The APD offices have obtained the missing documentation for most of the providers listed.

Of the 17 providers who needed database checks, we were able to satisfactorily complete all of the checks.

For three providers, the department could not locate the enrollment agreements. Two providers were terminated, and we are investigating whether or not there are costs where the federal sharing must be repaid. We were able to locate the enrollment for the third application.

For the provider that did not have a criminal background check, we were able to locate the check was completed.

For the six providers where we were unable to locate provider files, we have since documented the criminal background check and provider enrollment documents.

Finding 2013-036: **Department of Human Services**
Nursing Facility Audit Procedures Should Be Improved
Medicaid Cluster (93.777, 93.778)
Special Tests and Provisions
Material Weakness, Material Noncompliance

Recommendation: Department management document procedures for completing annual reviews and strengthen the process for conducting desk reviews to include reviewing and making adjustments that could affect the annual payment rate. We also recommend department management ensure full reviews are completed and adequately documented and evidence of supervisory review and approval is retained.

Status: Corrective action was taken.

Finding 2013-037: **Oregon Health Authority**
MMIS Key Edits Should be Periodically Tested
Medicaid Cluster (93.777, 93.778)
Allowable Costs/Cost Principles
Material Weakness

Recommendation: Authority management develop a plan that identifies key MMIS edits and implement procedures to periodically test key system edits to ensure they are functioning as intended. We also recommend management review the claims that should have been rejected by the age and gender restriction panel edits to verify those claims are appropriate.

Status: Partial corrective action was taken. The agency response is as follows:

With the claim rule table modifications completed, the lack of functionality of the MMIS Restriction Panel was again brought forth in late 2013. Work on the permanent correction to the Restriction Panel began in December 2013, with the creation of a change request. Now recognized as a high priority requirement, the notice to proceed for change request was authorized on March 4, 2013. In user acceptance testing, additional issues were identified, so work continues on the permanent correction. It is anticipated the correct panel functionality will be restored as of January 31, 2015.

Finding 2013-038: **Department of Human Services**
Medicaid Payments Not Sufficiently Supported
Medicaid Cluster (93.777, 97.778)
Allowable Costs/Cost Principles; Eligibility
Significant Deficiency; Noncompliance
Questioned Costs: $79

Recommendation: Department management strengthen controls to ensure sufficient documentation is maintained to demonstrate compliance with federal requirements, and ensure the client liability is calculated accurately.

Status: Partial corrective action was taken. The agency response is as follows:

Through the avenue of agenda items at Aging and People with Disabilities (APD) Supervisors Quarterly Meetings, APD Program Managers meeting, articles in the newsletter, "In the Loop," APD has worked to remind managers and staff of the policies and documentation required to support a client's eligibility and forms that must be retained within the client files. APD is also working to implement scanned client files for field offices so that all documentation will be readily available. For the two clients where errors occurred in determining the client's liability, one of the clients is in

a nursing facility and another is deceased. Information was sent to the Estate Recovery Unit to determine if these questioned costs were eligible for estate recovery.

Finding 2013-039: **Department of Human Services**
Incorrect Federal Medical Assistance Percentage Rate Used
Medicaid Cluster (93.777, 93.778)
Matching
Significant Deficiency; Noncompliance
Questioned Costs: $35,983

Recommendation: Department management correct the transactions processed with this incorrect coding. We also recommend department management ensure system coding is appropriately updated to allow only current FMAP rates to be used.

Status: Corrective action was taken.

Finding 2013-040: **Department of Human Services**
Nursing Facility Provider Health and Safety Standard Surveys Not Performed Timely
Medicaid Cluster (93.777, 93.778)
Special Tests and Provisions
Significant Deficiency, Noncompliance

Recommendation: Management develop a plan based on current resources to ensure the timely completion of provider health and safety standard surveys for nursing facilities.

Status: Partial corrective action was taken. The agency response is as follows:

Over the past four years we have implemented several continuous improvement activities that have resulted in efficiency gains to the survey process, in turn reducing the amount of time it takes to survey a provider. Those efficiencies have resulted in a 33% reduction in new surveyor training time. We have made efforts to minimize survey related travel and made a 10% reduction in report writing time. We have implemented an electronic document workflow process, streamlined our report review process to facilitate a faster turnaround time between surveys, and provided provider training on how they can prepare for the new QIS process. Additionally, since July 2013 we have hired a significant number of new surveyors. This has been offset by a number of retirements and staff resignations.

Over the coming two years, we will take a number of steps to bring the department into compliance. By February 2015, we plan to make job offers on all current surveyor vacancies. By September 30, 2015, all new surveyors will be trained, Surveyor Minimum Qualifications Test (SMQT)

certified and QIS registered. During this time we will also assess the survey and training teams to optimize production, optimize survey and surveyor turnaround time, evaluate utilization of CMS approved survey contractor to help us complete surveys and evaluate our surveyor recruitment process to enable us to reach better and more qualified applicants. We have also begun bringing retired and resigned surveyors back on a temporary basis to perform surveys.

Our goal is to achieve compliance, and to have no facility with a survey interval over 12.9 months (which is well below the required 15.9 months). We estimate this will be achieved in early 2016.

Finding 2013-041: **Oregon Health Authority**
Required Provider Screening Not Documented
Medicaid Cluster (93.777, 93.778)
Eligibility; Special Tests and Provisions
Significant Deficiency, Noncompliance

Recommendation: Authority management maintain evidence of the initial and renewing database checks for enrolled providers.

Status: Partial corrective action was taken. The agency response is as follows:

A prior audit found that historical documentation of these database checks was not sufficient. To address this, an MMIS change request was written on March 28, 2013. This change request will expand the provider panel to include a series of check boxes where the enrollment staff could record what databases were checked and when they were checked. The initial estimated completion date for change request was October 31, 2013. Due to other priorities, work to get the change request completed did not occur until late March 2014. This change has now been completed and deployed the week of August 25, 2014.

These exclusion database check boxes will be applied to newly enrolling providers. All providers will be documented for exclusion checks upon the completion of the ACA provider revalidation requirement. This revalidation requirement is targeted for completion in March 2016.

Finding 2013-042: **Oregon Health Authority**
ADP Risk Analyses and System Security Review Procedures Need Strengthening
Medicaid Cluster (93.777, 93.778)
Special Tests and Provisions
Significant Deficiency, Noncompliance

Recommendation: Authority management develop a security plan that addresses all federally required components, develop and implement a formalized risk analysis program, and ensure system security reviews are conducted

timely for all applicable systems involved in the administration of the Medicaid program.

Status: Partial corrective action was taken. The agency response is as follows:

The Information Security and Privacy Office (ISPO) is currently in the process of performing a Risk Assessment (RA) on the MMIS System. The first part of this assessment was completed in March 2015. ISPO is also on track to perform vulnerability assessments on MMIS in the Summer of 2015. We anticipate that a number of subsystems that "feed" into or use output from MMIS may also be candidates for evaluation. This is dependent on ensuring that the evaluations will not disrupt the transition from Cover Oregon (CO) Health Insurance Exchange or the contingency support efforts for CO during the Magi/Medicaid and Qualified Health Plan Transition project. We anticipate that evaluation of those systems will occur in during the 3rd and 4th quarter of 2015. ISPO's RA program is in the operational pilot stage. Staff have undergone formal training by ISACA and have successfully conducted two pilot assessments to fine tune the tool selection and processes. The overarching policy has been approved as part of a revised security policy set.

Finding 2013-043: **Oregon Health Authority**
Obligations Incurred Outside of the Period of Availability
Immunization Cooperative Agreements (93.268)
Period of Availability
Significant Deficiency, Noncompliance
Questioned Costs: $87,930

Recommendation: Management strengthen its review of balance transfers to ensure costs are not charged to a grant outside of its period of availability. We further recommend management consider implementing a process to limit the charging of costs to a closed grant thereby minimizing the need for corrections.

Status: Corrective action was taken.

Finding 2013-044: **Oregon Health Authority**
Federal Financial Reports Not Supported by Accounting Records
Immunization Cooperative Agreements (93.268)
Reporting
Significant Deficiency, Noncompliance

Recommendation: Management ensure the appropriate report is submitted at the end of a grant period. We also recommend management strengthen its reconciliations of Federal Financial Reports to ensure accounting records fully support reported amounts.

Status: Corrective action was taken.

Finding 2013-045: **Oregon Health Authority**
Strengthen Controls Over Supporting Documentation
Immunization Cooperative Agreements (93.268)
Allowable Costs/Cost Principles
Significant Deficiency

Recommendation: Management ensure controls are in place to review and retain reports used to justify payroll funding splits. Management should ensure funding splits entered into OSPA are appropriate, including those with differences noted during the audit.

Status: Corrective action was taken.

Finding 2013-046: **Oregon Housing and Community Services Department**
Review of Subrecipient Costs for Allowability Should be Improved
Low-Income Home Energy Assistance (93.568)
Activities Allowed or Unallowed; Subrecipient Monitoring
Material Weakness, Noncompliance

Recommendation: Department management implement internal controls for subrecipient monitoring to ensure federal reimbursements are for allowable program activities.

Status: Partial corrective action was taken. The agency response is as follows:

The partial corrective action taken included refined and clearly documented procedures for fiscal monitoring during the annual subrecipient monitoring visit to ensure all reimbursements had occurred for allowable expenses. Particular clarification, procedures, and trainings have been provided to examine and test application of cost allocations and costs included within pools to ensure appropriateness and allowability.

Finding 2013-047: **Oregon Housing and Community Services Department**
Strengthen Controls Over Cash Management
Low-Income Home Energy Assistance (93.568)
Community Services Block Grant (93.569)
Cash Management
Material Weakness

Recommendation: Department management strengthen its controls to ensure RFFs are for allowable costs already paid for by the subrecipient, advances are made only to meet immediate cash needs, and advances are expended soon after advanced.

Status: Partial corrective action was taken. The agency response is as follows:

The partial corrective action taken included a review by the fiscal monitor during the annual subrecipient monitoring visit to ensure appropriate reimbursement to subrecipients had occurred for allowable expenses already incurred. Additionally, request for advances are required to be documented in the Request for Funds and are reviewed during the subrecipient monitoring visit for appropriateness, allowability, and immediate need

Finding 2013-048: **Oregon Housing and Community Services Department**
Improve Controls Over Subrecipient Cost Allocation Plans
Low-Income Home Energy Assistance (93.568)
Community Services Block Grant (93.569)
Allowable Costs/Cost Principles; Subrecipient Monitoring
Material Weakness

Recommendation: Department management develop procedures and provide training to staff to ensure the cost allocation plans of its subrecipients are sufficiently reviewed to determine whether the cost allocation plans provide for an equitable allocation of allowable costs to federal programs.

Status: Partial corrective action was taken. The agency response is as follows:

The partial corrective action taken included ensuring cost allocation plans are collected and reviewed with subrecipient management and a quality control review is completed prior to finalization of the monitoring report. Additionally, training and procedures were developed to ensure appropriate understanding, application and testing of cost allocation plans occur during the fiscal monitoring process.

Finding 2013-049: **Oregon Housing and Community Services Department**
Improve Subaward Reporting under the Transparency Act
Low-Income Home Energy Assistance (93.568)
Community Services Block Grant (93.569)
Reporting
Significant Deficiency, Noncompliance

Recommendation: Department management implement a procedure to ensure that reports are not duplicated on the federal reporting website, and that management contact the federal awarding agency in a timely manner if they are unable to submit a report.

Status: Corrective action was taken.

Finding 2013-050: **Department of Justice**
<u>Strengthen Controls Over Reporting</u>
Child Support Enforcement (93.563)
Reporting
Significant Deficiency, Noncompliance

Recommendation: Department management strengthen controls to ensure that the reported amounts are complete, accurate, and agree to accounting records. We also recommend management review the reports submitted for fiscal year 2013 and submit corrections to the federal awarding agency if necessary.

Status: Partial corrective action was taken. The agency response is as follows:

* A consistent documented process for preparing the Child Support Program (CSP) 396A expenditure report is in practice and has been utilized to prepare the quarters - ending March 30, 2014 and June 30, 2014 reports. Status: Corrective action was taken.

* The aforementioned documented process includes a spreadsheet that provides a three-way reconciliation starting from the Statement of Financial Report (SFR) 425 to the CSP 396A expenditure report and finally to the accounting records. For example: The total draw amount reported in the SFR 425 is reconciled to the Net Federal Share of Federal of Expenditures in the CSP 396A Report and finally to the detail in the accounting records. Status: Corrective action was taken.

* A review process with shared responsibilities between management from the Administrative Services Division (ASD) and the Child Support Program is in practice. The CSP 396A Expenditure Report for the quarters - ending, March 30, 2014 and June 30, 2014 was reviewed by the ASD Financial Services Accounting Manager for the validity, accuracy, and completeness of accounting information reported. The Child Support Program Performance Budget and Statistics Manager reviewed the report for program requirement compliance. Status: Corrective action was taken.

* Data collection to re-create the 396A expenditure report for the state fiscal year 2013 has been completed by the Child Support Program Grant Accountant. Next steps include segmenting the data and transferring segmented information to the 396A Report. The reconciliation of the 034A Report is almost complete. We anticipate completion, including any adjustments resulting from the work on both reports, by the agreed-upon date of September 30, 2014. Status: Partial Corrective action was taken.

Finding 2013-051: **Department of Justice**
Improve Documentation of Cash Draws
Child Support Enforcement (93.563)
Cash Management
Significant Deficiency

Recommendation: Department management improve procedures and controls to ensure cash draws are in compliance with federal program requirements and sufficient documentation is retained to support each cash draw.

Status: Corrective action was taken.

Finding 2013-052: **Department of Human Services**
Controls Over EBT Card Security Were Not Followed
Supplemental Nutrition Assistance Program (SNAP) Cluster (10.551, 10.561)
Special Tests and Provisions
Significant Deficiency, Noncompliance

Recommendation: Department management ensure branch offices are aware of and follow the established procedures for securing EBT cards.

Status: Partial corrective action was taken. The agency response is as follows:

DHS is developing a Financial Desk Training for Aging and People with Disabilities (APD) and Self Sufficiency Program (SSP) staff, whose duties involve financial business process, and field managers. The Financial Desk Training will include a section on the established procedures for Electronic Benefit Transfer (EBT) card security. The Field Business Procedures Manual and the Business Review Tools are used as a basis for the training curriculum. SSP Office Managers and Business Experts received the Financial Training for Managers, focusing on Electronic Benefit Transfer (EBT) card security and managing RACF access, in May 2014. In addition, a communication was sent to office leadership in June 2014, regarding the importance of securing EBT cards and following the policy outlined in the Field Business Procedures Manual for monthly inventory.

Financial Manager Training webinars, including a section on established procedures for EBT card security, were held on December 23, 2014, February 11, 2015 and February 12, 2015. We have recorded a webinar session and are currently testing it in the Learning Center Test Site. The final product for the Financial Training for Managers Webinar recording will be available on the Learning Center by March 18, 2015.

As with other findings, APD has also addressed this topic through agenda items at APD Supervisors Quarterly Meetings, APD Program Managers meeting, and articles in the newsletter, "In the Loop." Through these

efforts APD has worked to remind managers and staff of the policies and documentation needed in effective management of the EBT card security.

Finding 2013-053: **Department of Education**
Claims Paid Outside the Allowed Claim Window
Child Nutrition Cluster (10.553, 10.555, 10.556, 10.559)
Child and Adult Care Food Program (CACFP)(10.558)
Allowable Costs/Cost Principles
Significant Deficiency, Noncompliance
Questioned Costs: $230,802

Recommendation: Department management strengthen its controls and ensure compliance with submission timeframe requirements of the program. We also recommend management work with the federal agency to resolve the overpayments.

Status: Corrective action was taken.

Finding 2013-054: **Department of Education**
FNS-777 Report - Not Reporting All Activity in the Period
Child Nutrition Cluster (10.553, 10.555, 10.556, 10.559)
Child and Adult Care Food Program (CACFP)(10.558)
Reporting
Significant Deficiency, Noncompliance

Recommendation: Department management strengthen existing controls to ensure federal FNS-777 reports are prepared in accordance with federal guidelines; specifically, ensuring the reports include all expenditures of the reporting period.

Status: Corrective action was taken.

Finding 2013-055: **Oregon Employment Department**
Overpayments to Claimants
Unemployment Insurance Program (17.225)
Eligibility
Significant Deficiency, Noncompliance

Recommendation: Department management continue to work to establish adequate processes to prevent, identify, and timely process overpayments that occur.

Status: Corrective action was taken.

Finding 2013-056: **Oregon Employment Department**
Program Eligibility Not Consistently Documented
Unemployment Insurance Program (17.225)
Eligibility
Significant Deficiency

Recommendation: Department management ensure claimant eligibility for program benefits is documented.

Status: Corrective action was taken.

Finding 2013-057: **Oregon Military Department**
Federal Funding Accountability and Transparency Act Reporting Not Performed
Disaster Grants-Public Assistance (Presidentially Declared Disasters) (97.036)
Reporting
Significant Deficiency, Noncompliance

Recommendation: Management develop and implement policies and procedures to ensure compliance with FFATA reporting requirements.

Status: Corrective action was taken.

Finding 2013-058: **Oregon Military Department**
Report Preparation and Review Should Be Strengthened
Disaster Grants-Public Assistance (Presidentially Declared Disasters) (97.036)
Reporting
Significant Deficiency

Recommendation: Department management update and implement its reporting procedures to clarify documentation needed to ensure complete and accurate reporting, and effective review.

Status: Corrective action was taken.

Finding 12-08: **Oregon Department of Education**
Allowable Costs – Incorrect System Coding Resulting in Overpayments
Child Nutrition Cluster (10.553, 10.555, 10.556, 10.559)
Child and Adult Care Food Program (10.558)
Allowable Costs/Costs Principles
Material Weakness, Material Noncompliance
Questioned Costs: $311,597

Recommendation: Department management ensure compliance with submission timeframe requirements of the program and work with the federal agency to resolve the overpayments.

Status Corrective action was taken.

Finding 12-09 **Oregon Department of Education**
Reporting – FNS-777 Not Reporting All Activity of Period
Child Nutrition Cluster (10.553, 10.555, 10.556, 10.559)
Child and Adult Care Food Program (10.558)
Reporting
Material Weakness, Material Noncompliance

Recommendation: Department management ensure that total expenditures for the period are reported. We also recommend department management develop a process to ensure that advances are included on the report.

Status: Corrective action was taken.

Finding 12-10: **Oregon Housing and Community Services Department**
Lack of Controls Over Equipment
Weatherization Assistance for Low-Income Persons (81.042)
ARRA – Weatherization Assistance for Low-Income Persons (81.042)
Low-Income Home Energy Assistance (93.568)
Equipment, Subrecipient Monitoring
Material Weakness, Material Noncompliance

Recommendation: OHCS management ensure that subrecipient monitoring activities include a thorough review of the subrecipient's equipment inventory. OHCS management should ensure that the master equipment list is a complete list of all equipment purchased with federal funds and that it contains accurate equipment descriptions. Management should ensure the files contain evidence of proper approvals and that proper procedures are followed for the acquisition, maintenance, security and disposal of equipment in accordance with federal requirements.

Status: Corrective action was taken.

Finding 12-12: **Oregon Housing and Community Services Department**
Subrecipient Cost Allocation Plans Not Reviewed
Weatherization Assistance for Low-Income Persons (81.042)
ARRA – Weatherization Assistance for Low-Income Persons (81.042)
Low-Income Home Energy Assistance (93.568)
Community Services Block Grant (93.569)
Allowable Costs/Cost Principles, Subrecipient Monitoring
Significant Deficiency, Noncompliance

Recommendation: OHCS management develop procedures and provide training to staff to ensure the cost allocation plans of its subrecipients are sufficiently reviewed.

Status: Partial corrective action was taken. The agency response is as follows:

The partial corrective action taken included ensuring cost allocation plans are collected and reviewed with subrecipient management and a quality control review is completed prior to finalization of the monitoring report.

Finding 12-14: **Oregon Housing and Community Services Department**
Program Activities/Costs Not Reviewed for Allowability
Low-Income Home Energy Assistance (93.568)
Community Services Block Grant (93.569)
Activities Allowed or Unallowed; Subrecipient Monitoring
Material Weakness, Material Noncompliance

Recommendation: OHCS management implement internal controls over subrecipient monitoring to ensure subrecipients expend federal funds for allowable activities and allowable costs authorized by each federal program. Monitoring activities should encompass the review of subrecipients' RFFs in sufficient detail to ensure costs are for allowable activities.

Status: Partial corrective action was taken. The agency response is as follows:

The partial corrective action taken included a review conducted by the fiscal monitor during the annual subrecipient monitoring visit to ensure reimbursement to subrecipients had occurred for allowable expenses. In addition to the action already taken, the inspection and attachment of all current subrecipient cost allocation plans are reviewed, tested, and kept as part of the inspection file.

Finding 12-15: **Oregon Housing and Community Services Department**
Cash Management – Timing/Immediacy Not Reviewed
Low-Income Home Energy Assistance (93.568)
Community Services Block Grant (93.569)
Cash Management
Material Weakness, Material Noncompliance

Recommendation: OHCS management put a process in place to ensure RFFs are for allowable program expenditures already incurred and that advances are for an immediate need in order to minimize the time between draw-down and disbursement of funds. Management should also ensure the need for an advance is documented and verify that the subrecipient expended the funds to minimize time elapsed between the receipt of the funds and the subrecipient's use of the funds.

Status: Partial corrective action was taken. The agency response is as follows:

The partial corrective action taken included a review by the fiscal monitor during the annual subrecipient monitoring visit to ensure reimbursement to subrecipients had occurred for allowable expenses that had already been incurred. Additionally, request for advances are required to be documented in the Request for Funds and are reviewed during the subrecipient monitoring visit for appropriateness, allowability, and immediate need.

Finding 12-18: **Oregon Housing and Community Services Department**
Procurement, Suspension and Debarment – Not Monitored
Low-Income Home Energy Assistance (93.568)
Community Services Block Grant (93.569)
Procurement, Suspension, and Debarment, Subrecipient Monitoring
Significant Deficiency, Noncompliance

Recommendation: OHCS management reinstate written monitoring procedures that include the review and documentation of procurement policies as well as testing of subrecipients' compliance with procurement and suspension and debarment requirements.

Status: Corrective action was taken.

Finding 12-23: **Department of Human Services**
Inaccurate Reporting and Unsupported Matching Funds
Foster Care Title IV-E (93.658)
Matching, Reporting
Material Weakness, Material Noncompliance
Questioned Costs: $1.6 million

Recommendation: The department maintain sufficient accounting records and other documentation as appropriate to support the federal and nonfederal

expenditures reported for each quarterly report. Further, we recommend department management consider whether increased staff training is necessary. Finally, department management should submit corrected quarterly reports and reimburse the federal agency for any amounts owed due to insufficient matching funds.

Status: Partial corrective action was taken. The agency response is as follows:

Additional research is still being conducted to ensure the accuracy of the quarterly federal report. Some of the prior period increasing adjustments included in the total referenced in the finding may be offset with prior period decreasing adjustments, therefore reducing the amount needing to be returned to Administration for Children and Family (ACF). Any adjustment needed is expected to be completed for the period ended March 31, 2015.

Finding 12-24: **Department of Human Services**
New Child Welfare System Has Significant Weaknesses
Foster Care Title IV-E (93.658)
Activities Allowed or Unallowed; Eligibility; Reporting
Material Weakness

Recommendation: Department management continue to work toward developing a stable system that meets business needs, has accurate and complete reporting, and helps ensure compliance with the Foster Care Title IV-E state and federal regulations.

Status: Partial corrective action was taken. The agency response is as follows:

The department continues to improve the system in ways that are gradually moving us toward achieving the recommendations from the audit. However, the complexity of the system and challenges in fully staffing the OR-Kids Technical Team has proven to be barriers to timely completion of the identified recommendations.

Focused efforts and great strides have been made to increase the stability of OR-Kids. These efforts have included:

- Smaller and more thoughtful build schedules.
- More focused and thorough testing prior to the release of builds into production.
- Increased resources and efforts around the operation and maintenance of servers.
- Upgrades to the existing infrastructure of the system to support the system.

Significant progress has also been made in regard to the data remediation efforts. This includes:

- The completion of a manual fix applied to the financial records that will prevent further inaccurate federal refinancing.
- Completion of the analysis of eligibility remediation and the approval to use manual correction instead of any automatic remediation.
- Completion of the analysis and approval of the strategic approach to remediate the adoption data.
- Initial analysis and collaborative planning around strategic approaches to the remediation of the CPS and eligibility data is in progress.

As much as this effort has progressed, competing efforts and limited technical understanding of the system and limited trained resources have delayed the progress. The original projected date of March 15, 2015 is now changed to December 31, 2015.

The issue around streamlined payment and process has been the focus of a current workgroup that has made significant progress. The following efforts have been completed or continue:

- A new remittance advice has been deployed in OR-Kids, giving providers a detailed account of their payments.
- A new contract payment invoice is in a pilot over three counties and four providers.
- A Computer-Based Training is in development to assist contracted providers in accurately submitting their billings.
- Standards have been developed for validating and authorizing payment for contracted services.
- Systems have been created for submission and processing payments.
- Training is in development for agency staff that is expected to be deployed during the fall of 2014.

Finding 12-25: **Department of Human Services**
Eligibility – Required Verification of Age and Home Study Not Documented
Foster Care Title IV-E (93.658)
Eligibility
Significant Deficiency, Noncompliance
Questioned Costs: $869

Recommendation: The department ensure all required documentation is completed, reviewed and maintained prior to certifying providers or determining children eligible for Foster Care IV-E reimbursement.

Status: Partial corrective action was taken. The agency response is as follows:

The audit findings were discussed at the Child Welfare Program Manager's meeting. The Licensed Child Placing Agencies certification requirements were reviewed in conjunction with a review of all Title IV-E foster care eligibility (which includes certification and licensing) in preparation for a Federal Title IV-E Foster Care review held in July 2014.

All steps were taken for this corrective action plan however; based on the findings in the Federal Review, Oregon was found not to be in substantial compliance. Six out of 80 cases did not pass the federal requirements due to the same type of issues found in the Annual Statewide Audit. Oregon will be required to submit a Program Improvement Plan to the Administration for Children and Families (ACF). Once submitted, the department will have one year to implement the Program Improvement Plan.

Finding 12-26**:** **Department of Human Services**
Eligibility – Child Welfare, Exceeding Benefit Threshold
Temporary Assistance for Needy Families (93.558)
Eligibility
Significant Deficiency, Noncompliance
Questioned Costs: $102,334

Recommendation: Department management prioritize the completion of the development of a report to alert eligibility staff when a client is nearing or exceeding the $25,350 threshold, or when re-determinations are due. In addition, department management should determine the total amount of TANF funds paid on behalf of ineligible clients and ensure it is properly credited back to the federal program.

Status: Corrective action was taken.

Finding 12-27: **Department of Human Services**
Special Tests and Provisions – Income Eligibility Verification System
Temporary Assistance for Needy Families (93.558)
Special Tests and Provisions
Significant Deficiency, Noncompliance

Recommendation: Department management complete their corrective action plan to ensure that verification of IEVS required screens is documented when determining client eligibility.

Status: Partial corrective action was taken. The agency response is as follows:

In October 2012, the Quality Control (QC) unit began randomly reviewing a small sample of TANF cases each month state-wide. The purpose of these reviews is to ensure TANF eligibility was correctly determined. The

QC reviewer verifies financial information using the same IEVS screens that workers use to determine eligibility. The cases determined in error by the QC reviewer are reviewed with Policy staff at bi-monthly Error Staffing meetings and discussed with field staff at Statewide Monthly QC Panel meetings by video conference. In addition, the TANF analyst sends electronic mail reminders to field staff and their lead workers on the importance of narrating how income and other information was verified. The analyst includes a link to the Family Service Manual Worker Program Guide on narration.

In April of 2013, the Office of Program Integrity and the TANF program issued a special edition in the "On-Target" newsletter. The newsletter included an article on the QC reviews' most common findings, as well as articles on appropriate narration of verified income and other information. The TANF program also contributed to the June 2013 "On-Target" article on narration and use of social security numbers.

The TANF program and QC reviewer meet monthly to discuss means by which to improve accuracy and narration of financial information.

Beginning in September 2013, the Office of Program Integrity Quality Assurance, in partnership with the TANF program, began to pilot a Quality Assurance (QA) review tool for TANF eligibility. QA reviews are continuing in 2014 on a limited basis. While the QA reviews are broader than the QC reviews, QA continues to review financial eligibility and use of IEVS screens.

In the summer of 2014, the Training Unit reviewed and revised the TANF training curriculum relative to checking IEVS screens. The Training unit continues to train on use and narration of IEVS screens to verify income and eligibility. In October and December 2014, communication transmittals were sent to all staff determining eligibility reinforcing the need to narrate that the appropriate IEVS screen were reviewed.

Finding 12-28: **Department of Human Services**
<u>Special Tests and Provisions – Work Verification Plan Not Always Followed</u>
Temporary Assistance for Needy Families (93.558)
Special Tests and Provisions
Significant Deficiency, Noncompliance

Recommendation: Department management ensure that hours of work are verified before being reported, as outlined in the state's HHS-approved Work Verification Plan.

Status: Partial corrective action was taken. The agency response is as follows:

The TANF program identified and created a list of JOBS Work Verification branch and district point staff in the spring of 2013. The TANF unit has been relaying information through the point staff list whenever important updates need to be communicated. The TANF program continues to partner with the Office of Information Services and Self-Sufficiency business analysts to make improvements to the databases in order to ensure accuracy of information being transmitted to Administration for Children and Families (ACF).

The TANF program completed the 2013 Work Verification JOBS Audits and the performance was 90.3% accurate. Some areas of the State with lower accuracy received an additional review and coaching. Local leadership and staff were convened to walk through the review process using another random case selection. This allowed them to see first-hand the information required to remain in compliance with the Oregon Work Verification Plan. In addition, training was provided to these areas on how to use the JOBS Activity Guidelines as an ongoing resource document for best practices.

The TANF program completed the 2014 annual JOBS Audits and the performance was 93.2% accurate. There were 1,987 participation cases reviewed. The site reviews continued to include staff, leadership, and partner meetings to debrief the review findings, as well as to address other common questions and policy clarifications.

Finding 12-29: **Department of Human Services/Oregon Health Authority**
<u>Required Provider Screening Not Documented</u>
Medicaid Cluster (93.720, 93.777, 93.778)
Special Tests and Provisions
Significant Deficiency, Noncompliance

Recommendation: Authority management maintain evidence of the initial and monthly database checks for enrolled providers and we recommend department management maintain evidence of the initial EPLS database checks.

Status: Partial corrective action was taken. The agency response is as follows:

The required screening for applying providers is occurring as outlined in the Division of Medical Assistance Programs' enrollment procedures. Additionally, to document this effort is occurring, a change request to our Medicaid Management Information System (MMIS) was written. This change request modified the provider subsystem to allow an enrollment specialist to document within the MMIS that the required screening checks had been successfully completed. This change request was completed and deployed the week of August 25, 2014. This change will apply to all new OHA enrolled and department MMIS enrolled providers

after that date. It is anticipated that all providers in MMIS will be reviewed as part of the ACA revalidated by March 2016. In addition to MMIS, APD Provider Relations uses the eXPRS provider enrollment system to capture the required database checks for the ODDS providers enrolled through eXPRS. Finally, APD Provider Relations will also continue to maintain spreadsheets of the required database checks for the OrAccess enrollment system. APD Provider Relations conducts all of the required database checks for the APD provider populations upon enrollment and renewal, including EPLS aka SAM and documents this in the systems or spreadsheets if the system does not have the capability.

Finding 12-30: **Department of Human Services/Oregon Health Authority**
Provider Eligibility Documentation Not Maintained
Medicaid Cluster (93.720, 93.777, 93.778)
Special Tests and Provisions
Significant Deficiency, Noncompliance
Questioned Costs: $41,554

Recommendation: Department management strengthen controls to ensure that all documentation to support a provider's eligibility determination is retained and verify that providers with missing documentation are eligible to provide services.

Status: Partial corrective action was taken. The agency response is as follows:

Through the avenue of agenda items at Aging and People with Disabilities (APD) Supervisors Quarterly Meetings, APD Program Managers meeting, articles in the newsletter, "In the Loop," and a training module at the 2013 Regional meetings APD has worked to remind managers and staff of the policies and documentation required to support a provider's eligibility and forms that must be retained within the provider files. The APD offices have obtained the missing documentation for all of the providers listed except for one. The department is in the process of making adjustment to the federal claiming for those questioned costs. APD is also working to implement scanned files for field offices. The first step of this project will be on-line client files. After this is completed, APD is exploring the possibility of having provider files scanned and on-line as well.

Finding 12-31: **Department of Human Services/Oregon Health Authority**
Procedures are Needed for Nursing Facility Audits
Medicaid Cluster (93.720, 93.777, 93.778)
Special Tests and Provisions
Significant Deficiency, Noncompliance

Recommendation: Department management document the procedures for completing the annual reviews of nursing facilities and establish controls to ensure reviews are completed in accordance with these procedures.

Status: Corrective action was taken.

Finding 12-33: **Department of Human Services/Oregon Health Authority**
Medicaid Payments Not Sufficiently Supported
Medicaid Cluster (93.720, 93.777, 73.778)
Allowable Costs/Cost Principles, Eligibility
Significant Deficiency, Noncompliance
Questioned Costs: $680

Recommendation: Department management strengthen controls to ensure documentation is maintained in the case files sufficient to demonstrate compliance with federal requirements.

Status: Partial corrective action was taken. The agency response is as follows:

The missing Self-Sufficiency Program (SSP) case files were located subsequent to audit fieldwork that shows the SSP was in compliance with federal requirements. Aging and People with Disabilities (APD) will send reminders and provide an informational/training module on the importance of documenting private health insurance, as well as what needs to be retained in a client's case file and for how long.

Through the avenue of agenda items at APD Supervisors Quarterly Meetings, APD Program Managers meeting, articles in the newsletter, "In the Loop," and a training module at the 2013 Regional meetings, APD has worked to remind managers and staff of the policies and documentation required to support a client's eligibility and forms that must be retained within the client files. The APD offices have obtained the missing documentation and are working to have the improper payments billed back to clients. If necessary, the department will make adjustment to the federal claiming for those questioned costs. APD is also working to implement scanned client files for field offices so that all documentation will be readily available.

Finding 12-34**:** **Department of Human Services/Oregon Health Authority**
Periodic Reviews of MMIS Edits are Needed
Medicaid Cluster (93.720; 93.777; 93.778)
Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; Special Tests and Provisions
Significant Deficiency

Recommendation: Management implement procedures to periodically test edits in the MMIS. We also recommend management review the claims that should have been rejected by these edits to determine their appropriateness.

Status: Partial corrective action was taken. The agency response is as follows:

The lack of functionality of the MMIS Restriction Panel was again brought forth in late 2013. Work on the permanent correction to the Restriction Panel began in December 2013, with the creation of a change request. Now recognized as a high priority requirement, the notice to proceed for the change request was authorized on March 4, 2013. In user acceptance testing, additional issues were identified, so work continues on the permanent correction. It is anticipated the correct panel functionality will be restored as of January 31, 2015.

Finding 12-38: **Oregon Employment Department**
Overpayments to Claimants
Unemployment Insurance Program (17.225)
Eligibility
Significant Deficiency, Noncompliance
Questioned Costs: $264,000

Recommendation: Department management continue to work to establish adequate processes to prevent, identify, and timely process overpayments that occur.

Status: Corrective action was taken.

SUMMARIES OF SIGNIFICANT AUDIT REPORTS ISSUED BY THE OREGON SECRETARY OF STATE AUDITS DIVISION

REPORT TITLE AND NUMBER: **Child Care in Oregon: Difficult to Afford; New Regulations May Improve Safety but Further Raise Costs; Report No. 2014-25**

REPORT DATE: December 2014

RESULTS IN BRIEF: New federal rules to take effect next year will substantially increase Oregon's oversight of child care providers and could improve safety for children. However, the new rules risk reducing the number of regulated providers and raising costs in a state where child care is difficult to afford.

Oregon child care is relatively unaffordable

Oregon's median income is relatively low and child care costs are relatively high, posing major challenges for parents and regulators. The state also has a relatively high overall cost of living, making child care more difficult to afford.

Oregon's child care costs have increased in recent years while household income has decreased, particularly among single mothers. In 2012, the average annual cost of infant care in Oregon ranked 5th highest in the nation. In 2012, state median income in Oregon ranked in the bottom third for married couples and single mothers.

Although child care is expensive, the industry pays low wages. In 2013, the hourly average wage for child care workers in Oregon was $11.18. This rate exceeds the national average, but it falls below federal poverty guidelines for a family of four.

The need for child care is substantial. About 4,360 child care facilities offer 151,000 child care slots across the state—an estimated 165,000 children in Oregon need care.

In Oregon and elsewhere, families in urban areas tend to pay more than families in rural areas. State child care standards, including background check, inspections, education and training requirements, and maximum ratios of children to staff, can also increase child care costs.

Child care policies vary

No single solution can address child care affordability, but policy makers do have options to consider. Several states use child care subsidies and tax credits to help parents pay for child care. Oregon offers tax credits for child care but they are scheduled to expire at the end of 2015. Some states provide

universal preschool, which may reduce child care costs for parents. Other countries offer extensive paid leave policies for new parents. In the U.S., only California, Rhode Island, and New Jersey offer paid leave.

Investing in child care is costly, but affordable child care also creates long term benefits. When parents can afford child care, they can participate in the workforce or enroll in postsecondary education, which can strengthen Oregon's economy. Affordable child care can also offer parents child care settings that improve school readiness.

New rules will raise oversight standards

Oregon's child care system features multiple agencies and a variety of providers, which makes for complex, uneven regulation.

Our audit found that new rules to strengthen safety standards in federally-funded care will fill many gaps in Oregon's oversight system. For many providers, the rules will require more comprehensive background checks, increase on-site monitoring, and require more information to be posted online for parents to reference.

Under the new rules, listed, unlicensed providers—those who accept payment for children receiving subsidy and are not required to be licensed in Oregon—will receive inspections. Currently, Oregon only inspects licensed child care facilities.

Oregon now only requires fingerprints in limited circumstances, primarily when individuals self-disclose recent out-of state-residency or out-of-state crime. The new rules will require more providers and others with access to children in care to pass background checks that include fingerprints. Fingerprinting sites throughout Oregon are limited.

Consequences of new requirements are difficult to predict

The costs of implementing the new requirements are largely unknown and state agencies have yet to determine how they will manage them. New regulations may prompt providers to raise their rates or stop providing care altogether, which would limit affordability and access.

While state agencies are planning to implement changes, they are not fully prepared to comply. Some change is needed to allow providers serving children receiving subsidy, also known as listed providers, to be inspected, but state agencies have not initiated the process. The availability of fingerprinting services for new background check requirements may not meet the increased demand among child care providers. The higher

workload resulting from additional inspection requirements—up to a 71% increase—may exceed capacity of field offices across Oregon.

Like other states, Oregon also lacks data on the state's child care supply, which makes the impact of the new federal regulations hard to predict. For example, the state does not track providers that leave the oversight system or families that leave subsidized care.

At a time when child care is recognized as both an opportunity for early learning and as a means for parents to enter the workforce, Oregon must balance goals of safety, quality, and affordability to ensure that all children, and their parents, can succeed.

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REPORT TITLE AND NUMBER: **OR-Kids Financial System Problems; Report No. 2014-28**

REPORT DATE: December 2014

RESULTS IN BRIEF: The focus of this audit was to identify and evaluate OR-Kids computer controls and to assist our financial and federal compliance auditors in assessing risks associated with processing expenditures through the OR-Kids computer application. We did not evaluate the implementation of OR-Kids or its case management functions.

In addition to processing payments, OR-Kids supports dozens of child welfare program functions related to provider certification, adoption work, eligibility determinations and case management. In state fiscal year 2014, the system processed expenditures totaling about $208 million.

During our evaluation of the OR-Kids financial module, we identified several significant system issues and internal control weaknesses that the department should take steps to resolve:

- The OR-Kids financial module erroneously adjusted expenditure funding for previously processed transactions due to data conversion errors or system development weaknesses.
- Manual review and approval of payments is not always effective.
- Fixes were not made in a timely manner when financial errors occurred.
- Security needs improvement.

Between September 2011 and December 2013, expenditure funding errors totaled approximately $34.9 million. The Audits Division reported on the issue in the Federal Single Audit. The department returned approximately $23.3 million to the federal government and corrected approximately $9.5 million of the misstated General and Other Fund account balances. An estimated $2 million adjustment is still needed.

Department staff informed us that in June 2014 they had corrected underlying data errors, which should prevent most additional overcharges for federal funding. They stated that the system still allows adjustments beyond the two-year federal limit, but the department would continue making manual corrections in the accounting system.

Although management has taken some actions to address these issues, financial and federal compliance auditors will need to increase their work and testing to compensate for the weaknesses we identified.

ABOUT THE SECRETARY OF STATE AUDITS DIVISION

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

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

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The courtesies and cooperation extended by officials and employees of the State of Oregon during the course of this audit were commendable and sincerely appreciated.

Auditing to Protect the Public Interest and Improve Oregon Government

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State of Oregon

Corrective Action Plan
For the Year Ended June 30, 2014

State of Oregon
Corrective Action Plan
For the Year Ended June 30, 2014

Introduction

The State of Oregon is pleased to present the Corrective Action Plan for findings developed as part of the Single Audit for the year ended June 30, 2014.

This Corrective Action Plan is prepared in compliance with reporting requirements of Office of Management and Budget (OMB) Circular A-133. Information is compiled from several sources. Audit findings presented in the Corrective Action Plan were prepared by the Secretary of State, Division of Audits during their Single Audit of the State of Oregon. The listed corrective actions consist of responses from individual agencies in response to audit findings.

The listing of timelines for the corrective actions as well as the listing of agency contact persons result from information obtained when the audit findings were developed.

The numbering of findings corresponds directly to the method of identification in the Secretary of State's Single Audit Report.

State of Oregon
Corrective Action Plan
For the Year Ended June 30, 2014

Finding Reference	Agency	Subject	Page
Finding 2014-001	Department of Human Services	Controls in Receipting Unit Should Continue To Be Strengthened	5
Finding 2014-002	Oregon Health Authority	Lack of Assurance that Controls Exist and are Effective Over a Significant Financial System	6
Finding 2014-003	Department of Administrative Services	Repair and Maintenance Costs Should Not Be Capitalized	7
Finding 2014-004	Department of Administrative Services	Estimated Useful Lives Associated with Buildings are Not Periodically Reviewed	8
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2014-001 Department of Human Services
Controls in Receipting Unit Should Continue To Be Strengthened
Significant Deficiency

The Department of Human Services (department) receipted more than $562 million in revenue through paper checks during fiscal year 2014. As part of our fiscal year 2013 audit, we found that two administrative employees within the department's Office of Financial Services picked up the checks from the mailroom, sorted them into category types, and accounted for the checks at an aggregated level by category type. The administrative staff then delivered the checks by category type to individuals in the Receipting Unit who were each solely responsible for the custody and recording of checks for their category type in the financial records. Of the $562 million, about $52 million was exposed to risk of misappropriation throughout the fiscal year.

Department management is responsible for establishing adequate controls and safeguards to ensure all checks are properly accounted for and controlled. Checks lost before being receipted are more difficult to trace and detect than a check that is logged and tracked. The department's control process needs to include enough information to track a check from when it is opened in the mail through its delivery to the receipting unit to when the revenue is recorded in SFMA. Such a process generally includes a method to track the check information (amount, remittance detail) and ensure no one person has both access to the check and the accounting records. This would help ensure the detection of a missing, altered, or replaced check with one of a lesser value.

To improve controls over the custody and recording of checks, the department piloted a new reconciliation process in March 2014 for some of the check category types. The department's process includes having the checks received by two employees and recorded on a log. The log is to include the sender's name, the purpose for which the money was sent, and the amount. The process also includes department staff reconciling the number and dollar amount of checks received to the number and dollar amount of checks deposited. Although this reconciliation process was not fully implemented until after the close of fiscal year 2014, it is a start to ensuring sufficient controls are in place to ensure all checks received are deposited into the bank and appropriately recorded in the financial records.

We recommend department management ensure internal controls over its check receipting process are sufficient to ensure all checks are safeguarded, properly tracked and accounted for in its financial records.

CORRECTIVE ACTION:
We agree with the recommendation.

In May 2014 the agency fully implemented its new check receipting and reconciliation process. We continue to look for opportunities to improve the receipting control structure and reduce the potential risk of lost checks within the agency. We are conducting a process improvement event to look at online electronic deposit upon check opening, rather than later in the receipting process. We are also continuing to reduce the number of checks received in the agency by offering online payment options and increasing the number of payments that are identified through the accounts receivable process.

Anticipated Completion Date: May 2014

Contact Person: Shawn Jacobsen, Controller for DHS and OHA

2014-002 Oregon Health Authority
Lack of Assurance that Controls Exist and are Effective over a Significant Financial System
Significant Deficiency

Management is responsible for ensuring internal controls are adequate to provide reasonable assurance that transactions are accurate and properly recorded and executed in accordance with management's objectives. That same level of assurance is required for services and financial information provided to the department by independent service providers.

During the audit, we noted that Oregon Health Authority management does not have assurance that information processed through the Medicaid Management Information System (MMIS) is accurate and reliable. The department has relied on an independent service provider to maintain the MMIS since its implementation in 2008. The MMIS processes Medicaid eligible claims including payments to providers and individuals, capitated payments for managed care, and other non-claim payments and transactions. The MMIS processed $4.6 billion in expenditures in fiscal year 2014.

We inquired of management regarding internal controls over transactions processed through the MMIS. Management demonstrated an understanding of the internal controls related to the MMIS information for the processes carried out within the department. However, without an adequate understanding and documentation of the controls implemented by the service provider, or an independent review of those controls, management does not have adequate assurance that the MMIS financial information, as a whole, is accurate and reliable. Specifically, management lacks assurance that the service provider for the MMIS has adequate controls to ensure the $4.6 billion in expenditures processed through the system in fiscal year 2014 was accurately reported.

We recommend department management seek adequate assurance for the accuracy of all financial information they report. Management should have a documented understanding of the controls involved in transactions, whether automated or manual, to ensure the integrity of the information. When necessary, such as for significant financial systems operated by independent service providers, department management should obtain timely independent assurance over the accuracy and reliability of the information.

CORRECTIVE ACTION:
We agree with the recommendation.

Medical Assistance Programs of the Oregon Health Authority released a Request for Proposal (RFP) in late December 2014 to procure an independent contractor to perform annual audits of the internal controls implemented by Hewlett-Packard (HP) Enterprise Services, LLC, for its operation of the MMIS. The selected contractor will be required to perform the annual audits in accordance with the American Institute of Certified Public Accountants (AICPA) Statement on Standards for Attestation Engagements (SSAE) No. 16, Reporting for Controls at a Service Organization, and provide the agency with annual SSAE 16 "type 2 reports" documenting the internal controls and the operating effectiveness of those controls. HP Enterprise Services is required by its contract with OHA to take immediate corrective action to remedy all material weaknesses, deficiencies, or findings identified in a SSAE 16 type 2 audit report.

The first annual audit by the selected contractor will be for state fiscal year 2015, ending in June 2015. OHA will require the selected contractor to submit annual audit reports by the end of September following each state fiscal year.

In addition to the ongoing effort to better oversee and document the contractor controls within the drug rebate program addressed in last year's audit, staff from Medical Assistance Programs and the Office of Financial Services meet biweekly with Hewlett Packard counterparts from technical and financial areas to discuss MMIS data questions and anomalies, system testing, outstanding MMIS production changes, and upcoming system changes and impacts. The group also reviews and manages an action item list to document the group's work and those responsible for taking action.

Anticipated Completion Date: September 30, 2015

Contact Person: Roger A. Staples, Program Support Section Manager, Medical Assistance Programs

2014-003 Department of Administrative Services
Repair and Maintenance Costs Should Not Be Capitalized
Significant Deficiency

The department owns and operates approximately three million square feet of building space that is generally occupied by state agencies. The department's management is responsible for maintaining the buildings in operating order with the expectation that they will continue to serve the state through the term of their established useful lives. According to accounting standards, maintenance costs are expensed in the year in which the work is performed. A cost can be capitalized if it is related to an improvement, such as a significant renovation that extends the original useful life of the building. By capitalizing a cost, the state is able to spread the cost over future years and not bear the impact of the expense all at once.

The Oregon Accounting Manual defines improvements to existing assets as follows: *"An addition or improvement, unlike a repair, provides additional value, enhances a capital asset's functionality, or extends a capital asset's expected useful life. Repairs and maintenance only retain value."* When determining if a project should be capitalized or expensed, care is needed to distinguish actions that lengthen the useful life of an asset from those that merely avoid shortening it. (Stephen J. Gauthier, *Accounting for Capital Assets.* (Chicago: GFOA, 2008), page 37).

During our audit, we found the department capitalized costs for regular maintenance, which is not in compliance with Governmental Accounting Standards. The scope of work as defined in the work order was to *"pressure wash, remove and replace caulking and sealant, finish painting (as required), and traction area resurfacing of specific areas"* for several of its buildings. Such work is performed to retain the building in operational condition and does not extend the original useful life or enhance the functionality of the building.

Management's capitalization policies are not sufficiently detailed to assist project level decisions on whether work should be capitalized or expensed.

This is a repeat finding.

We recommend management develop a capitalization policy that allows for appropriate decisions regarding when building costs should be capitalized and when they should be expensed in the current period. The capitalization policy should agree with Governmental Accounting Standards.

CORRECTIVE ACTION:
DAS agrees with the recommendation.

The corrective actions planned include review and revision of DAS policies by Enterprise Asset Management (EAM) to clearly detail and differentiate between work that is routine maintenance and work that extends the useful life of the building in the scope of work of projects. These policies will be reviewed by Statewide Accounting and Reporting Services to ensure conformance to the Oregon Accounting Manual and Generally Accepted Accounting Principles for state and local governments. The contact person responsible for this corrective action is the EAM Manager of Planning & Construction Management.

Anticipated Completion Date: September 30, 2015

Contact Person: Barry Jones, EAM Manager of Planning and Construction Management

2014-004 Department of Administrative Services
Estimated Useful Lives Associated with Buildings are Not Periodically Reviewed
Significant Deficiency

Governmental Accounting Standards require that capital assets be depreciated over the estimated number of years the asset will provide service, or its "useful life". Depreciation aims at allocating costs to benefiting periods in proportion to the benefit received each period. The objective is to properly state the value of capital assets on the balance sheet and not have capital assets that are fully depreciated while they are still in service. It is important that management perform a periodic review over the reasonableness of the estimated useful lives assigned to its buildings and building improvements to ensure they do not become fully depreciated while still in service. Since a change in estimate needs to be made prospectively, the earlier management is alerted to changes in the useful life of its building, the sooner management is able to adjust its capital assets records to more accurately reflect the value of its assets.

Department management currently has no process for reviewing the remaining estimated useful lives of their buildings and building improvements and, as a result, some buildings may be approaching full depreciation while they are expected to remain in service for many years to come.

We recommend management implement a process to regularly review the useful lives of its buildings and building improvements to ensure compliance with Governmental Accounting Standards.

CORRECTIVE ACTION:
DAS agrees with the recommendation.

In addition to the revisions of DAS policies based on the response to the Audit Division's first recommendation, DAS will review and revise current policies to include a process to regularly review the useful lives of DAS buildings.

Anticipated Completion Date: September 30, 2015

Contact Person: Barry Jones, EAM Manager of Planning and Construction Management

2014-005 Department of Revenue
Perform Cash Reconciliations on a Regular and Timely Basis
Significant Deficiency

During fiscal year 2014, the department received, processed and deposited over $7 billion in revenues from various tax programs. To facilitate efficient accounting, the department set up specific cash accounts for these tax programs. Much of the cash received is processed through the Revenue Suspense Account at the Oregon State Treasury before being transferred to the General Fund or other funds, as appropriate. State policy recommends that departments reconcile cash accounts on a regular basis. Cash reconciliations are an important internal control to provide assurance that cash received by the Treasury agrees to amounts recorded by the department.

The department's usual process is to perform monthly reconciliations between cash accounts in its subsidiary accounting system and related accounts at the Oregon State Treasury and the state accounting system. During the audit, we found the department completed monthly reconciliations of its subsidiary accounting system to the Revenue Suspense Account at the Oregon State Treasury for July 2013 through September 2013, but did not complete the reconciliations for October 2013 through June 2014. Department management reported staffing shortages and other priorities contributed to reconciliations not being completed. By not performing the monthly reconciliations, the department has less assurance errors will be detected and corrected in a timely manner.

We recommend department management ensure cash accounts in its subsidiary accounting system are consistently reconciled to Oregon State Treasury accounts.

CORRECTIVE ACTION:
We agree and have developed a plan to have all reconciliations current by June 30, 2015. The plan includes reprioritization of our workload, utilizing other staff to assist, where possible, and cross-training our Accountants on the most complex of reconciliations to reduce the risk of this occurring in the future.

Anticipated Completion Date: June 30, 2015

Contact Person: Jan Hunt, Budget and Finance Manager

2014-006 Department of Revenue
Perform Management Review of Taxes Receivables Accruals
Significant Deficiency

Department management must ensure proper accounting and reporting of receivables for the statewide annual financial statements. For this purpose, state agencies are to estimate and accrue receivables that are expected to be collected within 90 days of fiscal year end. Department management is responsible for ensuring the accuracy and completeness of the information that supports its year end accruals.

Each year, as part of its annual financial reporting process, the department prepares estimates of the taxes receivable accrual for department administered tax programs. These estimates involve many separate calculations and are based on several sources of data, including historical trends, uncollectible taxes, refunds payable, and other information contained in the department's subsidiary accounting system. Typically, these estimates are calculated by a Revenue Accountant and reviewed by a more senior Revenue Accountant or the Budget and Finance Manager. Because the calculations are fairly complex and interdependent, it is especially important a review is done to ensure the accruals are accurate. For fiscal year 2014, this review was not completed due to staffing shortages and other priorities.

In reviewing the taxes receivable estimates prepared for fiscal year 2014, we found multiple errors in the department's calculation, such as incorrectly calculated percentages and omitted amounts. Although the errors were not material to this year's financial statements, they impacted all five of the audited Taxes Receivable accounts.

We recommend department management perform effective and timely reviews of the taxes receivable estimates to ensure accrual calculations are accurate.

CORRECTIVE ACTION:
We agree. Our Accountant 4, Accountant 3 and Finance Manager will be trained to perform the review of the Tax Receivable accruals by July 31, 2015, The desk procedure and any supporting documentation will be reviewed and updated, if necessary.

Anticipated Completion Date: July 31, 2015

Contact Person: Jan Hunt, Budget and Finance Manager

2014-007 Oregon University System
Lack of Proper Segregation of Duties in the Internal Control Structure Related to Information Technology
Significant Deficiency

Criteria: A fundamental concept in a strong system of internal control is the segregation of duties. The basic premise is that no one employee should have access to both assets and the related accounting records or to all phases of a transaction. If the separation of duties is inadequate, there is a resulting risk that intentional fraud or unintentional errors could occur and not be detected. As it relates to information

technology and applications, controls should be assigned to employees to technically prohibit one user from performing all phases of a transaction.

Condition: During our review of segregations of duties conflicts within the Banner system, we noted employees with incompatible access rights, as follows:

- Oregon State University. Fourteen employees had the ability to:
  - Payroll: 1) add, change, delete an employee with in the payroll system, 2) establish payment method and pay rates, 3) process payroll, and 4) update paid-time off accrual thresholds.
  - General Disbursements: 1) Add vendor, 2) input an invoice, 3) approve invoice, and 4) process a payment to the vendor.
  - General Ledger: 1) Add, change or delete accounts; 2) open, close a period, and 3) post a journal entry.
- Western Oregon University. Two employees had the ability to:
  - Payroll: 1) add, change, delete an employee with in the payroll system, 2) establish payment method and pay rates, 3) process payroll, and 4) update paid-time off accrual thresholds.
  - General Disbursements: 1) Add vendor, 2) input an invoice, 3) approve invoice, and 4) process a payment to the vendor.
  - General Ledger: 1) Add, change or delete accounts; 2) open, close a period, and 3) post a journal entry.

  Three other employees had the ability to:
  - General Disbursements: 1) Add vendor, 2) input an invoice, 3) approve invoice, and 4) process a payment to the vendor.
  - General Ledger: 1) Add, change or delete accounts; 2) open, close a period, and 3) post a journal entry.

  Lastly, three other employees at WOU had the ability to add, change delete an employee within the payroll system, 2) establish payment method and pay rates, 3) process payroll, and 4) update paid-time off accrual thresholds.

Cause: A review of Banner Access rights had not been performed to identify improper segregation of duties.

Effect: While the universities had certain manual compensating controls in place, such access rights allow for fraud or error to go undetected, especially if certain compensating controls are not performed consistently, or are not at a low enough level to detect certain instances of fraud or error.

We recommend management should ensure proper segregation of duties is established by removing access rights so that no one employee has the ability to perform all phases of a transaction. If in the rare circumstances that access rights cannot be removed for certain employees, an automated process should be implemented so that when and if these employees perform a series of transactions that violates proper

segregation of duties, a supervisor is informed and must approve that the actions taken by the employee were authorized and appropriate.

CORRECTIVE ACTION:
Oregon State University: We agree. We have removed update capabilities of the fourteen employees who had conflicting access rights within the Banner system, and we will periodically review Banner access rights to ensure proper segregation of duties.

Western Oregon University: WOU acknowledges the finding and has already removed access to address the issue going forward.

Anticipated Completion Date: March 2015

Contact Person: Diana Barkelew, Interim Controller

2014-008 Oregon Department of Forestry
Accounting for Liabilities Needs Improvement
Significant Deficiency

Liabilities directly related to the Environmental Management Fund and expected to be paid from the fund with current resources, should be reported in the Environmental Management Fund in the state's financial statements. In fiscal year 2014, the department obtained a short-term loan to cover department expenses incurred by a heavy forest fire season. Department management does not have policies or procedures in place to account for loans, and recorded the loan liability in the Government-Wide Reporting Fund, rather than the Environmental Management Fund. Subsequent to the close of the fiscal year and our audit inquiries, the department sought guidance from the Department of Administrative Services on how to properly account for the loan; and as a result, adjustments were made to properly reflect the loan balance of $20 million in the Environmental Management Fund.

We recommend department management seek appropriate and timely guidance prior to year-end to properly record transactions for financial reporting purposes.

CORRECTIVE ACTION:
The Department agrees with this finding. Although we did book this liability in the manner approved in the past by our DAS analyst, we did not update this procedure in the current period because we were not aware of any change in reporting requirements until the matter arose in the audit. In future years, as part of our year-end process, ODF will review any unusual or infrequent items and seek guidance to confirm proper accounting treatment prior to year-end.

Anticipated Completion Date: July 2015

Contact Person: Mark Hubbard, Finance Director

2014-009 Oregon Department of Forestry
Control to Ensure Proper Recording of Revenue Need Improvement
Significant Deficiency

The Oregon Accounting Manual (OAM) provides a comprehensive set of policies and procedures to assist agencies with reporting financial transactions in accordance with generally accepted accounting principles. The OAM includes guidance on establishing internal controls to help ensure all transactions are recorded in the financial system and are supported by appropriate documentation. An adequately designed system of internal controls includes periodic monitoring of controls by management to ensure they are implemented and functioning as intended.

During testing of the State Forest Lands and Other Charges for Services revenue accounts, we identified the following weaknesses in internal controls over the recording of revenue:

- The department could not locate supporting documentation for 3 of the 14 items we selected for cut-off testing in Other Charges for Services.
- A November 2013 reduction of revenue transaction was not entered into the subsidiary system. This error caused revenue in the state's accounting system to be overstated by $71,000.
- Management did not maintain evidence of its controls by ensuring the reconciliations of the subsidiary data to source documentation were retained. Further, because evidence of the reconciliation control work was not retained, more time was spent than necessary by agency and audit staff to re-collect and verify the controls.

During fiscal year 2014, management operated with staffing constraints, especially due to a heavy fire season. When accounting staff are re-assigned it is especially important to ensure controls are being properly performed and documentation is retained to support the effectiveness of controls and the accuracy of transactions.

We recommend management strengthen its review and monitoring of internal control procedures, implementing policies if needed, to ensure staff are performing procedures and retaining documentation as necessary to ensure the complete and accurate recording of revenue.

CORRECTIVE ACTION:
The Department agrees with this recommendation.

- *Supporting documentation: The Department agrees with this finding. Over the course of the audit, the Department supplied hundreds of documents that were requested for testing. We were able to supply all at the time of request, except the three mentioned in this finding. These three were part of a batch of revenue documents that were misfiled together. For future audits, we will put in place procedures to ensure that all supporting documentation requested by the auditors is provided in a timely manner.*
- *Reduction of revenue: The Department agrees with this finding. The subsystem from which these transactions originated is over 40 years old and is being replaced. Currently, this type of transaction must be manually accounted for and reported on. After we reported on the transactions for this process, a reconciliation on a timber sale revealed that a transaction was missed because it was entered after the close of the period. The $71,000 was not included in State Forest Lands revenue, which totaled approximately $83 million for Fiscal Year 2014. Until*

the new system is in place, management will put procedures in place to ensure that manual transactions entered close to the end of the period are properly recorded.

- *Evidence of controls: The Department agrees with this finding. It involves the same subsystem discussed in the previous paragraph. The system is being replaced by a new subsystem, WALT, which will be in place in 2016. The reconciliation process described in this finding will be incorporated into the controls of the new system. Until the new system is in place, management will design a process to keep all reconciliation documents until the end of the following audit period.*

Anticipated Completion Date: July 2015

Contact Person: Mark Hubbard, Finance Director

2014-010 Oregon Department of Fish and Wildlife
Federal Revenue Accrual Procedures Need Improvement
Significant Deficiency

The state's accounting policy directs that revenue, within governmental funds, be recognized using the modified accrual basis of accounting. Under this basis of accounting, revenue must be both measurable and available to finance current period expenditures. For the state, revenue is considered "available" if it is collected within 90 days of the fiscal year-end.

The department is responsible for estimating the revenue it will receive within 90 days of the fiscal year-end. A receivable estimation methodology generally includes the consistent application of relevant factors and could include an analysis of collection patterns. Management should also monitor the reasonableness of the estimate. The department has modified its estimation process many times due to changes in senior accounting staff. When reviewing federal revenue and related receivables for fiscal year 2014, we found more revenue was received than the department had estimated. The department's estimate resulted in the following misstatements:

- Federal Revenue was understated by $8.6 million;
- Accounts Receivable was understated by $8.6 million; and
- Noncurrent Receivables were overstated by $4.1 million.

We recommend management analyze collection patterns for the 90-day accrual period and develop a consistent methodology for estimating federal revenue, current receivables, and noncurrent receivables.

CORRECTIVE ACTION:
The Department agrees with this finding.

Subsequent to its last audit, the Department developed new methodology to utilize for the process of estimating its revenue and receivables. We have identified the circumstances that caused the issue and will refine the methodology for identifying and classifying long-term federal receivables at year-end. The recent implementation of new billing software and improved online drawdown functionality should allow for a higher level of predictability with respect to collection rates. Furthermore, the Department

will better ensure any invoices generated in the new billing system are reflected on the primary book of record (SFMS) in the period which they are earned, rather than the period in which they are collected.

Anticipated Completion Date: March 31, 2015

Contact Person: Lori LeVeaux, Administrative Services Division Administrator

2014-011 Oregon Department of Transportation
Strengthen Cash Handling Procedures for Fuels Taxes
Significant Deficiency

In fiscal year 2014, the department collected over $493 million in revenue from fuels taxes. These taxes are applied to the purchase of gasoline, aircraft fuels, ethanol blends, and other use fuels, and are generally collected and remitted to the department by retailers and distributors. While the department collects the majority of this revenue through wire transfers and electronic payments, during state fiscal year 2014, approximately $7.2 million was collected in the form of checks.

During our audit, we reviewed the department's procedures for processing fuels tax receipts. We noted some procedures that were contrary to the Oregon Accounting Manual's guidance for handling cash receipts. For example, the Oregon Accounting Manual recommends that two individuals open the mail, and responsibilities for preparing deposits and recording receipts be separated to help ensure that no one individual has control of cash transactions from beginning to end. We found that generally only one employee opened the mail, prepared the deposit, and recorded the transactions. By not separating these responsibilities, the department increases the risk that funds may be recorded incorrectly or go missing.

We recommend department management review and revise the existing cash handling procedures for fuels taxes to ensure receipts continue to be correctly recorded and to strengthen safeguards over the receipts.

CORRECTIVE ACTION:
We agree with the finding and recommendation.

Financial Services management will review and revise existing desk procedures to ensure adequate separation of duties in the receipt and processing of fuels tax receipts.

Anticipated Completion Date: February 27, 2015

Contact Person: Douglas Kleeb, Fuels Tax Group Manager

2014-012 Department of Human Services
Reimbursements Submitted Outside Period of Availability

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Foster Care – Title IV-E (93.658) Adoption Assistance – Title IV-E (93.659)
Federal Award Numbers and Year:	1301OR1401; 2013, 1401OR1401; 2014 1301OR1407; 2013, 1401OR1407; 2014
Compliance Requirement:	Period of Availability
Type of Finding:	Material Weakness, Material Noncompliance

Per federal requirements, to be eligible for federal funding, expenditures incurred must be submitted for reimbursement within two years after the calendar quarter in which the department made the expenditure (period of availability). There is no time limit imposed for adjustments that would decrease federal funding.

During our audit, we determined the department's child welfare system, OR-Kids, refinances transactions as far back as January 1, 2008. The system was not designed to prevent the department from requesting federal reimbursement for expenditures incurred outside the period of availability.

When preparing the quarterly expenditure reports during fiscal year 2014, the department used various methods to identify adjustment transactions that were outside the period of availability. For the quarter ended December 31, 2013, the department would have excluded $603,000 in Title IV-E Adoption Assistance federal expenditures from the quarterly report under the current methodology. For the quarter ended June 30, 2014, the department excluded $747,000 in Title IV-E Adoption Assistance federal expenditures from the quarterly report as they determined they were outside the period of availability.

The department previously performed reconciliations of reported federal expenditures to actual expenditures requested for federal cash reimbursement (reimbursement), but temporarily suspended this process for Title IV-E Foster Care and Title IV-E Adoption Assistance. The department resumed this reconciliation practice in June 2014 for the quarter ending March 31, 2014. For reimbursements exceeding the reported allowable expenditures, the department reduced the amount requested for reimbursement. The department did not make corrections to the accounting records after performing this reconciliation and reimbursement reduction. Further, the amounts identified for exclusion in the preparation of the quarterly expenditure reports did not agree to the subsequent reimbursement reductions resulting from the reconciliation. Specifically, in the report preparation process, $23,000 in Title IV-E Foster Care expenditures and $664,000 in Title IV-E Adoption Assistance expenditures were excluded from the March 2014 report. However, the subsequent reconciliation in June 2014 resulted in a reimbursement reduction of $222,000 for Title IV-E Foster Care and $593,000 for Title IV-E Adoption Assistance. The department was unable to provide documentation to support the reimbursement reduction was for amounts claimed outside the period of availability.

We recommend department management implement system changes to OR-Kids to prevent transactions from reimbursing outside the period of availability. We also recommend management make appropriate corrections and adjustments to the accounting records to prevent the department from requesting federal reimbursement for expenditures incurred outside the period of availability.

CORRECTIVE ACTION:
We agree with the finding.

The federal draws are being reconciled at the end of each quarter to the total federal expenditures reported to Administration for Children and Families (ACF). Remediation adjustments were completed in December 2014, and we are currently reviewing adjustments to what was reported. All necessary adjustments to the state accounting system and revision of any federal reports will be reflected in the June 30, 2015 quarterly report.

Anticipated Completion Date: July 31, 2015

Contact Person: Jeff Aldridge, Grant Accounting Manager

2014-013 Department of Human Services
Quarterly CB -496 Not Supported

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Foster Care – Title IV-E (93.658) Adoption Assistance – Title IV-E (93.659)
Federal Award Numbers and Year:	1301OR1401; 2013, 1401OR1401; 2014 1301OR1407; 2013, 1401OR1407; 2014
Compliance Requirement:	Reporting
Type of Finding:	Material Weakness, Material Noncompliance

The department is responsible for reporting quarterly financial information for the Foster Care and Adoption Assistance programs on the CB-496 report. The report contains multiple sections, including sections for reporting expenditures and prior quarter expenditure adjustments. Expenditures are actual payments made to vendors, service providers and contractors or actual payments for administrative, personnel, and other cost items. The expenditures must be actual, verifiable transactions supported by readily available accounting records and source documentation.

We found the quarterly reports submitted throughout the year by the department were prepared using different methodologies that were not always supported by accounting records or other source documentation and included various types of adjustments that were not always recorded in the accounting system. Specifically, we found:

- To report prior quarter adjustments, the department uses a process that nets increases and decreases recorded in the accounting system and excludes expenditures that have net increases that are older than two years from the report date. This process may result in not including adjustments that should be reported. The department adopted this process because of the limitations in the availability of data to determine the actual amount of transactions recorded outside the period of availability. Refer to finding Reimbursements Submitted Outside Period of Availability.
- According to the department, from implementation through June 2014, the child welfare system, OR-Kids, was refinancing transactions that resulted in submitting duplicate federal requests for reimbursement; see Statewide Single Audit Report Number 2014-09, finding number 2013-24.

Some of these duplicate transactions were financed outside the period of availability, and would have been excluded from reporting based on the process identified above; other transactions would have been included in the quarterly reports. In the current year, the department made accounting adjustments to correct the effects of the duplicate claims and included these adjustments in the fiscal year 2014 reports; however, the department is unable to determine the portion of these adjustments that had already reduced expenditures in the reports filed in the current and prior years.

- For the quarter ended December 31, 2013, the requirements of Section 3 (Foster Care Demonstration Project) of the quarterly report were revised. The department prepared and submitted the revised Foster Care Demonstration Project format, but did not update Part 1, Line 17 (Demonstration Project Costs) of the report to reflect the amounts derived from the revised Foster Care Demonstration Project section, resulting in over-reporting total expenditures related to Demonstration Project Costs in Part 1 by $2 million.
- For the quarter ended June 30, 2014, the department did not use complete data when preparing the Foster Care Demonstration Project section of the report, resulting in underreporting expenditures by about $265,000 in Part 3, and over-reporting total expenditures by about $265,000 in Part 1, Line 1 (Maintenance Assistance Payments).

We recommend department management implement and document processes to ensure quarterly CB-496 reports are complete, accurate, and adequately supported by the accounting records.

CORRECTIVE ACTION:
We agree with the finding.

All documentation is currently being filed with the report, as well as saved electronically. A new reconciliation process is currently in place to ensure quarterly reports reconcile to the state accounting system.

Anticipated Completion Date: March 31, 2015

Contact Person: Jeff Aldridge, Grant Accounting Manager

2014-014 Department of Human Services
Provider Eligibility Not Supported

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Foster Care – Title IV-E (93.658)
Federal Award Numbers and Year:	1301OR1401; 2013, 1401OR1401; 2014
Compliance Requirement:	Eligibility
Type of Finding:	Material Weakness, Material Noncompliance
Questioned Costs:	$8,100

Federal regulations require that the department meet certain requirements to receive Foster Care funding for certain child welfare expenditures. The department is required to determine child eligibility and maintain documentation of that determination, as well as ensuring providers have met a criminal

background check, child abuse and neglect registry check and the foster home is fully licensed. In Oregon, a provider home is fully licensed after initially completing a home study, criminal background check, and child and abuse neglect registry check; these must also be completed at each two-year renewal for continuing certification as a licensed foster home.

We reviewed a sample of 60 cases to determine whether eligibility was supported and identified the following exceptions:

- In one case, the required initial home study, background checks, and child and abuse and neglect registry checks were not completed. The department was unable to provide documentation to support the provider certification, resulting in known questioned costs of $8,100, and projected errors that total $407,000.
- For one case, the department was unable to provide documentation to support that a criminal background check for the provider was completed for the most recent renewal certification.
- In one case the department was unable to provide documentation to support that a home study and child and abuse neglect registry check was completed for a renewal. A subsequent renewal had occurred and the department provided all required documentation.
- Two cases where the department was unable to provide documentation to support that a child and abuse neglect registry check was completed for a renewal. For one case, subsequent to our audit period, a renewal was performed and the department provided all required documentation.

We recommend department management ensure all required documentation is completed, reviewed, and maintained. We also recommend department management reimburse the federal agency for costs paid to the provider who was not certified at the time of payment.

CORRECTIVE ACTION:
We agree with the finding.

The department participated in a Federal Title IV-E Foster Care review in July 2014. During that review, similar compliance issues were identified. The department is required to complete a Program Improvement Plan (PIP) by April 23, 2015, to address these issues. Upon approval of the PIP, the department has one year to implement the plan.

The PIP will include changes to OR-Kids to ensure the Title IV-E specialist is able to accurately ascertain all required elements of the certification procedures are completed prior to determining a child is Title IV-E eligible and reimbursable. The earliest the implementation of the PIP will be completed is April 30, 2016. Until the PIP is fully implemented, Federal Policy, Planning and Resources Unit will develop procedures for the Title IV-E Specialists to view criminal background check documentation, certificates and home studies to ensure the Title IV-E eligibility does not begin prior to the first of the month in which all the required certification procedures are completed. The Title IV-E specialists will receive this training by August 31, 2015.

Adjustments on the error cases identified during the audit will be completed by August 31, 2015.

Anticipated Completion Date: April 30, 2016

Contact Persons: Sherril Kuhns, Federal Policy, Planning and Resources Manager, Kevin George, Well-Being Co-Manager, Laurie Price, Well-Being Co-Manager

2014-015 Department of Human Services
Undocumented Methodology for Costs Charged to Program

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Foster Care – Title IV-E (93.658)
Federal Award Numbers and Year:	1301OR1401; 2013, 1401OR1401; 2014
Compliance Requirement:	Activities Allowed or Unallowed
Type of Finding:	Significant Deficiency, Noncompliance

The Title IV-E Foster Care program provides federal matching funds for child placement and other administrative or training costs associated with the program.

We selected a random sample of 25 administrative or training transactions recorded in the department's accounting system that were directly charged to the Foster Care program. For 2 transactions, while the activity may be allowable, the department could not support its methodology for how the costs were allocated to the Foster Care program prior to the federal financial participation rate being applied.

One transaction was an invoice for professional legal services related to general juvenile immigration. The department allocated the $182 payment as follows: 70% to Title IV-E Foster Care, 12% to Title IV-E Adoption Assistance, and 18% to state only programs.

The second transaction was an invoice for investigative services for specific cases and the support did not identify what program the case was related to. The department allocated the invoice amount of $7,857 as follows: 65% to Title IV-E Foster Care and 35% to state only programs.

Upon inquiry, the department stated the allocations were a product of past management and no basis or explanation was available as to the allocation of the costs.

We recommend department management ensure its methodology for allocating administrative costs to the Title IV-E Foster Care program is documented and adequately supported.

CORRECTIVE ACTION:
We agree with the finding.

The Federal Policy, Planning and Resources manager will work with the Permanency manager to review, develop and document a methodology for allocating the administrative costs for all contracts. This will be completed by October 31, 2015.

Anticipated Completion Date: October 31, 2015

Contact Persons: Sherril Kuhns, Federal Policy, Planning and Resources Manager, Kathy Prouty, Permanency Manager

2014-016 Department of Human Services
Federal Adoption Assistance Eligibility Incorrectly Closed

Federal Awarding Agency: U.S. Department of Health and Human Services
Program Title and CFDA Number: Adoption Assistance – Title IV-E (93.659)
Federal Award Numbers and Year: 1301OR1407; 2013, 1401OR1407; 2014
Compliance Requirement: Eligibility
Type of Finding: Material Weakness

The department relies on information entered in its child welfare system (OR-Kids) to ensure payments are made to providers and to receive appropriate federal reimbursement. Part of the information necessary to ensure adoption assistance subsidies are paid, and the department receives appropriate reimbursement for federal eligibility, is maintained in an eligibility determination screen in OR-Kids.

For 12 of 60 (20%) Title IV-E Adoption Assistance cases we reviewed, the child was correctly determined eligible for Title IV-E Adoption Assistance, but the federal eligibility was closed in OR-Kids. As a result, the department is not receiving federal reimbursement of $15,000 in fiscal year 2014 for these eligible cases. As this error is expected to be representative of the population of eligibility determinations occurring in fiscal year 2014, the department could have requested federal reimbursement for an estimated $3.8 million. The department investigated the causes for these exceptions and determined that, in some cases, the department's process of closing pre-adoptive cases was incorrect and caused the system to close federal eligibility for adoption assistance. For the other cases, the department is still researching what caused the federal adoption assistance eligibility to close.

During the prior year audit, the department identified this as a known problem and it was included as part of a prior year finding; refer to the Statewide Single Audit Report, Secretary of State audit report number 2014-09; finding 2013-023.

We recommend department management identify all causes of closed federal eligibility and improve its case management processes to ensure federal reimbursements are received for eligible cases. We also recommend department management re-open federal eligibility for all eligible cases that were incorrectly closed.

CORRECTIVE ACTION:
We agree with the finding.

The department has already identified human error as the cause of most of the closed Title IV-E eligibility, and efforts are underway to correct the eligibility on these cases. The corrections will be completed by April 30, 2015. The Post Adoptions manager and the Title IV-E coordinator will continue to have a monthly report to monitor any new cases where Title IV-E eligibility closes in order to ensure proper federal reimbursement and to continue the analysis on why Title IV-E eligibility is closed. The Post Adoptions manager and Title IV-E coordinator will work with OR-Kids business analysts if an OR-Kids deficiency is discovered. If an OR-Kids deficiency is discovered, appropriate actions will be taken to fix the system.

Anticipated Completion Date: April 30, 2015

Contact Persons: Sherril Kuhns, Federal Policy, Planning and Resources Manager, Lorri Harris, Post Adoptions Manager

2014-017 Department of Human Services
Improve Reliability of Data Used to Estimate Savings in State Expenditures

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Adoption Assistance – Title IV-E (93.659)
Federal Award Numbers and Year:	1301OR1407; 2013, 1401OR1407; 2014
Compliance Requirement:	Level of Effort
Type of Finding:	Significant Deficiency

Beginning in fiscal year 2010, states are required to have two sets of program eligibility criteria for the Title IV-E Adoption Assistance. One set of criteria applies to a child who is considered an "applicable child" due to the child's age, length of time in care, or as a sibling of an applicable child. The second set of criteria is for a child who is considered "not an applicable child" and who, in order to receive Title IV-E Adoption Assistance, must meet the eligibility requirements in place before 2010.

States are also required to estimate any savings in state expenditures as a result of applying the additional Title IV-E Adoption Assistance applicable child eligibility rules and spend an amount equal to the savings to provide other program related services.

Beginning in fiscal year 2010, the department began noting whether a child met the applicable child criteria and estimating the amount of savings based on a methodology that included multiple assumptions, such as the manually tracked number of applicable children, the average payment amount, and other parameters. According to the department, during fiscal year 2014, issues were identified with the applicable child eligibility data in the child welfare system (OR-Kids) and the department began a process to correct errors.

During our audit, a question was raised about the department's practice to not determine if the applicable child criteria was met if the child was already eligible for Title IV-E Foster Care. As a result, the department submitted a question to the federal agency seeking clarification.

We tested 60 eligibility cases and reviewed whether the department correctly identified whether a child was or was not an applicable child. We identified 4 cases where applicable child criteria was met in addition to the prior eligibility for Title IV-E Foster Care that were not identified or noted as an applicable child in OR-Kids. According to the department, the OR-Kids system will not allow them to check more than one eligibility box. Therefore, if a child is eligible for Title IV-E Foster Care, or other eligibility criteria, and is an applicable child, both boxes cannot be marked. We also noted 5 additional cases where the department determined the child met the applicable child criteria and noted the eligibility in a comment box rather than marking the applicable eligibility section in OR-Kids.

In order for the department to estimate the savings in state expenditures, it is necessary for the department to have accurate data related to applicable child eligibility. If the data is not accurate, the department may not accurately estimate the savings to be spent on program related costs in future years.

We recommend department management continue to correct known applicable child eligibility data issues and develop a consistent process to identify and document applicable child eligibility to ensure data used to estimate the savings in state expenditures is accurate. Also, once clarification is received from the federal agency, department management should ensure applicable child eligibility is applied appropriately to prior cases and make any necessary corrections.

CORRECTIVE ACTION:
We agree with the finding.

The department was working on cleaning up Adoptions Assistance Applicable Child eligibility based on our interpretation of the federal regulation specific to applicable child; however, based on the questions brought forward during last year's audit, we determined we needed clarification. The department requested assistance from Region X and we were told a program instruction was coming. The department will wait to clean up the applicable child eligibility and finalize our methodology for calculating the applicable child savings until after we receive this clarification. We will also develop a tracking mechanism for the use of the funds at that time. We estimate the completion date will be August 31, 2015. However, this completion date is contingent on when the program instruction from the Children's Bureau is delivered.

Anticipated Completion Date: August 31, 2015

Contact Person: Sherril Kuhns, Federal Policy, Planning and Resources Manager

2014-018 Department of Human Services/Oregon Health Authority
Ensure Medicaid Payments are Sufficiently Supported

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Medicaid Cluster (93.777, 93.778)
Federal Award Numbers and Year:	1305OR5MAP; 2013, 1305OR5ADM; 2013, 1405OR5MAP; 2014, 1405OR5ADM; 2014
Compliance Requirement:	Activities Allowed or Unallowed, Eligibility
Type of Finding:	Material Weakness, Material Noncompliance
Questioned Costs:	$472

Federal regulations require certain conditions be met for the department and authority to receive Medicaid funding for medical claims, including a signed application and verifying certain types of client reported income. In addition, for certain clients in community based care the department calculates a client liability, which is a share of their monthly cost of care**.**

We tested 82 fiscal year 2014 Medicaid claims and found the following:

- For ten clients, the department could not provide applications. Through review of available documentation, we were able to determine that the clients were eligible for Medicaid.
- For two clients, there was no evidence that a redetermination had been performed that covered the audit period; however, we were able to verify the clients were eligible for Medicaid.

- For one client, the client liability was incorrectly calculated as not all medical deductions were included, which resulted in the client's liability being overstated by $105. For another, the client amount calculated for the client liability could not be supported, resulting in questioned costs of $52.
- For five clients, the department was unable to provide documentation demonstrating income from sources such as a pension or annuity had been verified; however, based upon amounts narrated, the clients were eligible for Medicaid.
- For two clients, support for the payment amount could not be provided, resulting in $420 of questioned costs.
- For one client, the case file had been scanned into the authority's imaging system; however, the authority was unable to locate the documentation. We were able to verify the client was eligible for Medicaid.

We recommend department and authority management strengthen controls to ensure sufficient documentation is maintained to demonstrate compliance with federal requirements, support for payment amounts and income is retained, and the client liability is calculated accurately.

CORRECTIVE ACTION:
We agree with the finding.

The department will be working within our programs to ensure these requirements are shared with staff and continued to be followed appropriately. The Deputy Chief Operating Officer for Aging and People with Disabilities (APD)/Developmental Disabilities (DD), will be working with APD to provide this communication to staff by May 2015.

Since the period of time covered by the audit, DHS Self-Sufficiency field offices have been in the process of moving toward electronic case files as part of our EDMS Expansion project. As part of this effort, in November 2014 an all-staff transmittal was issued identifying the standardized data capture elements for offices that have moved to electronic case files. This standardization assists in locating documentation in EDMS. Additionally, DHS Self-Sufficiency field offices were also provided with refresher tools on archiving to help in documenting which case files and time frames are shipped to Archives to be scanned.

Anticipated Completion Date: May 31, 2015

Contact Person: Nathan Singer, Deputy Chief Operating Officer for Aging and People with Disabilities

2014-019 Department of Human Services
Strengthen Controls to Ensure Provider Eligibility Documentation is Maintained

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Medicaid Cluster (93.777, 93.778)
Federal Award Numbers and Year:	1305OR5MAP; 2013, 1305OR5ADM; 2013, 1405OR5MAP; 2014, 1405OR5ADM; 2014
Compliance Requirement:	Special Tests and Provisions
Type of Finding:	Material Weakness, Material Noncompliance
Questioned Costs:	$30,762

As part of the Medicaid cluster, provider eligibility requirements differ depending upon the type of services provided; however, all providers are subject to specified database checks and are required to sign an adherence to federal regulations agreement (agreement). State requirements also include a background check for providers such as homecare workers, personal care providers, and adult foster homes. The department is responsible for determining the eligibility of these Medicaid providers.

We tested 49 providers receiving Medicaid funds during fiscal year 2014 that were the department's responsibility and found the department could improve its documentation supporting provider eligibility. Specifically, we found:

- The department was unable to provide agreements for five providers. This resulted in $30,762 of questioned costs for the fiscal year.
- The department could not provide evidence of required database checks for eleven providers. We were able to verify these providers were eligible to provide services.

We recommend department management strengthen controls to ensure documentation supporting a provider's eligibility determination is retained. For current providers with missing documentation, we recommend the department verify they are eligible to provide services.

CORRECTIVE ACTION:
We agree with the finding.

The department's Aging and People with Disabilities (APD) and Office of Developmental Disability Services (ODDS) Provider Relations Unit has taken steps to require the submission of provider enrollment agreements and other items necessary to ensure provider eligibility determination when processing new, reenrolling, and revalidating providers. There are exceptions for some specific providers where the provider eligibility documentation is maintained in the field and only a portion of the provider validation is completed by the Provider Relations Unit. For those specific providers with documentation maintained in the field, APD and ODDS management will remind local office managers of the necessity to retain the provider eligibility documentation within their provider files.

The department will verify the eligibility of the five current providers identified with missing provider enrollment agreements and will take the necessary steps to revalidate or close the associated provider

numbers. For the eleven providers missing evidence of the required database checks, the department will complete new database checks to confirm the providers' eligibility.

Anticipated Completion Date: June 30, 2015

Contact Person: Debra Satterfield, Provider Relations Manager

2014-020 Department of Human Services
Improve Timeliness of Nursing Facility Surveys

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Medicaid Cluster (93.777, 93.778)
Federal Award Numbers and Year:	1305OR5MAP; 2013, 1305OR5ADM; 2013, 1405OR5MAP; 2014, 1405OR5ADM; 2014
Compliance Requirement:	Special Tests and Provisions
Type of Finding:	Significant Deficiency, Noncompliance

Federal regulations require the department to conduct surveys of nursing facilities receiving federal monies to determine compliance with applicable federal requirements. The survey should include prescribed health and safety standards and occur at a survey interval of no greater than 15 months.

We reviewed 15 of the 143 nursing facilities receiving federal monies to verify the department performed the surveys and at an interval not exceeding 15 months. For 9 of the 15 facilities, the surveys were not completed within the 15 month interval, ranging from two to nine months late.

According to the department, the reviews were not completed timely due to limited staffing resources. Without completing surveys in the time frame stipulated by federal regulations, there is an increased risk that Medicaid clients could receive substandard care.

We recommend management develop a plan based on current resources to ensure the timely completion of provider health and safety standard surveys for nursing facilities.

CORRECTIVE ACTION:
We agree with the finding.

Oregon has a long history of meeting the Centers for Medicare and Medicaid Services (CMS) performance standards related to surveying facilities in fewer than 15.9 months. The Nursing Facility Licensing Unit is dedicated to bringing our CMS performance standard back into compliance and we anticipate reaching compliance in early 2016.

Over the past four years various staffing resource issues, such as the position freeze and mandatory furloughs, have significantly affected our ability to complete our work timely. In fact, our vacancy rate for surveyors reached 34% by the end of the freeze.

Implementation of the CMS Quality Indicator Survey (QIS) process also contributed to our failure to meet the CMS performance standards. In addition to the general difficulties inherent in a new process and system, it increased our required survey team size (particularly for small facilities) for a period of

time, increased training requirements, and lengthened total survey time during the implementation period.

Over the past four years we have implemented several continuous improvement activities that have resulted in efficiency gains to the survey process, in turn reducing the amount of time it takes to survey facilities. Those efficiencies have resulted in a 33% reduction in new surveyor training time. We have made efforts to minimize survey-related travel and made a 10% reduction in report writing time. We have implemented an electronic document workflow process, streamlined our report review process to facilitate a faster turnaround time between surveys, and provided provider training on how they can prepare for and assist with the survey process. Since January 2013 we have hired 19 new surveyors. However, we have had 16 surveyors leave in the same time period due to retirements, promotional opportunities, competition with private industry related to salary, and surveyors not demonstrating skills needed to make it through trial service.

Over the coming year, we are taking the following steps to achieve compliance with this CMS requirement.

- *We have received approval to hire three additional surveyors based on a historical vacancy factor. Hiring these three surveyors will allow us to hire and train well in advance of any anticipated or unanticipated departures. Based on current vacancies, projected new hires, and training restraints, we expect to have these three positions filled in August 2015, staff trained within six months of hire and enrolled in CMS basic LTC surveyor training as soon as possible thereafter.*
- *All remaining surveyor vacancies will be filled by August 2015. We project all new surveyors will be trained, CMS certified and QIS registered approximately six months after hire.*
- *We will assess the survey and training teams to optimize production, optimize survey and surveyor turnaround time.*
- *We will evaluate utilization of CMS-approved survey contractor to help us complete surveys. This resource is dependent on CMS support and availability within other states.*
- *We have also brought retired/resigned surveyors back on a temporary basis to perform surveys.*
- *We will continue to survey the oldest facilities first (facilities that haven't been surveyed in the greatest amount of time). Though this will cause us to survey more facilities above 15.9 months in the short run, it will help us achieve compliance sooner, and minimize the time between surveys as much as possible.*

Our goal is to achieve compliance with this requirement, and to have no facility with a survey interval over 15.9 months in early 2016.

Anticipated Completion Date: March 31, 2016

Contact Person: Dave Allm, Nursing Facility Licensing Unit Manager

2014-021 Oregon Health Authority
Strengthen ADP Risk Analyses and System Security Review Procedures

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Medicaid Cluster (93.777, 93.778)
Federal Award Numbers and Year:	1305OR5MAP; 2013, 1305OR5ADM; 2013, 1405OR5MAP; 2014, 1405OR5ADM; 2014
Compliance Requirement:	Special Tests and Provisions
Type of Finding:	Significant Deficiency, Noncompliance

Federal regulation (45 CFR § 95.621) prescribes that states are responsible for the security of all operational Automatic Data Processing (ADP) systems involved in the administration of health and human service programs, including Medicaid. ADP requirements include establishing a security plan, biennially reviewing ADP system security installations involved in program administration, and establishing and maintaining a program for conducting periodic risk analyses, which includes performing risk analyses whenever significant system changes occur.

Prior year findings, dating back to fiscal year 2007, indicate that the authority has not devoted sufficient resources to fully comply with the federal requirement to perform ADP risk analyses and system security reviews. Inquiries with the authority during fiscal year 2014 revealed the following:

- The authority does not have a documented security plan addressing federally required components. The authority, however, does conduct vulnerability scans of the Medicaid Management Information System (MMIS) software at least every three years with the most recent scan performed in August 2012.
- The authority has not conducted reviews of the ADP system security installation on a biennial basis. The most recent review conducted over the MMIS system was in April 2011. Further, the authority has not conducted system security installation reviews of the other systems involved in the administration of the Medicaid program.
- The authority does not have a formalized risk analysis program in place to address all systems involved with the administration of the Medicaid program. The authority obtained a SSAE 16 Type II review of the MMIS from a third party during fiscal year 2013, which focused on user access and system security. The authority did not obtain a review of the several additional systems employed to administer the Medicaid program.

Without conducting ADP risk analyses and security reviews in accordance with federal regulations, the authority is less able to determine whether systems administering the Medicaid program are adequately safeguarding program assets and maintaining program integrity.

We recommend management develop a security plan that addresses all federally required components, develop and implement a formalized risk analysis program, and ensure system security reviews are conducted timely for all applicable systems involved in the administration of the Medicaid program.

CORRECTIVE ACTION:
We agree with the finding.

The authority is in the process of hiring for key positions within the Information Security and Privacy Office (ISPO), including a Chief Information Security Officer (CISO), and a Chief Information Security Architect. The development of a documented security plan will be a priority assignment for these individuals once hired.

The authority has commenced development of a risk assessment program. In January 2014, the Information Security and Privacy Office (ISPO) hired a position for this body of work. The risk assessment program is in the operational pilot phase. Two risk assessments have been completed on systems that process electronic protected health information. A third assessment on the Medicaid Management Information System (MMIS) commenced in November 2014 and is in progress. The risk assessment process under development is based on the guidance contained in NIST Special Publication 800-30. The process includes establishment of a schedule to ensure review of the MMIS on a biennial basis.

Anticipated Completion Date: December 31, 2015

Contact Person: Kristen Duus, Chief Information Officer

2014-022 Oregon Health Authority
Improve Controls Over the Identification and Review of MMIS Key Edits

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Medicaid Cluster (93.777, 93.778)
Federal Award Numbers and Year:	1305OR5MAP; 2013, 1305OR5ADM; 2013, 1405OR5MAP; 2014, 1405OR5ADM; 2014
Compliance Requirement:	Allowable Costs/Cost Principles
Type of Finding:	Material Weakness

The authority is responsible for managing the Medicaid Management Information System (MMIS), which processed over $3 billion in Medicaid federally funded claims during fiscal year 2014. To ensure payments from the MMIS are made in accordance with state and federal regulations, MMIS contains numerous edits to prevent improper payments.

During our prior two audits of the Medicaid Cluster we identified certain edits related to age and gender were not functioning as intended. Additionally, we found the authority only reviews new MMIS edits and does not perform testing of key system edits currently in operation to ensure they are still functioning as intended.

In response to the prior year findings, the authority requested a change to MMIS to address the age and gender edits that were not functioning. This change was not implemented by the end of fiscal year 2014. The authority developed a plan to address the testing of claims that processed during the fiscal year; however, the plan did not adequately identify and test key system edits.

We recommend management develop a plan that identifies key MMIS edits and implement procedures to periodically test key system edits to ensure they are functioning as intended.

CORRECTIVE ACTION:
We agree with the finding.

Medical Assistance Programs (MAP) intends to identify the key edits based on frequency of posting and posting on high-cost claims. Once the key edits are identified, random samples of claims that posted a key edit will be pulled and reviewed manually for correct payment. It is planned this will be done each quarter with the sample size of 20 to 25 claims per quarter. The results of these reviews will be recorded for documentation purposes.

Anticipated Completion Date: June 30, 2015

Contact Person: Dale Elder, Operations and Provider Services Section Manager

2014-023 Oregon Health Authority
Ensure Required Provider Screening is Documented

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Medicaid Cluster (93.777, 93.778)
Federal Award Numbers and Year:	1305OR5MAP; 2013, 1305OR5ADM; 2013, 1405OR5MAP; 2014, 1405OR5ADM; 2014
Compliance Requirement:	Special Tests and Provisions
Type of Finding:	Significant Deficiency

Federal regulations require the authority to screen all Medicaid enrolled providers by ensuring providers are not listed in any of the following four federal databases: the Social Security Administration's Death Master File (DMF); the National Plan and Provider Enumeration System (NPPES); the List of Excluded Individuals/Entities (LEIE); and the Excluded Parties List System (EPLS).

During our review, we found that the authority did not maintain adequate documentation of their provider screenings. Authority management stated all required database checks were occurring; however, documentation of those checks was not maintained. For the providers in our sample, we were able to conduct database checks and did not identify any errors. Providers not screened in accordance with federal requirements could be ineligible for Medicaid funds, which would require the authority to repay the federal government for any funds the authority awarded to ineligible providers.

We recommend that authority management maintain evidence of the initial and renewing database checks for enrolled providers.

CORRECTIVE ACTION:
We agree with the finding.

It is important to the authority that all program integrity requirements to keep excluded persons or entities from participating in the various Medicaid programs be followed. Medical Assistance Programs

(MAP) enrollment staff has been checking these required exclusion databases per the updated enrollment policies and procedures manual since March 2011. As the enrollment effort is largely a paperless process, producing paper screen prints for each database result and matching these prints to the electronic application was deemed impractical. By using the procedures developed for the ACA requirements in combination with the added security of the required automated monthly Medicaid Exclusion Database (MED) checks, management was confident the intent of compliance to these checks was not compromised from March 2011 to the point where a permanent Medicaid Management Information System (MMIS) solution could be implemented into the production MMIS environment.

The permanent MMIS solution, which consists of a new panel in the provider subsystem where enrollment staff "checks" a separate box for each required database went into production in the MMIS in August 2014. These checking actions are both date stamped and recorded for audit purposes. All enrollments and revalidations that occurred after the August 2014 date now have the permanent evidence of being reviewed.

Anticipated Completion Date: March 31, 2016

Contact Person: Dale Elder, Operations and Provider Services Section Manager

2014-024 Department of Human Services
Improve Compliance with Work Verification Plan

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Temporary Assistance for Needy Families (93.558)
Federal Award Numbers and Year:	2013G996115; 2013, 2013G991524; 2013 2014G996115; 2014, 2014G991524; 2014
Compliance Requirement:	Special Tests and Provisions
Type of Finding:	Material Weakness, Noncompliance

Federal regulations require each state to maintain adequate documentation, verification, and internal control procedures to ensure accuracy of data used in calculating work participation rates. Each state must have procedures to count and verify reported actual hours of work activities and must comply with its Work Verification Plan as approved by the Department of Health and Human Services (HHS). Oregon's Work Verification Plan states employment attendance will be documented and verified in one of four ways: pay stubs, time cards, sign-in sheets or other specific attendance records, or by documenting a phone conversation with the employer. If a client has stable employment, the department may use a six-month projection of actual hours. However, if the department receives information that actual hours have changed, the department is required to re-verify the current average and update the projection as needed.

We randomly selected 25 participating clients and reviewed case file documentation for verification of work activity participation for one month during the fiscal year. We found 17 cases where the department did not adhere to the approved Work Verification Plan policies and procedures for maintaining documentation of hours of participation, appropriately projecting hours of participation, and accurately reporting hours of participation in their automated data processing system.

These inaccurate or unverified hours were used in calculating the work participation rate reported to HHS. If the state fails to follow the approved Work Verification Plan, HHS may penalize the state. This is a repeat finding.

We recommend department management strengthen controls to ensure adherence to department policy and procedure regarding documentation of participation, projection of hours of participation, and to ensure data entered into the automated data processing system is accurate and complete.

CORRECTIVE ACTION:
We agree with the finding.

Work Verification Plan reviews (also known as the JOBS Audits) are currently conducted annually. A summary of audit results is shared statewide, most recently in March 2015 for the 2014 review summary. The department plans on continuing these audits and building in more opportunities for coaching and mentoring for branch leadership, staff and partners. This will allow for further guidance on the correct use of JOBS activity codes, correct use of attendance tracking documents (including treatment, education and job readiness hours), and accurate counting toward participation hours. The JOBS Activity Guidelines (JAG) will be used as the curriculum of this targeted effort. The JAG will be adjusted and updated to ensure compliance with the Work Verification Plan as needed. The next field audits will occur during the fall and winter of 2015 with the review summary available by the first quarter of calendar year 2016.

The 2014 JOBS Audit summary will be shared with the TANF Training Unit at the April 2015 monthly TANF Integrity meeting as well as the April 2015 line manager quarterly. Case management training will be reviewed for accuracy and updated by June 30, 2015, if needed, to support the 2014 review findings.

The department has identified point persons for each district (most by branch level), known as the Work Verification Points, who disseminate participation information, share best practices and strategies to prevent errors, and provide policy responses in an efficient manner. This method allows the department to give consistent consultation statewide in a concise way. Branches are able to use the information as mini 'huddle' topics in a quick turnaround design. The department will start posting these 'huddle' topic emails to our internal website in May 2015.

The department will continue to pursue an electronic document storage system for TANF JOBS records.

Our internal Federal Data group identified two systems issues that contributed to the conflicting data in the findings. Both are being addressed by programmers and business analysts in conjunction with TANF Program. These fixes will be programmed and reflected for FY 2015 data.

The department has submitted a Work Verification Plan effective July 1, 2014 that addresses the usage of at least the first two consecutive weeks of verified attendance with instructions to enter the actual average and project out the same weekly average for up to six months.

Anticipated Completion Date: September 30, 2016

Contact Person: Tammy Brooks, TANF Program Co-Manager or Sandy Dugan, Child Welfare and Self Sufficiency Field Services Administrator

2014-025 Department of Human Services
Improve Documentation of Required Income and Benefit Verifications

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Temporary Assistance for Needy Families (93.558)
Federal Award Numbers and Year:	2013G996115; 2013, 2013G991524; 2013 2014G996115; 2014, 2014G991524; 2014
Compliance Requirement:	Special Tests and Provisions
Type of Finding:	Significant Deficiency, Noncompliance

Federal regulations require each state to participate in the Income Eligibility and Verification System (IEVS), which includes using income and benefit screens accessible through the department's client maintenance system, when making TANF eligibility determinations. The verification of using these screens is to be documented by the caseworker in the case file for each client.

Of 60 files randomly selected for fiscal year 2014 testing, 8 showed no evidence in the case file documentation that relevant income information was verified using IEVS screens when determining eligibility. We verified these clients did meet TANF financial eligibility criteria. However, by not providing assurance of verification of the use of IEVS screens, the department increases the risk of providing benefits to TANF ineligible individuals.

We recommend department management ensure verification of income with IEVS screens is clearly documented in client case files when determining client eligibility.

CORRECTIVE ACTION:
We agree with the finding.

The department has made great strides to improve the awareness and knowledge of this requirement to field staff.

The department held statewide accuracy and case management summits, at which time this topic was discussed to build awareness. An Action Request Transmittal was sent in October 2014 to clarify expectations and provide guidelines and examples of necessary narrations to support that IEVS screens were indeed checked. The summits were followed up by a policy transmittal in November 2014 of all the Questions and Answers which allowed an additional reminder to be visible statewide. December 2014 allowed the "On Target" to put an article on the front page to keep the importance on the radar.

TANF Quality Assurance reviews revised their criteria in January 2015 to add IEVS as a specific element for review. This raises awareness in a way that requires follow up and corrections to be made.

In February, the department was able to implement a systems support in the form of an "IEVS checked" box on the TRACS narrative systems and sent a Policy Transmittal in on February 27, 2015.

These cited efforts at education, awareness, and systems support constitute the corrective action plan for this finding.

Anticipated Completion Date: April 30, 2015

Contact Person: Tammy Brooks, TANF Program Co-Manager or Sandy Dugan, Child Welfare and Self Sufficiency Field Services Administrator

2014-026 Department of Human Services
Improve Accuracy and Completeness of Performance Data Reports

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Temporary Assistance for Needy Families (93.558)
Federal Award Numbers and Year:	2013G996115; 2013, 2013G991524; 2013 2014G996115; 2014, 2014G991524; 2014
Compliance Requirement:	Reporting
Type of Finding:	Significant Deficiency, Noncompliance

Federal regulations require the department collect monthly, and report quarterly in the ACF-199 report, certain non-financial data elements for services paid with TANF federal funding. Federal regulations also require the department to report data quarterly, in the ACF-209 report, for TANF eligible clients whose benefits are paid with designated state funds called separate state program maintenance of effort (SSP-MOE). Reports should include all activity of the reporting period and should be supported by applicable performance records.

We reviewed data submitted on the ACF-199 reports and identified the following inaccuracies for 5 of 40 randomly selected cases:

- 1 case received TANF benefits for April 2014, but was not included on the April 2014 report.
- 4 cases had one or more key line items that were reported in error.

During our Special Tests and Provisions testing we found the following additional ACF-199 TANF Data Report errors:

- 7 cases where the ACF-199 report showed a sanction, yet no sanction was imposed.
- 4 cases where work participation hours were incorrectly reported.

Additionally, the FY2014 ACF-199 report did not include any data for TANF funded child welfare cases. Similar to last year, child welfare system coding issues were causing data inconsistencies.

We also reviewed data submitted on ACF-209 quarterly reports and identified instances of cases being reported twice with conflicting information. For example, a client's reported work participation status indicated "participating and meeting the minimum requirements" in one entry and a second entry indicated the client was "required to participate but not meeting minimum requirements." According to the department, this is due to an error in programming that has yet to be corrected.

This finding has been on-going since fiscal year 2010.

We recommend department management ensure complete and accurate client information is used to compile the quarterly data reports.

CORRECTIVE ACTION:
We agree with the finding.

The department agrees that the data populating the ACF-199 and ACF-209 reports need to be as accurate and complete as possible. Currently, a team of Office of Information Services (OIS), Office of Business Intelligence (OBI), Self-Sufficiency Business Analysts, and Self-Sufficiency Program (SSP) staff meets weekly to address known or presenting data quality issues for these federal reports. Significant progress has been achieved over the past year to increase the data accuracy and completeness of these reports. This includes resolving several of the items listed in this audit findings report. DHS recognizes that a continued effort is still necessary in order to resolve known data quality and data completeness issues.

It was identified that the programming that applies the data set to the month of assistance was not aligned and caused future codings to reflect as sanctions or programs before their actual effective date. Specifically related to the sanctions, a data collection fix was implemented and will be reflected in data transmitted from March 1, 2015 forward.

Additional errors related to complete hours (including excused and holiday) not transmitting as recorded in TRACS has been identified and should be fixed for FY 2015 data or before, if possible.

A team consisting of Child Welfare Business Analyst, OBI, Self-Sufficiency Business Analysts, Programmers, and Program have been working to refine the requirements and data extraction coding for the data needed from the Child Welfare case management system. Progress has been made to correctly identify the population needed in the federal reports. Test data was sent to Self-Sufficiency programmers in March 2015. Once the data is validated, it is anticipated that Child Welfare data will be sent to Self–Sufficiency OIS staff for inclusion in the TANF federal reports. Estimated date of code moving to production for ongoing monthly data to be included is in time for the final rerun of FY 2014 data, June 30, 2015.

The department has already begun to make programming changes to correct the duplicate client reporting issue. Based on programmer time and data transmittal dates the department expects partial compliance by June 2015 and full compliance by June 2016.

Anticipated Completion Date: June 30, 2016

Contact Person: Tammy Brooks, TANF Program Co-Manager, Anna Cox, Data Collection and Reporting Manager, Office of Business Intelligence, or Leo Ott, Service Delivery Deployment Applications Manager, Office of Information Services

2014-027 Department of Human Services
Questionable Interpretation of Federal Five-Year Time Limit

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Temporary Assistance for Needy Families (93.558)
Federal Award Numbers and Year:	2013G996115; 2013, 2013G991524; 2013 2014G996115; 2014, 2014G991524; 2014
Compliance Requirement:	Eligibility
Type of Finding:	Noncompliance

The department may not be in compliance with federal regulations over TANF as it is using a different definition for eligibility than specified in the TANF regulations. The TANF federal regulations specify no state may use any of its federal TANF funds to provide assistance to a family that includes an adult head-of-household or a spouse of the head-of-household who has received federal assistance for a total of five years (i.e., 60 cumulative months, whether or not consecutive). The federal regulations over the TANF program also specify that states may not count toward the five-year limit, any month of assistance received by an adult while living in "Indian country," as defined in section 1151 of title 18, United States Code where at least 50% of adults were not employed. Indian tribes are granted authority to establish and operate Tribal TANF programs and determine their own TANF eligibility criteria. Two tribes in Oregon currently operate Tribal TANF programs: The Klamath Tribes and Confederated Tribes of Siletz Indians.

Rather than use the US Code to define "Indian country," the department uses the Bureau of Indian Affairs (BIA) definition of "service areas" as defined by 25 CFR, which is broader than "Indian country" and encompasses 24 of 36 Oregon counties. The department was directed by the US Department of Health and Human Services to seek guidance from the BIA and the Office of the Solicitor in the US Department of Interior on determining Oregon's "Indian country". The department requested guidance from BIA, who noted they did not use the term "Indian country" and provided the definition of "service area" per CFR 25.

Consequently, there may be TANF clients improperly receiving federal assistance that have exceeded the five-year time limit. Most recently, 8 of the counties in BIA's designated "service areas" had more than 50% of adults not employed. Based on this determination, for FY2014 the department exempted an average of approximately 2,300 total cases each month, out of approximately 24,000 statewide cases, from the federal time limit monthly count.

We recommend the department seek a conclusion from the federal government to ensure five-year time limit monthly exemptions are being appropriately applied in accordance with federal regulations.

CORRECTIVE ACTION:
We agree with the finding.

The department agrees that a conclusion should be sought on the time limit exemption associated to Indian Country. The department has followed the advice from the Administration for Children and Families (ACF) by consulting with the local Bureau of Indian Affairs, as well as the Department of Interior, Office of the Solicitor. The department also consulted with Oregon Tribes, three of which submitted letters affirming the State's current interpretation of Indian Country.

The department will seek validation from ACF that the current interpretation of Indian Country used by the department for the purposes of time limits falls within the realm permissible by federal law. The department will complete this inquiry by June 30, 2015.

Anticipated Completion Date: June 30, 2015

Contact Person: Xochitl Exparza, TANF Program Co-Manager

2014-028 Oregon Health Authority
Ensure Compliance Site Visits are Performed Timely

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Immunization Cooperative Agreements (93.268)
Federal Award Numbers and Year:	1H23IP000767-01; 2013, 5H23IP000767-02; 2014, 3H23IP000693-01S1; 2014, 1H23IP000785-01; 2013, 5H23IP000785-02; 2014, 3H23IP000785-01S1; 2013
Compliance Requirement:	Special Tests and Provisions
Type of Finding:	Significant Deficiency, Noncompliance

In state fiscal year 2014, the authority processed vaccine orders to 481 different providers throughout the State of Oregon. To comply with Centers for Disease Control requirements, the authority must perform a compliance site visit of its enrolled and active providers at least once every other calendar year. According to authority management, due to limited resources, the authority was not able to perform compliance site visits timely for 26 of the 481 providers. Without performing compliance site visits in a timely manner, providers could be operating out of compliance with the Immunization Program requirements.

We recommend management ensure compliance site visits are performed timely for all enrolled and active providers.

CORRECTIVE ACTION:
We agree with the finding.

The Centers for Disease Control and Prevention (CDC) have added new requirements to the Vaccines for Children (VFC) program over the past two years that create additional work related to provider site visits. These additional requirements, in addition to Oregon vaccine stewardship laws, have increased the length of time spent preparing for, completing, and following up on VFC site visits. Health Educators are now spending approximately 2.5 hours on site per visit, per clinic site, rather than 1.5 hours seen previously, and follow-up time has increased proportionately. At times, the new follow-up requirements require staff to complete additional overnight trips to ensure that clinics retain appropriate eligibility screening documentation.

To address the additional resource expense that the new site visit requirements necessitate, the Oregon Immunization Program is in the process of reviewing, and when needed, reprioritizing work in order to allow for timely site visits, while still complying with other grant-required activities. In addition to reprioritizing and eliminating non-required tasks, we are working on implementing several solutions to

streamline required tasks, including tablets that will be used to reduce data entry time by entering site visit data directly into the CDC database during the visit, and new follow-up templates are being developed to increase the efficiency of provider follow up. We will seek other efficiencies through effective management of all resources.

The Oregon Immunization Program is scheduled for our on-site review by the CDC April 7-9, 2015. We have set aside time to discuss this compliance issue with our project officer in the hopes CDC can assist us in finding additional efficiencies or the necessary resources to meet the requirement.

Anticipated Completion Date: July 1, 2015

Contact Person: Aaron Dunn, Immunization Program Manager

2014-029 Oregon Health Authority
Strengthen Controls Over Timesheet Review

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Immunization Cooperative Agreements (93.268)
Federal Award Numbers and Year:	1H23IP000767-01; 2013, 5H23IP000767-02; 2014, 3H23IP000693-01S1; 2014, 1H23IP000785-01; 2013, 5H23IP000785-02; 2014, 3H23IP000785-01S1; 2013
Compliance Requirement:	Allowable Costs/Cost Principles
Type of Finding:	Significant Deficiency

Payroll costs can be directly charged to the Immunization Cooperative Agreements Grant as long as those costs are directly related to allowable efforts in the Immunization Program. Employees are expected to track and submit their time into the payroll system using the proper coding to reflect the programs they worked on during the month. The employee's supervisor is responsible for approving the hours and coding selected by the employee and does this by reviewing the Timesheet Audit and Control Report, which displays the 12 digit coding indicating how the charges are entered into the system. The supervisor reviews the hours and coding, and locks the timesheet to show approval. The report shows only the coding and does not display the program title or other information that could allow for a more efficient and effective review.

We reviewed a sample of 43 employee pay periods, which included reviewing employee timesheets and reports used to support employee payroll funding splits in the system. Ten of the 43 monthly payroll entries we reviewed were not locked in the system by the supervisor, signifying the supervisory review was performed.

We did not identify any funding split errors in our testing. However, a properly designed system of internal control should provide sufficiently detailed information to allow supervisors to efficiently and effectively review employee payroll data for the purpose of preventing and detecting unallowable costs charged to federal programs.

We recommend management consider implementing a payroll process that is sufficiently detailed to allow for an efficient and effective review of employee time and coding. We also recommend

management ensure controls are fully implemented to document the review used to justify payroll funding splits.

CORRECTIVE ACTION:
We agree with the finding.

In April and May of 2014, the Public Health Division completed a large-scale project to address and clarify Time and Activity reporting requirements that come with federal grant funding. This project included development of policies, tools to assist both staff and managers in meeting this requirement, and a mandatory training event for every Public Health Division employee. This training has a component for all employees and then an additional component for managers who review and approve time. Registration for the event was required, and attendance was tracked to ensure all employees received the information. All of the procedures and tools created and presented in training are available on PHD's Intranet for use by staff at any time.

While the policy clearly states the process and tools to use in reviewing time, we recognize room for improvement in the area of documentation. The only documentation of managers' review and approval of timesheets and work activity coding is currently through the locking of the timesheets. Each manager receives information from the staff assigned to review timesheet coding in comparison with where staff have been assigned to work. If coding does not appear accurate or complete, both the individual employee and manager are notified. The employee is expected to fix errors and respond. After a final review, another email is sent to the managers notifying them that errors are resolved and timesheets are ready to lock. At this point, if the timesheets are not locked, we do not have a way to demonstrate the review and approval of time by management.

PHD will conduct a rigorous review and make necessary changes to ensure documentation of the manager's approval of the time recorded. This would be in addition to their locking of the employee timesheet. In the interim, the program will begin creating a more thorough record of the coding reviews that occur, in accordance with the Division procedure, to keep a monthly file of the reports used to verify time (Timesheet Audit and Control report), as well as the communications between staff and with managers that demonstrate the review was completed. Additionally, we will assign staff to review the locking status of the timesheets prior to the period close and follow up with an additional reminder to managers as necessary. We will also incorporate a review of the lock reports when received after the monthly close. If there are any unlocked timesheets on the report, the approving manager will be required to explain, in writing, why this occurred and what will be done to prevent a recurrence in the future. This explanation will be filed with other review documentation for the month. This will be an accountability and performance measure for the approving manager.

The agency is working with the Department of Administrative Services on a recommendation to enhance the new e-time system to allow both the manager and staff to see the descriptive name of the activity charged at time entry and time locking. This enhancement will allow the agency to more efficiently and effectively manage payroll costs charged to grants.

Anticipated Completion Date: July 1, 2015

Contact Person: Karen Slothower, Program Support Manager, Center for Public Health Practice

2014-030 Department of Human Services/Oregon Health Authority
Update Cash Management Clearance Patterns

Federal Awarding Agency:	U.S. Department of Agriculture U.S. Department of Health and Human Services
Program Title and CFDA Number:	Supplemental Nutrition Assistance Program (SNAP) Cluster (10.551, 10.561) Temporary Assistance for Needy Families (93.558) Foster Care – Title IV-E (93.658) Children's Health Insurance Program (93.767) Medicaid Cluster (93.777, 93.778)
Federal Award Numbers and Year:	Various
Compliance Requirement:	Cash Management
Type of Finding:	Significant Deficiency, Noncompliance

The Federal Cash Management Improvement Act requires states that receive federal funding to enter into an agreement (CMIA agreement) with the U.S. Department of Treasury. For certain federal programs, the CMIA agreement details the funding techniques to be used for requesting federal funds. The State's CMIA agreement included a clearance pattern technique for certain federal programs.

For the federal programs specified above, the clearance pattern specified in the CMIA agreement was not followed during fiscal year 2014. The spreadsheets used to calculate the federal draws for each program reflected the prior fiscal year clearance pattern. We compared the fiscal year 2013 and 2014 clearance patterns for each federal program. Based on the differences, federal funds were not requested before allowed for Temporary Assistance for Needy Families, Foster Care – Title IV-E, and the Supplemental Nutrition Assistance Program. However, Federal funds were requested before allowed, by up to 11 percent, during the 11-day clearance period for Medicaid and the Children's Health Insurance Program (CHIP). If clearance patterns are not updated timely and federal funds are requested before allowed, the State may owe the federal government interest.

We recommend management determine the amount of interest owed to the federal government for Medicaid and CHIP and ensure clearance patterns in the draw calculation spreadsheet are updated annually to reflect any changes in the CMIA agreement.

CORRECTIVE ACTION:
We agree with the finding.

We are currently determining the amount of interest owed and will include it with our interest spreadsheet which is sent to the Oregon Department of Administrative Services on December 1, 2015. The accountant has put on the calendar a reminder to update the check clearance pattern percent and has also put a note in the spreadsheet to update. We are also looking into other alternatives to ensure accurate draws going forward.

Anticipated Completion Date: March 31, 2015

Contact Person: Jeff Aldridge, Grant Accounting Manager

2014-031 Department of Human Services/Oregon Health Authority
Timely Submit Changes to Cost Allocation Plan Statistics

Federal Awarding Agency:	U.S. Department of Agriculture U.S. Department of Health and Human Services
Program Title and CFDA Number:	Supplemental Nutrition Assistance Program (SNAP) Cluster (10.551, 10.561) Immunization Cooperative Agreements (93.268) Temporary Assistance for Needy Families (93.558) Child Care and Development Fund Cluster (93.575, 93.596) Foster Care – Title IV-E (93.658) Adoption Assistance – Title IV-E (93.659) Children's Health Insurance Program (93.767) Medicaid Cluster (93.777, 93.778)
Federal Award Numbers and Year:	Various
Compliance Requirement:	Allowable Costs/Cost Principles
Type of Finding:	Significant Deficiency, Noncompliance

The department administers separate federally approved cost allocation plans for both the department and the authority. The plans outline the allocation methods used to apportion various cost pools to federal programs.

Although federal rules allow for state agencies to make changes to the federally approved plans, the rules require state agencies to promptly notify the federal oversight agency when changes are made that will affect the allocation of costs. At a minimum, state agencies are required to submit an annual statement certifying that their cost allocation plan is not outdated.

While performing testing of the cost allocation process, we identified instances in which the statistics used to allocate costs for March 2014 were not the statistics listed in the applicable federally approved cost allocation plans. According to the department, when changes are made to the plans the department only communicates those changes to the federal government when subsequent plans are submitted. Since fiscal year 2013, it has been the department's goal to submit updated plans at the beginning of each fiscal year. Due to turnover in the cost allocation unit, an updated plan has not been submitted since June 2013.

Failure to follow the requirements of the federally approved cost allocation plans may result in allocated costs being disallowed by the federal oversight agency.

We recommend the department update the cost allocation plans to reflect current practices and ensure future changes are communicated timely.

CORRECTIVE ACTION:
We agree with the finding.

Historically, the agency submitted biennial updates to the cost allocation plan and submitted changes to the plan annually when significant changes were made. There were no significant modifications to the plan during the last year so an update was not submitted to the Division of Cost Allocation.

The agency agrees that updates to the plan should be submitted annually, even if no changes are made. Further, the agency is currently communicating with the Division of Cost Allocation for guidance on their process for the submission of amendments to the public assistance cost allocation plans regarding mid-year modifications.

Anticipated Completion Date: July 31, 2015

Contact Person: Travis Labrum, Cost Allocation Manager

2014-032 Department of Human Services
Improve Controls Over Income Calculations for Eligibility

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Child Care and Development Fund Cluster (93.575, 93.596)
Federal Award Numbers and Year:	2014G996005; 2014, 2014G999004; 2014, 2014G999005; 2014, 2013G996005; 2013, 2013G999004; 2013, 2013G999005; 2013
Compliance Requirement:	Eligibility
Type of Finding:	Significant Deficiency, Noncompliance
Questioned Costs:	$287,176

The Child Care Development Fund program offers federal funding to states to increase the availability, affordability, and quality of child care services. As required by federal regulation, the department has developed a sliding fee scale, based on family size and income, that provides for cost sharing by families that receive child care services (monthly copay). Proof of income is required when applying for the program.

We tested a random sample of 65 families for eligibility and verified the copay calculated for each family was accurate based on family size and income. We identified 4 cases where the client's monthly copay was incorrectly calculated. The exceptions were due to the caseworker (1) using medical income instead of the calculated child care income in 2 cases; (2) using client's estimate of income instead of the pay stub provided; and (3) retroactively applying a change to the case when the change should have only been made going forward.

These errors caused the department to underestimate the client's monthly copay ranging from $23 to $80. The known questioned costs are $190 and the projected questioned costs are $287,000.

Additionally, for 3 cases, the department was unable to locate documentation of the client's income. Based on the income narrated, the client was eligible and the copay was correctly calculated.

We recommend department management ensure client's monthly copay is correctly calculated and client's income documentation is maintained.

CORRECTIVE ACTION:
We agree with the finding.

Four cases were identified for incorrect copay calculation. Two of the cases cited were due to using medical income instead of the calculated child care income (audit sample months were August and October of 2013). During these sample months, workers were calculating income for medical and child care at the same time. We anticipate this will not be an ongoing issue because Self Sufficiency workers stopped determining medical eligibility in December 2013. The remaining two cases cited were due to conversions between TANF and ERDC. An article will be published in the "On Target" newsletter, and a transmittal will be issued highlighting the requirements for calculating the copay and verifying income for case conversions. Reminders will also be given at the statewide Program Manager and Line Manager meetings.

Self Sufficiency field offices are in the process of moving toward electronic case files as part of our EDMS Expansion project. In November 2014, a transmittal was issued identifying the standardized data capture elements for offices that have moved to electronic case files to assist in locating documentation in EDMS.

Anticipated Completion Date: May 31, 2015

Contact Person: Rhonda Prodzinski, Child Care and Refugee Program Manager

2014-033 Department of Education
Improve Controls Over Period of Availability

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Child Care and Development Fund Cluster (93.575, 93.596)
Federal Award Numbers and Year:	2012G996005; 2012, 2013G999004; 2013
Compliance Requirement:	Period of Availability
Type of Finding:	Significant Deficiency, Noncompliance
Questioned Costs:	$122,977

In accordance with federal regulations, mandatory funds (CFDA 93.596) for states requesting matching funds shall be obligated in the fiscal year the funds are granted. Further, discretionary fund (CFDA 93.595) allotments shall be obligated in the fiscal year the funds are awarded or in the succeeding fiscal year.

We identified $120,834 in payroll costs and $2,143 in services and supplies costs that were charged to the grant award after the end of the obligation period. Beginning July 1, 2013, the department was transferred responsibility for administering this program from another state agency. Although the department established coding to ensure expenditures were charged to the correct grant award, the coding was not updated timely after the end of the federal fiscal year, allowing these costs to be charged after the obligation period. In addition, these costs were not identified during the department's grant review process.

We recommend department management ensure system coding is either updated timely or ensure the grant review process identifies costs charged after the end of an obligation period.

CORRECTIVE ACTION:
We agree with this finding and the recommendation that department management ensure either system coding is updated timely or the grant review process identifies costs charged after the end of an obligation period.

Our planned corrective action is as follows:

ODE will create procedures to improve controls over the period of availability, including:

1. *reviewing payroll and accounting profiles – such as index numbers – for appropriateness;*
2. *inactivating payroll and accounting profiles deemed no longer appropriate;*
3. *reviewing transactions during grant closeout; and*
4. *correcting transactions posted outside the period of availability.*

Anticipated Completion Date: June 1, 2015

Contact Person: Tomas Flores, Director of Financial Services

2014-034 Department of Education
Improve Subaward Reporting Under the Transparency Act

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Child Care and Development Fund Cluster (93.575, 93.596)
Federal Award Numbers and Year:	2014G996005; 2014, 2014G999004; 2014, 2014G999005; 2014
Compliance Requirement:	Reporting
Type of Finding:	Significant Deficiency, Noncompliance

Under the Federal Funding Accountability and Transparency Act (FFATA), the department is required to collect and report information on each subaward or amendment of $25,000 or more in federal funds in the FFATA Subaward Reporting System (system). The reporting must be done by the end of the month following the month in which the subaward was made.

We were unable to test compliance as no subaward reports were uploaded to the system during fiscal year 2014 for this program. During the fiscal year, the department passed-through over $4 million to 59 subrecipients of which 35 were paid more than $25,000 during the year. According to the department, part of the issue is because responsibility of administering the program was transferred to the department from another state agency beginning July 1, 2013. When this change occurred, the federal award was not available in the system for the department to report. However, the department could not provide any evidence that they made a “good faith” effort to comply with the reporting requirement by contacting the grantor.

By not meeting this reporting requirement, the department is in violation of federal requirements and the transparency objective of FFATA cannot be met as there is incomplete subaward information in the federal system.

We recommend department management ensure all FFATA reports for this program are submitted as required.

CORRECTIVE ACTION:
We agree with this finding and the recommendation that department management ensure all FFATA reports for this program are submitted as required.

Corrective action already has been taken as follows:

Even though the Child Care and Development Fund programs were transferred to ODE on July 1, 2013, ODE wasn't able to report under FFATA because the transferring state agency - the original prime awardee - needed to make the request to the federal government to transfer reporting to ODE. As of December 2014, the federal government granted FFATA reporting permissions to ODE. The department began reporting for the programs in January 2015.

Anticipated Completion Date: January 2015

Contact Person: Tomas Flores, Director of Financial Services

2014-035 Department of Education
Strengthen Controls over Earmarking

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Child Care and Development Fund Cluster (93.575, 93.596)
Federal Award Numbers and Year:	2013G996005; 2013
Compliance Requirement:	Earmarking
Type of Finding:	Significant Deficiency

For the 2013 grant award, the department's award included dollars that are required to be spent on three types of targeted funds. One of the targeted funds was for activities to increase the quality of child care for infants and toddlers.

The department uses coding in the accounting system to identify and track the program's expenditures related to various activities including targeted fund activities. As part of preparing the quarterly financial report (ACF-696), the department monitors program expenditures to ensure matching, earmarking and targeted funds requirements are met.

We reviewed the final financial report submitted to the federal awarding agency in December 2014 for the 2013 grant award. Based on the report, it appeared the department had not expended $169,099 as required for the infant and toddler targeted funds. Upon further review, we found the department's final financial report was not accurate as it did not include $250,000 expended for these targeted fund activities. The department prepared the final report using summary data from both the department and the Department of Human Services (DHS). Prior to completion of the summary data the department made accounting entries to record the targeted fund expenditures made by DHS to a different grant year; however, the department did not notify DHS of these accounting entries. As a result, the DHS summary

data and the final financial report did not include $250,000 expended for infant and toddler targeted funds for the 2013 grant award.

We recommend department management notify DHS of accounting entries the department makes to data DHS reports to the department so DHS can update its accounting records and update the data reports it submits to the department. We also recommend the department update and resubmit the report for the 2013 grant award.

CORRECTIVE ACTION:
We agree with this finding and the recommendation that department management notify the Department of Human Services (DHS) of accounting entries ODE makes to DHS-reported data (thereby allowing DHS to update its accounting records and update the data it submits to ODE) and submit an updated report for the 2013 grant award.

Our planned corrective action is as follows:

1. *ODE will update its procedures to ensure DHS is notified when ODE makes adjusting entries to DHS transactions so DHS can update its accounting records and the reports it submits to ODE*
2. *ODE will contact our federal partner, the U.S. Department of Health and Human Services, and request we be allowed to submit the corrected 2013 grant award report.*

Anticipated Completion Date: June 1, 2015

Contact Person: Tomas Flores, Director of Financial Services

2014-036 Oregon Housing and Community Services Department
Improve Reviews of Subrecipients

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Low-Income Home Energy Assistance (CFDA 93.568)
Federal Award Numbers and Year:	2014G992201; 2014, 2014G995623; 2014, 2013G992201; 2013, 2013G994002; 2013
Compliance Requirement:	Activities Allowed or Unallowed, Earmarking, Subrecipient Monitoring
Type of Finding:	Material Weakness

Federal regulations state that program funds may only be used for certain allowable activities. In addition, the regulations specify "earmarking" limits on the use of these funds. The department passes most of its LIHEAP funds through to subrecipients who perform the majority of the program activities. Department management is responsible for monitoring subrecipients, as necessary, to ensure compliance with program requirements including allowable activities and earmarking requirements.

We reviewed monitoring files and found that, specific to fiscal monitoring, there was insufficient evidence of adequate monitoring to provide assurance that only costs from allowable activities are reimbursed with federal funds or that limitations were not exceeded. This is a repeat finding.

We recommend department management strengthen its fiscal monitoring to ensure federal reimbursements are for allowable program activities and required limitations are not exceeded.

CORRECTIVE ACTION:
The agency agrees with this finding.

The agency currently monitors subrecipients following guidelines established by the Office of Management and Budget (OMB) Circulars A-87 (2 CFR part 225). The agency has documented processes, procedures, and checklists to ensure uniformity of monitoring and subrecipient compliance with guidance under OMB circular A-122 (2 CFR part 230) and the Uniform Guidance (2 CFR part 200). Additionally, OHCS has internal systems that establish controls to adequately earmark funds into specific categories, ensuring funds are used for the intended purposes. The agency is implementing a new procedure which will expand the scope of items being monitored and establish a risk based approach to the sample selection. This will ensure a statistically relevant sample is reviewed to provide adequate evidence that the expense was entered under the appropriate earmarked category and was for an allowable purpose.

Anticipated Completion Date: March 31, 2015

Contact Person: Sandra Flickinger, Finance Section Manager

2014-037 Oregon Housing and Community Services Department
Improve Reviews of Subrecipient Allocated Costs

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Low-Income Home Energy Assistance (CFDA 93.568)
Federal Award Numbers and Year:	2014G992201; 2014, 2014G995623; 2014, 2013G992201; 2013, 2013G994002; 2013
Compliance Requirement:	Allowable Costs/Cost Principles, Subrecipient Monitoring
Type of Finding:	Material Weakness

Federal regulations require the department, as a recipient of federal awards, to monitor the costs of subrecipients, as necessary, to ensure that federal awards are used for allowable costs in compliance with laws, regulations, and the provisions of contracts or grant agreements. Federal cost principle circulars are applicable to department subrecipients that receive federal pass-through funds and require the use of cost allocation plans or indirect cost rates for costs that are allocated to federal programs. The department is responsible for reviewing its subrecipients' cost allocation plans to ensure subrecipients follow general cost principles, including gaining assurances that expenditures charged to federal programs are reasonable, equitably distributed, and adequately documented.

We reviewed four subrecipient fiscal monitoring files and found that although all files included a copy of a cost allocation plan that was mathematically verified, there was no evidence that the plans were reviewed to ensure general cost principles were applied. This is a repeat finding.

We recommend department management develop procedures and provide training to staff to ensure the cost allocation plans of its subrecipients are sufficiently reviewed to determine whether the cost allocation plans are in compliance with applicable cost principles.

CORRECTIVE ACTION:
The agency agrees with this finding.

The agency has already provided clarification, procedures, and trainings to the fiscal monitor in order to examine and test application of cost allocations. This has provided assurances that costs are equitably distributed and adequately documented. An updated procedure is being created to ensure costs are allocated on a reasonable basis and that basis is applied correctly.

Anticipated Completion Date: March 31, 2015

Contact Person: Sandra Flickinger, Finance Section Manager

2014-038 Oregon Department of Housing and Community Services
Strengthen Controls Over Cash Management

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Low-Income Home Energy Assistance (CFDA 93.568)
Federal Award Numbers and Year:	2014G992201; 2014, 2014G995623; 2014, 2013G992201; 2013, 2013G994002; 2013
Compliance Requirement:	Cash Management
Type of Finding:	Material Weakness

Federal regulations require program costs be paid with entity funds before reimbursement is requested from the federal government. The exception to the cost reimbursement basis is the advancement of federal monies to meet immediate cash needs. When federal funds are provided prior to the expending of entity funds, recipients must minimize the time elapsing between the advancement and use of federal funds. The department is responsible for ensuring its subrecipients minimize the time between the draw-down and disbursement of federal funds for federal program purposes. We found the department does not have adequate controls to ensure this occurs. Department management is developing a new process for reviewing subrecipient requests for funds to ensure the requests are made on a reimbursement basis and only for authorized costs. This new process was not implemented during fiscal year 2014. This is a repeat finding.

We recommend department management ensure adequate controls are implemented to ensure subrecipient requests for funds are in compliance with federal cash management requirements.

CORRECTIVE ACTION:
The agency agrees with this finding.

The agency currently requires subrecipients to specify the amount of a funding request that is for a reimbursement or an advance. To complement the existing process, the agency is implementing a new procedure that will require documentation from the subrecipients accounting system with each funding

request. This documentation will specify the period in which the expenditure occurred and whether or not this was a reimbursement or an advance request. This documentation will be tested as part of the expanded scope of items being monitored with an emphasis on ensuring any funds advanced to a subrecipient are due to an immediate cash need and the time between the draw-down and disbursement of funds is minimized.

Anticipated Completion Date: June 1, 2015

Contact Person: Sandra Flickinger, Finance Section Manager

2014-039 Department of Justice
Improve Controls and Ensure Compliance with Transparency Act Reporting

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Child Support Enforcement (93.563)
Federal Award Numbers and Year:	1304OR4005; 2013, 1404OR4005; 2014
Compliance Requirement:	Reporting
Type of Finding:	Significant Deficiency, Noncompliance

Federal regulations require recipients of federal awards totaling $25,000 or more to report certain grant information in the Federal Funding Accountability and Transparency Act (FFATA) reporting system no later than the end of the month the awards are made to a subrecipient.

When we inquired, the department had not filed any FFATA reports for fiscal year 2014. This was due, in part, to a misunderstanding of the Child Support Program management's communication with the federal oversight agency. As a result, the department was not in compliance with FFATA reporting requirements.

We recommend management improve controls to ensure compliance with FFATA reporting requirements.

CORRECTIVE ACTION:
We concur there is a need to improve controls to ensure compliance with the Federal Funding Accountability and Transparency Act (FFATA) reporting requirements. Previous attempts to file the FFATA report were unsuccessful because the online Portal reflected an incorrect DUNS number. We were under the impression that filing the SF424M, a mandatory application for federal assistance form, took the place of the reporting requirement temporarily until a permanent fix was made on the online Portal. The Office of Grants Management, Region 10 has confirmed that the filing of SF424M does not replace the FFATA reporting requirement. The following corrective actions will be taken:

- *The FFATA reporting for FY 2014 has been completed and will be certified by April 30, 2015.*
- *A procedure for FFATA reporting will be established that includes reconciliation of monthly subrecipient payments to the cumulative balance reported on the FFATA reporting website.*
- *The ASD Financial Services Accounting Manager and the DCS Performance, Budget, and Statistics Manager will have joint responsibility for reviewing the accuracy and completeness of the report, as well as ensuring timeliness in reporting.*

Anticipated Completion Date: May 30, 2015

Contact Person: Maria Young, Financial Services Accounting Manager

2014-040 Department of Justice
Continue to Strengthen Controls Over Financial Reporting

Federal Awarding Agency: U.S. Department of Health and Human Services
Program Title and CFDA Number: Child Support Enforcement (93.563)
Federal Award Numbers and Year: 1404OR4005; 2014
Compliance Requirement: Reporting
Type of Finding: Significant Deficiency, Noncompliance

Department management is responsible for designing and implementing controls to provide reasonable assurance that reports of federal awards submitted to the federal awarding agency include all activity of the reporting period, are supported by underlying accounting records, and are fairly presented in accordance with program requirements.

In the prior year's audit we were unable to determine if the quarterly financial reports were prepared entirely in accordance with program requirements and the department was unable to provide sufficient documentation to demonstrate that the report was complete and accurate.

During the current year's audit we reviewed the Child Support Enforcement Program's Financial Reports for the quarters ended March 31 and June 30, 2014. We found the March 31 quarter end report was complete and accurate in accordance with program requirements. For the June 30 quarter end, we found one reporting line, ADP Operations expenses, was overstated by $24,547 due to certain data being accounted for in duplicate. Although we identified this error, we found the supporting documentation retained for the reports was improved, allowing us to determine whether the reports were complete, accurate, and prepared in accordance with program requirements.

We recommend department management continue to strengthen controls to ensure reported amounts are complete, accurate, and agree to accounting records; and we recommend management submit corrections for the miss-reported amounts for the quarter ended June 30, 2014.

CORRECTIVE ACTION:
We concur that DOJ's continuing efforts to strengthen internal controls in reporting ensures that financial reports are accurate, complete, and agree to the accounting records. The corrective actions to be taken for the overstatement in expenditures on the Child Support Enforcement Programs Financial Report for the quarter ended June 30, 2014 are as follows:

- *Reduce the ADP Operations expenses by the overstated amount of $24,547 on the Child Support Programs Financial Report for quarter ended March 30, 2015.*
- *Perform a reconciliation of the expenditures reported on the Child Support Programs Financial Report to the SFMA balance to ensure completeness and accuracy of reported amounts.*

Anticipated Completion Date: April 30, 2015

Contact Person: Maria Young, Financial Services Accounting Manager

2014-041 Department of Human Services
Controls Over EBT Card Security Were Not Followed

Federal Awarding Agency:	U.S. Department of Agriculture
Program Title and CFDA Number:	Supplemental Nutrition Assistance Program (SNAP) Cluster (10.551, 10.561)
Federal Award Numbers and Year:	Undetermined
Compliance Requirement:	Special Tests and Provisions
Type of Finding:	Significant Deficiency, Noncompliance

Clients participating in the SNAP program receive benefits electronically via Electronic Benefit Transfer (EBT cards). Federal regulations require that the department provide certain minimum security and control procedures over EBT cards. The department has established procedures to meet the minimum security requirements, which include limiting access to EBT card stock to authorized personnel, conducting monthly inventory counts of cards and utilizing logs to record destruction of returned cards. The department communicates these procedures to branch offices through its Field Business Procedures Manual.

We visited 15 of the 119, branch offices to determine if the department's procedures were being followed. Based on our visits, the department did not adequately monitor the branch offices to ensure that they were following established procedures. Specifically, we found:

- One branch office did not keep EBT cards secured at all times.
- One branch office did not use a stock control log to monitor its card inventory.
- One branch did not use the hard-copy destruction log and was not aware of the requirement to use the log.
- Ten branch offices did not always perform the monthly inventories of EBT card stock. Results ranged from one branch not performing inventory for one month to another branch not completing inventory counts for the entire year.

Failure to follow the established procedures could result in the misappropriation and misuse of EBT cards.

We recommend department management ensure branch offices are aware of and follow the established procedures for securing EBT cards.

CORRECTIVE ACTION:
We agree with the finding.

Self Sufficiency Program Office Managers and Business Experts received the Financial Training for Managers, focusing on Electronic Benefit Transfer (EBT) card security and managing RACF access, in May 2014. In addition, a communication was sent to office leadership in June 2014, regarding the importance of securing EBT cards and following the policy outlined in the Field Business Procedures Manual for monthly inventory.

The Financial Training for Managers was converted to a webinar format and was delivered live to Self-Sufficiency, Child Welfare and Aging and People with Disabilities management on December 23, 2014, February 11, 2015 and February 12, 2015. We have recorded a webinar session and are currently testing it in the Learning Center Test Site. The final product will be available in The Learning Center by March 31, 2015.

Anticipated Completion Date: March 31, 2015

Contact Person: Rhonda Prodzinski, Child Care and Refugee Program Manager

2014-042 Department of Human Services
Expenditures Incurred Outside the Period of Availability

Federal Awarding Agency:	U.S. Department of Agriculture
Program Title and CFDA Number:	Supplemental Nutrition Assistance Program (SNAP) Cluster (10.551, 10.561)
Federal Award Numbers and Year:	7OR400OR4; 2014, 7OR400OR0; 2014, 7OR430OR4; 2014, 7OR4004OR; 2014
Compliance Requirement:	Period of Availability
Type of Finding:	Significant Deficiency, Noncompliance

According to federal requirements, only costs resulting from obligations within the grant award year may be charged to the grant award.

The department's accounting records indicated $941,492 in federal expenditures were charged to the federal fiscal year 2014 grant award after the grant award year ended. We judgmentally selected transactions covering 98% of the dollars to verify the expenditures were obligated or incurred within the grant award timeframe. We identified one transaction totaling $146,257 that was inappropriately charged to the 2014 grant award.

The department primarily relies on timely inactivating accounting system codes to prevent charges outside the period of availability. The department may not inactivate codes if it is aware of allowable expenditures still needing to be charged or adjustments that need to be made. For codes not inactivated timely, the department relies on a review process to identify expenditures incorrectly coded to a grant after the period of availability. For the exception identified, the department did not timely inactivate the system coding and the error was not identified during the grant award review and adjustment process.

When codes are not inactivated timely and the review process does not identify errors, the risk increases for the department to charge costs to a grant award outside the period of availability.

We recommend department management ensure its review process identifies transactions charged to a grant award outside the period of availability.

CORRECTIVE ACTION:
We agree with the finding.

The agency has previously reviewed all documents at a detail level except for entries being processed through our cost allocation system. Effective immediately, all transactions, regardless of source, will be reviewed to ensure expenditures were incurred during the period of availability. Corrections will be reflected on the March 31, 2015 quarterly report.

Anticipated Completion Date: April 30, 2015

Contact Person: Jeff Aldridge, Grant Accounting Manager

2014-043 Department of Human Services
Improve EBT Reconciliation Controls

Federal Awarding Agency:	U.S. Department of Agriculture
Program Title and CFDA Number:	Supplemental Nutrition Assistance Program (SNAP) Cluster (10.551, 10.561)
Federal Award Numbers and Year:	Undetermined
Compliance Requirement:	Special Tests and Provisions
Type of Finding:	Significant Deficiency

Oregon uses Electronic Benefit Transfers to provide client benefits and is required by the federal government to have a system in place to reconcile all funds entering into, remaining in, and exiting from the system with the State's accounting system and EBT contractor records.

The department prepares various reconciliations to meet this requirement. We reviewed three months of reconciliations prepared by the department. Based on our review, two reconciliations contained errors that were not identified during the department's review process. As part of their review, the department relies on a check figure in the spreadsheets to indicate if there are any discrepancies between items being reconciled. In both instances, the check figure showed there were no discrepancies.

For one reconciliation, the error was due to a subtotal formula including an extra $982,117, which allowed everything to reconcile. For the second reconciliation, an unknown error existed in the "check figure" formula as it was clear the three subtotals did not reconcile by $61 million. After inquiry, the department provided support for the reconciling items and the reconciliations were corrected.

Failure to identify reconciling items could result in the department not appropriately identifying errors related to the EBT process.

We recommend department management improve its review process by considering implementing a more in depth review, ensuring critical formulas cannot be modified and providing training to staff.

CORRECTIVE ACTION:
We agree with the finding.

We agree that there were errors in the reconciliation and review process. We have already made changes which included adding additional check digits to capture all reconciling items and formulas, and provided additional training for staff. We will also do a review of the process to consider the effectiveness of the review and the protection of critical formulas.

Anticipated Completion Date: March 31, 2015

Contact Person: Jeff Aldridge, Grant Accounting Manager

2014-044 Department of Education
Improve Subaward Reporting Under the Federal Funding Accountability and Transparency Act

Federal Awarding Agency:	U.S. Department of Agriculture U.S. Department of Education
Program Title and CFDA Number:	Child Nutrition Cluster (10.553, 10.555, 10.556, 10.559) Child and Adult Care Food Program (CACFP)(10.558) Title I, Part A (84.010)
Federal Award Numbers and Year:	7OR300OR3; 2014, S010A130037-13A; 2014
Compliance Requirement:	Reporting
Type of Finding:	Significant Deficiency, Noncompliance

The Title 1, Child Nutrition Cluster (consisting of SBP, NSLP, SMP & SFSP), and CACFP programs are subject to subaward reporting under the Federal Funding Accountability and Transparency Act (FFATA). Federal regulations require recipients of federal awards to report certain subaward information in the FFATA reporting system. Reports are required for all subrecipients receiving a subaward totaling $25,000 or more and must be submitted no later than the end of the month following the month in which the subawards are made. Federal regulations also require that recipients of federal awards establish and maintain internal controls designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. This typically includes independent review of reports to assure accuracy and completeness of data and information reported.

Responsibility for monthly FFATA reporting lies solely with one employee for the Title 1 program and a second employee for the Child Nutrition Cluster and CACFP programs. The employees obtain data, and prepare and submit the reports for their respective programs. However, the department had not implemented controls to ensure the reports were accurately and completely prepared and submitted timely. As a result, the department has less assurance all required FFATA reports are submitted timely and are accurate and complete.

Also, during the audit, we found the department did not report any subaward information for the Child Nutrition Cluster or the Child and Adult Care Food Program, as required, for its FY 2014 federal awards. Furthermore, the department did not report subaward information in a timely manner for 62 subrecipients of its FY 2014 Title 1 federal award.

We recommend department management strengthen existing controls to ensure FFATA reports are independently reviewed prior to submission to the federal government. We further recommend department management ensure required reports are submitted for the Child Nutrition Cluster and CACFP FY 2014 federal awards.

CORRECTIVE ACTION:
We agree with this finding and the recommendation that department management strengthen existing controls over Federal Funding Accountability and Transparency reporting.

Our planned corrective action is to update our procedures related to FFATA reporting to ensure:

1. *FFATA reports are independently reviewed for completeness and accuracy prior to submission to the federal government.*
2. *All required FFATA reports are submitted for the Child Nutrition Cluster and the Child and Adult Care Food Program.*
3. *An ODE fiscal staff member is identified as backup for the primary submitter so FFATA reports are submitted timely.*

Anticipated Completion Date: June 1, 2015

Contact Person: Tomas Flores, Director of Financial Services, Joyce Dougherty, Director of Child Nutrition Programs

2014-045 Department of Education
Improve Controls for Subrecipient Administrative Reviews

Federal Awarding Agency:	U.S. Department of Agriculture
Program Title and CFDA Number:	Child Nutrition Cluster (10.553, 10.555, 10.556, 10.559)
Federal Award Numbers and Year:	7OR300OR3; 2014
Compliance Requirement:	Subrecipient Monitoring
Type of Finding:	Significant Deficiency, Noncompliance

Federal regulations require recipients of Federal funding to perform administrative reviews of subrecipients to ensure subrecipients are in compliance with federal requirements. The regulations define a number of critical and general areas these reviews should cover.

The department has developed and implemented an administrative review tool, consisting of an extensive series of questionnaires and checklists, to facilitate and standardize its subrecipient monitoring process. However, the extensive nature of the questionnaires and checklists creates the potential for important areas to be missed. Currently, the administrative review tool does not include a mechanism to assist department staff with verifying that all questions have been addressed. We found the administrative review tools were not always completed in their entirety. Specifically, 11 of 20 administrative review tools we examined were not complete or did not include evidence of monitoring for all critical and general areas of review.

We recommend department management strengthen existing controls to ensure the administrative review tools used during subrecipient monitoring are filled out completely and include evidence of monitoring for all critical and general areas of review.

CORRECTIVE ACTION:
We agree with this finding and the recommendation that department management strengthen existing controls to ensure the administrative review tools used during sub-recipient monitoring are completed fully and include evidence of monitoring for all critical and general areas of review.

Our planned corrective action is as follows:

1. *For the 2015 administrative reviews, they will be checked for completeness by a staff member and returned to the reviewing specialist when all questions are not answered. The reviewing specialist will enter the missing data and return it to the staff member for verification that the tool is complete.*
2. *For the 2016 administrative reviews, functionality will be added to the review tool indicating which tabs or questions have not been completed. The reviewing specialist will use this as a reference and complete any unanswered questions. The lead worker will spot- check reviews throughout the year to ensure all questions are answered.*
3. *ODE will provide training on the importance of responding to all administrative review tool questions.*

Anticipated Completion Date: July 1, 2015

Contact Person: Heidi Dupuis, Manager of School Nutrition Programs

2014-046 Department of Education
Ensure All Required Administrative Reviews Are Completed

Federal Awarding Agency:	U.S. Department of Agriculture
Program Title and CFDA Number:	Child Nutrition Cluster (10.553, 10.555, 10.556, 10.559)
Federal Award Numbers and Year:	7OR300OR3; 2014
Compliance Requirement:	Subrecipient Monitoring
Type of Finding:	Noncompliance

Federal regulations requiring recipients of federal funding to conduct administrative reviews of subrecipients every five years, were revised to every three years for fiscal year 2014 and thereafter. In an effort to allow states to focus on implementing updated meal patterns, certification, and validation review activities, the federal government allowed states to postpone administrative reviews that were scheduled for fiscal year 2013. Federal guidance directed that any subrecipient whose administrative review was postponed in 2013 or omitted during the prior five-year cycle must be reviewed during the first year of the new three-year cycle beginning fiscal year 2014.

During our review, we found eight subrecipients whose administrative reviews were scheduled for but not fully completed in fiscal year 2013, and were not subsequently reviewed during fiscal year 2014. Department management explained that while prioritizing administrative reviews for fiscal year 2014, it

considered those eight as lower risk than subrecipients that had not been visited the prior year, and decided to focus on other subrecipients. Management also stated it did not have staff available to do the rework that would have been necessary for the eight subrecipients.

We recommend department management ensure it completes all required subrecipient administrative reviews in compliance with federal regulations.

CORRECTIVE ACTION:
We agree with this finding and the recommendation that department management ensure it completes all required sub-recipient administrative reviews in compliance with federal regulations.

Our planned corrective action is as follows:

1. *Prior to the start of the next cycle and for those sponsors currently participating, ODE will schedule reviews for a three-year cycle.*
2. *A second staff member will verify all sponsors are scheduled for review and it's been not more than three years since a sponsor's last review.*
3. *ODE will adjust review schedules to meet regulatory requirements and request exceptions from the U.S. Department of Agriculture as necessary.*
4. *The spring prior to the review year, ODE will verify continued participation in the National School Lunch Program/School Breakfast Program.*
5. *Finally, ODE will add the administrative review tool to ODE's internal CNPweb tracking system when the sponsor is approved as a subrecipient.*

Anticipated Completion Date: July 1, 2015

Contact Person: Heidi Dupuis, Manager of School Nutrition Programs

2014-047 Department of Education
Strengthen Controls for State Per Pupil Expenditure Calculations

Federal Awarding Agency: U.S. Department of Education
Program Title and CFDA Number: Title I, Part A (84.010)
Federal Award Numbers and Year: S010A120037-12A; 2013, S010A130037-13A; 2014
Compliance Requirement: Reporting
Type of Finding: Significant Deficiency, Noncompliance

Each year, the department must submit its average State Per Pupil Expenditure (SPPE) data to the National Center for Education Statistics. SPPE data are used by the U.S. Department of Education to make allocations under several federal programs, including Title 1, Part A. Federal guidance directs that expenditures from funds received under Title 1 should be excluded from the SPPE calculation results before submitting the data.

We found the department had not excluded Title 1 expenditures totaling $14.8 million from its SPPE calculation results submitted during FY 2014. As a result, SPPE is overstated for the most recent reporting period. Management indicated the reported data were reviewed prior to submission, but

clarified the review primarily consisted of trend analyses. Management added that it does not know why the difference was not identified.

We recommend department management strengthen controls to ensure all Title 1 program expenditures are excluded from its annual SPPE calculation results. We also recommend management submit a corrected report to the U.S. Department of Education, if necessary.

CORRECTIVE ACTION:
We agree with this finding and the recommendation that department management ensure all Title 1 program expenditures are excluded from its annual SPPE calculation results and submit a corrected report, if necessary.

Our planned corrective action is as follows:

1. *ODE will work with our federal partners at the U.S. Census Bureau and the National Center for Education Statistics (NCES) to verify reporting criteria for our SPPE data are current.*
2. *Once we have verified NCES reporting criteria are correct, ODE will review its programming used for compiling data and ensure it aligns with NCES requirements. ODE will make a correction if it is determined there was an error in the data submitted during fiscal year 2014.*
3. *ODE will complete review of the programming prior to ODE's next reporting cycle, which likely will occur in late April to early May of 2015, and on an annual basis thereafter.*
4. *In addition to the type of analysis performed in past years, a more extensive review will take place prior to future submissions to NCES. For example, future reviews will include comparison to other federal reports compiled by ODE, such as the Detailed Federal Review report, for reasonableness. In addition, instead of comparing to only the previous year for trend analysis and percentage deviation, more years will be taken into account to enhance testing for standard deviation.*

Anticipated Completion Date: June 30, 2015

Contact Person: Michael Wiltfong, Director of School Finance and Pupil Transportation

2014-048 Department of Education
Ensure Subrecipient Monitoring Includes Federal Fiscal Requirements

Federal Awarding Agency:	U.S. Department of Education
Program Title and CFDA Number:	Special Education Cluster (IDEA)(84.027, 84.173)
Federal Award Numbers and Year:	H027A110095; 2012, H173A110100; 2012, H027A120095; 2013, H173A120100; 2013, H027A130160; 2014, H173A130100; 2014
Compliance Requirement:	Subrecipient Monitoring
Type of Finding:	Significant Deficiency, Noncompliance

The department receives Federal funding for Special Education programs (IDEA, part B and Preschool) and passes funding to school districts and education service districts (ESD) through subgrants. Federal

regulations require the department to ensure subrecipients are in compliance with the requirements of the special education programs and have accounting systems and internal controls adequate to administer the awards.

The department has a process in place to monitor and review subrecipients' compliance with specific program requirements, but the process does not consider subrecipients' accounting and internal control systems and certain fiscal requirements, such as accounting, reporting and procurement. The department focused primarily on program requirements and outcomes.

The department could not ensure that subrecipients had adequate accounting and internal control systems in place and complied with federal fiscal requirements. As a result, the funding awarded to the state as well as the districts could be at risk of sanctions or disallowances by the federal grantor agency due to noncompliance.

We recommend department management expand its monitoring processes to include subrecipients' accounting and internal control systems and federal fiscal requirements of the awards.

CORRECTIVE ACTION:
We agree with this finding and the recommendation that department management expand its monitoring process. This issue was identified by the Office of Special Education Programs through their audit in October 2010, with communication to Oregon occurring in November 2014.

Our planned corrective action is as follows:

ODE will update its procedures for fiscal subrecipient monitoring to include a review of accounting and internal control systems and federal fiscal requirements of the award. ODE is working with its internal auditor and has reviewed other states' sub-recipient auditing procedures to assist us with the development of our procedures.

Anticipated Completion Date: May 1, 2015

Contact Person: Sarah Drinkwater, Assistant Superintendent

2014-049 Department of Education
Improve Procedures for Subaward Reporting Under the Federal Funding Accountability and Transparency Act

Federal Awarding Agency:	U.S. Department of Education
Program Title and CFDA Number:	Special Education Cluster (IDEA)(84.027, 84.173)
Federal Award Numbers and Year:	H027A110095; 2012, H173A110100; 2012, H027A120095; 2013, H173A120100; 2013, H027A130160; 2014, H173A130100; 2014
Compliance Requirement:	Reporting
Type of Finding:	Significant Deficiency

Federal regulations require recipients of federal awards to report certain subaward information in the Federal Funding Accountability and Transparency Act (FFATA) reporting system no later than the end of the month following the month subawards are made totaling $25,000 or more. Federal regulations also require recipients of federal awards to establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. This typically includes independent review of reports to assure accuracy and completeness of data and information included in the reports.

Responsibility for FFATA reporting lies solely with one employee who identifies, prepares and submits required reports. However, the department had not implemented a control to ensure those reports are accurately and completely prepared and submitted timely. This was due, in part, to the department not having assigned an employee to independently monitor or review this work.

As a result, the department has less assurance required FFATA reports are filed timely and are accurate and complete.

We recommend department management strengthen existing controls to ensure FFATA reports are independently reviewed prior to submission to the federal government.

CORRECTIVE ACTION:
We agree with this finding and the recommendation that department management strengthen existing controls over FFATA reporting.

Our planned corrective action is to update our procedures related to FFATA reporting to ensure:

1. *FFATA reports are independently reviewed for completeness and accuracy prior to submission to the federal government.*
2. *An ODE fiscal staff member is identified as backup for the primary submitter so FFATA reports are submitted timely.*

Anticipated Completion Date: June 1, 2015

Contact Person: Tomas Flores, Director of Financial Services

2014-050 Oregon Employment Department
Inaccurate Performance Data Reporting (TAPR)

Federal Awarding Agency: U.S. Department of Labor
Program Title and CFDA Number: Unemployment Insurance (17.225)
Federal Award Numbers and Year: UI-23913-13-55-A-41; 2013, UI-25227-14-55-A-41; 2014
Compliance Requirement: Reporting
Type of Finding: Significant Deficiency, Noncompliance

Federal instructions require the department to quarterly report the characteristics, activities, and outcomes of Trade Act Assistance participants. The department uses a preprogrammed query to extract required data elements from the department's records.

A sample of 25 participants was selected from a quarterly report to verify the reported data elements agreed to the department's records. For 2 participants, the wages reported in the quarterly report were higher than actual recorded wages as coding in the preprogrammed query did not exclude wages flagged as deleted for various reasons. Not accurately reporting participant information impacts the average earnings performance measure of the program.

We recommend department management update the query to ensure it accurately extracts wages for the quarterly report.

CORRECTIVE ACTION:
We agree with the finding.

The query did not take into account the possibility of wages being deleted after they had been retrieved for reporting purposes. The corrective action is a revision to the query to exclude wages that indicate they are no longer currently associated with the selected customer. The query was updated prior to the end of the audit.

Anticipated Completion Date: February 9, 2015

Contact Person: Jim Booker, Federal Program Manager

2014-051 Community Colleges and Workforce Development
FFATA Reporting Not Done

Federal Awarding Agency: U.S. Department of Labor
Program Title and CFDA Number: Workforce Investment Act Cluster (17.258, 17.259, 17.278)
Federal Award Numbers and Year: Unknown
Compliance Requirement: Reporting
Type of Finding: Significant Deficiency, Noncompliance

Criteria: The Organizations' grants with its federal funder require the Organization to perform subaward reporting under the Transparency Act (FFATA).

Condition: We noted no FFATA reporting was performed.

Cause: According to management, there were insufficient resources allocated to the Organization to be able to comply with this requirement.

Effect: The Organization did not have internal controls in place to ensure that FFATA reporting was completed.

Recommendation: The Organization should establish additional internal controls to ensure that FFATA reporting is completed.

CORRECTIVE ACTION:
Management agrees with the finding and is working to ensure that FFATA reporting is completed in a timely manner.

Background: CCWD is aware of the FFATA reporting requirements. CCWD would have been required to start reporting on October 1, 2010. However due to an error in the system with the US Department of Labor (DOL), we were unable to report on the FFATA system, as there was no award reported from DOL for us to link to. DOL solved this issue and notified CCWD on October 11, 2011. At that time, CCWD's WIA Grant Accountant position had been vacant since May of 2011, and already had one failed recruitment. Besides our normal WIA reporting requirements, CCWD also had the American Recovery and Reinvestment Act (ARRA) reporting required with 86 reports due in a relatively short timeline (7 calendar days) after the end of that quarter (9/30/11). With not enough staff to accomplish everything, a risk management decision was made to cover our normal WIA requirements and the ARRA report as the ARRA reports contained a lot of the same information and were on a federal transparency website.

A new WIA accountant was hired in November and started work in December, but due to the training time to teach the complexities of the WIA grant, CCWD was not fully up to capacity until September 2012, however, at that time we lost our NEG and Title II Accountant. In September 2013, WIA fiscal monitoring was also added onto the Fiscal Manager's responsibilities. Currently there are efforts to separate the two jobs, in order to allow the fiscal manager to concentrate on current fiscal operations.

CCWD is currently working to complete our FFATA reporting on the 2014 Grant Year award.

Instructions have been completed on how to report and an additional line for FFATA reporting has been added to the Notice of Funds Availability (NFA) checklist. Due to a three agency merge on July 1st that CCWD is a part of, we have to push our expected timeline out to December 31, 2015 for resolution.

Anticipated Completion Date: December 31, 2015

Contact Person: Krissa Caldwell, Deputy Commissioner

2014-052 Department of Forestry
Improve Determination of FEMA Eligible Costs

Federal Awarding Agency:	U.S. Department of Homeland Security
Program Title and CFDA Number:	Fire Management Assistance Grant Program (97.046)
Federal Award Numbers and Year:	FEMA-5036-FM-OR; 2014, FEMA-5037-FM-OR; 2014, FEMA-5039-FM-OR; 2014, FEMA-5046-FM-OR; 2014, FEMA-5056-FM-OR; 2014
Compliance Requirement:	Activities Allowed or Unallowed
Type of Finding:	Significant Deficiency, Noncompliance
Questioned Costs:	$1,518

The Fire Management Assistance Grant reimburses states and other entities for the costs associated with a declared incident (forest fire).

The process to identify FEMA eligible costs includes multiple calculations and considerations, which are supported by invoices, timesheets and other documents.

Although department staff performed reviews at various points in their process for determining FEMA eligible costs, our testing of 60 transactions identified 6 payments where the department incorrectly calculated FEMA eligible costs and subsequently requested reimbursement of federal funds for those costs. Errors identified in our sample both under and overstated eligible costs with a net overstatement of $1,518. Projected, the errors result in questioned costs of over $50,000.

We recommend department management improve their control processes to ensure they are effective to accurately determine FEMA eligible costs.

CORRECTIVE ACTION:
We agree with the finding.

ODF will develop and implement new audit tools to help ensure consistent calculations and clear direction on FEMA eligibility for different resource types.

Anticipated Completion Date: June 2015

Contact Person: Toni Chambers, Fire Business Manager

2014-053 Department of Forestry
Improve Controls Over Procurement

Federal Awarding Agency:	U.S. Department of Homeland Security
Program Title and CFDA Number:	Fire Management Assistance Grant Program (97.046)
Federal Award Numbers and Year:	FEMA-5036-FM-OR; 2014, FEMA-5037-FM-OR; 2014, FEMA-5039-FM-OR; 2014, FEMA-5046-FM-OR; 2014, FEMA-5056-FM-OR; 2014
Compliance Requirement:	Procurement, Suspension, and Debarment
Type of Finding:	Significant Deficiency

The Fire Management Assistance Grant (FMAG) provides assistance to states, and local and tribal governments for the mitigation, management, and control of fires on publicly or privately owned forests or grasslands that threaten such destruction as would constitute a major disaster.

The department manages fires, in part, through contracts with businesses and individuals for needed resources such as fire crews, services, equipment and land use.

We found department management could improve controls and processes over contracting and emergency procurement to ensure compliance with the federal grant and state requirements. Specifically, we found:

- The department did not ensure all contractors were not suspended or debarred prior to including those payments in their federal reimbursement requests.
- For non-emergency procurements, the department did not follow their process of completing contracting checklists, which ensure compliance with procurement requirements. The incomplete checklist was not identified by management as contract files are not reviewed.
- The department could not readily identify which of the 516 vendors used during the fire season were subject to contracting requirements because contract records are not maintained in a way that facilitates retrieval of this information. As a result, the department is less able to demonstrate compliance with relevant requirements of the federal grant.

We did not identify instances of non-compliance or questioned costs. However, without adequate controls, the department cannot ensure compliance with federal requirements and risks losing federal funds.

We recommend department management develop and implement procedures to ensure the review for suspension and debarment is performed for all required procurements prior to seeking federal reimbursement for those costs. We also recommend management administer and account for contracts in a way that accommodates review to ensure compliance with federal requirements.

CORRECTIVE ACTION:
We agree with the finding.

Ensure suspension debarment review: The Department agrees with the finding that contractors of emergency procurements were not checked for suspension or debarment prior to submitting our initial

(cash advance) reimbursement request. We will immediately add this verification requirement to the process for establishing pre-season emergency agreements (Incident Resource Agreements) with contractors. We will also add it to the checklist of tasks to perform prior to seeking any reimbursement from FEMA.

We also agree with the finding that for non-emergency procurements, the Department did not consistently complete contracting checklists designed to help ensure compliance with verification of vendor suspension or debarment status and other compliance requirements. ODF will immediately put procedures in place to help ensure that all contract files contain a completed checklist ensuring that this verification requirement has been met. ODF will also select a random sample of grant-related contracts once each year and audit to ensure this checklist was used and is included in the file along with all related documentation as required by the checklist.

Administer and account for contracts to facilitate review: The Department agrees with the finding that records are not maintained in a way that allows for identification of vendors by type of contracts. ODF is undertaking the development of a new purchasing system and will attempt to add this tracking need to the system requirements. This new system would not be available for use until 2016-17. For payments related to the 2014 fire season, ODF will develop a spreadsheet identifying the type of contract under which each vendor was paid. This should allow for monitoring these contracts to ensure compliance with relevant requirements of the federal grant.

Anticipated Completion Date: February 2015

Contact Person: Toni Chambers, Fire Business Manager