



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, 2018

Janine Benner

Director

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INTRODUCTORY SECTION

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Oregon

Kate Brown, Governor



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DEPARTMENT OF
ENERGY

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April 23, 2019

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, 2018. 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 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 years ending June 30, 2018. The auditors used generally accepted government auditing standards in conducting the engagement. Their unmodified opinion on the Enterprise Fund financial statements is included in the Financial Section of this report.

Respectfully submitted,

Janine Benner
Director

Patrick Heath
Interim Chief Financial Officer

FINANCIAL SECTION

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Office of the Secretary of State

Bev Clarno
Secretary of State

A. Richard Vial
Deputy Secretary of State



Audits Division

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Independent Auditor's Report

The Honorable Kate Brown, Governor of Oregon
Janine Benner, Director, Oregon Department of Energy

Report on the Financial Statements

We have audited the accompanying 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, 2018, 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, 2018, and the changes in its financial position and its cash flows 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 present only the Small Scale Energy Loan Program, an enterprise fund of the State of Oregon, Department of Energy, and do not purport to, and do not, present fairly the financial position of the State of Oregon or the Department of Energy as of June 30, 2018, 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 Matters*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 statements and the introductory section 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 State 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.

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

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2019, on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department of Energy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Department of Energy's internal control over financial reporting and compliance.

Office of the Secretary of State, Audits Division

State of Oregon
April 23, 2019

STATE OF OREGON
DEPARTMENT OF ENERGY
SMALL SCALE ENERGY LOAN PROGRAM
ENTERPRISE FUND
STATEMENT OF NET POSITION
June 30, 2018

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 6,862,512
Cash and Cash Equivalents--Restricted	6,060,034
Securities Lending Collateral	346,268
Loans Receivable (Net)	12,275,997
Loan Interest Receivable	492,850
<i>Total Current Assets</i>	<u>26,037,661</u>

Noncurrent Assets:

Cash and Cash Equivalents--Restricted	2,089,583
Loans Receivable (Net)	126,956,826
Net OPEB Asset	972
<i>Total Noncurrent Assets</i>	<u>129,047,381</u>

Total Assets

\$ 155,085,042

DEFERRED OUTFLOWS OF RESOURCES

Bond Refunding	\$ 3,213,583
Related to OPEB	\$ 2,077
Related to Pensions	92,957

Total Deferred Outflows of Resources

\$ 3,308,616

LIABILITIES

Current Liabilities:

Accounts Payable	\$ 19,968
Bond Interest Payable	1,825,782
Due to Other Funds/Agencies	16,894
Compensated Absences Payable	15,271
Unearned Revenue	368,615
Obligations under Securities Lending	346,268
Pension-Related Debt	5,100
Bonds Payable	15,990,000
<i>Total Current Liabilities</i>	<u>18,587,898</u>

Noncurrent Liabilities:

Compensated Absences Payable	8,223
Borrower Deposit Liability	2,089,584
Other Postemployment Benefits Obligation (Total Liability)	5,931
Other Postemployment Benefits Obligation (Net)	3,517
Pension-Related Debt	79,519
Net Pension Liability	278,030
Bonds Payable	149,847,316
<i>Total Noncurrent Liabilities</i>	<u>152,312,120</u>

Total Liabilities

\$ 170,900,018

DEFERRED INFLOWS OF RESOURCES

Related to OPEB	618
Related to Pensions	\$ 2,323
Total Deferred Inflows of Resources	<u>\$ 2,941</u>

NET POSITION (DEFICIT)

Restricted for Debt Service	\$ 6,060,034
Unrestricted (deficit)	(18,569,335)
TOTAL NET POSITION	<u>\$ (12,509,301)</u>

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, 2018

OPERATING REVENUES

Interest on Loans	\$ 7,697,316
Other Fees and Charges	103,151
TOTAL OPERATING REVENUES	<u>7,800,468</u>

OPERATING EXPENSES

Bond Interest	5,945,591
Bond Expenses	23,898
Salaries and Other Personal Services	404,831
Services and Supplies	352,090
Bad Debt Expense	393,095
TOTAL OPERATING EXPENSES	<u>7,119,505</u>

OPERATING INCOME (LOSS) 680,963

NONOPERATING REVENUES (EXPENSES)

Interest on Cash Balances	252,176
Interest Expense-Pension Related Debt	(5,573)

CHANGE IN NET POSITION 927,566

NET POSITION - BEGINNING (10,353,149)

Move Jobs Energy & Schools Fund out of SELP (52,905)

Move Alternative Fuel Vehicle Revolving Loan Fund to General Fund HB 3470 (3,035,573)

Restatement of beginning net position due to GASB 75 4,760

Net Position as Restated (13,436,867)

NET POSITION (DEFICIT) - ENDING \$ (12,509,301)

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, 2018**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Customers	\$ 103,151
Cash Credited to Borrowers Deposit Liability	368,552
Cash Disbursed from Borrowers Deposit Liability	(1,682)
Cash Paid to Vendors for Goods and Services	(375,104)
Payments to Employees for Services	(354,924)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(260,007)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Proceeds from Bonds	
Principal Paid on Bonds	(17,470,000)
Interest Paid on Bonds	(6,984,269)
Bond Issue Costs Paid	(19,338)
Transfer EEAST & JESP out of SELP	(52,905)
Transfer to Other Funds HB 3470	(3,035,573)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(27,562,085)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Received on Cash Balances	250,634
Loan Principal Repayments	15,161,450
Loan Interest Received	7,514,970
Loans Disbursed to Borrowers	(641,835)
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>22,285,219</u>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,536,873)
CASH AND CASH EQUIVALENTS - BEGINNING	20,549,002
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 15,012,129</u>

Cash and Cash Equivalents	6,862,512
Cash and Cash Equivalents--Restricted	8,149,617
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 15,012,129</u>

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, 2018

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

OPERATING INCOME (LOSS)	\$	680,963
<i>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</i>		
Bad Debt Expense		393,095
Interest Receipts Reported as Operating Revenue		(7,514,970)
Amortization of Bond Premium and Discount		(1,318,124)
Bond Interest Expense Reported as Operating Expense		6,984,997
Bond Issuance Costs Reported as Operating Expense		19,338
<i>(Increase)/Decrease in Assets:</i>		
Loan Interest Receivable		620,721
Loan Interest Capitalized		(567,819)
Securities Lending Collateral		(188,872)
Net OPEB Asset		(972)
<i>Increase/(Decrease) in Liabilities:</i>		
Accounts Payable		(23,431)
Bond Interest Payable		(193,699)
Compensated Absences Payable		5,846
Unearned Revenue		(235,248)
Due to Other Funds/Agencies		3,367
Net OPEB Obligation		(13,954)
Borrower Deposits		366,870
Pension-Related Debt		(5,092)
Other Postemployment Benefits Obligation (Total Liability)		5,931
Other Postemployment Benefits Obligation (Net)		3,517
Net Pension Liability		21,482
Obligations under Security Lending		188,872
<i>(Increase)/Decrease in Deferred Outflows of Resources</i>		
Loss on Refunding		473,145
Related to OPEB		(2,077)
Related to Pensions		35,603
<i>Increase/(Decrease) in Deferred Inflows of Resources</i>		
Related to OPEB		618
Related to Pensions		(114)
TOTAL ADJUSTMENTS		(940,970)
NET CASH PROVIDED (USED) BY OPERATIONS	\$	(260,007)

The accompanying notes are an integral part of these financial statements

STATE OF OREGON
DEPARTMENT of ENERGY
SMALL SCALE ENERGY LOAN PROGRAM
ENTERPRISE FUND
Notes to the Financial Statements
JUNE 30, 2018

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).

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 2018 financial statements and footnotes include only the financial activity of the funds associated with the Small Scale Local Energy Loan Program. Prior SELP financial statements included financial activity related to the Clean Energy Deployment Fund (created in 2011) and the Alternative Fuel Vehicle Revolving Loan Fund (created in 2013). The Clean Energy Deployment Fund was determined to be a non-enterprise fund that is independent of the resources and obligations of the SELP and will be reported under Department of Energy general financial reporting.

The Alternative Fuel Vehicle Revolving Loan Fund was established as a revolving loan fund to finance alternative fuel vehicle purchases or fleet conversions. The fund was financed with the sale of tax credits. No loans were ever made from the fund. House Bill 3470 (2017) eliminated the Alternative Fuel Vehicle Revolving Loan Fund and transferred the remaining balance from the SELP fund into State of Oregon general fund for general purposes during fiscal year 2018.

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 budgetary limitation and bond and loan-related expenses are subject to administrative limitation. The Emergency Board of the Legislature approves any increase in the operating budget that may be necessary between legislative sessions. The Department of Administrative Services approves increases in the agency's administrative limitation. 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, 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

Restricted cash and cash equivalents are restricted as to purpose and use by Article XI-J of the Oregon Constitution, Bond Indenture, and State statute. SELP's restricted assets are restricted to pay bond debt service. Individual borrower reserve accounts have been established to meet certain loan requirements and the balances of these accounts as of June 30, 2018 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 expenses is to first use funds that are restricted to pay bond debt service and to use non-restricted resources to pay for program-related expenses.

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 can be paid for up to 300 hours of accrued vacation leave when leaving state employment. 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 investments. Administrative expenses and bond program related expenses are considered operating expenses. Non-operating revenues and expense include interest earned on cash and pension-related debt interest payments.

L. Bond Expenses

Bond issuance costs are expensed when incurred. Gains or losses on bond debt refunding's are deferred and amortized over the shorter of the life of the new debt or the remaining life of the old debt. Bond discounts or premiums are amortized over the life of the life of the bond. The bonds-outstanding method of amortization most closely approximates the effective-interest method.

M. Changes in Accounting Principle

For the Fiscal year ended June 30, 2018, the Department of Energy, SELP program implement two new accounting standards issued by the Governmental Accounting Standards Board (GASB).

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions has been issued to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). The statement establishes standards for recognizing and measuring assets, liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures.

GASB Statement No. 86, Certain Debt Extinguishment Issues has been issued to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources-resources other than the proceeds of refund debt-are placed in an irrevocable trust for the sole purpose of extinguishing debt. The statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. Refer to Note 4 for additional information.

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>.

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, 2018, the book balance of SELP cash and cash equivalents held by the Treasury was \$15,012,129. The unadjusted bank balance was \$15,012,776, all of which was held in demand accounts with the State Treasurer invested in the OSTF.

The following table itemizes cash balances by fund at June 30, 2018:

SELP Sinking Fund	
Principal & Interest	\$ 5,738,969
Extraordinary Expense	986,396
Borrower Revenue Loss Reserve	2,089,584
Bond Debt Service	6,060,033
Program Administration	<u>137,147</u>
TOTAL	<u>\$ 15,012,129</u>

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, 2018, the amount of the fair value of all securities on loan from OSTF allocated to SELP's Enterprise Funds was \$1,578,966. OSTF securities on loan in total included U.S. Treasury securities (71.35%), U.S. Agency securities (15.32%), and domestic fixed income securities (13.33%). 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 \$346,300. 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.

NOTE 3. LOANS RECEIVABLE

The composition of the loans receivable portfolio includes component unit loans. The loan receivable includes \$642 thousand in expense that was transferred to an existing loan as a principal increase under the terms of the loan agreement. The loan portfolio value and associated statewide concentration of credit risk at June 30, 2018 is as follows:

Borrower Type	Number of Loans	Balance Outstanding
Commercial and residential	39	\$ 30,272,307
Cities, counties, school and special districts	24	20,629,893
Discreetly presented component Units (OSU, PSU, OIT, WOU, EOU, SOU & U of O)	28	97,224,970
Not-for-profit organizations	<u>2</u>	<u>378,545</u>
Total Loans Receivable	93	148,505,715
Component Unit loans		(<u>97,224,970</u>)
Net credit risk exposure		<u>\$ 51,280,745</u>

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 2018 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 6.3% of the gross loans receivable in 2018.

The following table details Net Loans Receivable as of June 30, 2018:

Loans Receivable Current	\$ 12,800,393
Loans Receivable Non-Current	<u>\$ 135,705,322</u>
Loans Receivable Total	<u>\$ 148,505,715</u>
Allowance for Uncollectible Loans Current	(\$ 524,396)
Allowance for Uncollectible Loans Non-Current	<u>(\$ 8,748,496)</u>
Allowance for Uncollectible Loans Total	<u>(\$ 9,272,892)</u>
Loans Receivable Net Current	\$ 12,275,997
Loans Receivable Net Non-Current	<u>\$ 126,956,826</u>
Loans Receivable Net Total	<u>\$ 139,232,823</u>

NOTE 4. BONDS PAYABLE AND DEBT SERVICE

General Obligation 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, 2018:

Bonds Payable-beginning	\$173,895,000
Bonds matured & refunded	<u>(17,470,000)</u>
Bonds Payable-ending	156,425,000
Premium on Bonds Payable	<u>9,412,316</u>
Net Bonds Payable	<u>\$165,837,316</u>

Debt Refunding

In August 2017, SELP placed \$1.9 million in cash resources received as a result of an early loan payoff with an escrow agent in an irrevocable trust to refund \$1.8 million of outstanding bonds.

Defeased Debt

The Department of Energy SELP program has defeased certain general obligation bonds by placing the proceeds of new debt or other cash resources in an irrevocable trust to provide for all future debt service payments on the old debt. The liability for defeased debt is not included in SELP's financial statements. On June 30, 2018, \$49,985,000 of debt outstanding is considered defeased.

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, 2018, for each of the next five fiscal years, and in five year increments thereafter:

<u>Years Ending June 30</u>	<u>Bond Principal</u>	<u>Bond Interest</u>	<u>Total Debt Service</u>
2019	\$ 15,990,000	\$ 6,257,814	\$ 22,247,814
2020	15,445,000	5,659,553	21,104,553
2021	18,165,000	5,052,565	23,217,565
2022	13,430,000	4,390,648	17,820,648
2023	11,210,000	3,846,878	15,056,878
2024-2028	50,405,000	12,527,760	62,932,760
2029-2033	30,425,000	3,069,331	33,494,331
2034	<u>1,355,000</u>	<u>49,513</u>	<u>1,404,513</u>
TOTALS	<u>\$156,425,000</u>	<u>\$40,854,062</u>	<u>\$197,279,062</u>

The following table summarizes the outstanding bond issues by series as of June 30, 2018:

SCHEDULE OF DEBT ISSUED AND OUTSTANDING
General Obligation Bonds

Original Issue						Bonds Outstanding				
Series	Issue Date	Final	Coupon Interest Range			Beginning			Ending	Due Within
		Maturity	From	To	Amount	Balance	Increases	Decreases	Balance	One Year
2000 A	Apr-00	Jul-17	4.500%	5.500%	\$ 7,320,000	\$ 360,000	\$ -	\$ 360,000	-	\$ -
2001 A	May-01	Jul-18	4.000%	5.000%	2,000,000	320,000	-	155,000	165,000	165,000
2005 B	Aug-05	Oct-21	4.230%	5.290%	4,500,000	1,010,000	-	235,000	775,000	245,000
2006 A	May-06	Apr-22	5.500%	5.750%	12,000,000	3,840,000	-	680,000	3,160,000	720,000
2006 C	Nov-06	Oct-22	5.160%	5.510%	3,750,000	1,930,000	-	285,000	1,645,000	300,000
2007 A	May-07	Oct-28	4.000%	4.375%	8,000,000	355,000	-	355,000	-	-
2007 B	May-07	Oct-23	4.000%	4.500%	10,570,000	4,115,000	-	980,000	3,135,000	1,035,000
2007 C	May-07	Oct-22	5.030%	5.380%	5,000,000	1,905,000	-	850,000	1,055,000	260,000
2008 A	Apr-08	Oct-23	4.600%	5.000%	18,000,000	7,700,000	-	2,000,000	5,700,000	2,050,000
2008 B	Oct-08	Oct-29	4.000%	6.000%	15,445,000	1,350,000	-	655,000	695,000	695,000
2009 A	Nov-09	Apr-31	3.000%	5.000%	23,850,000	1,980,000	-	900,000	1,080,000	1,080,000
2009 B	Nov-09	Apr-29	3.000%	5.000%	16,430,000	3,790,000	-	475,000	3,315,000	495,000
2009 C	Nov-09	Apr-20	1.910%	4.710%	3,525,000	1,310,000	-	420,000	890,000	435,000
2010 A	Jul-10	Apr-32	3.000%	4.000%	33,015,000	10,020,000	-	1,375,000	8,645,000	1,455,000
2010 B	Jul-10	Apr-26	1.100%	4.800%	10,000,000	6,575,000	-	705,000	5,870,000	750,000
2011A	Mar-11	Apr-32	2.500%	4.625%	16,400,000	11,895,000	-	1,340,000	10,555,000	935,000
2011B	Mar-11	Jan-32	4.000%	4.750%	22,460,000	10,020,000	-	510,000	9,510,000	530,000
2012D	Mar-12	Jan-27	2.000%	3.000%	4,435,000	3,230,000	-	270,000	2,960,000	280,000
2012E	Mar-12	Jan-34	3.000%	3.250%	4,020,000	3,440,000	-	155,000	3,285,000	155,000
2012F	Mar-12	Jan-28	0.350%	3.600%	2,520,000	1,855,000	-	145,000	1,710,000	145,000
2012G	Mar-12	Jul-23	0.750%	3.200%	10,075,000	7,255,000	-	965,000	6,290,000	980,000
2012N	Aug-12	Oct-32	2.500%	3.000%	11,910,000	9,960,000	-	1,250,000	8,710,000	495,000
2014E	Jun-14	Apr-34	3.750%	5.000%	15,260,000	13,850,000	-	550,000	13,300,000	580,000
2014F	Jun-14	Oct-29	0.400%	3.900%	2,080,000	1,840,000	-	120,000	1,720,000	120,000
2017E	Feb-17	Apr-31	2.000%	5.000%	48,080,000	47,535,000	-	-	47,535,000	335,000
2017F	Feb-17	Apr-29	4.250%	4.750%	16,740,000	16,455,000	-	1,735,000	14,720,000	1,750,000
Total General Obligation Bonds issued					\$327,385,000	\$173,895,000	\$ -	\$ 17,470,000	\$156,425,000	\$ 15,990,000

NOTE 5. CHANGES IN OTHER LONG TERM LIABILITIES

Long term liability activity for June 30, 2018 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated Absences Payable	\$ 17,648	\$ 5,846	\$ -	\$ 23,494	\$ 15,271
Borrower's Deposit Liability	1,722,714	366,870	-	2,089,584	-
OPEB Total Liability	-	5,931	-	5,931	-
OPEB Net	-	3,517	-	3,517	-
OPEB Obligation	13,954	-	13,954	-	-
Pension Related Debt	89,711	5,100	10,192	84,619	5,100
Net Pension Liability	<u>256,548</u>	<u>29,595</u>	<u>8,113</u>	<u>278,030</u>	<u>-</u>
Total	<u>\$ 2,100,575</u>	<u>\$ 416,859</u>	<u>\$ 32,259</u>	<u>\$2,485,175</u>	<u>\$ 20,371</u>

NOTE 6. EMPLOYEE RETIREMENT PLANS

The Oregon Public Employees Retirement System (PERS) provides defined benefit and defined contribution retirement plans for Oregon Department of Energy who administer SELP. 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 in which either the employer or employee contribute 6.0% of the member's salary into an 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>.

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 PERS Board adopts employer rates each biennium to achieve these goals. The rates in effect for the fiscal year ended June 30, 2018, were 17.84 percent for Tier One/Tier Two General Service members and 10.78 percent for OPSRP Pension Program General Service members. Pension rates do not include rates for the Individual Account Program or Pension obligation bond debt service. The actual contributions equaled the contractually required contributions for the fiscal year.

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

At June 30, 2018, the State of Oregon and its component units reported a liability of \$3.73 billion for its proportionate share of the net pension liability. SELP's allocated amount of the proportionate share of the net pension liability was \$278,030. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015, rolled forward to June 30, 2017. 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, 2017, the State's proportion was 27.6 percent, which was an increase of 0.5 percent from its proportion measured as of June 30, 2016. As part of the State of Oregon, SELP's funds were allocated .00170892 percent of the State's proportionate share in the plan.

For the year ended June 30, 2018, SELP recognized pension expense of \$74,407. At June 30, 2018, 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	\$ 8,530	\$ 2,323
Differences between expected and actual experience	13,446	
Changes in Assumptions	50,680	
Net difference between projected and actual earnings on investments	2,864	
Subtotal	75,520	2,323
Net Deferred Outflows (Inflows) of Resources before contributions subsequent to the measurement date	73,197	
Contributions subsequent to the measurement date	17,437	
Net Deferred Outflows (Inflows) of Resources	<u>\$ 90,634</u>	

NOTE 7. 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). Two OPEB plans are offered through the Public Employees Retirement System (PERS) and one OPEB plan offered by the Public Employees Benefit Board (PEBB). For additional information regarding the State of Oregon's OPEB plans, refer to Note 15 of the State of Oregon's Comprehensive Annual Financial Report for the year ended June 30, 2018 at <https://www.oregon.gov/das/Financial/Acctng/Pages/pub.aspx>.

As part of the State of Oregon, SELP's enterprise fund received an allocation of a percentage of the State's OPEB asset and/or OPEB liability and related deferrals of resources as seen on the face of the Statement of Net Position. SELP's actual employer contributions to PERS for its OPEB plans equaled the contractually required contributions for the fiscal year.

NOTE 8. 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 9. INTERFUND TRANSACTIONS

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 10. 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 2018, one loan carried delinquent balance that represented 0.56 percent of outstanding loan principal and no loans were in forbearance. 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 11. SUBSEQUENT EVENTS

The following subsequent events occurred after June 30, 2018:

A Stipulated General Judgement and Judgement of Foreclosure was issued against an \$8 million solar manufacturing loan in favor of Multnomah County to satisfy outstanding property tax liability. The Department filed and was granted cross-claims against the borrower as part of Multnomah County's legal action. Multnomah County auctioned borrower assets on January 23-24, 2019 through Heritage Global Partners. The auction of borrower assets did not yield sufficient auction proceeds to satisfy the county's judgement and the Department of Energy received no auction proceeds. The Department of Energy's SELP program has been receiving installment repayment on this loan under the terms of a \$5 million loan guarantee with the City of Portland. The city is scheduled to make an additional \$3.2 million in guaranty payments through October 2020. A portion of the guaranty payments have been applied to accrued loan interest. The Department of Energy SELP program anticipates writing-down \$4.6 million in loan principal on the credit.

In October 2018 \$1 million in payments were received on a \$4.4 million loan that is fully impaired under the allowance account, resulting in a 23 percent reduction in loss exposure.

SUPPLEMENTARY INFORMATION

STATE OF OREGON
DEPARTMENT of ENERGY
SMALL SCALE ENERGY LOAN PROGRAM
ENTERPRISE FUND
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2018

	Energy Loan	CEDF	AFVRLF	TOTAL
ASSETS				
<i>Current Assets:</i>				
Cash and Cash Equivalents	\$ 6,862,512	\$ -	\$ -	6,862,512
Cash and Cash Equivalents--Restricted	6,060,034	-	-	6,060,034
Securities Lending Collateral	346,268	-	-	346,268
Loans Receivable (Net)	12,275,997	-	-	12,275,997
Loan Interest Receivable	492,850	-	-	492,850
<i>Total Current Assets</i>	<u>26,037,661</u>	<u>-</u>	<u>-</u>	<u>26,037,661</u>
<i>Noncurrent Assets:</i>				
Cash and Cash Equivalents--Restricted	2,089,583	-	-	2,089,583
Loans Receivable (Net)	126,956,826	-	-	126,956,826
Net OPEB Asset	972	-	-	972
<i>Total Noncurrent Assets</i>	<u>129,047,381</u>	<u>-</u>	<u>-</u>	<u>129,047,381</u>
TOTAL ASSETS	<u>\$ 155,085,042</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 155,085,042</u>
DEFERRED OUTFLOWS OF RESOURCES				
Loss on Debt Refunding	\$ 3,213,583	\$ -	\$ -	\$ 3,213,583
Related to OPEB	2,077	-	-	2,077
Related to Pensions	92,957	-	-	92,957
Total Deferred Outflows of Resources	<u>\$ 3,308,616</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,308,616</u>
LIABILITIES AND NET POSITION				
<i>Current Liabilities:</i>				
Accounts Payable	\$ 19,968	\$ -	\$ -	\$ 19,968
Bond Interest Payable	1,825,782	-	-	1,825,782
Due to Other Funds/Agencies	16,894	-	-	16,894
Compensated Absences Payable	15,271	-	-	15,271
Unearned Revenue	368,615	-	-	368,615
Obligations under Securities Lending	346,268	-	-	346,268
Pension-Related Debt	5,100	-	-	5,100
Bonds Payable	15,990,000	-	-	15,990,000
<i>Total Current Liabilities</i>	<u>18,587,899</u>	<u>-</u>	<u>-</u>	<u>18,587,899</u>
<i>Noncurrent Liabilities:</i>				
Compensated Absences Payable	8,223	-	-	8,223
Borrower Deposit Liability	2,089,584	-	-	2,089,584
Other Postemployment Benefits Obligation (Total Liability)	5,931	-	-	5,931
Other Postemployment Benefits Obligation (Net)	3,517	-	-	3,517
Pension-Related Debt	79,519	-	-	79,519
Net Pension Liability	278,030	-	-	278,030
Bonds Payable	149,847,316	-	-	149,847,316
<i>Total Noncurrent Liabilities</i>	<u>152,312,120</u>	<u>-</u>	<u>-</u>	<u>152,312,120</u>
TOTAL LIABILITIES	<u>\$ 170,900,019</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 170,900,019</u>
DEFERRED INFLOWS OF RESOURCES				
Related to OPEB	618	-	-	618
Related to Pensions	2,323	-	-	2,323
Total Deferred Inflows of Resources	<u>\$ 2,941</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,941</u>
<i>Net Position:</i>				
Restricted for Debt Service	\$ 6,060,034	\$ -	\$ -	\$ 6,060,034
Unrestricted	(18,569,335)	-	-	(18,569,335)
Total Net Position (Deficit)	<u>\$ (12,509,301)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (12,509,301)</u>

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, 2018

	Energy Loan	CEDF	AFVRLF	Total
OPERATING REVENUES				
Interest on Loans	\$ 7,697,316	\$ -	\$ -	\$ 7,697,316
Other Fees and Charges	103,151	-	-	103,151
TOTAL OPERATING REVENUES	7,800,468	-	-	7,800,468
OPERATING EXPENSES				
Bond Interest	5,945,591	-	-	5,945,591
Bond Expenses	23,898	-	-	23,898
Salaries and Other Personal Services	404,831	-	-	404,831
Services and Supplies	352,050	-	40	352,090
Bad Debt Expense	393,095	-	-	393,095
TOTAL OPERATING EXPENSES	7,119,465	-	40	7,119,505
OPERATING INCOME (LOSS)	681,003	-	(40)	680,963
NON-OPERATING REVENUES (EXPENSES)				
Interest on Cash Balances	238,347	-	13,829	252,176
Interest Expense-Pension Related Debt	(5,573)	-	-	(5,573)
CHANGE IN NET POSITION	913,777	-	13,789	927,566
NET POSITION - BEGINNING	(13,427,838)	52,905	3,021,784	(10,353,149)
Move Jobs Energy & Schools Fund out of SELP	-	(52,905)	-	(52,905)
Move Alternative Fuel Vehicle Revolving Loan Fund to General Fund HB 3470	-	-	(3,035,573)	(3,035,573)
Restatement of beginning net position due to GASB 68 & GASB 75	4,760	-	-	4,760
Net Position as Restated	(13,423,078)	-	(13,789)	(13,436,867)
NET POSITION (DEFICIT) - ENDING	\$ (12,509,301)	\$ -	\$ -	\$ (12,509,301)

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, 2018

	Energy Loan	CEDF	AFVRLF	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 103,151	\$ -	\$ -	\$ 103,151
Cash Credited to Borrowers Deposit Liability	368,552	-	-	368,552
Cash Disbursed from Borrowers Deposit Liability	(1,682)	-	-	(1,682)
Cash Paid to Vendors for Goods and Services	(375,064)	-	(40)	(375,104)
Payments to Employees for Services	(354,924)	-	-	(354,924)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(259,967)</u>	<u>-</u>	<u>(40)</u>	<u>(260,007)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Proceeds from Bonds	-	-	-	-
Principal Paid on Bonds	(17,470,000)	-	-	(17,470,000)
Interest Paid on Bonds	(6,984,269)	-	-	(6,984,269)
Bond Issue Costs Paid	(19,338)	-	-	(19,338)
Transfer EEAST & JESP out of SELP	-	(52,905)	-	(52,905)
Transfer to Other Funds HB 3470	-	-	(3,035,573)	(3,035,573)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(24,473,607)</u>	<u>(52,905)</u>	<u>(3,035,573)</u>	<u>(27,562,085)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received on Cash Balances	236,806	-	13,829	250,634
Loan Principal Repayments	15,161,450	-	-	15,161,450
Loan Interest Received	7,514,970	-	-	7,514,970
Loans Disbursed to Borrowers	(641,835)	-	-	(641,835)
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>22,271,391</u>	<u>-</u>	<u>13,829</u>	<u>22,285,219</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(2,462,184)</u>	<u>(52,905)</u>	<u>(3,021,785)</u>	<u>(5,536,873)</u>
CASH AND CASH EQUIVALENTS - BEGINNING	<u>17,474,313</u>	<u>52,905</u>	<u>3,021,785</u>	<u>20,549,002</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 15,012,129</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,012,129</u>
 Cash and Cash Equivalents	6,862,512			6,862,512
Cash and Cash Equivalents--Restricted	8,149,617			8,149,617
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 15,012,129</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,012,129</u>

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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, 2018

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

	Energy Loan	CEDF	AFVRLF	Total
OPERATING INCOME (LOSS)	\$ 681,003	\$ -	\$ (40)	\$ 680,963
<i>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</i>				
Bad Debt	393,095	-	-	393,095
Interest Receipts Reported as Operating Revenue	(7,514,970)	-	-	(7,514,970)
Amortization of Bond Premium and Discount	(1,318,124)	-	-	(1,318,124)
Bond Interest Expense Reported as Operating Expense	6,984,997	-	-	6,984,997
Bond Issuance Costs Reported as Operating Expense	19,338	-	-	19,338
<i>(Increase)/Decrease in Assets:</i>				
Loan Interest Receivable	620,721	-	-	620,721
Loan Interest Capitalized	(567,819)	-	-	(567,819)
Securities Lending Collateral	(188,872)	-	-	(188,872)
Net OPEB Asset	(972)	-	-	(972)
<i>Increase/(Decrease) in Liabilities:</i>				
Accounts Payable	(23,431)	-	-	(23,431)
Bond Interest Payable	(193,699)	-	-	(193,699)
Compensated Absences Payable	5,846	-	-	5,846
Unearned Revenue	(235,248)	-	-	(235,248)
Due to Other Funds/Agencies	3,367	-	-	3,367
Net OPEB Obligation	(13,954)	-	-	(13,954)
Borrower Deposits	366,870	-	-	366,870
Pension-Related Debt	(5,092)	-	-	(5,092)
Other Postemployment Benefits Obligation (Total Liability)	5,931	-	-	5,931
Other Postemployment Benefits Obligation (Net)	3,517	-	-	3,517
Net Pension Liability	21,482	-	-	21,482
Obligations under Security Lending	188,872	-	-	188,872
<i>(Increase)/Decrease in Deferred Outflows of Resources</i>				
Loss on Refunding	473,145	-	-	473,145
Related to OPEB	(2,077)	-	-	(2,077)
Related to Pensions	35,603	-	-	35,603
<i>Increase/(Decrease) in Deferred Inflows of Resources</i>				
Related to OPEB	618	-	-	618
Related to Pensions	(114)	-	-	(114)
TOTAL ADJUSTMENTS	(940,970)	-	-	(940,970)
NET CASH PROVIDED (USED) BY OPERATIONS	\$ (259,967)	\$ -	\$ (40)	\$ (260,007)

OTHER REPORTS

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Office of the Secretary of State

Bev Clarno
Secretary of State

A. Richard Vial
Deputy Secretary of State



Audits Division

Kip R. Memmott, MA, CGAP, CRMA
Director

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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
Janine Benner, 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, 2018, 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 April 23, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department of Energy's (department) 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 department's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any 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'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
April 23, 2019