Enterprise Fund of the State of Oregon

Department of Energy

Small Scale Energy Loan Program

Financial Statements

(Together with Independent Auditors Report)

Year Ended June 30, 2015

Michael Kaplan
Director

TABLE OF CONTENTS

INTRODUCTORY SECTION

THIS PAGE INTENTIONALLY LEFT BLANK

Oregon
Kate Brown, Governor

Department of Energy
625 Marion St NE
Salem, OR 97301-3742
Phone: 503-378-4040
Toll Free: 1-800-221-8035
FAX: 503-373-7806
www.oregon.gov/energy

August 15, 2016

The Honorable Kate Brown
Governor of the State of Oregon
State Capitol
Salem, OR 97310

Dear Governor Brown,

We are pleased to submit the Annual Financial Report of the Oregon Department of Energy's Small Scale Energy Loan Program Funds (SELP), for the fiscal year ending June 30, 2015. The financial statements, included on pages 8 - 28, present only the enterprise activities of the agency. These activities are reported as a separate fund of the agency and an annual financial report is issued for these activities in accordance with the agency's Indentures of Trust.

The agency's management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that it has established for this purpose. The objective of this report is to provide assurance that the financial statements are free of any material misstatements.

The Department has identified and is actively managing a forecasted deficit issue faced by the Enterprise Fund in the coming years. It is currently forecasted that the program will begin experiencing periodic deficit shortfalls beginning in 2020. The forecasted deficit is not relevant to the period covered in the accompanying financial statements. Management is currently working with other state officials to remedy the deficit.

The Secretary of State Audits Division has audited the financial records, books of account, and transactions to the agency's Enterprise Fund for the years ending June 30, 2015. The auditors used generally accepted government auditing standards in conducting the engagement. Their unqualified opinion on the Enterprise Fund financial statements is included in the Financial Section of this report.

Respectfully submitted,

Michael Kaplan
Director

Blake Johnson
Chief Operating Officer

FINANCIAL SECTION

THIS PAGE INTENTIONALLY LEFT BLANK

Office of the Secretary of State

Jeanne P. Atkins
Secretary of State

Robert Taylor
Deputy Secretary of State

Audits Division

Mary Wenger
Interim Director

255 Capitol St. NE, Suite 500
Salem, OR 97310

(503) 986-2255

Independent Auditor's Report

The Honorable Kate Brown, Governor of Oregon
Michael Kaplan, Director, Oregon Department of Energy

Report on the Financial Statements

We have audited the accompanying financial statements of the Small Scale Energy Loan Program (SELP), an enterprise fund of the State of Oregon, Department of Energy, as of and for the year ended June 30, 2015, and the related notes to the 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 an opinion on the financial statements based on our audit. 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Small Scale Energy Loan Program, an enterprise fund of the State of Oregon, Department of Energy, as of June 30, 2015, and the respective changes in financial position and 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 discussed in Note 1, the financial statements of the Small Scale Energy Loan Program, an enterprise fund of the State of Oregon, Department of Energy, are intended to present the financial position, the changes in financial position and cash flows of only that portion that is attributable to the transactions of the Small Scale Energy Loan Program. They do not purport to, and do not, present fairly the financial position of the Oregon Department of Energy or the State of Oregon as of June 30, 2015, the changes in their financial position, or their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Small Scale Energy Loan Program's basic financial statements. The combining schedules are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The combining 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 in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2016, on our consideration of the Oregon Department of Energy's internal control over financial reporting relating to the Small Scale Energy Loan Program and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Oregon Department of Energy's internal control over financial reporting and compliance.

Office of the Secretary of State, Audits Division

State of Oregon
August 15, 2016

STATE OF OREGON
DEPARTMENT OF ENERGY
SMALL SCALE ENERGY LOAN PROGRAM
ENTERPRISE FUND
STATEMENT OF NET POSITION
June 30, 2015

ASSETS		
Current Assets:		
Cash and Cash Equivalents--Restricted	$	18,780,516
Loan Interest Receivable		1,099,821
Total Current Assets		19,880,337
Noncurrent Assets:		
Cash and Cash Equivalents--Restricted		11,614,876
Loans Receivable (Net)		184,783,636
Net Pension Asset		80,551
Total Noncurrent Assets		196,479,063
Total Assets	$	216,359,400
DEFERRED OUTFLOWS OF RESOURCES		
Bond Refunding	$	8,971
Related to Pensions		29,813
Total Deferred Outflows of Resources	$	38,784
LIABILITIES		
Current Liabilities:		
Accounts Payable	$	59,190
Bond Interest Payable		2,636,092
Due to Other Funds/Agencies		16,523
Compensated Absences Payable		13,095
Unearned Revenue		937,946
Pension-Related Debt		3,800
Bonds Payable		19,255,000
Total Current Liabilities		22,921,646
Noncurrent Liabilities:		
Compensated Absences Payable		6,746
Borrower Deposit Liability		1,703,869
Other Postemployment Benefits Obligation (Net)		14,305
Pension-Related Debt		93,349
Bonds Payable		200,085,239
Total Noncurrent Liabilities		201,903,508
Total Liabilities	$	224,825,154
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	$	155,431
Total Deferred Inflows of Resources	$	155,431
NET POSITION (DEFICIT)		
Restricted for Debt Service	$	2,948,717
Unrestricted (deficit)		(11,531,118)
TOTAL NET POSITION	$	(8,582,401)

The accompanying notes are an integral part of these financial statements

STATE OF OREGON
DEPARTMENT OF ENERGY
SMALL SCALE ENERGY LOAN PROGRAM
ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

OPERATING REVENUES	
Interest on Loans	$ 10,438,402
Application and Disbursement Fees	1,550
Loan Fees	6,184
Other Fees and Charges	349,818
Proceeds from the Sale of Tax Credits	1,941,193
Gain (Loss) on Foreclosed Property	44,668
Miscellaneous Revenue	193,333
TOTAL OPERATING REVENUES	12,975,148
OPERATING EXPENSES	
Bond Interest	9,077,362
Bond Expenses	92,731
Special Payments	9,500,000
Salaries and Other Personal Services	388,249
Services and Supplies	406,989
Bad Debt Expense	4,382,431
TOTAL OPERATING EXPENSES	23,847,762
OPERATING INCOME (LOSS)	(10,872,614)
NONOPERATING REVENUES (EXPENSES)	
Interest on Cash Balances	152,335
Interest Expense-Pension Related Debt	(6,590)
Other Nonoperating Items	(165,660)
Transfers from Other Funds/Agencies	10,000,000
CHANGE IN NET POSITION	(892,529)
NET POSITION - BEGINNING	(8,561,539)
Prior Period Adjustments	1,018,737
Restatement of beginning net position due to GASB 68	(147,070)
Net Position as Restated	(7,689,872)
NET POSITION (DEFICIT) - ENDING	$ (8,582,401)

The accompanying notes are an integral part of these financial statements

STATE OF OREGON
DEPARTMENT OF ENERGY
SMALL SCALE ENERGY LOAN PROGRAM
ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	$ 601,825
Proceeds from the Sale of Tax Credits	1,941,193
Cash Credited to Borrowers Deposit Liability	77,083
Cash Disbursed from Borrowers Deposit Liability	(3,931,404)
Cash Paid to Vendors for Goods and Services	(495,060)
Distribution to Non-Governmental Entity	(9,500,000)
Payments to Employees for Services	(507,578)
Sale of State Property held for Resale	794,668
Other Receipts (Payments)	(144,777)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(11,164,050)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Principal Paid on Bonds	(26,840,000)
Interest Paid on Bonds	(10,224,139)
Bond Issue Costs Paid	(217,764)
Transfer from Other Funds	10,000,000
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(27,281,903)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received on Cash Balances	152,335
Loan Principal Repayments	23,462,291
Loan Interest Received	10,478,679
Loans Disbursed to Borrowers	(227,217)
NET CASH PROVIDED BY INVESTING ACTIVITIES	33,866,088
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,579,865)
CASH AND CASH EQUIVALENTS - BEGINNING	34,975,257
CASH AND CASH EQUIVALENTS - ENDING	$ 30,395,392

The accompanying notes are an integral part of these financial statements

Continued on next page…

STATE OF OREGON
DEPARTMENT OF ENERGY
SMALL SCALE ENERGY LOAN PROGRAM
ENTERPRISE FUND
STATEMENT OF CASH FLOWS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES

OPERATING INCOME (LOSS)	$	(10,872,614)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Bad Debt Expense		4,382,431
Interest Receipts Reported as Operating Revenue		(10,478,679)
Amortization of Bond Premium and Discount		(772,488)
Bond Interest Expense Reported as Operating Expense		10,202,925
Bond Issuance Costs Reported as Operating Expense		217,764
(Increase)/Decrease in Assets:		
Accounts Receivable		23,880
Loan Interest Receivable		(77,440)
Foreclosed and Deeded Property		750,000
Increase/(Decrease) in Liabilities:		
Accounts Payable		(574,640)
Compensated Absences Payable		(10,992)
Due to Other Funds/Agencies		(3,659)
Net OPEB Obligation		470
Borrower Deposits		(3,854,321)
Pension-Related Debt		(3,797)
Net Pension Liability		(261,899)
(Increase)/Decrease in Deferred Outflows of Resources		
Bond Refunding		9,112
Contributions Subsequent to the Measurement Date		5,906
Change in Employer Contribution & Proportion		(1,440)
Increase/(Decrease) in Deferred Inflows of Resources		
Investment Earnings Difference		155,431
TOTAL ADJUSTMENTS		(291,436)
NET CASH PROVIDED (USED) BY OPERATIONS	$	(11,164,050)

The accompanying notes are an integral part of these financial statements

STATE OF OREGON
DEPARTMENT of ENERGY
SMALL SCALE ENERGY LOAN PROGRAM
Notes to the Financial Statements
ENTERPRISE FUND
JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Oregon Department of Energy Small Scale Energy Loan Program (SELP) have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). All applicable GASB pronouncements have been applied, including GASB Statement No. 68, GASB Statement No. 71, and GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. The implementation of statement No. 69 did not have a financial impact on the financial statements of SELP.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions -an amendment of GASB Statement No. 27*. This statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, for governments whose employees are provided pensions through plans administered as trusts. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. The new standard establishes accounting and financial reporting requirements for contributing employers related to the recognition of pension expense and pension liabilities. Implementation of this standard is reflected in the accompanying financial statements and notes.

In November 2013, the GASB issued Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date—An Amendment of GASB Statement No. 68. This statement amends paragraph 137 of Statement 68 to require that, at transition, a government should recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Implementation of this standard is reflected in the accompanying financial statements and notes.

SELP will evaluate the impact to its financial statements of the three standards which are effective for the fiscal year ending June 2016 (GASB Statement 72 - *Fair Value Measurement and Application*, GASB Statement No 73 - *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and* 68, and GASB Statement No 76 - *The Hierarchy of Generally*

Accepted Accounting Principles for State and Local Governments.

A. Reporting Entity

The Small Scale Energy Loan Program (SELP) was created through the adoption of Oregon Constitution Article XI-J by statewide vote in May 1980 and is implemented under the provisions of Oregon Revised Statutes Chapter 470. Article XI-J authorizes the sale of State General Obligation Bonds to finance fixed-rate, secured loans for the development of energy conservation, renewable energy and recycling projects within Oregon. SELP was designed as a self-supporting loan program that is part of the State of Oregon and the Department of Energy (Department). The 2009 legislative session created the Energy Efficiency and Sustainable Technology program (EEAST) as part of the SELP program. The EEAST program was created as a finance tool to assist investment in energy efficiency and renewable energy projects with the repayment of loans made through the customer's utility bill. The 2011 legislative session created the Clean Energy Deployment Fund (CEDF) as part of the SELP program. The CEDF was created to use funds from the EEAST and CEDF programs to support energy efficiency or clean energy projects for K-12 public schools including school bus fleets. In 2013 the Jobs, Energy and Schools Fund (JESF) was established within EEAST to promote energy efficiency, renewable energy, and energy conservation projects. The 2013 legislative session also created the Alternative Fuel Vehicle Revolving Loan Fund (AFVRLF). This is a revolving loan fund dedicated to financing alternative fuel vehicle fleet purchases and/or modifying an existing fleet vehicle to consume alternative fuel.

The financial statements and footnotes include only the bonded debt financial activity of the Department of Energy loan programs. The Department operates other governmental fund programs, which are not included in this report.

B. Basis of Presentation

The accounts of the Department are organized on the basis of funds, each of which is a separate accounting entity. The funds utilize a separate set of self-balancing accounts to record the assets, liabilities, net position, revenues, and expenses of their program activities. SELP is classified as a proprietary fund. Proprietary funds contain two types of funds: Enterprise Funds and Internal Service Funds. SELP is accounted for as an Enterprise Fund. Enterprise funds are used for operations that are financed and operated in a manner similar to private business enterprises, where the costs of providing goods and services to the general public on a continuing basis is intended to be financed or recovered primarily through user charges. Enterprise fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise funds are accounted for using the flow of economic resources measurement focus and are maintained on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liabilities are incurred. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operations of these funds are included on the Statement of Net Position. Total net positions are segregated into the categories of Net Investment in Capital Assets, Restricted Net Position, and Unrestricted Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position. The Statement of Cash Flows provides information about how SELP finances and meets the cash flow needs of its proprietary activities.

D. Budgetary Process

The Oregon Legislature approves budgets for a biennial period. Operating expenses are subject to budget limitation and bond related expenses are subject to administrative limitation. The Emergency Board of the Legislature approves any increase in the budget that may be necessary during the interim. Both types of limitation are funded from revenues of self-supporting activities and lapse at the end of the biennium. Budgets are adopted on a basis that differs from generally accepted accounting principles and financial reporting standards. For budgetary purposes, transactions related to the treatment of bond proceeds, loan disbursements and other operating revenues and expenditures are recorded on a cash basis and converted to the accrual basis for financial reporting purposes.

E. Cash and Cash Equivalents:

Cash and cash equivalents are defined as cash held in the State Treasury and cash on deposit outside the State Treasury. All SELP monies are held in the Oregon Short Term Fund (OSTF), a cash and investment pool that is available for use by all funds and local governments. The OSTF pool operates as a demand deposit account and funds held in the OSTF are considered cash equivalents.

F. Restricted Assets

Use of all cash and cash equivalents of SELP are restricted as to purpose and use by Article XI-J of the Oregon Constitution, Bond Indenture, and State statute. SELP's funds are restricted to funding loans and paying bond debt service and operating costs. Individual borrower reserve accounts have been established to meet certain loan requirements and the balances of these accounts as of June 30, 2015 were sufficient to meet all contractual agreements. Any cash on deposit with a fiscal agent is held on behalf of bondholders and is the result of unclaimed monies from matured bonds and coupons.

G. Receivables

Receivables reported are amounts due that represent revenues earned or accrued in the applicable period. Types of receivables included in this classification relate to interest, loans receivable, and other miscellaneous receivables. Interest receivable on loans is recorded at the net recoverable amount by management policy. Loans receivable are recorded net of an allowance for uncollectible accounts as discussed in note 3.

H. Capital Assets

Capital assets are reported at historical cost or estimated historical cost if the original cost cannot be determined. Assets costing less than $5,000 and having an estimated useful life of less than one year are not capitalized. Maintenance that does not add to the value of assets or significantly extend asset lives is expensed rather than capitalized.

Depreciation or amortization of capital assets is charged as an expense against operations over the estimated useful life using the straight-line method of depreciation. Once placed into service the estimated useful life of capital assets will be determined using criteria outlined in the Oregon Accounting Manual (OAM), section 15.60.20.108. Capital assets are recorded net of accumulated depreciation.

I. Compensated Absences

Employees accrue vacation leave at various accrual rates and may generally be paid for up to a maximum of 250 hours accrued vacation leave at termination. Accumulated vacation leave is recorded as an expense and a liability of those funds as the benefits accrue to the employees. There is no liability for unpaid accumulated sick leave since the State does not pay any amounts when employees separate from State service.

J. Borrower's Deposit Liability Accounts

SELP holds reserve investments for certain borrowers in accordance with contractual obligations. All interest earned on these reserve accounts is credited to the borrower's account when received. Funds in the reserve account in excess of contractual requirements are remitted to the borrowers upon request.

K. Arbitrage Rebate Liability

Internal Revenue Code Section 148(f) requires issuers of tax-exempt bonds to rebate income from the investment of bond proceeds that exceeds limits established for each bond issue. These limits are based on the bond yield calculated for federal tax purposes for each bond issue and are subject to certain exceptions. Arbitrage rebate payments are due not later than 60 days after the end of the fifth anniversary of each bond issue and every five years thereafter in an amount equal to at least 90 percent of the calculated arbitrage liability. Final arbitrage rebate payments are due not later than 60 days after the final retirement of all bonds in an issue in an amount equal to 100 percent of the calculated arbitrage liability. SELP records arbitrage rebate as a reduction of investment revenue.

L. Operating Revenues and Expenses

Operating revenues include loan interest and fees on program loans as well as earnings on cash and any investments related to SELP's loan program. Administrative expenses and bond program related expenses are considered operating expenses. All deferred charges in relations to bond issuance are expensed.

M. Bond Expenses

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 or deferred inflows of resources. The reclassifications are necessary to report financial statement elements in accordance with definitions in GASB Concepts Statement No 4. Accordingly, deferred bond issuance costs are expensed when the bond is issued. Bond premiums and discounts arising from the sale of a particular bond issue as well as deferred gain or loss on debt refunding are reclassified and reported as deferred outflows of resources or deferred inflows of resources in accordance with GASB Statement No. 65. The bonds-outstanding method of discount and deferred charge amortization most closely approximates the effective-interest method.

NOTE 2. CASH AND CASH EQUIVALENTS

The majority of SELP deposits are held in demand accounts with the State Treasurer and are classified as cash and cash equivalents. The State's investment policies are governed by Oregon Revised Statutes, and the Oregon Investment Council. The State Treasurer is the investment officer for the Oregon Investment Council and is responsible for the funds entrusted to the Oregon State Treasury. In accordance with Oregon statutes, the investment funds are invested, and the investments of those funds managed, as would a prudent investor, exercising reasonable care, skill and caution.

The State Treasurer maintains the Oregon Short Term Fund (OSTF), a cash and investment pool that is available for use by all funds and local governments. Investments in the OSTF are further governed by portfolio guidelines recommended by the Oregon Short Term Fund Board, with Oregon Investment Council approval, establishing diversification percentages and specifying the types and maturities of investments. The OSTF pool operates as a demand deposit account and earnings are allocated on a pro-rata basis on daily account balances. A separate financial report for the OSTF may be obtained from the Oregon State Treasury, Finance Division, 350 Winter Street NE, Suite 100, Salem, OR 97301-3896 or from the Treasury's website at http://www.oregon.gov/treasury/divisions/investment/pages/Oregon-Short-Term-Fund-(OSTF).aspx.

The custodial credit risk for cash deposits is the risk that, in the event of a bank failure, the State's deposits may not be recovered, or the State will not be able to recover collateral securities that are in the possession of an outside party. The Department does not have a formal policy regarding custodial credit risk for deposits; however, banking regulations and Oregon law establish the insurance and collateral requirements for deposits in the OSTF. Balances that exceed the Federal Deposit Insurance (FDIC) amount of $250,000 are covered by a multiple financial institution collateral pool (ORS 295.015) administered by the Oregon State Treasury.

At June 30, 2015, the book balance of SELP cash and cash equivalents held by the Treasury was $30,391,720. The unadjusted bank balance was $30,410,381, all of which was held in demand accounts with the State Treasurer invested in the OSTF.

At June 30, 2015, the bank balance of cash and cash equivalents held by Wells Fargo in its capacity as the State's trustee was $3,672. These funds represent bond debt service reserves and are held in the State's name and invested in the OSTF through Wells Fargo.

Bond Indenture and State statute require SELP cash be segregated into separate funds. The 2009 Legislative Assembly created additional funds to further assist investment in energy efficiency and renewable energy projects under the Energy Efficiency and Sustainable Technology program (EEAST), which is part of SELP.

The following table itemizes cash balances by funds at June 30, 2015:

SELP Loan Fund	$ 553,158
SELP Sinking Fund	
Principal & Interest	5,550,314
Extraordinary Expense	6,030,642
Borrower Revenue Loss Reserve	5,580,562
Bond Debt Services	8,315,787
Program Admin	298,064
EEAST Jobs, Energy and Schools Fund	1,114,476
Clean Energy Deployment Fund	52,226
Alt. Fuel Vehicle Revolving Loan Fund	2,896,491
EEAST Cash and Cash Equivalents- Wells Fargo	3,672
TOTAL	$30,395,392

NOTE 3. LOANS RECEIVABLE

The composition of the loans receivable portfolio includes state agency loans. The loan portfolio value and associated statewide concentration of credit risk at June 30, 2015 is as follows:

Borrower Type	Number of Loans	Balance Outstanding
Commercial and residential	79	$ 47,023,810
Cities, counties, school and special districts	35	28,672,211
State agencies	15	17,604,950
Discreetly presented component Units (OSU, PSU, & U of O)	21	97,122,929
Not-for-profit organizations	4	879,736
Total Loans Receivable	154	191,303,636
State agency loans		(17,604,950)
Net credit risk exposure		$ 173,698,686

SELP uses the allowance method to estimate uncollectible loans receivable. The allowance is periodically adjusted by management to accommodate changes in economic conditions, non-performing assets, historical loss experience, industry practice, risk rating assigned and other conditions that may affect the ultimate collectability of the loans. In fiscal year 2015 the allowance account was increased by $4.5 million for an irrigation district with three loans outstanding totaling $5.2 million that are backed by the irrigation district's revenue bonds. Repayment on the loans is contingent upon the availability of water. Given current conditions, management believes there is a significant risk that these loans will not be repaid. SELP management determined that the balance of the allowance account was sufficient to cover projected losses for the loan portfolio based on segmented risk category analysis. The current loss allowance associated with the loan portfolio represents approximately four percent of the gross loans receivable in 2015.

Northwest Processing went out of business subsequent to FY 2015. All of their assets were disposed, the proceeds were applied to their loan balance. SELP wrote off the remaining balance, less than $1 million in June 2016.

The following table details Net Loans Receivable as of June 30, 2015:

Loans Receivable	$191,303,636
Allowance for uncollectible principal	(6,520,000)
Net Loans Receivable	$ 184,783,636

NOTE 4. CAPITAL ASSETS

As of June 30, 2015, SELP Capital Assets consisted of the accumulated costs of developing a new database for the program. The Data Processing Software was place into service in January 2005. The new database ran concurrently with the old from October 2004 through December 2005. SELP has no outstanding debt related to capital assets. SELP did not purchase any capital assets in fiscal year 2015 and had no depreciation.

A Summary of SELP's capital Assets activity is presented in the following table

	Beginning Balance	Additions	Deletion	Ending Balance
Data Processing Software	$ 264,466	$ -	$ -	$ 264,466
Less: Accumulated Depreciation	(264,466)	-	-	(264,466)
Total Net Capital Assets	$ -	$ -	$ -	$ -

NOTE 5. BONDS PAYABLE AND DEBT SERVICE

Since SELP's inception in 1980, it has issued State of Oregon General Obligation (G.O.) bonds totaling $816,890,000 of which $213,275,000 was outstanding at June 30, 2015. G.O. bonds are secured by the full faith and credit of the State. Bond proceeds are loaned to individual residents, businesses, nonprofit organizations, state agencies, school districts and local governments in Oregon for energy conservation, renewable resource energy, recycling and alternate fuels projects.

The following table provides a summary of bond transactions as presented on the Statement of Net Positions for the fiscal years ended June 30, 2015:

Bonds Payable-beginning	$240,115,000
Bonds matured	(26,840,000)
Bonds Payable-ending	213,275,000
Premium on Bonds Payable	6,156,258
Discount on Bonds Payable	(91,019)
Net Bonds Payable	$219,340,239

Debt Service Requirements to Maturity

The following table summarizes the amounts necessary to pay all future bonded debt principal and interest requirements as of June 30, 2015, for each of the next five fiscal years, and in five year increments thereafter:

Years Ending June 30	Bond Principal	Bond Interest	Total Debt Service
2016	$ 19,255,000	$ 9,038,636	$ 28,293,636
2017	17,060,000	8,253,591	25,313,591
2018	15,510,000	7,547,502	23,057,502
2019	15,940,000	6,880,882	22,820,882
2020	15,575,000	6,202,040	21,777,040
2021-2025	66,370,000	20,923,211	87,293,211
2026-2030	49,130,000	8,774,790	57,904,790
2031-2035	14,435,000	1,003,088	15,438,088
TOTALS	$213,275,000	$68,623,740	$281,898,740

The following table summarizes the outstanding bond issues by series as of June 30, 2015:

SCHEDULE OF DEBT ISSUED AND OUTSTANDING
General Obligation Bonds

Original Issue						Bonds Outstanding				
		Final	Coupon Interest Range			Beginning			Ending	Due Within
Series	Issue Date	Maturity	From	To	Amount	Balance	Increases	Decreases	Balance	One Year
1998D	Oct-98	Jan-28	4.100%	4.800%	$ 14,535,000	$ 3,825,000	$ -	$ 3,825,000	$ -	$ -
1999B	Apr-99	Jan-15	4.000%	4.750%	9,100,000	255,000	-	255,000	-	-
2000 A	Apr-00	Jul-17	4.500%	5.500%	7,320,000	1,325,000	-	305,000	1,020,000	320,000
2001 A	May-01	Jul-18	4.000%	5.000%	2,000,000	750,000	-	135,000	615,000	145,000
2001 D	Oct-01	Apr-16	2.300%	4.500%	4,000,000	745,000	-	365,000	380,000	380,000
2001 E	Oct-01	Oct-16	3.150%	4.850%	1,600,000	1,500,000	-	-	1,500,000	500,000
2001 F	Oct-01	Oct-16	3.150%	6.000%	11,500,000	1,780,000	-	1,110,000	670,000	670,000
2004 A	Apr-04	Jul-16	2.000%	3.500%	11,035,000	570,000	-	185,000	385,000	190,000
2004 C	Nov-04	Oct-17	4.000%	5.000%	3,850,000	590,000	-	290,000	300,000	300,000
2004D	Nov-04	Oct-17	4.000%	5.000%	8,845,000	955,000	-	955,000	-	-
2005 A	Aug-05	Oct-20	3.000%	4.375%	1,470,000	795,000	-	100,000	695,000	105,000

Continued on next page

SCHEDULE OF DEBT ISSUED AND OUTSTANDING (Continued from previous page)
General Obligation Bonds

Original Issue						Bonds Outstanding				
		Final	Coupon Interest Range			Beginning			Ending	Due Within
Series	Issue Date	Maturity	From	To	Amount	Balance	Increases	Decreases	Balance	One Year
2005 B	Aug-05	Oct-21	4.230%	5.290%	4,500,000	1,920,000	-	380,000	1,540,000	305,000
2006 A	May-06	Apr-22	5.500%	5.750%	12,000,000	5,755,000	-	655,000	5,100,000	615,000
2006 B	Nov-06	Oct-22	4.000%	5.000%	24,200,000	19,220,000	-	4,260,000	14,960,000	1,295,000
2006 C	Nov-06	Oct-22	5.160%	5.510%	3,750,000	2,700,000	-	245,000	2,455,000	255,000
2007 A	May-07	Oct-28	4.000%	4.375%	8,000,000	6,730,000	-	310,000	6,420,000	320,000
2007 B	May-07	Oct-23	4.000%	4.500%	10,570,000	6,740,000	-	825,000	5,915,000	875,000
2007 C	May-07	Oct-22	5.030%	5.380%	5,000,000	2,535,000	-	195,000	2,340,000	210,000
2008 A	Apr-08	Oct-23	4.600%	5.000%	18,000,000	12,800,000	-	1,600,000	11,200,000	1,700,000
2008 B	Oct-08	Oct-29	4.000%	6.000%	15,445,000	13,610,000	-	535,000	13,075,000	570,000
2009 A	Nov-09	Apr-31	3.000%	5.000%	23,850,000	22,285,000	-	815,000	21,470,000	840,000
2009 B	Nov-09	Apr-29	3.000%	5.000%	16,430,000	11,135,000	-	2,000,000	9,135,000	1,635,000
2009 C	Nov-09	Apr-20	1.910%	4.710%	3,525,000	2,470,000	-	375,000	2,095,000	385,000
2010 A	Jul-10	Apr-32	3.000%	4.000%	33,015,000	30,915,000	-	1,170,000	29,745,000	1,185,000
2010 B	Jul-10	Apr-26	1.100%	4.800%	10,000,000	8,470,000	-	595,000	7,875,000	630,000
2011A	Mar-11	Apr-32	2.500%	4.625%	16,400,000	14,400,000	-	800,000	13,600,000	835,000
2011B	Mar-11	Jan-32	4.000%	4.750%	22,460,000	16,325,000	-	2,230,000	14,095,000	2,400,000
2012D	Mar-12	Jan-27	2.000%	3.000%	4,435,000	3,995,000	-	245,000	3,750,000	255,000
2012E	Mar-12	Jan-34	3.000%	3.250%	4,020,000	3,880,000	-	145,000	3,735,000	145,000
2012F	Mar-12	Jan-28	0.350%	3.600%	2,520,000	2,280,000	-	140,000	2,140,000	140,000
2012G	Mar-12	Jul-23	0.750%	3.200%	10,075,000	10,075,000	-	930,000	9,145,000	940,000
2012N	Aug-12	Oct-32	2.500%	3.000%	11,910,000	11,445,000	-	475,000	10,970,000	495,000
2014E	Jun-14	Apr-34	3.750%	5.000%	15,260,000	15,260,000	-	390,000	14,870,000	495,000
2014F	Jun-14	Oct-29	0.400%	3.900%	2,080,000	2,080,000	-	-	2,080,000	120,000
Defeased/ Matured					464,190,000					
Total General Obligation Bonds issued					$816,890,000	$240,115,000	$ -	$ 26,840,000	$213,275,000	$ 19,255,000

NOTE 6. CHANGES IN OTHER LONG TERM LIABILITIES

Long term liability activity for June 30, 2015 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences Payable	$ 30,832	$ -	$ 10,991	$ 19,841	$13,095
Borrower's Deposit Liability	5,558,190	3,407,516	7,261,837	1,703,869	-
OPEB Obligation	13,835	470	-	14,305	-
Pension Related Debt	104,129	3800	10,780	97,149	3800
Net Pension Liability	181,348	-	181,348	-	-
TOTALS	$5,888,334	$3,411,786	$7,464,956	$1,835,164	$16,895

NOTE 7. COMMITMENTS

As of June 30, 2015, SELP had committed but undisbursed loan funds of $1,459,420 for various alternative energy, energy efficiency and alternate fuel projects within the state of Oregon. Funds are committed pursuant to legal agreements with borrowers. There were no additional general obligation bond funds that were legally designated for future energy project loans pursuant to federal tax code and the bond indenture as of June 30, 2015. Remaining lottery revenue bond proceeds of $812 as of June 30, 2015 were committed for the EEAST program as loan offset grant funds pursuant to the 2009 legislative assembly.

NOTE 8. EMPLOYEE RETIREMENT PLANS

The Oregon Public Employees Retirement System (PERS) provides defined benefit and defined contribution retirement plans for SELP employees. PERS is administered by the Public Employees Retirement Board (Board), as required by Oregon Revised Statutes (ORS), Chapters 238 and 238A.

PERS is a cost-sharing multiple-employer defined benefit pension plan. The Tier One/Tier Two Retirement Benefit Plan, established by ORS Chapter 238, is closed to new members hired on or after August 29, 2003. The Oregon Public Service Retirement Plan (OPSRP), established by ORS Chapter 238A, provides benefits to members hired on or after August 29, 2003. The Individual Account Program (IAP) is a defined contribution plan. Beginning January 1, 2004, all member contributions are deposited into the member's IAP account. The pension plans provide pension benefits, death benefits and disability benefits.

PERS issues a separate financial report that includes audited financial statements and required supplementary information. The report is available publicly and may be found at: http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx

Contributions

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. The rates in effect for the fiscal year ended June 30, 2015, were 9 percent for Tier One/Tier Two General Service members, 7.45 percent for OPSRP Pension Program General Service members, and 6 percent for OPSRP IAP.

Pension Assets, Pension Expense, and Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the State of Oregon and its component units reported an asset of $542 million for its proportionate share of the net pension asset. SELP's allocated amount of the proportionate share of the net pension asset was $80,551. The net pension asset was measured as of June 30, 2014, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2012, rolled forward to June 30, 2014. The State's proportion of the net pension asset was based on a projection of the State's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2014, the State's proportion was 23.9 percent, which was unchanged from its proportion measured as of June 30, 2013. As part of the State of Oregon, SELP's funds were allocated .00355364 percent of the State's proportionate share in the plan.

For the year ended June 30, 2015, SELP recognized pension expense of $73,630. At June 30, 2015, SELP reported deferred outflows of resources and deferred inflows of resources related to pensions from the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between contributions and proportionate share of contributions	$ 1,441	$ -
Net difference between projected and actual earnings on investments		155,431
Subtotal	1,441	155,431
Net Deferred Outflows (Inflows) of Resources before contributions subsequent to the measurement date	(153,990)	
Contributions subsequent to the measurement date	28,372	
Net Deferred Outflows (Inflows) of Resources	$ (125,618)	

Changes in Plan Provisions Subsequent to Measurement Date

The Oregon Supreme Court on April 30, 2015, ruled in the Moro decision that the provisions Senate Bill 861, signed into law in October 2013, that limited post-retirement cost of living adjustments (COLA) on benefits accrued prior to signing of the law were unconstitutional. Benefits could be modified prospectively, but not retrospectively. This is a change in benefit terms subsequent to the measurement date of June 30, 2014, which will be reflected in the next year's actuarial valuations.

PERS' actuaries estimated the impact of the Moro decision on the total pension liability and employer's net pension liability. It estimated that instead of a $2.2 billion net pension asset as of June 30, 2014, PERS would have had a $2.6 billion net pension liability, of which the State of Oregon would have been allocated its proportionate share. SELP's proportionate share of the net pension asset prior to the decision was $80,551. SELP's proportionate share of the net pension liability after to the decision was $94,172.

NOTE 9. OTHER POSTEMPLOYMENT BENEFIT PLANS

SELP employees may be eligible to participate in health insurance plans and other benefit plans after retirement, collectively known as Other Postemployment Benefits (OPEB). OPEB plans are offered through the Public Employees Retirement System (PERS) as established by Oregon Revised Statute 243.302, and the Public Employees Benefit Board (PEBB) established by ORS Chapter 243. A copy of the Oregon Public Employees Retirement System annual financial report may be obtained from PERS Fiscal Services Division, PO Box 23700, Tigard, Oregon 97281.

Retirement Health Insurance Account

The Retirement Health Insurance Account (RHIA) is a cost-sharing multiple-employer OPEB plan which provides a payment of up to $60 toward the monthly cost of health insurance for eligible PERS members. To be eligible for the RHIA subsidy, the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare parts A and B coverage, and (3) enroll in a PERS-sponsored health 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 funding policy for the RHIA plan.

SELP is required by statute to contribute actuarially computed amounts as determined by PERS. Rates are subject to change as a result of subsequent actuarial valuations. For Tier One and Tier Two members, SELP contributed 0.10% of PERS-covered salary to fund the normal cost portion of RHIA benefits. In addition, SELP contributed an additional 0.49% of all PERS-covered salary to amortize the unfunded actuarial accrued liability. The RHIA employer contribution is embedded within the total PERS contribution rate. SELP's actual contribution for the years ended June 30, 2015, 2014 and 2013, were $325, $373, and $602, respectively.

Retiree Health Insurance Premium Account

The Retiree Health Insurance Premium Account (RHIPA) is a single–employer defined benefit OPEB plan that provides for payment of the average difference between the health insurance premiums paid by retired state employees, under contracts entered into by the PERS Board, and the health insurance premiums paid by state employees who are not retired. PERS members are qualified to receive the RHIPA subsidy if they had eight or more years of qualifying service in PERS at the time of retirement or are receiving a disability pension calculated as if they had eight or more years of qualifying service, but are not eligible for federal Medicare coverage. 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 funding policy for the RHIPA plan.

SELP is required by statute to contribute actuarially computed amounts as determined by PERS. Rates are subject to change as a result of subsequent actuarial valuations. For Tier One and Tier Two members, SELP contributed 0.07% of PERS-covered salary to fund the normal cost portion of RHIPA benefits. In addition, SELP contributed an additional 0.20% of all PERS-covered salary to amortize the unfunded actuarial accrued liability. The RHIPA contribution is embedded within the total PERS contribution rate. SELP's actual contribution for the years ended June 30, 2015, 2014 and 2013 totaled $228, $101, and $163, respectively.

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

Public Employees Benefit Board Plan

The Public Employees Benefit Board (PEBB) plan is an agent multiple-employer plan which offers healthcare assistance to eligible retired employees and their beneficiaries. Retired employees not eligible for Medicare are eligible for PEBB coverage if the retiree is receiving a service or disability benefit from PERS or another state system, is eligible to receive a retirement allowance from PERS and has reached the earliest retirement age under ORS Chapter 238, or is eligible to receive a service allowance or pension under any system offered by the state and has attained the earliest retirement age under that system.

The PEBB plan funding policy provides for employer contributions at amounts sufficient to fund benefits on a pay-as-you-go basis. Active employees do not make contributions. Participating retirees pay their own monthly premiums based on a blended premium rate since retirees are pooled together with active employees for insurance rating purposes. PEBB activity is reported as part of the State of Oregon's Comprehensive Annual Financial Report and does not issue a separate financial report.

ORS 243 assigns PEBB the authority to establish and amend the benefit provisions of the PEBB Plan. As the administrator of the PEBB Plan, PEBB has the authority to determine post-retirement benefit increases and decreases.

NOTE 10. RISK FINANCING

The Department of Administrative Services, Enterprise Goods and Services, Risk Management section (Risk Management) administers the State's property, liability, and workers' compensation insurance program. The Insurance Fund services claims for direct physical loss or damage to State property; tort liability claims brought against the State, its officers, employees, or agents; workers' compensation; and employees for dishonesty. Faithful performance coverage is provided for key positions in state government that are required by law to be covered. Risk Management purchases commercial insurance for specific insurance needs not covered by self-funding. For the State of Oregon, the amount of claim settlements did not exceed commercial insurance coverage for each of the past three fiscal years.

As part of a state agency, SELP participates in the Insurance Fund. The cost of servicing insurance claims and payments is covered by charging an assessment to each State entity based on its share of services provided in a prior period. The total statewide risk charges are based on independent biennial actuarial forecasts and administrative expenses, less any available fund balance in the Insurance Fund from the prior biennium.

NOTE 11. INTERFUND TRANSACTIONS

SELP reported transfers in of $10 million. The SELP EEAST program received proceeds from a January 2015 lottery bond sale to provide a grant to Clean Energy Works Oregon.

Amounts reported as due to other funds at year end represent administrative costs due from SELP to other funds within the Department of Energy.

NOTE 12. PRIOR PERIOD ADJUSTMENT

Prior to fiscal year 2015, lottery revenue bonds whose proceeds were used in SELP programs, were recognized within the SELP program. It was determined that, because revenues of the SELP program will not be used to repay the bonds, the bonds should not be accounted for within the program. The fiscal year 2015 prior period adjustment includes $1.2 million to reflect the movement of bond balances to other funds within the Department of Energy, $104.1 thousand to reflect the pension-related debt liability, which was omitted in error from the fiscal year 2014 financial statements, and $41.5 thousand for the correction of prior year expenses.

NOTE 13. LITIGATION, TROUBLED DEBT RESTRUCTURINGS AND DELINQUENCIES

During the ordinary course of business, SELP becomes involved in litigation regarding its lending activities. The program is represented in these actions by the Attorney General of the State of Oregon. SELP makes every reasonable effort to work with borrowers that experience financial difficulties making payments under existing loan agreements.

A borrower in Oregon City that produced newsprint and specialty paper products filed a voluntary Chapter 11 bankruptcy petition on December 31, 2009. SELP loaned the borrower $4.5 million in 2004 with a current principal balance of a little under $1 million. The case was converted to Chapter 7 on April 1, 2011 as a result of a petition filed by one of the other creditors. SELP's loan was secured through a first lien position on real estate associated with the project and management expects to recover the loan value through the eventual sale and asset liquidation without a material loss to the program. On May 6, 2014, the property sale was approved by the bankruptcy trustee in the amount of $825 thousand. SELP posted the balance of the loan in the amount of $174 thousand against the allowance for doubtful accounts. This balance was written off in June 2014.

SELP listed the property from the $12 million loan to the Millersburg solar component manufacturer in December, 2013, once legal authority had been transferred to the department. The loan was written off against the allowance for doubtful accounts less the estimated $750 thousand value of the property. The property was sold in June, 2015 at a gain of $44.7 thousand. SELP realized a $10.4 million loss on this loan.

During the course of fiscal year 2015, less than two percent of the outstanding amount of SELP loans were delinquent or in forbearance. When in forbearance, SELP agrees not to issue notices of default or commence foreclosure litigation to enforce security interests against a borrower. SELP provides temporary modifications to the loan agreement while the borrower works through various barriers to timely loan repayment.

NOTE 14. SUBSEQUENT EVENTS

The following subsequent events occurred after June 30, 2015:

Legal Update:
A borrower that produces solar modules was sold in August 2014, and underwent a reorganization. The borrower had an outstanding loan for $10 million dollars and was in forbearance of its loan agreement until February, 2014. In fiscal year 2015 the borrower made all payments as agreed and is no longer in forbearance.

A borrower in Portland that recycled glycerin went out of business in 2015. All assets were liquidated and the remaining outstanding loan balance of $988 thousand was written off in June 2016.

SELP began foreclosure proceedings against a borrower in Brooks, Oregon that recycles plastics. The borrower has been consistently delinquent in making repayments on the loan, which currently has an outstanding balance of just over $1 million.

SELP loans are financed with State of Oregon General Obligation debt and as such, the full faith and credit of the State of Oregon is pledged for the payment of principal and interest on the bonds when due. While the bonds are secured by general ad valorem taxes which may be levied against all taxable property within Oregon, the State has not imposed property taxes for many years, and does not expect that a levy will be required to pay the outstanding bonds. In the event that loan repayments and other resources available to SELP are not sufficient to pay the bonds issued for delinquent loans, management anticipates that the State will either use its general fund to pay the bonds or use other resources to assist SELP with bond payments.

SUPPLEMENTARY INFORMATION

STATE OF OREGON
DEPARTMENT of ENERGY
SMALL SCALE ENERGY LOAN PROGRAM
ENTERPRISE FUND
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2015

	Energy Loan	EEAST	CEDF	AFVRLF	**TOTAL**
ASSETS					
Current Assets:					
Cash and Cash Equivalents--Restricted	$ 14,717,323	$ 1,114,476	$ 52,226	$ 2,896,491	$ 18,780,516
Loan Interest Receivable	1,099,821	-	-	-	1,099,821
Total Current Assets	15,817,144	1,114,476	52,226	2,896,491	19,880,337
Noncurrent Assets:					
Cash and Cash Equivalents--Restricted	11,611,204	3,672	-	-	11,614,876
Loans Receivable (Net)	184,783,636	-	-	-	184,783,636
Net Pension Asset	80,551	-	-	-	80,551
Total Noncurrent Assets	196,475,391	3,672	-	-	196,479,063
TOTAL ASSETS	$ 212,292,535	$ 1,118,148	$ 52,226	$ 2,896,491	$ 216,359,400
DEFERRED OUTFLOWS OF RESOURCES					
Loss on Debt Refunding	$ 8,971	$ -	$ -	$ -	$ 8,971
Related to Pensions	29,813				29,813
Total Deferred Outflows of Resources	$ 38,784	$ -	$ -	$ -	$ 38,784
LIABILITIES AND NET POSITION					
Current Liabilities:					
Accounts Payable	$ 59,190	$ -	$ -	$ -	$ 59,190
Bond Interest Payable	2,636,092	-	-	-	2,636,092
Due to Other Funds/Agencies	16,523	-	-	-	16,523
Compensated Absences Payable	13,095	-	-	-	13,095
Unearned Revenue	937,946	-	-	-	937,946
Pension-Related Debt	3,800	-	-	-	3,800
Bonds Payable	19,255,000	-	-	-	19,255,000
Total Current Liabilities	22,921,646	-	-	-	22,921,646
Noncurrent Liabilities:					
Compensated Absences Payable	6,746	-	-	-	6,746
Borrower Deposit Liability	1,703,869	-	-	-	1,703,869
Other Postemployment Benefits Obligation (Net)	14,305	-	-	-	14,305
Pension-Related Debt	93,349	-	-	-	93,349
Bonds Payable	200,085,239	-	-	-	200,085,239
Total Noncurrent Liabilities	201,903,508	-	-	-	201,903,508
TOTAL LIABILITIES	$ 224,825,154	$ -	$ -	$ -	$ 224,825,154
DEFERRED INFLOWS OF RESOURCES					
Related to Pensions	$ 155,431	$ -	$ -	$ -	$ 155,431
Total Deferred Inflows of Resources	$ 155,431	$ -	$ -	$ -	$ 155,431
Net Position:					
Restricted for Debt Service	$ -	$ -	$ 52,226	$ 2,896,491	$ 2,948,717
Unrestricted	(12,649,266)	1,118,148	-	-	(11,531,118)
Total Net Position (Deficit)	$ (12,649,266)	$ 1,118,148	$ 52,226	$ 2,896,491	$ (8,582,401)

STATE OF OREGON
DEPARTMENT OF ENERGY
SMALL SCALE ENERGY LOAN PROGRAM
ENTERPRISE FUND
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Energy Loan	EEAST	CEDF	AFVRLF	Total
OPERATING REVENUES					
Interest on Loans	$ 10,438,402	$ -	$ -	$ -	$ 10,438,402
Application and Disbursement Fees	1,550	-	-	-	1,550
Loan Fees	6,184	-	-	-	6,184
Other Fees and Charges	349,818	-	-	-	349,818
Proceeds from the Sale of Tax Credits	-	-	-	1,941,193	1,941,193
Gain/Loss on Foreclosed Property	44,668	-	-	-	44,668
Miscellaneous Revenue	193,333	-	-	-	193,333
TOTAL OPERATING REVENUES	11,033,955	-	-	1,941,193	12,975,148
OPERATING EXPENSES					
Bond Interest	9,077,362	-	-	-	9,077,362
Bond Expenses	92,731	-	-	-	92,731
Special Payments	-	9,500,000	-	-	9,500,000
Salaries and Other Personal Services	386,893	-	-	1,356	388,249
Services and Supplies	392,995	-	12,985	1,009	406,989
Bad Debt Expense	4,382,431	-	-	-	4,382,431
TOTAL OPERATING EXPENSES	14,332,412	9,500,000	12,985	2,365	23,847,762
OPERATING INCOME (LOSS)	(3,298,457)	(9,500,000)	(12,985)	1,938,828	(10,872,614)
NON-OPERATING REVENUES (EXPENSES)					
Interest on Cash Balances	134,107	6,974	324	10,930	152,335
Interest Expense-Pension Related Debt	(6,590)	-	-	-	(6,590)
Other Nonoperating Items	(165,660)	-	-	-	(165,660)
Transfers from Other Funds/Agencies	-	10,000,000	-	-	10,000,000
CHANGE IN NET POSITION	(3,336,600)	506,974	(12,661)	1,949,758	(892,529)
NET POSITION - BEGINNING	(9,081,740)	(491,419)	64,887	946,733	(8,561,539)
Prior Period Adjustment	(83,856)	1,102,593	-	-	1,018,737
Restatement of beginning net position due to GASB 68	(147,070)	-	-	-	(147,070)
Net Position as Restated	(9,312,666)	611,174	64,887	946,733	(7,689,872)
NET POSITION (DEFICIT) - ENDING	$ (12,649,266)	$ 1,118,148	$ 52,226	$ 2,896,491	$ (8,582,401)

STATE OF OREGON
DEPARTMENT OF ENERGY
SMALL SCALE ENERGY LOAN PROGRAM
ENTERPRISE FUND
COMBINING SCHEDULE OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Energy Loan	EEAST	CEDF	AFVRLF	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Received from Customers	$ 601,825	$ -	$ -	$ -	$ 601,825
Cash Received from Tax Credits	-	-	-	1,941,193	1,941,193
Cash Credited to Borrowers Deposit Liability	77,083	-	-	-	77,083
Cash Disbursed from Borrowers Deposit Liability	(3,931,404)	-	-	-	(3,931,404)
Cash Paid to Vendors for Goods and Services	(476,636)	-	(16,985)	(1,439)	(495,060)
Distribution to Non-Governmental Entity	-	(9,500,000)	-	-	(9,500,000)
Payments to Employees for Services	(505,880)	-	-	(1,698)	(507,578)
Sale of State Property held for Resale	794,668	-	-	-	794,668
Other Receipts (Payments)	-	(144,777)	-	-	(144,777)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(3,440,344)	(9,644,777)	(16,985)	1,938,056	(11,164,050)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Principal Paid on Bonds	(26,840,000)	-	-	-	(26,840,000)
Interest Paid on Bonds	(10,224,139)	-	-	-	(10,224,139)
Bond Issue Costs Paid	(217,764)	-	-	-	(217,764)
Transfer from Other Funds	-	10,000,000	-	-	10,000,000
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(37,281,903)	10,000,000	-	-	(27,281,903)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest Received on Cash Balances	134,107	6,974	324	10,930	152,335
Loan Principal Repayments	23,462,291	-	-	-	23,462,291
Loan Interest Received	10,478,679	-	-	-	10,478,679
Loans Disbursed to Borrowers	(227,217)	-	-	-	(227,217)
NET CASH PROVIDED BY INVESTING ACTIVITIES	33,847,860	6,974	324	10,930	33,866,088
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(6,874,387)	362,197	(16,661)	1,948,986	(4,579,865)
CASH AND CASH EQUIVALENTS - BEGINNING	33,202,914	755,951	68,887	947,505	34,975,257
CASH AND CASH EQUIVALENTS - ENDING	$ 26,328,527	$ 1,118,148	$ 52,226	$ 2,896,491	$ 30,395,392

Continued next page…

STATE OF OREGON
DEPARTMENT OF ENERGY
SMALL SCALE ENERGY LOAN PROGRAM
ENTERPRISE FUND
COMBINING SCHEDULE OF CASH FLOWS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	Energy Loan	EEAST	CEDF	AFVRLF	Total
OPERATING INCOME (LOSS)	$ (3,298,457)	$ (9,500,000)	$ (12,985)	$ 1,938,828	$ (10,872,614)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Bad Debt	4,382,431	-	-	-	4,382,431
Interest Receipts Reported as Operating Revenue	(10,478,679)	-	-	-	(10,478,679)
Amortization of Bond Premium and Discount	(772,488)	-	-	-	(772,488)
Bond Interest Expense Reported as Operating Expense	10,202,925	-	-	-	10,202,925
Bond Issuance Costs Reported as Operating Expense	217,764	-	-	-	217,764
(Increase)/Decrease in Assets:					
Accounts Receivable	23,880	-	-	-	23,880
Loan Interest Receivable	(77,440)	-	-	-	(77,440)
Foreclosed and Deeded Property	750,000	-	-	-	750,000
Increase/(Decrease) in Liabilities:					
Accounts Payable	(570,012)	-	(4,000)	(628)	(574,640)
Compensated Absences Payable	(10,992)	-	-	-	(10,992)
Due to Other Funds- Agency	141,262	(144,777)	-	(144)	(3,659)
Net OPEB Obligations	470	-	-	-	470
Borrowers Deposit	(3,854,321)	-	-	-	(3,854,321)
Pension-Related Debt	(3,797)	-	-	-	(3,797)
Net Pension Liability	(261,899)	-	-	-	(261,899)
(Increase)/Decrease in Deferred Outflows of Resources					
Bond Refunding	9,112	-	-	-	9,112
Contributions Subsequent to the Measurement Date	5,906	-	-	-	5,906
Change in Employer Contribution & Proportion	(1,440)	-	-	-	(1,440)
Increase/(Decrease) in Deferred Inflows of Resources					
Investment Earnings Difference	155,431	-	-	-	155,431
TOTAL ADJUSTMENTS	(141,887)	(144,777)	(4,000)	(772)	(291,436)
NET CASH PROVIDED (USED) BY OPERATIONS	$ (3,440,344)	$ (9,644,777)	$ (16,985)	$ 1,938,056	$ (11,164,050)

OTHER REPORTS

THIS PAGE INTENTIONALLY LEFT BLANK

Office of the Secretary of State

Jeanne P. Atkins
Secretary of State

Robert Taylor
Deputy Secretary of State

Audits Division

Mary Wenger
Interim Director

255 Capitol St. NE, Suite 500
Salem, OR 97310

(503) 986-2255

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Honorable Kate Brown, Governor of Oregon
Michael Kaplan, Director, Oregon Department of Energy

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 Small Scale Energy Loan Program, an enterprise fund of the State of Oregon, Department of Energy, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Small Scale Energy Loan Program's basic financial statements, and have issued our report thereon dated August 15, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department of Energy's internal control over financial reporting (internal control) related to the Small Scale Energy Loan Program to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Small Scale Energy Loan Program'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department of Energy's financial statements of the Small Scale Energy Loan Program 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 disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Office of the Secretary of State, Audits Division

State of Oregon
August 15, 2016