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, 2016

Michael Kaplan
Director

TABLE OF CONTENTS

Page

INTRODUCTORY SECTION

Letter of Transmittal……………………………………………………………………………….3

FINANCIAL SECTION

Independent Auditor's Report 6

Financial Statements

Statement of Net Position—June 30, 2016 8

Statement of Revenues, Expenses and
Changes in Fund Net Position—
For the Fiscal Year Ended June 30, 2016 9

Statement of Cash Flows—
For the Fiscal Year Ended June 30, 2016 10

Notes to the Financial Statements 12

SUPPLEMENTARY INFORMATION

Combining Statements of SELP Program Activities

Combining Statement of Net Position—June 30, 2016 29

Combining Statement of Revenues, Expenses and Changes in Fund Net
Position—For the Fiscal Year Ended June 30, 2016 30

Combining Statement of Cash Flows—For the Fiscal Year Ended
June 30, 2016 31

OTHER REPORTS

Report on Internal Control over Financial Reporting and on
Compliance and Other Matters…………………………………………………………………….35

INTRODUCTORY SECTION

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Oregon

Kate Brown, Governor

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June 26, 2017

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, 2016. The financial statements, included on pages 8 - 27, 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 2021. 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 year ending June 30, 2016. 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

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Office of the Secretary of State

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Secretary of State

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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, 2016, 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 these 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 financial position of the Small Scale Energy Loan Program, an enterprise fund of the State of Oregon, Department of Energy, as of June 30, 2016, and the 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.

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 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 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, the combining statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Emphasis of Matter
As discussed in Note 1, the financial statements present only the Small Scale Energy Loan Program, an enterprise fund of the State of Oregon, Department of Energy, and are intended to present the financial position, the changes in financial position and, where applicable, 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 State of Oregon, as of June 30, 2016, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2017 on our consideration of the Oregon Department of Energy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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
June 20, 2017

STATE OF OREGON
DEPARTMENT OF ENERGY
SMALL SCALE ENERGY LOAN PROGRAM
ENTERPRISE FUND
STATEMENT OF NET POSITION
June 30, 2016

ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	10,510,166
Cash and Cash Equivalents--Restricted		9,350,934
Securities Lending Collateral		861,361
Loan Interest Receivable		1,447,897
Total Current Assets		22,170,359
Noncurrent Assets:		
Cash and Cash Equivalents--Restricted		1,729,385
Loans Receivable (Net)		170,036,757
Total Noncurrent Assets		171,766,141
Total Assets	$	193,936,501
DEFERRED OUTFLOWS OF RESOURCES		
Bond Refunding	$	5,610
Related to Pensions		40,530
Total Deferred Outflows of Resources	$	46,140
LIABILITIES		
Current Liabilities:		
Accounts Payable	$	21,772
Bond Interest Payable		1,826,639
Due to Other Funds/Agencies		14,651
Compensated Absences Payable		8,158
Unearned Revenue		703,132
Obligations under Securities Lending		861,361
Pension-Related Debt		3,200
Bonds Payable		15,425,000
Total Current Liabilities		18,863,913
Noncurrent Liabilities:		
Compensated Absences Payable		4,393
Borrower Deposit Liability		1,729,385
Other Postemployment Benefits Obligation (Net)		13,836
Pension-Related Debt		90,727
Net Pension Liability		157,206
Bonds Payable		182,370,271
Total Noncurrent Liabilities		184,365,817
Total Liabilities	$	203,229,730
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	$	38,276
Total Deferred Inflows of Resources	$	38,276
NET POSITION (DEFICIT)		
Restricted for Debt Service	$	3,041,262
Unrestricted (deficit)		(12,326,629)
TOTAL NET POSITION	$	(9,285,366)

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, 2016

OPERATING REVENUES	
Interest on Loans	$ 9,562,206
Loan Fees	12,935
Other Fees and Charges	6,691
Proceeds from the Sale of Tax Credits	73,256
Miscellaneous Revenue	5,029
TOTAL OPERATING REVENUES	9,660,117
OPERATING EXPENSES	
Bond Interest	8,142,892
Bond Expenses	17,380
Salaries and Other Personal Services	452,186
Services and Supplies	390,652
Bad Debt Expense	523,674
TOTAL OPERATING EXPENSES	9,526,784
OPERATING INCOME (LOSS)	133,333
NONOPERATING REVENUES (EXPENSES)	
Interest on Cash Balances	155,600
Interest Expense-Pension Related Debt	(6,372)
Transfers from Other Funds/Agencies	23,951
CHANGE IN NET POSITION	306,512
NET POSITION - BEGINNING	(8,582,401)
Prior Period Adjustments	108,671
Move EEAST & JESP Funds out of SELP (Note 1)	(1,118,148)
Net Position as Restated	(9,591,878)
NET POSITION (DEFICIT) - ENDING	$ (9,285,366)

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, 2016

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	$	24,655
Proceeds from the Sale of Tax Credits		73,256
Cash Credited to Borrowers Deposit Liability		65,231
Cash Disbursed from Borrowers Deposit Liability		(7,863)
Cash Paid to Vendors for Goods and Services		(373,571)
Payments to Employees for Services		(364,316)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		(582,608)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Principal Paid on Bonds		(20,890,000)
Interest Paid on Bonds		(9,603,953)
Bond Issue Costs Paid		(27,353)
Transfer EEAST & JESP out of SELP		(1,118,148)
Transfer from Other Funds		23,951
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES		(31,615,503)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Cash Balances		151,288
Loan Principal Repayments		14,455,409
Loan Interest Received		9,056,132
Loans Disbursed to Borrowers		(269,625)
NET CASH PROVIDED BY INVESTING ACTIVITIES		23,393,204
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(8,804,907)
CASH AND CASH EQUIVALENTS - BEGINNING		30,395,392
CASH AND CASH EQUIVALENTS - ENDING	$	21,590,485
Cash and Cash Equivalents		10,510,166
Cash and Cash Equivalents--Restricted		11,080,319
TOTAL CASH AND CASH EQUIVALENTS	$	21,590,485

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, 2016

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

OPERATING INCOME (LOSS)	$	133,333
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Bad Debt Expense		523,674
Interest Receipts Reported as Operating Revenue		(9,023,713)
Amortization of Bond Premium and Discount		(654,968)
Bond Interest Expense Reported as Operating Expense		8,902,753
Bond Issuance Costs Reported as Operating Expense		27,353
(Increase)/Decrease in Assets:		
Loan Interest Receivable		(348,077)
Securities Lending Collateral		(861,361)
Net Pension Asset		80,551
Bond Refunding		3,361
Increase/(Decrease) in Liabilities:		
Accounts Payable		(37,418)
Compensated Absences Payable		(7,290)
Unearned Revenue		(234,815)
Due to Other Funds/Agencies		(1,872)
Net OPEB Obligation		(469)
Borrower Deposits		25,516
Pension-Related Debt		(3,222)
Net Pension Liability		157,206
Obligations under Security Lending		861,361
(Increase)/Decrease in Deferred Outflows of Resources		
Bond Refunding		3,361
Related to Pensions		(10,717)
Increase/(Decrease) in Deferred Inflows of Resources		
Related to Pensions		(117,155)
TOTAL ADJUSTMENTS		(715,941)
NET CASH PROVIDED (USED) BY OPERATIONS	$	(582,608)

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, 2016

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.

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) *under Oregon Revised Statutes Chapter 470*. 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) *under Oregon Revised Statutes Chapter 470*. The CEDF was created to use funds from the EEAST and JESF 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) *under Oregon Revised Statutes Chapter 469*. 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 2016 financial statements and footnotes include only the financial activity of the funds associated with the Small Scale Local Energy Loan Program, Clean Energy Deployment Program and Alternative Fuel Vehicle Revolving Loan Program.

Although reported in prior SELP financial statements, EEAST and JESF were determined to be non-enterprise activities that are independent of the resources and obligations of the SELP. Beginning in fiscal year 2016 EEAST and JESF will be reported under Department of Energy general financial reporting. The enterprise use of CEDF is still being determined; based on that determination CEDF may no longer be reported in future SELP financial statements.

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 position is 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 - demand accounts), 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, 2016 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. SELP's policy for applying resources for payment of expense is to first use funds that are restricted for payment of program related expense. All SELP expenses are paid from restricted funds.

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. 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.

I. 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.

J. 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.

K. 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.

L. 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

All 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, 2016, the book balance of SELP cash and cash equivalents held by the Treasury was $21,590,485. The unadjusted bank balance was $21,585,096, all of which was held in demand accounts with the State Treasurer invested in the OSTF.

The following table itemizes cash balances by funds at June 30, 2016:

SELP Loan Fund	$ 138,540
SELP Sinking Fund	
Principal & Interest	4,340,984
Extraordinary Expense	6,030,642
Borrower Revenue Loss Reserve	1,729,385
Bond Debt Services	6,027,022
Program Admin	282,651
Clean Energy Deployment Fund	52,444
Alt. Fuel Vehicle Revolving Loan Fund	2,988,817
TOTAL	$21,590,485

Securities Lending: In accordance with State of Oregon investment policies, state agencies may participate in securities lending. SELP is involved in securities lending only with cash balances invested in the Oregon Short-Term Fund (OSTF). As of June 30, 2016, the amount of the fair value of all securities on loan from OSTF allocated to SELP's Enterprise Funds was $1,167,773. OSTF securities on loan in total included U.S. Treasury securities (78.39%), U.S. Agency securities (13.11%), and domestic fixed income securities (8.5%). The amount allocated to SELP's Enterprise Funds of the fair value of all investments purchase with cash collateral received for those securities on loan was $861,641. Additional information about the Oregon Short-Term Fund and securities lending can be found in the Oregon Short-Term Fund financial statements at www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-%28OSTF%29.aspx.

NOTE 3. LOANS RECEIVABLE

The composition of the loans receivable portfolio includes state agency and component unit loans. The loan portfolio value and associated statewide concentration of credit risk at June 30, 2016 is as follows:

Borrower Type	Number of Loans	Balance Outstanding
Commercial and residential	63	$ 40,357,127
Cities, counties, school and special districts	34	26,052,012
State agencies	2	29,489
Discreetly presented component Units (OSU, PSU, OIT, WOU, EOU, SOU & U of O)	32	108,914,823
Not-for-profit organizations	4	738,664
Total Loans Receivable	135	176,092,115
State agency & Component Unit loans		(108,944,312)
Net credit risk exposure		$ 67,147,803

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 2016 the allowance account was adjusted to reflect a change in collectability for several accounts. 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 2016.

The following table details Net Loans Receivable as of June 30, 2016:

Loans Receivable	$176,092,115
Allowance for uncollectible principal	(6,055,358)
Net Loans Receivable	$ 170,036,757

NOTE 4. 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 $192,385,000 was outstanding at June 30, 2016. 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 Position for the fiscal year ended June 30, 2016:

Bonds Payable-beginning	$213,275,000
Bonds matured	(20,890,000)
Bonds Payable-ending	192,385,000
Premium on Bonds Payable	5,488,771
Discount on Bonds Payable	(78,500)
Net Bonds Payable	$197,795,271

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, 2016, 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
2017	$ 15,425,000	$ 7,688,274	$ 23,113,274
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	18,540,000	5,430,725	23,970,725
2022-2026	58,475,000	18,159,948	76,634,948
2027-2031	45,195,000	6,669,577	51,864,577
2032-2034	7,725,000	440,838	8,165,838
TOTALS	$192,385,000	$59,019,786	$251,404,786

The following table summarizes the outstanding bond issues by series as of June 30, 2016:

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
2000 A	Apr-00	Jul-17	4.500%	5.500%	$ 7,320,000	$ 1,020,000	$ -	$ 660,000	$ 360,000	$ -
2001 A	May-01	Jul-18	4.000%	5.000%	2,000,000	615,000	-	295,000	320,000	-
2001 D	Oct-01	Apr-16	2.300%	4.500%	4,000,000	380,000	-	380,000	-	-
2001 E	Oct-01	Oct-16	3.150%	4.850%	1,600,000	1,500,000	-	500,000	1,000,000	1,000,000
2001 F	Oct-01	Oct-16	3.150%	6.000%	11,500,000	670,000	-	670,000	-	-
2004 A	Apr-04	Jul-16	2.000%	3.500%	11,035,000	385,000	-	385,000	-	-
2004 C	Nov-04	Oct-17	4.000%	5.000%	3,850,000	300,000	-	300,000	-	-
2005 A	Aug-05	Oct-20	3.000%	4.375%	1,470,000	695,000	-	105,000	590,000	110,000
2005 B	Aug-05	Oct-21	4.230%	5.290%	4,500,000	1,540,000	-	305,000	1,235,000	225,000
2006 A	May-06	Apr-22	5.500%	5.750%	12,000,000	5,100,000	-	615,000	4,485,000	645,000
2006 B	Nov-06	Oct-22	4.000%	5.000%	24,200,000	14,960,000	-	1,295,000	13,665,000	1,345,000
2006 C	Nov-06	Oct-22	5.160%	5.510%	3,750,000	2,455,000	-	255,000	2,200,000	270,000

Continued on next page

	Original Issue					Bonds Outstanding				
		Final	Coupon Interest Range			Beginning			Ending	Due Within
	Issue Date	Maturity	From	To	Amount	Balance	Increases	Decreases	Balance	One Year
2007 A	May-07	Oct-28	4.000%	4.375%	8,000,000	6,420,000	-	320,000	6,100,000	340,000
2007 B	May-07	Oct-23	4.000%	4.500%	10,570,000	5,915,000	-	875,000	5,040,000	925,000
2007 C	May-07	Oct-22	5.030%	5.380%	5,000,000	2,340,000	-	210,000	2,130,000	225,000
2008 A	Apr-08	Oct-23	4.600%	5.000%	18,000,000	11,200,000	-	1,700,000	9,500,000	1,800,000
2008 B	Oct-08	Oct-29	4.000%	6.000%	15,445,000	13,075,000	-	570,000	12,505,000	610,000
2009 A	Nov-09	Apr-31	3.000%	5.000%	23,850,000	21,470,000	-	840,000	20,630,000	865,000
2009 B	Nov-09	Apr-29	3.000%	5.000%	16,430,000	9,135,000	-	1,635,000	7,500,000	455,000
2009 C	Nov-09	Apr-20	1.910%	4.710%	3,525,000	2,095,000	-	385,000	1,710,000	400,000
2010 A	Jul-10	Apr-32	3.000%	4.000%	33,015,000	29,745,000	-	1,185,000	28,560,000	1,275,000
2010 B	Jul-10	Apr-26	1.100%	4.800%	10,000,000	7,875,000	-	630,000	7,245,000	670,000
2011A	Mar-11	Apr-32	2.500%	4.625%	16,400,000	13,600,000	-	835,000	12,765,000	870,000
2011B	Mar-11	Jan-32	4.000%	4.750%	22,460,000	14,095,000	-	2,400,000	11,695,000	1,675,000
2012D	Mar-12	Jan-27	2.000%	3.000%	4,435,000	3,750,000	-	255,000	3,495,000	265,000
2012E	Mar-12	Jan-34	3.000%	3.250%	4,020,000	3,735,000	-	145,000	3,590,000	150,000
2012F	Mar-12	Jan-28	0.350%	3.600%	2,520,000	2,140,000	-	140,000	2,000,000	145,000
2012G	Mar-12	Jul-23	0.750%	3.200%	10,075,000	9,145,000	-	1,890,000	7,255,000	-
2012N	Aug-12	Oct-32	2.500%	3.000%	11,910,000	10,970,000	-	495,000	10,475,000	515,000
2014E	Jun-14	Apr-34	3.750%	5.000%	15,260,000	14,870,000	-	495,000	14,375,000	525,000
2014F	Jun-14	Oct-29	0.400%	3.900%	2,080,000	2,080,000	-	120,000	1,960,000	120,000
Defeased/ Matured					496,670,000					
Total General Obligation Bonds issued					$816,890,000	$213,275,000	$ -	$ 20,890,000	$192,385,000	$ 15,425,000

NOTE 5. CHANGES IN OTHER LONG TERM LIABILITIES

Long term liability activity for June 30, 2016 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences Payable	$ 19,841	$ -	$ 7,290	$ 12,551	$8,158
Borrower's Deposit Liability	1,703,869	2,305,276	2,279,760	1,729,385	-
OPEB Obligation	14,305	94	563	13,836	-
Pension Related Debt	97,149	3,200	6,422	93,927	3,200
Net Pension Liability	-	157,206	-	157,206	-
TOTALS	$1,835,164	$2,465,776	$2,294,035	$2,006,905	$11,358

NOTE 6. COMMITMENTS

As of June 30, 2016, SELP had committed but undisbursed loan funds of $74,656 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, 2016.

NOTE 7. 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, 2016, were 12.31 percent for Tier One/Tier Two General Service members, 6.51 percent for OPSRP Pension Program General Service members, and 6 percent for OPSRP IAP.

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

At June 30, 2016, the State of Oregon and its component units reported a liability of $1.471 billion for its proportionate share of the net pension liability. SELP's allocated amount of the proportionate share of the net pension liability was $157,206. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013, rolled forward to June 30, 2015. The State's proportion of the net pension liability 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, 2015, the State's proportion was 25.6 percent, which was an increase of 1.7 percent from its proportion measured as of June 30, 2014. 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, 2016, SELP recognized pension expense of $137,914. At June 30, 2016, 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	$ 4,024	$ 5,322
Differences between expected and actual experience	8,477	
Net difference between projected and actual earnings on investments		32,954
Subtotal	12,501	38,276
Net Deferred Outflows (Inflows) of Resources before contributions subsequent to the measurement date	(25,775)	
Contributions subsequent to the measurement date	28,028	
Net Deferred Outflows (Inflows) of Resources	$ 2,253	

NOTE 8. 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, and the Public Employees Benefit Board (PEBB) established by ORS 243.061. 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 0.08% of PERS-covered salary to fund the normal cost portion of RHIA benefits. In addition, SELP contributed an additional 0.45% 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, 2016, 2015 and 2014, were $970, $325, and $373, 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 0.09% of PERS-covered salary to fund the normal cost portion of RHIPA benefits. In addition, SELP contributed an additional 0.35% 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, 2016, 2015 and 2014 totaled $770, $228, and $101, 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 single-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 9. 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 10. INTERFUND TRANSACTIONS

SELP reported transfer out of $1,118,148. The EEAST and JESF programs were removed from SELP financials as they are not an enterprise fund as required under the SELP program.

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 11. PRIOR PERIOD ADJUSTMENT

The fiscal year 2016 prior period adjustments included deferred income of a positive $118,952 and interest expense of negative $10,281

NOTE 12. 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.

At the end of fiscal year 2016, five loans carried delinquent balances that represented 3 percent of monthly receivables and seven loans were in forbearance representing 4% of outstanding loan principal. When in forbearance, SELP agrees not to issue notices of default or commence foreclosure litigation to enforce security interests against a borrower. There were no material troubled debt restructurings.

NOTE 13. SUBSEQUENT EVENTS

The following subsequent events occurred after June 30, 2016:

SELP ceased originating new loans due to a projected bond sinking fund deficit. It is unknown if or when the program will begin issuing new loans in the future.

$4.7 million in loans issued to an irrigation district were moved out of forbearance status. The loans currently are delinquent and a troubled debt restructuring is under consideration.

On February 8, 2017, the Department of Energy issued $64.82 million in 2017 Series E and F Tax-Exempt and Taxable refunding Bonds with an average interest rate of 4.4 percent and 2.5 percent. The bonds were issued to refund $67.1 million of various series outstanding of both tax-exempt and taxable bonds. The refunding was undertaken to reduce the total debt service payments over the next 12 years by $6.7 million and resulted in an economic gain of $2.9 million.

Legal Update:
Oregon Department of Energy ceased foreclosure proceedings against a borrower in Brooks, Oregon that recycles plastics in response to the borrower successfully refinancing their SELP loan with another lender. The borrower had been consistently delinquent in making repayments on the loan, which had an outstanding balance of just under $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, 2016

	Energy Loan	EEAST	CEDF	AFVRLF	**TOTAL**
ASSETS					
Current Assets:					
Cash and Cash Equivalents	$ 10,510,166	$ -	$ -	$ -	10,510,166
Cash and Cash Equivalents--Restricted	6,309,672	-	52,445	2,988,817	9,350,934
Securities Lending Collateral	861,361	-	-	-	861,361
Loan Interest Receivable	1,447,897	-	-	-	1,447,897
Total Current Assets	19,129,097	-	52,445	2,988,817	22,170,359
Noncurrent Assets:					
Cash and Cash Equivalents--Restricted	1,729,385	-	-	-	1,729,385
Loans Receivable (Net)	170,036,757	-	-	-	170,036,757
Total Noncurrent Assets	171,766,141	-	-	-	171,766,141
TOTAL ASSETS	$ 190,895,239	$ -	$ 52,445	$ 2,988,817	$ 193,936,501
DEFERRED OUTFLOWS OF RESOURCES					
Loss on Debt Refunding	$ 5,610	$ -	$ -	$ -	$ 5,610
Related to Pensions	40,530				40,530
Total Deferred Outflows of Resources	$ 46,140	$ -	$ -	$ -	$ 46,140
LIABILITIES AND NET POSITION					
Current Liabilities:					
Accounts Payable	$ 21,772	$ -	$ -	$ -	$ 21,772
Bond Interest Payable	1,826,639	-	-	-	1,826,639
Due to Other Funds/Agencies	14,651	-	-	-	14,651
Compensated Absences Payable	8,158	-	-	-	8,158
Unearned Revenue	703,132	-	-	-	703,132
Obligations under Securities Lending	861,361	-	-	-	861,361
Pension-Related Debt	3,200	-	-	-	3,200
Bonds Payable	15,425,000	-	-	-	15,425,000
Total Current Liabilities	18,863,913	-	-	-	18,863,913
Noncurrent Liabilities:					
Compensated Absences Payable	4,393	-	-	-	4,393
Borrower Deposit Liability	1,729,385	-	-	-	1,729,385
Other Postemployment Benefits Obligation (Net)	13,836	-	-	-	13,836
Pension-Related Debt	90,727	-	-	-	90,727
Net Pension Liability	157,206	-	-	-	157,206
Bonds Payable	182,370,271	-	-	-	182,370,271
Total Noncurrent Liabilities	184,365,817	-	-	-	184,365,817
TOTAL LIABILITIES	$ 203,229,730	$ -	$ -	$ -	$ 203,229,730
DEFERRED INFLOWS OF RESOURCES					
Related to Pensions	$ 38,276	$ -	$ -	$ -	$ 38,276
Total Deferred Inflows of Resources	$ 38,276	$ -	$ -	$ -	$ 38,276
Net Position:					
Restricted for Debt Service	$ -	$ -	$ 52,445	$ 2,988,817	$ 3,041,262
Unrestricted	(12,326,629)	-	-	-	(12,326,629)
Total Net Position (Deficit)	$ (12,326,629)	$ -	$ 52,445	$ 2,988,817	$ (9,285,366)

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, 2016

	Energy Loan	EEAST	CEDF	AFVRLF	Total
OPERATING REVENUES					
Interest on Loans	$ 9,562,206	$ -	$ -	$ -	$ 9,562,206
Loan Fees	12,935	-	-	-	12,935
Other Fees and Charges	6,691	-	-	-	6,691
Proceeds from the Sale of Tax Credits	-	-	-	73,256	73,256
Miscellaneous Revenue	5,029	-	-	-	5,029
TOTAL OPERATING REVENUES	9,586,861	-	-	73,256	9,660,117
OPERATING EXPENSES					
Bond Interest	8,142,892	-	-	-	8,142,892
Bond Expenses	17,380	-	-	-	17,380
Salaries and Other Personal Services	452,186	-	-	-	452,186
Services and Supplies	390,412	-	120	120	390,652
Bad Debt Expense	523,674	-	-	-	523,674
TOTAL OPERATING EXPENSES	9,526,543	-	120	120	9,526,784
OPERATING INCOME (LOSS)	60,317	-	(120)	73,136	133,333
NON-OPERATING REVENUES (EXPENSES)					
Interest on Cash Balances	136,070	-	339	19,190	155,600
Interest Expense-Pension Related Debt	(6,372)	-	-	-	(6,372)
Transfers from Other Funds/Agencies	23,951	-	-	-	23,951
CHANGE IN NET POSITION	213,966	-	219	92,326	306,512
NET POSITION - BEGINNING	(12,649,266)	1,118,148	52,226	2,896,491	(8,582,401)
Prior Period Adjustment	108,671	-	-	-	108,671
Move EEAST & JESP Funds out of SELP (Note 1)		(1,118,148)	-	-	(1,118,148)
Net Position as Restated	(12,540,595)	-	52,226	2,896,491	(9,591,878)
NET POSITION (DEFICIT) - ENDING	$ (12,326,627)	$ -	$ 52,445	$ 2,988,817	$ (9,285,366)

STATE OF OREGON
DEPARTMENT OF ENERGY
SMALL SCALE ENERGY LOAN PROGRAM
ENTERPRISE FUND
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Energy Loan	EEAST	CEDF	AFVRLF	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Received from Customers	$ 24,655	$ -	$ -	$ -	$ 24,655
Cash Received from Tax Credits	-	-	-	73,256	73,256
Cash Credited to Borrowers Deposit Liability	65,231	-	-	-	65,231
Cash Disbursed from Borrowers Deposit Liability	(7,863)	-	-	-	(7,863)
Cash Paid to Vendors for Goods and Services	(373,331)	-	(120)	(120)	(373,571)
Payments to Employees for Services	(364,316)	-	-	-	(364,316)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(655,624)	0	(120)	73,136	(582,608)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Principal Paid on Bonds	(20,890,000)	-	-	-	(20,890,000)
Interest Paid on Bonds	(9,603,953)	-	-	-	(9,603,953)
Bond Issue Costs Paid	(27,353)	-	-	-	(27,353)
Transfer from Other Funds	23,951	-			23,951
Transfer to Other Funds	-	(1,118,148)	-	-	(1,118,148)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(30,497,355)	(1,118,148)	-	-	(31,615,503)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest Received on Cash Balances	131,759	-	339	19,190	151,288
Loan Principal Repayments	14,455,409	-	-	-	14,455,409
Loan Interest Received	9,056,132	-	-	-	9,056,132
Loans Disbursed to Borrowers	(269,625)	-	-	-	(269,625)
NET CASH PROVIDED BY INVESTING ACTIVITIES	23,373,675	0	339	19,190	23,393,204
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(7,779,304)	(1,118,148)	219	92,326	(8,804,907)
CASH AND CASH EQUIVALENTS - BEGINNING	26,328,527	1,118,148	52,226	2,896,491	30,395,392
CASH AND CASH EQUIVALENTS - ENDING	$ 18,549,223	$ -	$ 52,445	$ 2,988,817	$ 21,590,485

Continued next page…

STATE OF OREGON
DEPARTMENT OF ENERGY
SMALL SCALE ENERGY LOAN PROGRAM
ENTERPRISE FUND
COMBINING STATEMENT OF CASH FLOWS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	Energy Loan	EEAST	CEDF	AFVRLF	Total
OPERATING INCOME (LOSS)	$ 60,317	$ -	$ (120)	$ 73,136	$ 133,333
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Bad Debt	523,674	-	-	-	523,674
Interest Receipts Reported as Operating Revenue	(9,023,713)	-	-	-	(9,023,713)
Amortization of Bond Premium and Discount	(654,968)	-	-	-	(654,968)
Bond Interest Expense Reported as Operating Expense	8,902,753	-	-	-	8,902,753
Bond Issuance Costs Reported as Operating Expense	27,353	-	-	-	27,353
(Increase)/Decrease in Assets:					
Loan Interest Receivable	(348,077)	-	-	-	(348,077)
Securities Lending Collateral	(861,361)	-	-	-	(861,361)
Net Pension Asset	80,551	-	-	-	80,551
bond Refunding	3,361	-	-	-	3,361
Increase/(Decrease) in Liabilities:					
Accounts Payable	(37,418)	-	-	-	(37,418)
Compensated Absences Payable	(7,290)	-	-	-	(7,290)
Unearned Revenue	(234,815)	-	-	-	(234,815)
Due to Other Funds/Agencies	(1,872)	-	-	-	(1,872)
Net OPEB Obligation	(469)	-	-	-	(469)
Borrower Deposits	25,516	-	-	-	25,516
Pension-Related Debt	(3,222)	-	-	-	(3,222)
Related to Pensions					0
Net Pension Liability	157,206	-	-	-	157,206
Obligations under Security Lending	861,361	-	-	-	861,361
(Increase)/Decrease in Deferred Outflows of Resources					
Bond Refunding	3,361	-	-	-	3,361
Related to Pensions	(10,717)				(10,717)
Increase/(Decrease) in Deferred Inflows of Resources					
Related to Pensions	(117,155)	-	-	-	(117,155)
TOTAL ADJUSTMENTS	(715,941)	-	-	-	(715,941)
NET CASH PROVIDED (USED) BY OPERATIONS	$ (655,624)	$ -	$ (120)	$ 73,136	$ (582,608)

OTHER REPORTS

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Office of the Secretary of State

Dennis Richardson
Secretary of State

Leslie Cummings, Ph.D.
Deputy Secretary of State

Audits Division

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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 (department), as of and for the year ended June 30, 2016, 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 June 20, 2017.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any 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
June 20, 2017