OREGON DEPARTMENT of VETERANS' AFFAIRS

VETERANS' LOAN PROGRAM ANNUAL FINANCIAL REPORT

ENTERPRISE FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Annual Financial Report

Veterans' Loan Program

Enterprise Fund of the Oregon Department of Veterans' Affairs

An Agency of the State of Oregon

**For The Fiscal Year Ended
June 30, 2021**

Kelly Fitzpatrick
Director

Aaron Hunter, CPA
Chief Financial Officer

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INTRODUCTORY SECTION

Oregon
Kate Brown, Governor

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www.oregon.gov/odva

November 19, 2021

To the Honorable Kate Brown and Citizens of the State of Oregon:

We are pleased to provide you with the Annual Financial Report of the Oregon Department of Veterans' Affairs *(the "Department")* Loan Program Enterprise fund, for the fiscal year ended June 30, 2021.

This report is organized and presented in four sections. The **Introductory Section** includes this transmittal letter and an organizational chart. The **Financial Section** includes the independent auditor's report, management's discussion and analysis, the financial statements and accompanying notes. The **Statistical Section** includes selected financial and programmatic information, much of which is presented on a multi-year basis. The **Other Reports** section includes the independent auditor's report on compliance and internal control over financial reporting.

Department management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The Oregon Secretary of State Audits Division audited the Department's Loan Program Enterprise Fund for the year ended June 30, 2021. Their unmodified opinion on the Enterprise Fund financial statements is included in the Financial Section of this report.

Management's discussion and analysis *(MD&A)* immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

OREGON ECONOMY

Recent Trends – According to excerpts from the September 2021 Oregon Economic and Revenue Forecast from the Oregon Office of Economic Analysis *(OEA)*:

Economic Summary

The economic outlook remains bright. Strong household incomes, boosted considerably by federal aid during the pandemic, are the underlying driver. Consumers have no shortage of firepower if they want to and feel safe enough to spend. The key to the outlook remains translating this firepower into actual consumer spending, particularly in the hard-hit service industries. Firms today are trying to staff up as quickly as possible to meet this increasing demand. The actual number of jobs created this year will be the largest on record in Oregon.

Outlook

The state's labor market is now expected to regain all of its lost jobs by next summer, or one quarter sooner than in the previous forecast. While these dynamics remain intact, the risks are weighted toward the downside. Growth in a supply constrained economy is challenging. Firms are struggling with supply chains and a tight labor market. Wages are rising quickly to attract and retain workers. Prices are increasing as demand continues to outstrip supply. On top of this the current delta wave of the pandemic complicates the immediate term outlook. What matters most economically are shutdowns. A modest pullback in consumer spending in a few categories will not lead to mass layoffs. If anything, any slowing in spending today will likely turn into stronger gains in coming quarters.

This cycle is different. The current recovery will be faster, more complete, and more inclusive than recent experiences coming out of the tech and housing bubbles. As some of the pandemic-specific challenges fade, the underlying economy is on solid footing due to the strength of corporate and household balance sheets.

MAJOR INITIATIVES

Current Service Efforts and Accomplishments - Article XI-A of the Oregon Constitution outlines the broad duties of the Department. The primary Oregon Revised Statutes (ORS) governing the Department are Chapters 406 through 408.

The ***Veterans' Loan Program*** provides home loans to Oregon veterans at favorable interest rates. Both federal and State laws govern eligibility requirements on who may receive a veterans' home loan. As of June 30, 2021, this Program had approximately 1,417 mortgage loans and contracts outstanding, with a principal balance of approximately $275 million.

FINANCIAL INFORMATION

Enterprise Fund - The Veterans' Loan Program is an enterprise fund which is used to account for the Department's business-type activities.

At June 30, 2021, the Veterans' Loan Program had approximately $494 million in assets *(primarily consisting of cash and cash equivalents and loan and contract receivables)* and approximately $359 million in liabilities *(primarily consisting of general obligation bonds)*. Revenues from the Department's home loan program are primarily generated through interest on loans originated and investment income. These revenues are used to pay interest expense on outstanding debt and related program and administrative expenses.

Debt Administration - The Department, with the approval of the State Treasurer's office, has authority to issue general obligation bonds to fund the home loan program. The Department's general obligation bonds are rated as part of the State of Oregon's general obligation bond program. As of June 30, 2021, the Department's long-term general obligation bonds were rated as follows:

Moody's Investor Service	Aa1
Fitch Ratings	AA+
Standard & Poor's	AA+

As of June 30, 2021, the Department had approximately $333 million *(par value)* in outstanding bonds. During fiscal year 2021, no new bonds were issued and approximately $61 million in bonds were retired.

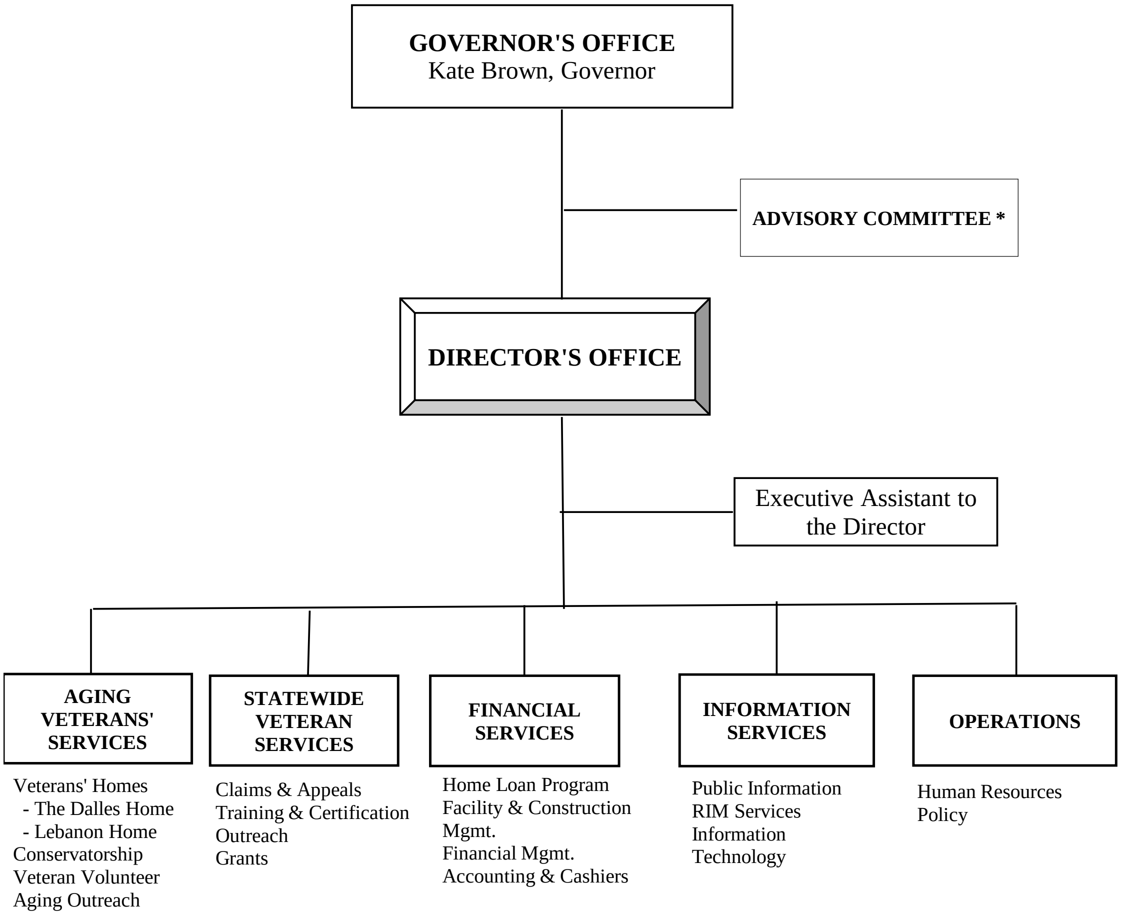
Cash Management - All monies collected by the Department are turned over to the State Treasurer, who is responsible for the control of cash and the investment of State funds (excluding funds held by the loan cancellation life insurance carrier). On June 30, 2021, the Department's Loan Program cash, cash equivalents *(excluding securities lending collateral),* and investments totaled approximately $207 million.

The Oregon Investment Council, of which the State Treasurer is a member, establishes investment policy for all State of Oregon funds. To further Oregon's economic growth, the Council's continuing policy has been to invest locally when investments of comparable yield, quality, and maturity can be found in state without damaging portfolio diversity. Fortunately for Oregonians, State-imposed safeguards minimize the dangers of investing in highly leveraged financial instruments that have been a cause of national concern. The State Treasurer pools all available cash into the Oregon Short-Term Fund from which investments are made in a variety of financial instruments.

Acknowledgements - The preparation of this report reflects the combined efforts of the Department's staff. The professionalism, commitment, and effort of the individuals involved are very much appreciated.

Respectfully submitted,

Kelly Fitzpatrick	Aaron Hunter
Director	Chief Financial Officer



* The Advisory Committee is a nine-member advisory body appointed by the Governor for four-year terms. The committee advises the Director concerning matters of the operations of the Department and issues affecting veterans and their dependents and survivors who reside in this state.

Advisory Committee Members	Term Expires	Advisory Committee Members	Term Expires
James A Gardner	November 30, 2024	Bob Van Voorhis	April 30, 2023
Christine Gittins	September 30, 2023	Christina V Wood	November 17, 2024
John F Howard	March 15, 2024	Micah J Ashby	November 17, 2024
Reynold L Leno	March 15, 2024	Mayme D Cawvey	November 18, 2024
Nell Stamper	November 30, 2023		

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FINANCIAL SECTION

Office of the Secretary of State

Shemia Fagan
Secretary of State

Cheryl Myers
Deputy Secretary of State, Tribal Liaison

Audits Division

Kip R. Memmott, MA, CGAP, CRMA
Director

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

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Independent Auditor's Report

The Honorable Kate Brown, Governor of Oregon
Kelly Fitzpatrick, Director, Oregon Department of Veterans' Affairs

Report on the Financial Statements

We have audited the accompanying financial statements of the Veterans' Loan Program, an enterprise fund of the State of Oregon, Department of Veterans' Affairs (Department), as of and for the year end June 30, 2021, 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.

Auditors 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 Veterans' Loan Program, an enterprise fund of the State of Oregon, Department of Veterans' Affairs, as of June 30, 2021, 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 Veterans' Loan Program, an enterprise fund of the State of Oregon, Department of Veterans' Affairs, and do not purport to, and do not, present fairly the financial position of the Oregon Department of Veterans' Affairs or the State of Oregon as of June 30, 2021, 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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Veterans' Loan Program basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2021, on our consideration of Oregon Department of Veterans' Affairs 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's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

Office of the Secretary of State, Audits Division

State of Oregon
November 17, 2021

State of Oregon
Oregon Department of Veterans' Affairs
Veterans' Loan Program
Management's Discussion and Analysis

This section of the Oregon Department of Veterans' Affairs' *(the "Department")* Loan Program Annual Financial Report presents our discussion and analysis of financial performance for the Veterans' Loan Program Proprietary Fund during the fiscal year ended June 30, 2021. The selected financial data presented was derived primarily from the financial statements of the Veterans' Loan Program, which have been audited.

FINANCIAL HIGHLIGHTS

	(In Millions)		Change	
	2021	2020	*(In Millions)*	Percentage
Net Position	$ 135.3	$ 136.0	$ (0.70)	-0.51%
Revenues	$ 15.9	$ 22.0	$ (6.10)	-27.73%
Expenses	$ 16.5	$ 20.6	$ (4.10)	-19.90%
General Obligation Bond Debt *(par value)*	$ 332.6	$ 393.5	$ (60.90)	-15.48%
Mortgage Loan Originations	$ 46.6	$ 47.4	$ (0.80)	-1.69%

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Veterans' Loan Program's basic financial statements. The basic financial statements include proprietary fund financial statements and notes to the financial statements. The Veterans' Loan Program's basic financial statements do not include department-wide financial statements since only the Veterans' Loan Program proprietary fund is audited within this Annual Financial Report. The Department does have an audited Annual Financial Report on the Veterans' Home Program and that proprietary fund and a minimal portion of governmental funds that are included in the State of Oregon Annual Comprehensive Financial Report. Those reports are located respectively at:

- http://www.oregon.gov/odva/INFO/Pages/AnnualReports.aspx
- http://www.oregon.gov/das/Financial/Acctng/Pages/Pub.aspx

- The Veterans' Loan Program's proprietary fund financial statements include a major enterprise fund, which operates similarly to business activities and follow an accrual basis of accounting.

- The notes to the financial statements provide additional information essential to a full understanding of the data provided in the Veterans' Loan Program's proprietary fund financial statements.

OVERVIEW OF THE PROPRIETARY FUND FINANCIAL POSITION & OPERATIONS

Assets

Total assets at June 30, 2021 were approximately $494.0 million, a decrease of $62.9 million from June 30, 2020. The change in assets consists primarily of a $72.5 million decrease in mortgage loans receivable offset by a $8.6 million increase in cash and cash equivalents.

Liabilities
Total liabilities at June 30, 2021, were $358.7 million, a decrease of $63.7 million from June 30, 2020. The change in liabilities consists primarily of a decrease of $61.2 million in net bonds payable.

Statement of Net Position
The Veterans' Loan Program's proprietary fund financial position and operations for the past two years are summarized below based on the information included in the basic financial statements.

Veterans' Loan Program - Proprietary Fund
Statement of Net Position

	Business Type Activity			
	2021	**2020**	**Change**	**% Change**
Assets:				
Current and Other Assets	$ 488,251,379	$ 550,961,313	$ (62,709,934)	-11.38%
Capital Assets	5,757,427	5,941,499	(184,072)	-3.10%
Total Assets	$ 494,008,806	$ 556,902,812	(62,894,006)	-11.29%
Deferred Outflow of Resources	$ 1,630,460	$ 1,810,465	$ (180,005)	-9.94%
Liabilities:				
Long Term Liabilities	$ 339,447,451	$ 400,353,399	$ (60,905,948)	-15.21%
Other Liabilities	19,277,347	22,112,774	(2,835,427)	-12.82%
Total Liabilities	$ 358,724,798	$ 422,466,173	$ (63,741,375)	-15.09%
Deferred Inflow of Resources	$ 1,620,212	$ 211,628	$ 1,408,584	665.59%
Net Position:				
Net Investment in Capital Assets	$ 5,757,427	$ 5,941,499	$ (184,072)	-3.10%
Restricted for OPEB	23,011	50,530	(27,519)	-54.46%
Unrestricted	129,513,818	130,043,447	(529,629)	-0.41%
Total Net Position	$ 135,294,256	$ 136,035,476	$ (741,220)	-0.54%

Loans Receivable
Total mortgages and other loans receivable decreased by $72.5 million in fiscal year 2021. This decrease was primarily due to a reduction in loan origination volume and the low interest rate environment which caused an increase in borrowers refinancing their home loan.

Bonds Payable
Bonds Payable decreased by $60.9 million *(par value)* from June 30, 2020 to June 30, 2021. During fiscal year 2021, the Department retired approximately $60.9 million in general obligation bonds. For additional details, see the Debt Administration section of the Management's Discussion and Analysis.

Net Position
Total Net Position decreased by approximately $0.7 million in fiscal year 2021. Expenses exceeded revenues resulting in a decrease of net position.

The results of operations for the Veterans' Loan Program's proprietary fund is presented below:

Veterans' Loan Program - Proprietary Fund
Statement of Revenues, Expenses, and Changes in Net Position

	Business Type Activity 2021	2020	Change	% Change
Revenues:				
Interest Income:				
Mortgage Loans	$ 10,092,947	$ 14,586,593	$ (4,493,646)	-30.81%
Contracts	208	1,857	(1,649)	-88.80%
Investment Income:	2,119,590	4,180,569	(2,060,979)	-49.30%
LCLI Premium Revenue	161,434	190,103	(28,669)	-15.08%
LCLI Processing Fee	72,000	72,000	-	0.00%
Other Fees and Charges	2,985,887	2,540,376	445,511	17.54%
Conservatorship Fees	432,285	464,659	(32,374)	-6.97%
Total Revenues	$ 15,864,351	$ 22,036,157	$ (6,171,806)	-28.01%
Expenses:				
Bond Interest	$ 8,957,712	$ 11,615,666	$ (2,657,954)	-22.88%
Salaries and Other Payroll	5,048,660	5,077,542	(28,882)	-0.57%
Bond Costs	(381,644)	1,019,122	(1,400,766)	-137.45%
Securities Lending Investment Expense	1,191	24,840	(23,649)	-95.21%
Real Estate Owned Expense	-	710	(710)	-100.00%
Services and Supplies	1,532,279	1,509,643	22,636	1.50%
LCLI Claims & Admin. Expense	273,555	375,840	(102,285)	-27.22%
Depreciation	192,919	154,609	38,310	24.78%
Bad Debt	(20,124)	(29,554)	9,430	-31.91%
Other	870,861	893,536	(22,675)	-2.54%
Total Expenses	$ 16,475,409	$ 20,641,954	$ (4,166,545)	-20.18%
Operating Income (Loss)	$ (611,058)	$ 1,394,203	$ (2,005,261)	-143.83%
Non-Operating Revenues (Expenses)				
Interest Expense - Pension Related Debt	$ (38,750)	$ (43,559)	$ 4,809	-11.04%
Total Non-Operating Revenues (Expenses)	$ (38,750)	$ (43,559)	$ 4,809	-11.04%
Income (Loss) before Transfers & Contributions	$ (649,808)	$ 1,350,644	$ (2,000,452)	-148.11%
Transfers & Contributions				
Net Transfers from Lottery	$ -	$ 475,000	(475,000)	-100.00%
Net Transfers from CRF Fund	85,817	-	85,817	100.00%
Net Transfers to Dept. of Admin Services	(178,371)	(176,040)	(2,331)	1.32%
Capital Contributions	1,142	377,005	(375,863)	-99.70%
Total Transfers & Contributions	$ (91,412)	$ 675,965	$ (767,377)	-113.52%
Increase (Decrease) in Net Position	$ (741,220)	$ 2,026,609	$ (2,767,829)	-136.57%
Net Position – Beginning	$ 136,035,476	$ 134,008,867	$ 2,026,609	1.51%
Net Position – Ending	$ 135,294,256	$ 136,035,476	$ (741,220)	-0.54%

Revenues and Expenses
The Veterans' Loan Program's revenue is generated principally from interest earned on mortgage loans and investment income. In fiscal year 2021, revenue generated through the Veterans' Loan Program totaled approximately $15.9 million, of which approximately $12.2 million, or 77% is from interest income earned on loans and investments. Expenses of the Veterans' Loan Program consist primarily of interest expense on debt incurred to fund lending programs and operational expenses. The total expenses for Veterans' Loan Program activities totaled approximately $16.5 million, of which approximately $9.0 million, or 54% is bond interest expense and $5.0 million, or 31%, is salaries and other payroll expenses.

Change in Net Position
The change in net position for the year ended June 30, 2021 resulted in a decrease of approximately $0.7 million.

Debt Administration
The Oregon Constitution and Oregon Revised Statutes permit general obligation bonds to be issued on the Department's behalf to provide funds for home loans to eligible Oregon veterans.

The Department had approximately $332.6 million *(par value)* in outstanding general obligation bonds as of June 30, 2021. During fiscal year 2021, no new general obligation bonds were issued and $60.9 million in bonds were retired.

Information on the Department's long-term debt can be found in the Notes to the Financial Statements *(Note 5 and 6)*.

Requests for Information
This financial report is designed to provide a general overview of the Oregon Department of Veterans' Affairs' finances for all those with an interest in the Department's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Oregon Department of Veterans' Affairs, 700 Summer Street N.E., Salem, Oregon 97301.

Oregon Department of Veterans' Affairs
Veterans' Loan Program
Statement of Net Position
Proprietary Fund
June 30, 2021

		Business-Type Activity - Enterprise Fund
Assets		*Veterans' Loan Program*
Current Assets		
Cash and Cash Equivalents	$	107,464,132
Cash and Cash Equivalents - Restricted		3,195,707
Securities Lending Cash Collateral		560,948
Investments		12,333,627
Receivables:		
Mortgage Loans Receivable (Net)		8,567,346
Accrued Interest		1,062,805
Loan Cancellation Life Insurance Premiums		6,928
Other		194,374
Due from Other Funds		343,861
Prepaid Expenses		17,738
Total Current Assets		133,747,466
Noncurrent Assets		
Cash and Cash Equivalents - Restricted		83,810,611
Mortgage Loans Receivable (Net)		266,820,295
Other Receivable		2,361,783
Derivative Instrument - Interest Rate Swap		1,488,213
Net OPEB Asset - RHIA Plan		23,011
Capital Assets:		
Building, Property and Equipment		11,130,254
Works of Art and Historical Treasures		627,021
Accumulated Depreciation		(5,999,848)
Total Noncurrent Assets		360,261,340
Total Assets		494,008,806
Deferred Outflows of Resources		
Pension Related		1,603,367
OPEB Related		27,093
Total Deferred Outflows of Resources		1,630,460
Liabilities		
Current Liabilities		
Accounts Payable	$	96,521
Loan Cancellation Life Insurance Payable		6,358
Due to Other Funds		99,822
Deposit Liabilities		3,189,349
Accrued Interest on Bonds		696,205
Obligations under Securities Lending		560,948
Pension-Related Debt		61,334
Compensated Absences Payable		263,162
Bonds Payable-Maturing Within One Year (Net)		14,303,648
Total Current Liabilities		19,277,347
Noncurrent Liabilities		
Bonds Payable-Maturing After One Year (Net)		324,015,267
Pension-Related Debt		431,855
Net Pension Liability		4,711,809
Compensated Absences Payable		141,703
Excess Interest and Arbitrage Rebate Payable		10,041,642
Net OPEB Liability - RHIPA Plan		8,599
Total OPEB Liability - PEBB Plan		96,576
Total Noncurrent Liabilities		339,447,451
Total Liabilities		358,724,798
Deferred Inflows of Resources		
Hedging Derivative		1,488,213
Pension Related		107,049
OPEB Related		24,950
Total Deferred Inflows of Resources		1,620,212
Net Position		
Net Investment in Capital Assets		5,757,427
Restricted for OPEB		23,011
Unrestricted		129,513,818
Total Net Position	$	135,294,256

The accompanying notes are an integral part of the financial statements.

Oregon Department of Veterans' Affairs
Veterans' Loan Program
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2021

		Business-Type Activity - Enterprise Fund
		Veterans' Loan Program
Operating Revenues		
Interest Income:		
Mortgage Loans	$	10,092,947
Contracts		208
Investment Income		2,119,590
Loan Cancellation Life Insurance Premiums		161,434
Loan Cancellation Life Insurance Processing Fee		72,000
Other Fees and Charges		2,985,887
Conservatorship Fees		432,285
Total Operating Revenues		15,864,351
Operating Expenses		
Bond Interest		8,957,712
Salaries and Other Payroll		5,048,660
Bond Expenses		(381,644)
Securities Lending Investment Expense		1,191
Services and Supplies		1,532,279
Claims Expense - Loan Cancellation Life Insurance		273,555
Depreciation		192,919
Bad Debt		(20,124)
Other		870,861
Total Operating Expenses		16,475,409
Operating Income (Loss)		(611,058)
Non-operating Revenues (Expenses)		
Interest Expense - Pension Related Debt		(38,750)
Total Non-operating Revenues (Expenses)		(38,750)
Income (Loss) before Transfers & Contributions		(649,808)
Transfers & Contributions		
Net Transfers from CRF Fund		85,817
Transfers to Dept. of Administrative Services		(178,371)
Capital Contributions		1,142
Total Transfers & Contributions		(91,412)
Increase (Decrease) in Net Position		(741,220)
Net Position - Beginning		136,035,476
Net Position - Ending	$	135,294,256

The accompanying notes are an integral part of the financial statements.

Oregon Department of Veterans' Affairs
Veterans' Loan Program
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2021

	Business-Type Activity - Enterprise Fund
	Veterans' Loan Program
Cash Flows from Operating Activities:	
Receipts from Customers	$ 867,436
Receipts from Other Funds for Services	2,756,710
Loan Principal Repayments	119,188,287
Loan Interest Received	11,546,831
Payments to Employees for Services	(4,608,111)
Payments to Suppliers	(2,233,311)
Payments to Other Funds for Services	(609,122)
Loans Made	(48,064,515)
Other Receipts (Payments)	(691,720)
Net Cash Provided (Used) in Operating Activities	78,152,485
Cash Flows from Noncapital Financing Activities:	
Principal Payments on Bonds	(60,940,000)
Interest Payments on Bonds	(9,632,087)
Bond Issuance Costs	(667,516)
Principal Payments on Pension-Related Debt	(66,531)
Interest Payments on Pension-Related Debt	(38,750)
Transfers to Other Funds	(6,737)
Net Cash Provided (Used) in Noncapital Financing Activities	(71,351,621)
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets	56,897
Capital Contributions	1,142
Net Cash Provided (Used) in Capital and Related Financing Activities	58,039
Cash Flows from Investing Activities:	
Interest on Investments and Cash Balances	1,769,976
Investment Income from Securities Lending	1,191
Investment Expense from Securities Lending	(1,191)
Net Cash Provided (Used) in Investing Activities	1,769,976
Net Increase (Decrease) in Cash and Cash Equivalents	8,628,879
Cash and Cash Equivalents - Beginning	185,841,571
Cash and Cash Equivalents - Ending	$ 194,470,450
Reconciled to Statement of Net Position:	
Cash and Cash Equivalents - Current	$ 107,464,132
Cash and Cash Equivalents - Current, Restricted	3,195,707
Cash and Cash Equivalents - Noncurrent, Restricted	83,810,611
Cash and Cash Equivalents - Ending (shown above)	$ 194,470,450

(Continued on next page)

The accompanying notes are an integral part of the financial statements.

Oregon Department of Veterans' Affairs
Veterans' Loan Program
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2021

(Continued from prior page)

	Business-Type Activity - Enterprise Fund
	Veterans' Loan Program
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:	
Operating Income	$ (611,058)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation/Amortization	192,919
Amortization of Bond Premium, Discount and Underwriter's Discount on Called Bonds	(516,228)
Investment Income Reported as Operating Revenue	(2,119,590)
Investment Expense	1,191
Interest Expense Reported as Operating Expense	9,632,087
Bond Costs Reported as Operating Expense	(381,644)
Net Changes in Assets and Liabilities:	
Accounts and Interest Receivable	171,400
Due from Other Funds	24,903
Prepaid Items	(14,995)
Loans, Contracts and Other Receivable	71,103,598
Net OPEB Asset - RHIA Plan	27,519
Accounts Payable	(386,154)
Deposit Liabilities	(691,720)
Arbitrage Payable	1,229,964
Compensated Absences Payable	49,082
Net Pension Liability	859,304
Net OPEB Liability - RHIPA Plan	(14,282)
Total OPEB Liability	(6,699)
Deferred Outflow of Resources	
Related to Pensions	(304,057)
Related to OPEB	(13,426)
Deferred Inflow of Resources	
Related to Pensions	(76,616)
Related to OPEB	(3,013)
Total Adjustments	78,763,543
Net Cash Provided (Used) by Operating Activities	$ 78,152,485
Noncash Investing and Capital and Related Financing Activities:	
Net Change in Fair Value of Investments	$ (348,423)
Total Noncash Investing and Capital and Related Financing Activities	$ (348,423)

The accompanying notes are an integral part of the financial statements.

1. Summary of Significant Accounting Policies

Reporting Entity

The Department is a part of the State of Oregon reporting entity. The Department operates under the provisions of the Oregon Constitution Article XI-A and primarily Oregon Revised Statutes *(ORS)* chapters 406, 407, and 408. The Department's Director is appointed by the Governor with input from the Advisory Committee and is subject to confirmation by the Oregon Senate. The Director must be a veteran chosen on the basis of his or her executive and administrative ability. The Advisory Committee is a nine-member board, appointed by the Governor that acts in an advisory capacity to the Director concerning all matters upon which the Director requests counsel. The State Legislature has significant ability to influence funding, approve the Department's budget, and pass laws governing the Department.

In 1944 Oregon voters approved a constitutional amendment that authorized the creation of a Veterans' home and farm loan program. A year later the Department was established to administer this program. The Department's home loan program *(Veterans' Loan Program)* provides home purchase and home improvement loans at favorable interest rates to eligible veterans, within the limitations set forth in Oregon's Constitution and applicable laws. The Veterans' Loan Program is operated through earnings on program loans, which are financed through the sale of tax-exempt general obligation bonds. These bonds are then retired through principal and interest payments received from borrowers and earnings from invested funds.

The Veterans' Loan Program is classified as a proprietary fund activity. The basic financial statements and notes presented herein include only the proprietary fund activities of the Veterans' Loan Program.

Measurement Focus of Accounting and Basis of Presentation

The accounts of the Department are organized on the basis of funds. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording assets, liabilities, and equities, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations or restrictions.

The Veterans' Loan Program is accounted for as a Proprietary fund. The focus of Proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows, which is similar to private-sector business. Proprietary funds are presented using the accrual basis of accounting and the flow of economic resources measurement focus. Under the accrual basis of accounting, revenues are recognized when they are earned and expenses are recognized when the liabilities are incurred.

The basic financial statements and notes presented have been prepared in conformity with generally accepted accounting principles *(GAAP)* as prescribed by the Governmental Accounting Standards Board *(GASB)*.

Budgetary Process

The Oregon Legislature approves budgets for a biennial period. Operating expenses are subject to limitation and certain bond related expenses are subject to administrative limitation. Both types of limitations lapse at the end of the biennium. For budgetary purposes, these transactions are recognized when received or paid in cash as opposed to when they are susceptible to accrual.

Cash and Cash Equivalents

Cash and Cash Equivalents include: cash on hand, cash in the Oregon Short-Term Fund *(OSTF)*, cash deposits held by the State's fiscal agent for payment of matured bonds and coupons, and cash deposits held by the agency's loan cancellation life insurance carrier. All monies held in the OSTF are considered to be cash equivalents, which is a cash and investment pool having characteristics of a demand deposit account.

Receivables

Receivables are shown net of an allowance for uncollectible accounts. Receivables included are amounts due that represent revenues earned or accrued in the current period. Types included in this classification relate to interest, mortgage loans receivable, loan cancellation life insurance premiums, and other miscellaneous receivables.

Loan Cancellation Life Insurance

The Department offers Loan Cancellation Life Insurance *(LCLI)* to approved borrowers and their spouses through a contract with a private insurance company. Historically subsidized from the Oregon War Veterans' Fund *(a dedicated fund of the Department created under Article XI-A of the Oregon Constitution)*, the Department collects the premiums from borrowers and remits collected premiums, less an administrative fee, to the private insurance company. Upon the death of an insured person, either the account balance will be paid in full, or the amount of insurance in force will be paid and applied toward the account balance.

The Loan Cancellation Life Insurance Contingency Fund is a special fund consisting of amounts generated by the group policy and interest earned on the fund balance. Monies in the LCLI account are held and controlled by the insurance carrier during the contract period. The fund stabilizes rate experience developed under the group loan cancellation life insurance policy. An annual accounting of premiums, claims, administrative costs, and interest earnings is provided by the insurance carrier for the fund at June 30.

Real Estate Owned

Properties acquired through foreclosure proceedings or by acceptance of deeds in lieu of foreclosure are recorded at cost. Cost is defined as the outstanding principal balance of the mortgage loan or contract on the date of foreclosure.

Prepaid Expenses

Prepaid expenses consist of postage on hand at year-end.

Capital Assets

Capital assets are recorded at cost. Depreciation is calculated using the straight-line method. Gain or loss on the sale of an asset is determined by taking the difference between the carrying value *(cost less depreciation)* and the sale price. The Veterans' Building is depreciated over its useful life *(50 years)*. Building-related assets are capitalized and then depreciated over the remaining estimated life of the building. Furniture, equipment, depreciable works of art, land improvements, and data processing hardware and software costing $5,000 or more are capitalized and then depreciated over a useful life of five years *(10 years for art work and land improvements)*.

Compensated Absences Payable

Accumulated vacation leave and compensatory time *(comp time)* leave is recorded as an expense and a liability of those funds as the benefits accrue to the employees. No liability is recorded for unpaid accumulated sick leave benefits as the State does not pay any amounts when employees separate from state service.

Excess Interest and Arbitrage Rebate Payable

The Department recognizes a liability in its financial records for any excess mortgage interest and investment earnings arising from the use of tax-exempt bond proceeds. The Department records the excess mortgage interest and investment earnings as a reduction of revenue.

Net Investment in Capital Assets

This is the Capital Asset component of Net Position *(equity)* net of accumulated depreciation.

Operating Revenues and Expenses

Operating revenues include interest and fees on program loans, as well as earnings on cash and investments. Administrative expenses, depreciation related to capital assets, and bond program related expenses are considered operating expenses. All revenues and expenses not meeting this definition would be reported as non-operating revenues and expenses.

Bond Expenses

Bond premiums and discounts associated with a particular bond issue are amortized over the life of the bond issue using the bonds outstanding method of amortization. These expenses are charged or credited to interest expense.

Miscellaneous bond expenses are primarily recorded as expenses when incurred. Included in bond expenses are fees related to variable rate demand bonds, expenses of the matured bond and coupon account with the State's Fiscal Agent, and bond attorney fees.

Expenses of variable rate demand bonds include Standby Bond Purchase Agreement commitment fees and remarketing agent fees. These fees are payable quarterly in arrears.

2. Deposits and Investments

Deposits

Cash and cash equivalents for the Veterans' Loan Program as of June 30, 2021, are included in the table below:

	Total June 30, 2021
Book Balance - Cash and Cash Equivalents	
Current unrestricted	$ 107,464,132
Current restricted	3,195,707
Noncurrent restricted	83,810,611
Combined Book Balance	$ 194,470,450
Bank Balance - Cash and Cash Equivalents	$ 195,195,640

As of June 30, 2021, the Veterans' Loan Program had a combined total of $184,140,649 held in demand accounts with the State Treasurer and invested in the Oregon Short-Term Fund ("OSTF"). The Oregon State Treasury ("OST") manages the OSTF, which is an external cash and investment pool that is available for use by all state funds (involuntary participation) and eligible local governments. The State does not have a formal policy regarding custodial credit risk for cash deposits. However, banking regulations and Oregon law establish the insurance and collateral requirements for deposits in the OSTF.

Additional information about the OSTF, including its audited financial statements, can be found at: http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-(OSTF).aspx or by writing to the Oregon State Treasury, 350 Winter St NE Suite 100, Salem, OR 97301-3896.

In addition, the Department held $11,054,991 with an insurance carrier as a reserve for loan cancellation life insurance. These monies are uncollateralized and are not insured under FDIC protection. The Department is required to keep on deposit an amount not less than the annual premium with additional insurance charges becoming effective if the balance drops below 200% of annual premiums. At June 30, 2021, the Department estimated that required balance to be $312,000. That amount is included as Cash and Cash Equivalents – Noncurrent, Restricted. The remainder of the balance at the insurance carrier is unrestricted and is included in Cash and Cash Equivalents – Current. For additional information on these monies see Note 1 "Loan Cancellation Life Insurance."

Investments

The Department's investment policy allows investment in the Oregon Intermediate Term Pool ("OITP") as well as other investments. However, the Department has chosen to only invest in OITP, an external investment pool managed by OST. OITP is "not rated" as an investment and not registered with the U.S. Securities and Exchange Commission as an investment company. Additional information about OITP, including its audited financial statements, can be found at: https://www.oregon.gov/treasury/invested-for-oregon/Pages/Oregon-Intermediate-Term-Investments.aspx.

The State's investment policies are governed by Oregon Revised Statutes and the Oregon Investment Council (the "Council"). The State Treasurer is the investment officer for the Council and is responsible for all funds entrusted to OST. These funds must be invested, and the investments managed, as a prudent investor would, exercising reasonable care, skill and caution. Investments in OITP are further governed by guidelines approved by the Council, establishing diversification percentages and specifying the types and maturities of investments.

OITP measures its investments at fair value in accordance with standards, the Department reports its share based on the fair value provided by OITP.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. OST Investment staff manages this risk by limiting the duration of investments held by OITP. The portfolio guidelines require that the portfolio's modified duration, a measure of interest rate risk, shall not exceed three years. The duration for OITP at June 30, 2021, was 3.89 years.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. OITP guidelines require that all investments meet minimum ratings requirements at the time of purchase.

Restricted Assets
Included in Cash and Cash Equivalents are amounts designated as restricted. Restrictions on the Department's cash can arise from Oregon's constitutional provision or enabling legislation, federal tax law relating to bond proceeds, bond covenants, deposit liabilities and from certain other contractual arrangements. The primary purpose of the restricted assets will be to meet upcoming debt service requirements and other restricted purposes. As of June 30, 2021, the Veterans' Loan Program had restricted assets of $87,006,318.

Securities Lending
In accordance with State of Oregon investment policies, state agencies may participate in securities lending. Currently, the Department does not have any of its own securities lending activity. However, the Department received an allocated share related to the OSTF securities lending activity. As of June 30, 2021, there were no securities lending activities to disclose for the OITP.

Securities lending information related to the Department's Loan Program is provided in the following table:

	OSTF
Securities Lending Cash and Noncash Collateral	$ 2,565,411
Securities on Loan	$ 2,514,080
Investments Purchased with Cash Collateral	$ 560,971
Securities on Loan:	
U.S. Agency	17.62%
U.S. Treasury	63.18%
Domestic Fixed Income	19.20%
	100.00%

Additional information about OSTF and OITP securities lending can be found in the audited financial statements. See links previously provided above.

3. Mortgage Loans Receivable
Mortgage loans receivable are secured by real property, which is repossessed if the receivable becomes uncollectible. Most loan agreements made during the period from May 1971 through December 1991 contain a provision authorizing the Department to adjust the interest rate. Loan agreements *(excluding contracts)* made subsequent to December 1991 have fixed interest rates.

The loan receivable portfolio at June 30, 2021, is approximately $275 million. All mortgaged property is located within Oregon. The Department uses the allowance method to estimate uncollectible mortgage loans receivable. The allowance is periodically adjusted by management to accommodate changes in economic conditions, nonperforming assets, historical loss experience, and other conditions that may affect the ultimate collectability of the mortgage loans. In 2021 the Department determined the balance of the allowance account to be in line with potential losses for the remaining loan portfolio. Accordingly, the account balance at June 30, 2021, is approximately $41 thousand. The balance of the allowance account represents approximately 0.02 percent of gross loans receivable.

The following table details the mortgage loans receivable and allowance accounts as disclosed on the Statement of Net Position for June 30, 2021.

	June 30, 2021		
	Current	Noncurrent	Total
Loans Receivable	$ 8,568,614	$ 266,859,795	$ 275,428,409
Less: Allowance for Principal Losses	(1,268)	(39,500)	(40,768)
Net Loans Receivable	$ 8,567,346	$ 266,820,295	$ 275,387,641

Included in mortgage loans receivable are loans that will not amortize at their current monthly payment amounts. These loans became non-amortizing primarily through borrowers' choosing to extend the repayment term of their loans in lieu of accepting increased monthly principal and interest installments resulting from loan interest rate increases. The option to allow a borrower to extend the repayment life of the loan rather than accept an increase in the monthly principal and interest installment amount was the result of legal action brought against the Department by the Associated Oregon Veterans in 1985. As of June 30, 2021, there were 30 non-amortizing accounts with an aggregate principal balance of approximately $3.5 million. This represents approximately 1.3 percent of the total net loans receivable.

Troubled Debt Restructurings

The Department makes every reasonable attempt to keep a borrower in the home purchased under the Veterans' Loan Program. In order to avoid foreclosure, one method of working with borrowers is to temporarily reduce loan payments for borrowers. This is allowed under ORS 407.095. During the year ended June 30, 2021, the Department provided this relief to two borrowers and deferred loan principal of $1,488. Payments are recalculated upon completion of the temporary reduction to recapture the deferred principal. In total, $428,701 in loans were restructured in this fashion.

Mortgage Insurance

The Department requires borrowers to obtain private mortgage insurance on loans made subsequent to December 1991 if the original loan amount exceeds 80% of the lesser of the appraised value of the property or the purchase price. As of June 30, 2021, the Department had 136 insured accounts with six private mortgage insurers totaling approximately $43 million. The majority of insured accounts are with Mortgage Guaranty Insurance Corporation (MGIC) with 83%. As of June 30, 2021, the Standard and Poor's ratings for MGIC was "BBB+".

Deferred Payment Obligations
Deferred Payment Obligations (DPOs) have been established through regulatory action for certain Mortgage Insurers to settle current mortgage insurance claims with a combination of cash and withholding a portion of each claim. The intent of DPOs is to ensure the Mortgage Insurer has sufficient ability to pay all current and future claims.

Effective March 31, 2009, the Illinois Department of Insurance required that all valid claims under Triad's mortgage guaranty insurance policies be paid at 60% in cash and 40% by the creation of a deferred payment obligation. As of December 31, 2013, the court supervising the rehabilitation of Triad approved a plan to increase the percentage of cash paid on valid settlements from 60% to 75%. If the financial position of Triad permits, the Illinois Department of Insurance will allow Triad to continue to increase the amount of cash paid on each claim. As of June 30, 2021, the Department had $305,496 as a deferred payment obligation from Triad.

Real Estate Owned
The Department has no properties acquired through foreclosure or acceptance of deeds in lieu of foreclosure as of June 30, 2021.

4. Capital Assets

The following table provides detail on the balances and activities of the Veterans' Loan Program capital assets for the year ended June 30, 2021:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Works of Art & Historical Treasures	$ 627,021	$ -	$ -	$ 627,021
Total Capital Assets Not Being Depreciated	627,021	-	-	627,021
Capital Assets Being Depreciated:				
Buildings, Property & Equipment	11,187,151	-	(56,897)	11,130,254
Total Capital Assets Being Depreciated	11,187,151	-	(56,897)	11,130,254
Less Accumulated Depreciation:				
Buildings, Property & Equipment	(5,872,673)	(127,175)	-	(5,999,848)
Total Accumulated Depreciation	(5,872,673)	(127,175)	-	(5,999,848)
Total Capital Assets Being Depreciated, Net	5,314,478	(127,175)	(56,897)	5,130,406
Total Capital Assets, Net	$ 5,941,499	$ (127,175)	$ (56,897)	$ 5,757,427

Depreciation expense at June 30, 2021 was $192,919.

5. Bonds Payable and Debt Service

The table below provides a summary of general obligation bond transactions of the Department for the fiscal year ended June 30, 2021:

Bonds Payable *(Par)* at June 30, 2020	$	393,520,000
Bonds Retired		(60,940,000)
Bonds Payable *(Par)* at June 30, 2021	$	332,580,000

Shown below are the components of net bonds payable as disclosed on the Statement of Net Position for June 30, 2021:

	Current	Noncurrent	Total
Bonds Payable *(Par)*	$ 13,840,000	$ 318,740,000	$ 332,580,000
Premium on Bonds Sold	463,648	5,275,267	5,738,915
Net Bonds Payable	$ 14,303,648	$ 324,015,267	$ 338,318,915

The following schedule summarizes future debt service requirements to maturity as of June 30, 2021:

Fiscal Year	***Principal***	***Interest***	***Total***
2022	$ 13,840,000	$ 7,792,172	$ 21,632,172
2023	13,935,000	7,533,081	21,468,081
2024	13,475,000	7,249,875	20,724,875
2025	13,980,000	6,968,074	20,948,074
2026	14,250,000	6,709,036	20,959,036
2027-2031	68,575,000	28,641,209	97,216,209
2032-2036	70,385,000	20,630,882	91,015,882
2037-2041	64,125,000	13,470,917	77,595,917
2042-2046	43,535,000	6,673,649	50,208,649
2047-2051	16,480,000	1,105,456	17,585,456
TOTAL	$ 332,580,000	$ 106,774,351	$ 439,354,351

Shown below are the outstanding bond issues and their final maturities *(in fiscal years)* as of June 30, 2021:

Series	Dated	Original Coupon Rates From	Original Coupon Rates To	Issued	Outstanding	Final Maturity
93 (2014 G)	December 3, 2014	0.700	3.900%	$ 25,965,000	$ 22,635,000	2040
95 (2015 P)	November 19, 2015	**		25,140,000	25,140,000	2037
96 (2015 Q)	November 19, 2015	2.000	5.000%	34,215,000	13,050,000	2046
97A (2016 J)	December 7, 2016	0.850	3.550%	22,310,000	15,005,000	2031
97B (2016 K)	December 7, 2016	3.900	4.050%	17,500,000	7,220,000	2037
98A (2017 N)	October 11, 2017	1.350	5.000%	15,275,000	15,275,000	2030
98B (2017 O)	October 11, 2017	##		23,300,000	23,300,000	2041
99B (2017 Q)	October 11, 2017	0.950	3.500%	33,955,000	15,590,000	2048
100 (2017 U)	December 20, 2017	1.300	3.700%	73,885,000	65,925,000	2045
101 (2017 V)	December 20, 2017	1.200	4.000%	29,235,000	19,395,000	2049
102 (2018 E)	November 28, 2018	2.100	2.550%	4,435,000	2,295,000	2023
103 (2018 F)	November 28, 2018	1.950	4.250%	39,195,000	15,275,000	2049
104 (2019 R)	November 13, 2019	1.100	3.500%	28,990,000	25,605,000	2050
105A (2020 I)	June 24, 2020	0.650	2.150%	30,165,000	30,165,000	2035
105B (2020 J)	June 24, 2020	##		11,565,000	11,565,000	2039
106A (2020 K)	June 24, 2020	0.250	0.500%	4,410,000	2,400,000	2022
106B (2020 L)	June 24, 2020	0.500	3.500%	11,650,000	11,305,000	2051
106C (2020 M)	June 24, 2020	##		11,435,000	11,435,000	2045
Total Bonds Outstanding as of June 30, 2021:					$ 332,580,000	

** Interest rates are adjusted weekly based on the weekly rate determined by the Remarketing Agent, not to exceed 12%. The interest rate at the end of the fiscal year was 0.03% for Series 95.

Interest rates are adjusted daily based on the daily rate determined by the Remarketing Agent, not to exceed 12%. The interest rate at the end of the fiscal year was 0.02% for Series 98B, Series 105B and Series 106C.

Debt Refunding

The Department did not issue refunding bonds during fiscal year 2021.

6. Demand Bonds

Included in long-term debt at June 30, 2021 are the following State of Oregon, General Obligation, Veterans' Welfare Bonds (Variable Rate), along with selected terms of their Standby Bond Purchase Agreements ("SBPAs"):

Series	Outstanding Bond Principal Amount	Liquidity Provider	Scheduled Termination Date	Maximum Interest Commitment	Commitment Fee
Series 95 (2015 Series P)	$ 25,140,000	U.S. Bank National Association	4/7/2025	34 days/12%	0.320%
Series 98B (2017 Series O)	$ 23,300,000	U.S. Bank National Association	4/7/2025	34 days/12%	0.320%
Series 105B (2020 Series J)	$ 11,565,000	U.S. Bank National Association	6/24/2025	34 days/12%	0.500%
Series 106C (2020 Series M)	$ 11,435,000	U.S. Bank National Association	6/24/2025	34 days/12%	0.500%

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

The Department's Remarketing Agent is authorized to use their best effort to sell the repurchased bonds at face value by adjusting the interest rate on a daily or weekly basis based on their applicable mode. The designated Remarketing Agent for such bonds will determine the interest rate borne by each series of bonds. The Department pays its designated Remarketing Agent a remarketing fee for this service:

Series	Outstanding Bond Principal Amount	Designated Remarketing Agent	Remarketing Mode	Remarketing Fee
Series 95 (2015 Series P)	$ 25,140,000	U.S. Bank National Association	Weekly	0.050%
Series 98B (2017 Series O)	$ 23,300,000	U.S. Bank National Association	Daily	0.050%
Series 105B (2020 Series J)	$ 11,565,000	U.S. Bank National Association	Daily	0.050%
Series 106C (2020 Series M)	$ 11,435,000	U.S. Bank National Association	Daily	0.050%

In the event the bonds cannot be remarketed, they will be purchased as specified by the respective SBPA. Under the SBPAs for Series 95, 98B, 105B and 106C *("Series 95, 98B, 105B & 106C SBPAs"),* U.S. Bank National Association, will commit to purchase any Series 95, 98B, 105B or 106C unremarketed bonds, subject to certain conditions set forth in the SBPAs.

If a tender advance did occur under the Series 95, 98B, 105B &106C SBPAs, it would accrue interest at the bank's base rate *(either the prime lending rate plus 1%, the federal funds rate plus*

2%, the SIFMA rate plus 1% or 7% for the time period 31 days after the purchase date and thereafter, whichever is higher) for the time period up to 30 days; at the bank's base rate plus 1% for the time period covering 31 days up to 90 days; at the bank's base rate plus 1.5% for the time period thereafter. If the tender advance is in default, interest would accrue at the bank's base rate plus 3%. Interest on tender advances must generally be repaid before the principal portion of a tender advance is repaid. In most cases, tender advances are required to be paid off on the earliest to occur of (a) the date the applicable bonds are paid in full; (b) the conversion date of all or a portion of the applicable bonds to a fixed rate, an indexed rate or a non-covered interest rate; or (c) the effective date of delivery of a substitute alternative liquidity facility. Tendered bonds that are unremarketed by the 91st day after the purchase date of the tender advance must be paid in full over a four-year period in eight equal (or nearly equal) semi-annual installments, unless and until the bonds are remarketed or redeemed. If repayment of any tender advances does not occur within the specified timeframes contained in the Series 95, 98B, 105B & 106C SBPAs, a default would have occurred.

No tender advances or draws have been necessary to purchase unremarketed bonds under the Series 95, 98B, 105B & 106C SBPAs for fiscal year 2021. Therefore, no tender advances or draws were outstanding as of June 30, 2021.

Each bank's present purchase commitment consists of the payment of the purchase price equal to the principal and accrued interest, if any, on the bonds of the applicable series tendered for purchase and not remarketed on the purchase date. The purchase commitment of each bank may be reduced from time to time upon occurrence of certain events specified in the SBPAs. The Department is required to pay a commitment fee, which is payable quarterly in arrears.

7. Derivative Instruments – Interest Rate Swaps

The Department has interest rate swaps in connection with its Loan Program General Obligation Bonds, 2015 Series P (Veterans' Welfare Bonds Series 95) (the "Series 95 swap") and its Loan Program General Obligation Bonds, 2020 Series J (Veterans' Welfare Bonds Series 105B) and 2020 Series M (Veterans' Welfare Bonds Series 106C) (the "Series 105B & 106C swap"). The swaps and underlying floating-rate bonds together create "synthetic" fixed-rate debt.

During fiscal year 2021, the Department terminated its interest rate swap with Royal Bank of Canada and entered into a new interest rate swap in connection with its Loan Program General Obligation Bonds, 2015 Series P (Veterans' Welfare Bonds Series 95). The Department did not have any maturities of derivatives during fiscal year 2021. During the fiscal year the fair value of the Series 95 swap increased by $847,729. The fair value of the Series 105B & 106C swap increased by $1,137,973.

The fair value balance of the interest rate swaps is reported as a derivative instrument and deferred inflow of resources on the Statement of Net Position. The fair value of the swaps as of June 30, 2021 are positive. The fair value of the interest rate swaps is estimated using the zero-coupon method. This method calculates the future payments required by the swaps, using the forward interest rates implied by the yield curve for the floating leg of the swaps and the fixed rate of the swaps for the fixed leg of the swaps. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the swaps. The fair value is categorized as Level 2 within the fair value hierarchy – which includes quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.

Hedging Instruments
On June 30, 2021, the Department has the following derivative instruments outstanding:

Type	Objective	Notional Amount	Effective Date	Termination Date	Terms	Fair Value
Pay – fixed interest rate swap	Hedge of changes in cash flows on the Series 95 bonds, specifically related to changes in municipal tax-exempt interest rates	$25,140,000	12/1/2020	12/1/2036	Pay 1.0115%; Receive 100% USD-SIFMA* Municipal Swap Index	$ 587,711
Pay – fixed interest rate swap	Hedge of changes in cash flows on the Series 105B & 106C bonds, specifically related to changes in municipal tax-exempt interest rates	$23,000,000	6/1/2021	12/1/2044	Pay 1.165%; Receive 100% USD-SIFMA* Municipal Swap Index**	$ 900,502

* Securities Industry and Financial Markets Association (resets weekly)
** Receive 100% SIFMA from July 1, 2021 until June 1, 2029 then 70% of 1-month LIBOR (London Interbank Offered Rate) from July 1, 2029 until the termination date.

The Series 95 swap was structured with the option where the Department has the right to "cancel" or terminate the swap at par on the first day of each June and December, in whole or in part commencing June 1, 2025. The Department may also terminate the Series 105B & 106C swap on the first day of each June and December commencing on June 1, 2029. These options enhance asset/liability matching and provide flexibility to adjust the outstanding notional amounts of the swaps over time. The use of derivatives, including interest rate swaps, involves certain risks. These risks include, but are not limited to:

Credit Risk – is the risk that a counterparty will not fulfill its obligations. The Department's Series 95 swap is with Bank of America, N.A. *(the "Series 95 swap counterparty")*, which is rated A+ and Aa2 by S&P and Moody's respectively. The Series 105B & 106C swap is with The Bank of New York Mellon *(the "Series 105B & 106C swap counterparty")*, which is rated AA- and Aa1 by S&P and Moody's respectively.

If the Series 95 swap counterparty's credit rating falls below certain levels, the Series 95 swap counterparty is required to post collateral to the lower of the following ratings:

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

*Minimum Transfer Amount shall be $0 if, and for so long as, neither Moody's nor S&P rate the long-term unsecured, unsubordinated, debt securities of Bank of America, N.A.

If the Series 105B & 106C swap counterparty's credit rating falls below certain levels, the Series 105B & 106C swap counterparty is required to post collateral to the lower of the following ratings:

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

*Minimum Transfer Amount shall be $0 if, and for so long as, neither Moody's nor S&P rate the long-term unsecured, unsubordinated, debt securities of The Bank of New York Mellon.

Since the fair value of the swaps as of June 30, 2021, are positive, but the threshold applicable to the ratings by S&P and Moody's has not been exceeded, the Series 95 swap counterparty and the Series 105B & 106C swap counterparty are not required to post collateral.

According to the State of Oregon Swap Policy, the State may require collateralization or other credit enhancements to secure any or all swap payment obligations, where the Oregon State Treasurer determines such security is necessary to limit the credit risk or otherwise protect the interests of the State.

Interest Rate Risk – is the risk that changes in interest rates will adversely affect the fair values of a government's cash flows. The Department is exposed to interest rate risk on its pay-fixed, receive variable interest rate swaps. As the SIFMA Municipal Swap Index rate decreases, the Department's net payments on the swaps increases.

Basis Risk – is the risk that arises when variable rates of a hedging derivative instrument and a hedged item are based on different reference rates. The variable-rate debt hedged by the Department's interest rate swaps are variable-rate demand obligation ("VRDO") bonds. The Series 95 VRDO bonds are remarketed weekly. The Series 105B and Series 106C VRDO bonds are remarketed daily. The Department is exposed to basis risk on its pay-fixed interest rate swaps that are hedging the VRDO bonds, because the variable-rate payments received by the Department are based on a rate other than the interest rates the Department pays on the VRDO bonds. At June 30, 2021, the interest rate on the Department's Series 95 VRDO bonds is 0.03%

and the interest rate on the Series 105B and Series 106C VRDO bonds is 0.02%, while the SIFMA Municipal Swap Index rate is 0.03%.

Termination Risk – is the risk that a hedging derivative instrument's unscheduled end will affect a government's asset and liability strategy or will present the government with potentially significant unscheduled termination payments to the counterparty. The Department or its counterparties may terminate the interest rate swap if the other party fails to perform under the terms of the respective contract.

Cash Flows

As interest rates fluctuate, variable-rate bond interest payments and net swap payments will differ between the fixed payments paid to the counterparties and the variable rate paid to the Department. Using interest rates as of June 30, 2021, debt service requirements of the variable-rate debt *(on the notional amount of the swaps)* and net swap payments are as follows:

Fiscal Year	Principal	Interest	Interest Rate Swap (Net)	Total
2022	$ -	$ 12,142	$ 507,997	$ 520,139
2023	-	12,142	507,997	520,139
2024	-	12,158	507,997	520,155
2025	1,730,000	11,957	503,887	2,245,844
2026	1,800,000	11,445	486,616	2,298,061
2027-2031	9,720,000	48,762	2,156,704	11,925,466
2032-2036	15,290,000	32,753	1,623,622	16,946,375
2037-2041	12,840,000	13,142	755,362	13,608,504
2042-2045	6,760,000	2,401	142,551	6,904,952
TOTAL	$ 48,140,000	$ 156,902	$ 7,192,733	$ 55,489,635

Contingent Features

If the State of Oregon's unsecured, unenhanced general obligation debt rating reaches certain levels, the Department is required to post collateral to the lower of the following ratings:

S&P Rating	Moody's Rating	Threshold	Minimum Transfer Amount (Series 95)	Minimum Transfer Amount (Series 105B & 106C)
A- or higher	A3 or higher	Infinite	$100,000	$ -
BBB+ or below	Baa1 or below	$ -	$100,000*	$100,000*

*Minimum Transfer Amount shall be $0 if, and for so long as, neither Moody's nor S&P rate the applicable Department's debt.

8. Changes in Long Term Liabilities

The following table provides detail on the long-term liability activity as of June 30, 2021:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Bond Principal	$ 393,520,000	$ -	$ (60,940,000)	$ 332,580,000	
Bond Premium	7,082,135	-	(1,343,220)	5,738,915	
Bond Discount	-	-	-	-	
Total Bonds Payable	400,602,135	-	(62,283,220)	338,318,915	14,303,648
Pension-Related Debt	559,720	119,462	(185,993)	493,189	61,334
Net Pension Liability	3,852,506	1,599,845	(740,542)	4,711,809	-
Compensated Absences Payable	355,783	349,691	(300,609)	404,865	263,162
Excess Interest & Arbitrage Rebate Payable	8,811,678	11,271,606	(10,041,642)	10,041,642	-
Net OPEB Liability - RHIPA Plan	22,881	31,928	(46,210)	8,599	-
Total OPEB Liability	103,274	3,402	(10,100)	96,576	-
Derivative Instrument - Interest Rate Swap	497,488	-	(497,488)	-	-
Total Long-Term Liabilities	$ 414,805,465	$ 13,375,934	$ (74,105,804)	$ 354,075,595	$14,628,144

9. Interfund Transactions

At June 30, 2021, the Veterans' Loan Program had outstanding interfund receivables of $343,861 which was due from the Veterans' Home Program for services performed by Department employees related to the operation of the Oregon Veterans' Home. The balances are shown as a "Due from Other Funds" on the Statement of Net Position.

10. Employee Retirement Plan

Plan Description

As part of the State of Oregon, the Public Employees Retirement System (PERS) provides defined benefit and defined contribution retirement plans to Loan Program employees. PERS is a cost-sharing multiple-employer defined benefit pension plan. All benefits of PERS are established by the legislature pursuant to ORS Chapters 238 and 238A. Tier One/Tier Two Retirement Benefit plan, established by ORS Chapter 238, 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 members IAP account. The pension plans provide pension benefits, death benefits and disability benefits.

PERS issues a publicly available Annual Comprehensive Financial Report (ACFR) that can be obtained at http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.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, 2021, for state agencies general service members were 20.76% for Tier One/Tier Two and 14.48% for OPSRP. The IAP member contribution as set by statute is 6% and is currently paid by the employee.

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

At June 30, 2021, the State of Oregon reported a liability of $6.26 billion for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. 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 entities, actuarially determined. At June 30, 2020, the State's proportion was 28.7%, which increased from the 28.6% proportion measured as of June 30, 2019.

As part of the State of Oregon, the Loan Program was allocated a percentage (.0216%) of the State's proportionate share in the plan as follows:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	$ 207,377	$ -
Changes in assumptions	252,868	8,860
Net difference between projected and actual earnings on investments	554,048	-
Changes in proportion and differences between contributions and proportionate share of contributions	151,610	98,189
Subtotal	1,165,903	107,049
Net deferred Outflow (Inflow) of Resources before contributions subsequent to measurement date		1,058,854
Contributions subsequent to measurement date	437,465	
Net Deferred Outflow (Inflow) of Resources		$ 1,496,319

Pension-Related Debt

Prior to the formation of the PERS State and Local Government Rate Pool (SLGRP), the State and community colleges were pooled together in the State and Community College Pool (SCCP), while local government employers participated in the Local Government Rate Pool (LGRP). These two pools combined to form the SLGRP effective January 1, 2002. The unfunded actuarial liability (UAL) attributable to the SCCP at the time the SLGRP was formed is maintained separately from the SLGRP and is reduced by contributions and increased for interest charges at the assumed interest rate. The pre-SLGRP liability is essentially a debt owed to the SLGRP by the SCCP employers. The balance of the pre-SLGRP pooled liability attributable to the State is being amortized over the period ending December 31, 2027.

11. Lease Commitment and Receivables

The Department leases office space to other state agency tenants at its headquarters in Salem. For the fiscal year ended June 30, 2021, the total rental income received from tenants was $807,495.

	Lease Effective Date	Lease Termination Date	Future Rental Income
Tenant 1	March 1, 2020	February 28, 2025	$ 1,040,639
Tenant 2	November 8, 2019	November 30, 2028	$ 4,333,483
Total			$ 5,374,122

12. Risk Financing

The State of Oregon administers property and casualty insurance programs covering State government through its Central Services Fund *(Insurance Fund)*. 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; worker's compensation; employee dishonesty; and faithful performance coverage for certain key positions required by law to be covered, and other key positions.

As a state agency, the Department 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 assessment for the cost of servicing is based on independent biennial actuarial forecasts and administrative expenses, less any available fund balance in the Insurance Fund from the prior biennium.

Risk Management Division of the Department of Administrative Services is the State's manager for self-insurance, insurance and risk control. Risk Management Division investigates, evaluates and resolves claims for damage to state property and for loss or injury to the public arising out of state activities. Division staff consult with and advise state agencies on claim related loss control issues. State agencies are responsible for informing Risk Management Division in a timely fashion when they become aware that property or liability damage has occurred.

During the fiscal year ended June 30, 2021 there were no significant reductions in insurance coverage in any risk category. Also, for the past ten fiscal years *(July 1, 2011 through June 30, 2021)* there have been no claims that exceeded the Department's property or liability coverage.

13. Subsequent Events

On September 1, 2021, the Department called the following General Obligation Bonds:

	Amount Called	
Series 96 (2015 Q)	$	630,000
Series 99B (2017 Q)		345,000
Series 101 (2017 V)		385,000
Series 103 (2018 F)		3,370,000
Series 104 (2019 R)		265,000
Series 106 (2020 L)		155,000

On November 18, 2021, the Department issued the following General Obligation Bonds:

	Amount Issued	
Series 107 (2021 N)	$	7,500,000
Series 108 (2021 O)		38,675,000

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STATISTICAL SECTION

Oregon Department of Veterans' Affairs

Assets, Liabilities and Net Position - *Unaudited*
Veterans' Loan Program
For the Fiscal Years Ended 2012 - 2021

ASSETS & DEFERRED OUTFLOWS	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Current Assets				
Cash and Cash Equivalents *(1)*	$ 107,464,132	$ 107,937,547	$ 109,175,030	$ 84,384,687
Cash and Cash Equivalents - Restricted	3,195,707	3,887,427	3,913,498	3,445,301
Securities Lending Cash Collateral	560,948	2,614,659	4,164,292	3,175,631
Investments	12,333,627	11,985,204	11,333,230	10,683,342
Investments - Restricted		-	-	-
Receivables:				
Mortgage Loans and Contracts Receivable	8,567,346	10,053,418	10,433,755	9,926,645
Accrued Interest	1,062,805	1,286,518	1,401,495	1,247,464
LCLI Premiums	6,928	8,144	10,135	23,478
Other	194,374	140,845	47,605	243,755
Due from Other Funds	343,861	178,075	90,840	94,707
Real Estate Owned	-	-	-	-
Prepaid Expenses	17,738	2,743	5,896	4,665
Total Current Assets	$ 133,747,466	$ 138,094,580	$ 140,575,776	$ 113,229,675
Noncurrent Assets				
Cash and Cash Equivalents - Restricted	$ 83,810,611	$ 74,016,597	$ 29,011,526	$ 64,724,859
Investments	-	-	-	-
Investments - Restricted	-	-	-	-
Mortgage Loans and Contracts Receivable (Net)	266,820,295	337,869,323	357,506,594	321,510,937
Other Receivable	2,361,783	930,283	683,073	3,767,345
Derivative Instrument - Interest Rate Swap	1,488,213	-	-	403,600
Net OPEB Asset - RHIA Plan	23,011	50,530	29,507	13,603
Deferred Underwriter's Discount	-	-	-	-
Net Pension Asset	-	-	-	-
Capital Assets:				
Building, Property and Equipment	11,130,254	11,187,151	10,107,274	9,891,950
Construction in Progress	-	-	3,187	
Works of Art and Historical Treasures	627,021	627,021	627,021	627,021
Accumulated Depreciation	(5,999,848)	(5,872,673)	(5,718,064)	(5,568,352)
Total Noncurrent Assets	$ 360,261,340	$ 418,808,232	$ 392,250,118	$ 395,370,963
Deferred Outflow of Resources				
Hedging Derivative	$ -	$ 497,488	$ 297,215	$ -
Pension Related	1,603,367	1,299,310	1,254,344	1,359,565
OPEB Related	27,093	13,667	28,738	25,794
Total Deferred Outflow of Resources	1,630,460	1,810,465	1,580,297	1,385,359
TOTAL ASSETS & DEFERRED OUTFLOWS	$ 495,639,266	$ 558,713,277	$ 534,406,191	$ 509,985,997
LIABILITIES & DEFERRED INFLOWS				
Current Liabilities				
Accounts Payable	$ 96,521	$ 304,272	$ 139,326	$ 86,208
LCLI Premium Payable	6,358	8,780	22,910	14,543
LCLI Claims Payable	-	-	-	-
Due to Other Funds	99,822	-	-	-
Deposit Liabilities	3,189,349	3,878,646	3,890,587	3,430,757
Accrued Interest on Bonds	696,205	854,351	997,600	916,761
Obligations Under Securities Lending	560,948	2,614,659	4,164,292	3,175,631
Pension-Related Debt	61,334	58,128	56,018	40,100
Compensated Absences Payable	263,162	231,259	217,763	235,512
Excess Interest and Arbitrage Rebate Payable	-	-	-	-
Bonds Payable - Maturing Within One Year (Net)	14,303,648	14,162,679	13,792,285	13,045,401
Matured Bonds Payable	-	-	-	-
Total Current Liabilities	$ 19,277,347	$ 22,112,774	$ 23,280,781	$ 20,944,913
Noncurrent Liabilities				
Bonds Payable - Maturing After One Year (Net)	$ 324,015,267	$ 386,439,456	$ 362,887,787	$ 342,783,322
Pension-Related Debt	431,855	501,592	560,397	625,521
Net Pension Liability	4,711,809	3,852,506	3,275,369	3,891,047
Compensated Absences Payable	141,703	124,524	112,181	126,814
Excess Interest and Arbitrage Rebate Payable	10,041,642	8,811,678	9,638,437	10,599,876
Net OPEB Liability - RHIPA Plan	8,599	22,881	32,339	49,224
Total OPEB Liability - PEBB Plan	96,576	103,274	115,666	107,538
Other Postemployment Benefits Obligation (Net)	-	-	-	-
Derivative Instrument - Interest Rate Swap	-	497,488	297,215	-
Total Noncurrent Liabilities	$ 339,447,451	$ 400,353,399	$ 376,919,391	$ 358,183,342
TOTAL LIABILITIES	$ 358,724,798	$ 422,466,173	$ 400,200,172	$ 379,128,255
Deferred Inflow of Resources				
Hedging Derivative	$ 1,488,213	-	-	403,600
Pension Related	107,049	183,664	184,094	32,509
OPEB Related	24,950	27,964	13,058	9,180
Total Deferred Inflow of Resources	1,620,212	211,628	197,152	445,289
NET POSITION				
Net Investment in Capital Assets	$ 5,757,427	$ 5,941,499	$ 5,019,418	$ 4,950,619
Restricted for OPEB	23,011	50,530	29,507	13,603
Net Assets, Unrestricted	129,513,818	130,043,447	128,959,942	125,448,231
TOTAL NET POSITION	$ 135,294,256	$ 136,035,476	$ 134,008,867	$ 130,412,453
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	$ 495,639,266	$ 558,713,277	$ 534,406,191	$ 509,985,997

(1) Current Cash and Cash Equivalents amounts have been adjusted for deposit liabilities.

June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012
$ 86,895,236	$ 102,196,365	$ 88,290,771	$ 81,418,994	$ 91,182,217	$ 70,538,060
3,107,741	2,848,532	2,532,900	2,019,125	1,805,833	1,970,398
1,017,020	7,174,060	10,291,763	12,366,201	13,766,369	22,652,458
10,709,272	10,613,753	10,296,884	10,145,257	7,010,850	14,525,830
-	-	-	-	-	-
-	-	-	-	-	-
1,167,666	1,131,097	1,101,323	1,117,525	1,246,755	1,485,707
16,442	32,899	53,734	47,253	59,058	70,243
23,440	9,563	50,777	80,456	38,988	24,542
87,272	105,539	110,081	134,588	71,798	68,285
259,586	424,720	196,585	680,635	1,087,119	1,908,323
8,575	14,133	5,241	6,080	2,405	8,506
$ 103,292,250	$ 124,550,661	$ 112,930,059	$ 108,016,114	$ 116,271,392	$ 113,252,352
$ 52,093,642	$ 69,855,033	$ 85,073,503	$ 107,661,208	$ 134,842,147	$ 140,316,030
-	-	-	-	-	7,005,810
-	-	-	-	-	-
295,521,511	261,187,668	236,597,114	212,809,406	197,333,478	217,022,740
2,335,640	1,413,881	2,637,961	4,148,543	1,526,883	1,082,269
245,110	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	1,218,172	1,303,955
-	-	507,702	-	-	-
9,004,597	9,132,222	9,107,786	8,995,981	8,984,206	8,925,405
627,021	627,021	627,021	627,021	627,021	627,021
(5,448,479)	(5,501,146)	(5,392,363)	(5,288,119)	(5,187,564)	(5,088,810)
$ 354,379,042	$ 336,714,679	$ 329,158,724	$ 328,954,040	$ 339,344,343	$ 371,194,420
$ -	$ 763,043	$ 1,391,681	$ 1,895,225	$ 2,250,525	$ 3,047,423
2,246,768	396,597	187,905			
-	-	-	-	-	-
2,246,768	1,159,640	1,579,586	1,895,225	2,250,525	3,047,423
$ 459,918,060	$ 462,424,980	$ 443,668,369	$ 438,865,379	$ 457,866,260	$ 487,494,195
$ 114,532	$ 118,401	$ 49,112	$ 144,124	$ 76,910	$ 167,851
27,227	18,059	26,024	34,124	35,571	40,635
45,708	-	25,166	42,245	190,401	19,406
-	-	-	-	-	-
3,080,514	2,830,472	2,506,875	1,920,002	1,695,262	1,834,763
667,278	579,261	467,235	380,999	425,153	450,338
1,017,020	7,174,060	10,291,763	12,366,201	13,766,369	22,652,458
33,200	25,300	29,900	21,100	18,300	-
239,928	242,503	231,008	208,479	211,447	301,467
-	-	111,793	9,024	-	-
8,386,825	6,883,474	4,621,160	3,634,808	3,478,108	3,377,727
-	-	-	65,000	75,000	95,000
$ 13,612,232	$ 17,871,530	$ 18,360,036	$ 18,826,106	$ 19,972,521	$ 28,939,645
$ 298,811,581	$ 297,180,572	$ 275,544,308	$ 270,369,127	$ 288,111,038	$ 308,656,156
672,474	713,539	734,282	776,914	800,787	-
4,295,159	1,538,316	-	-	-	-
129,192	130,579	119,004	107,398	113,856	155,301
20,660,816	22,845,548	21,941,769	21,063,255	18,357,159	15,860,488
-	-	-	-	-	-
-	-	-	-	-	-
114,450	112,087	119,930	115,524	112,190	100,645
-	763,043	1,391,681	1,895,225	2,250,525	3,047,423
$ 324,683,672	$ 323,283,684	$ 299,850,974	$ 294,327,443	$ 309,745,555	$ 327,820,013
$ 338,295,904	$ 341,155,214	$ 318,211,010	$ 313,153,549	$ 329,718,076	$ 356,759,658
245,110	-	-	-	-	-
40,813	374,548	979,659	-	-	-
-	-	-	-	-	-
285,923	374,548	979,659	-	-	-
$ 4,183,139	$ 4,258,097	$ 4,342,444	$ 4,334,883	$ 4,423,663	$ 4,463,616
-	-	-	-	-	-
117,153,094	116,637,121	120,135,256	121,376,947	123,724,521	126,270,921
$ 121,336,233	$ 120,895,218	$ 124,477,700	$ 125,711,830	$ 128,148,184	$ 130,734,537
$ 459,918,060	$ 462,424,980	$ 443,668,369	$ 438,865,379	$ 457,866,260	$ 487,494,195

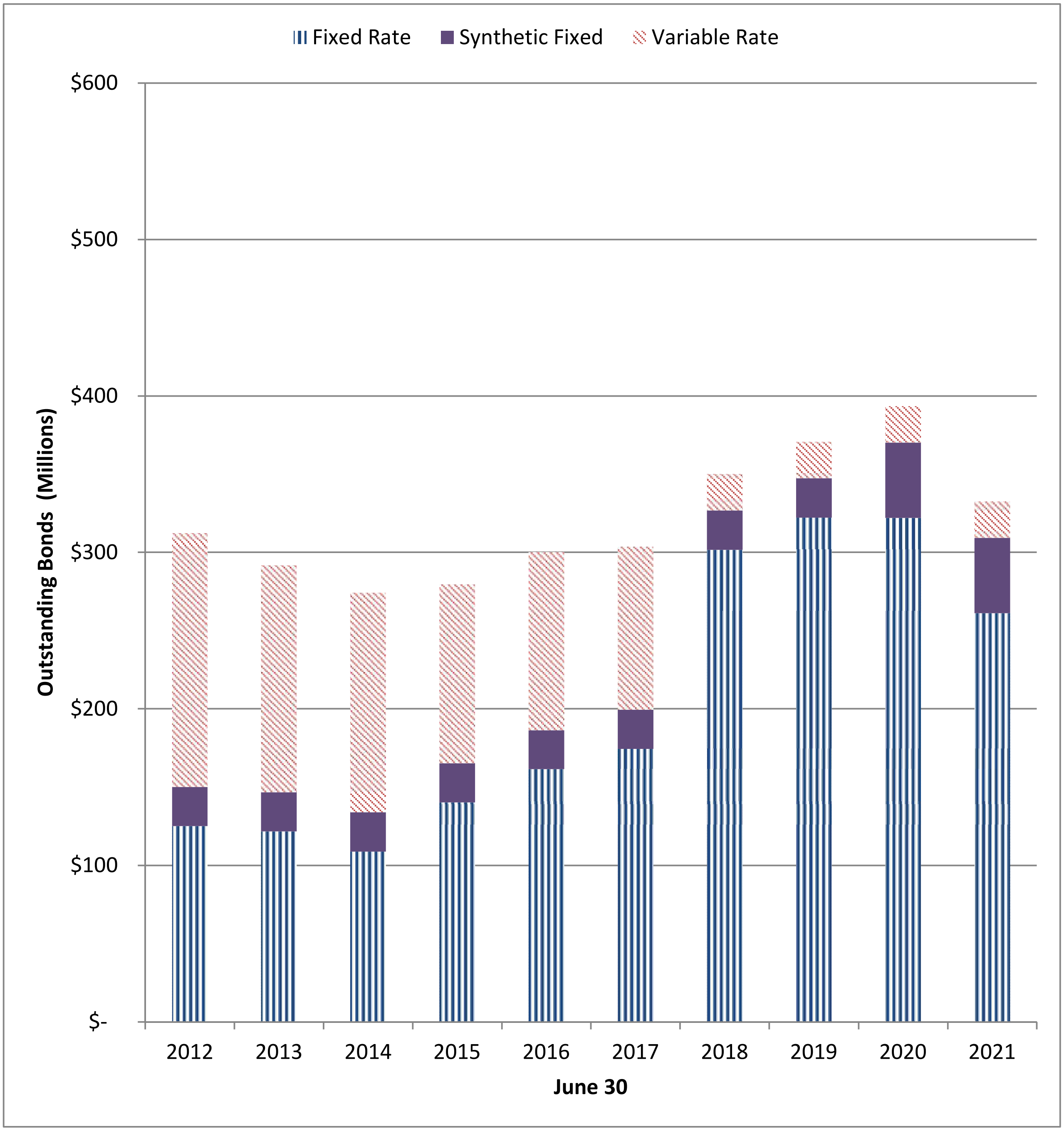
Oregon Department of Veterans' Affairs
Revenues, Expenses and Changes in Net Position - *Unaudited*
Veterans' Loan Program
For the Fiscal Years Ended 2012 - 2021

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
OPERATING REVENUES				
Mortgage Loan Interest Income	$ 10,092,947	$ 14,586,593	$ 14,987,375	$ 22,000,659
Contract Interest Income	208	1,857	4,174	6,420
Investment Income	2,119,590	4,180,569	4,399,745	2,983,359
Gain on Sale of Foreclosed Property	-	-	38,474	207,875
Loan Cancellation Life Insurance Premiums	161,434	190,103	227,190	270,555
Loan Cancellation Life Insurance Processing Fees	72,000	72,000	72,000	72,000
Other Fees and Charges	2,985,887	2,540,376	2,893,531	2,276,040
Conservatorship Fees	432,285	464,659	452,217	503,471
TOTAL OPERATING REVENUES	$ 15,864,351	$ 22,036,157	$ 23,074,706	$ 28,320,379
OPERATING EXPENSES				
Bond Interest	$ 8,957,712	$ 11,615,666	$ 11,212,762	$ 9,508,093
Salaries and Other Payroll	5,048,660	5,077,542	4,030,200	4,588,032
Bond Expenses	(381,644)	1,019,122	558,622	1,657,852
Securities Lending Investment Expense	1,191	24,840	60,052	19,234
Real Estate Owned Expense	-	710	19,709	75,420
Services and Supplies	1,532,279	1,509,643	1,476,316	1,356,698
Claims Expense - Loan Cancellation Life Insurance	273,555	375,840	646,456	526,411
Depreciation	192,919	154,609	149,711	119,874
Bad Debt	(20,124)	(29,554)	(126,193)	(313,706)
Other	870,861	893,536	1,409,209	1,412,369
TOTAL OPERATING EXPENSES	$ 16,475,409	$ 20,641,954	$ 19,436,844	$ 18,950,277
OPERATING INCOME (LOSS)	$ (611,058)	$ 1,394,203	$ 3,637,862	$ 9,370,102
NONOPERATING INCOME (EXPENSES)				
Interest Expense - Pension Related Debt	(38,750)	(43,559)	(42,321)	(43,835)
TOTAL NONOPERATING INCOME (EXPENSES)	(38,750)	(43,559)	(42,321)	(43,835)
INCOME (LOSS) BEFORE TRANSFERS	(649,808)	1,350,644	3,595,541	9,326,267
TRANSFERS				
Net Transfers from Lottery Fund	$ 85,817	$ 475,000	$ -	$ -
Net Transfers to Dept. of Administrative Services	(178,371)	(176,040)	(181,544)	(187,783)
Net Transfers from Military Dept.	-	-	-	-
Net Transfers to Veterans' Rural Transp. Grant	-	-	(485)	-
Capital Contributions	1,142	377,005	182,902	-
TOTAL TRANSFERS	(91,412)	675,965	873	(187,783)
CHANGE IN NET POSITION	$ (741,220)	$ 2,026,609	$ 3,596,414	$ 9,138,484
NET POSITION				
Beginning Net Position	$ 136,035,476	$ 134,008,867	$ 130,412,453	$ 121,336,233
Prior Period Adjustment	-	-	-	-
Cumulative Effect of Change in Accounting Principle	-	-	-	(62,264)
Beginning Net Position, Restated	$ 136,035,476	$ 134,008,867	$ 130,412,453	$ 121,273,969
Ending Net Position	$ 135,294,256	$ 136,035,476	$ 134,008,867	$ 130,412,453

June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012
$ 13,302,684	$ 9,926,312	$ 9,573,211	$ 7,441,010	$ 8,827,619	$ 10,494,442
11,033	23,118	36,952	57,000	69,347	108,784
2,017,506	1,744,597	1,317,488	1,700,149	2,162,639	2,327,058
7,143	44,415	37,528	262,886	53,635	76,034
304,246	351,809	418,580	493,942	605,167	715,356
72,000	72,000	72,000	87,000	102,000	102,000
1,979,856	2,080,470	2,349,133	2,324,761	1,636,638	1,689,093
534,731	489,585	392,206	364,090	264,161	298,380
$ 18,229,199	$ 14,732,306	$ 14,197,098	$ 12,730,838	$ 13,721,206	$ 15,811,147
$ 8,299,193	$ 7,009,347	$ 5,999,144	$ 5,847,512	$ 6,119,393	$ 7,498,587
5,391,885	6,033,621	3,966,905	4,052,936	4,802,451	5,653,694
1,009,223	1,184,177	1,174,810	866,823	1,020,215	1,858,820
7,675	31,957	12,050	12,873	41,639	57,794
44,121	17,833	138,901	328,002	300,065	491,313
1,379,273	1,541,746	1,205,305	1,491,581	1,253,702	1,340,540
450,938	1,247,875	1,170,815	1,244,045	1,294,691	1,091,934
115,289	108,783	104,244	100,555	98,754	108,809
(539,102)	(244,749)	(600,374)	(1,187,213)	(177,874)	336,329
1,370,564	1,139,726	1,081,046	973,850	467,545	242,959
$ 17,529,059	$ 18,070,316	$ 14,252,846	$ 13,730,964	$ 15,220,581	$ 18,680,779
$ 700,140	$ (3,338,010)	$ (55,748)	$ (1,000,126)	$ (1,499,375)	$ (2,869,632)
(50,496)	(50,122)	(51,837)	(51,735)	(54,142)	-
(50,496)	(50,122)	(51,837)	(51,735)	(54,142)	-
649,644	(3,388,132)	(107,585)	(1,051,861)	(1,553,517)	(2,869,632)
$ -	$ -	$ -	$ -	$ -	$ -
(208,629)	(194,350)	(203,543)	(166,321)	(209,608)	(229,185)
-	-	-	-	14,124	-
-	-	-	-	-	-
-	-	-	-	-	-
(208,629)	(194,350)	(203,543)	(166,321)	(195,484)	(229,185)
$ 441,015	$ (3,582,482)	$ (311,128)	$ (1,218,182)	$ (1,749,001)	$ (3,098,817)
$ 120,895,218	$ 124,477,700	$ 125,711,830	$ 128,148,184	$ 130,734,537	$ 133,291,503
-	-	3,958	-	(837,352)	541,851
-	-	(926,960)	(1,218,172)	-	-
$ 120,895,218	$ 124,477,700	$ 124,788,828	$ 126,930,012	$ 129,897,185	$ 133,833,354
$ 121,336,233	$ 120,895,218	$ 124,477,700	$ 125,711,830	$ 128,148,184	$ 130,734,537

Oregon Department of Veterans' Affairs
Veterans' Loan Program
Unaudited

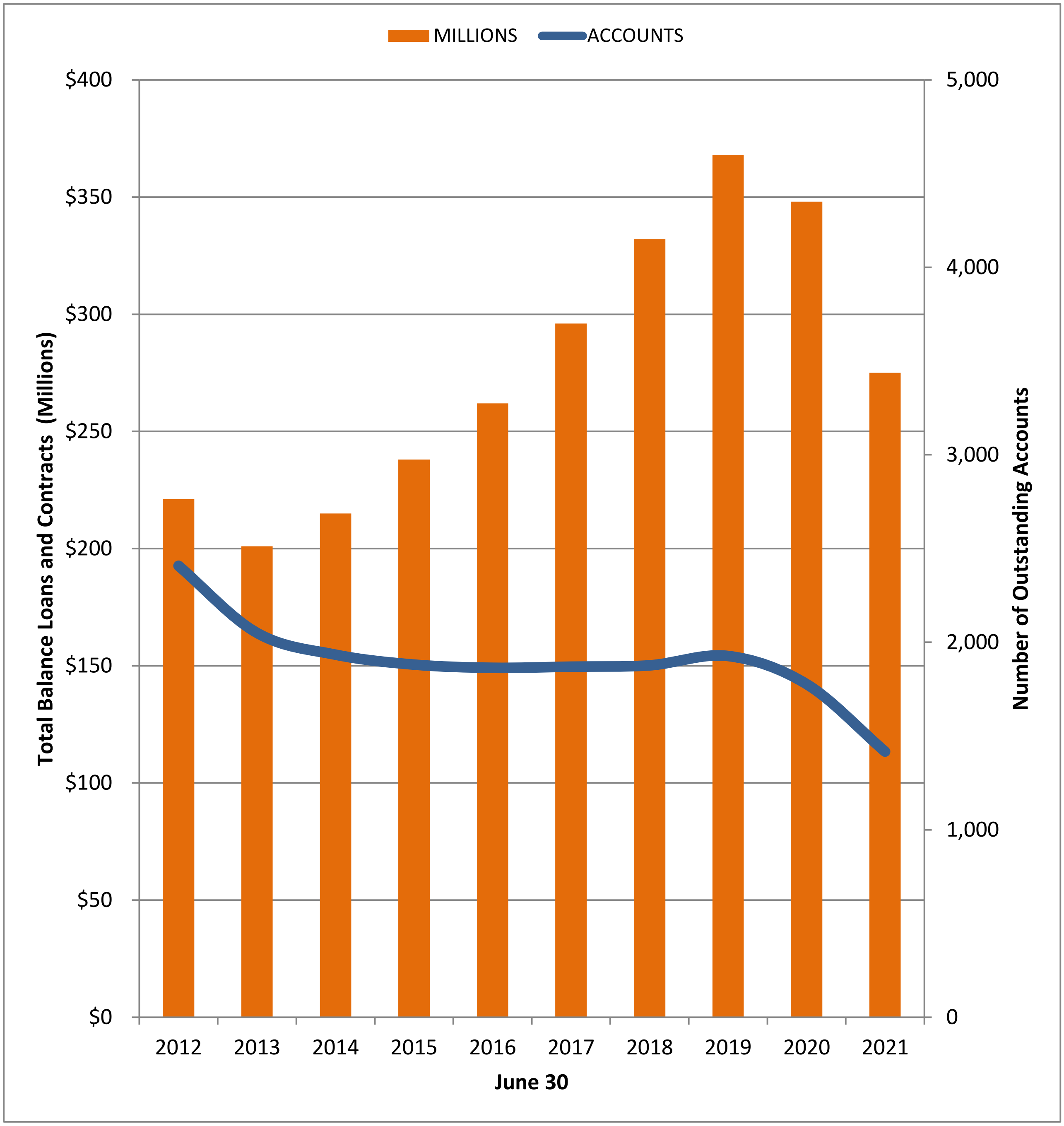
Principal Balance of Bonds Outstanding



Source: Statistical Reports and Financial Statements of the Oregon Department of Veterans' Affairs.

Oregon Department of Veterans' Affairs
Veterans' Loan Program
Unaudited

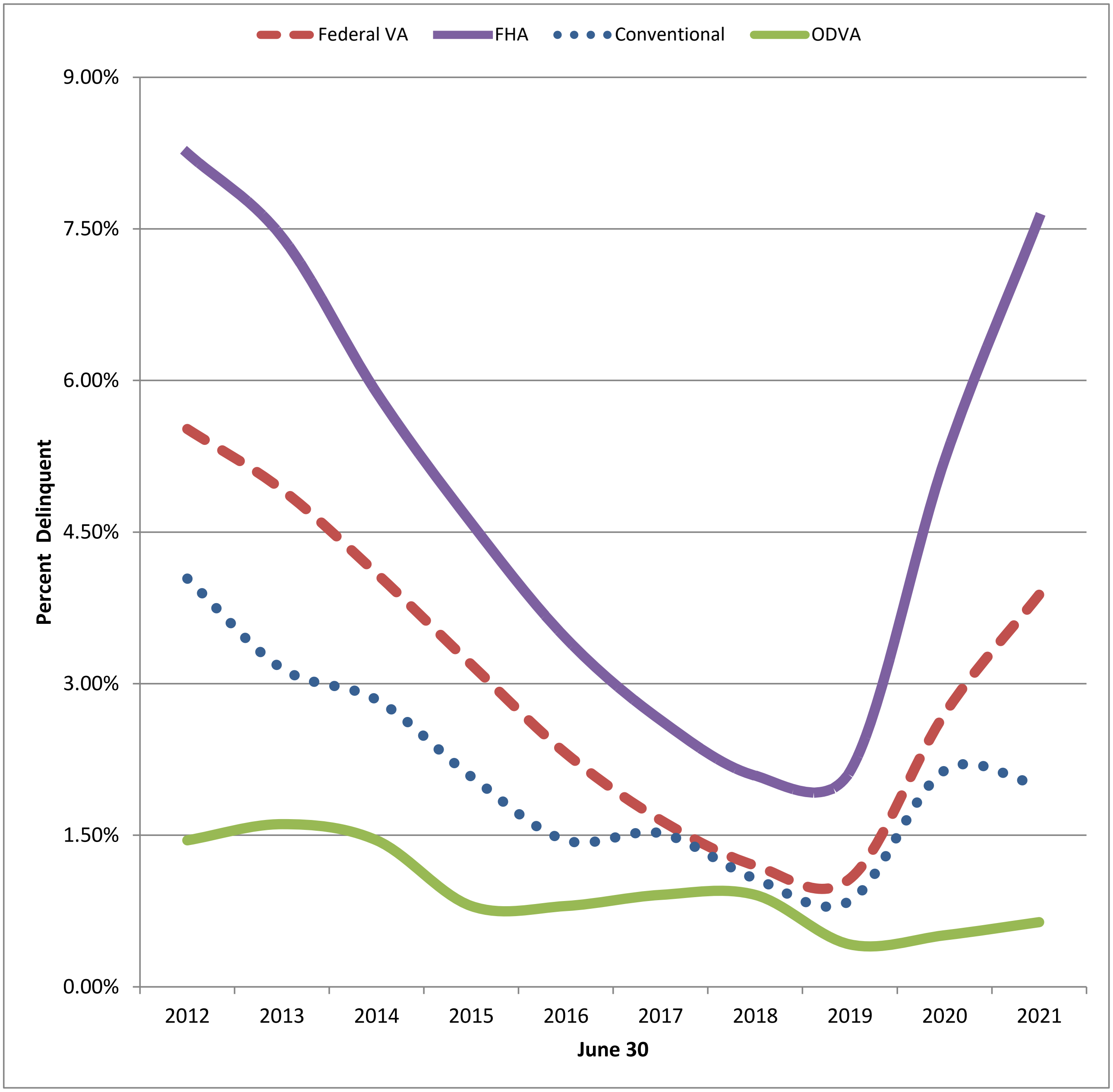
Loans and Contracts Outstanding



Source: Statistical Reports and Financial Statements of the Oregon Department of Veterans' Affairs.

Oregon Department of Veterans' Affairs
Veterans' Loan Program
Unaudited

Loan and Contract 90+ Day Delinquencies



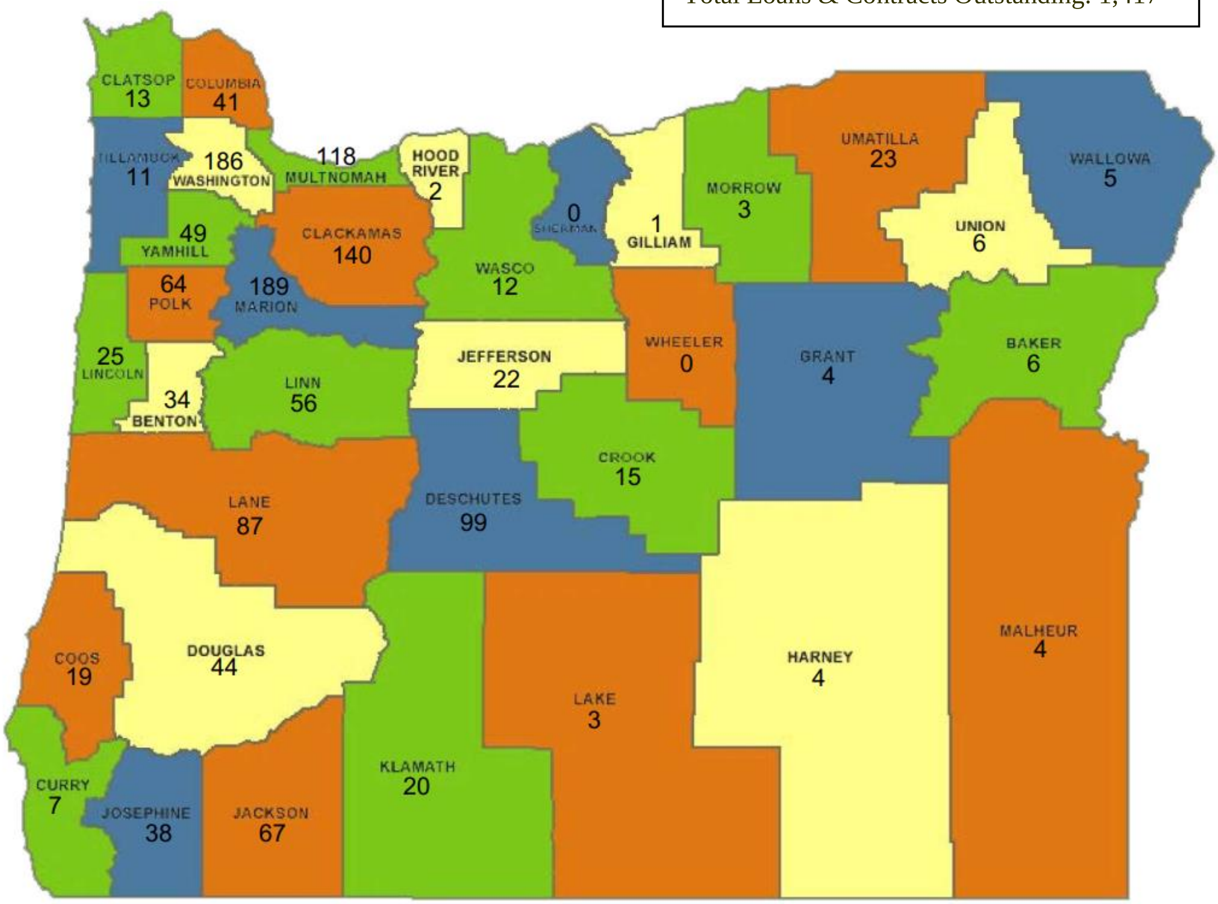
Source: Statistical Reports of the Oregon Department of Veterans' Affairs.

90+ Day Delinquencies include past due loans and loans in foreclosure. Comparison includes Oregon data only.

Oregon Department of Veterans' Affairs
Veterans' Loan Program
Unaudited

Loans and Contracts Outstanding by County
As of June 30, 2021

Total Loans & Contracts Outstanding: 1,417



Source: Statistical Reports of the Oregon Department of Veterans' Affairs

OTHER REPORTS

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

Independent Auditor's Report

The Honorable Kate Brown, Governor of Oregon
Kelly Fitzpatrick, Director, Oregon Department of Veterans' Affairs

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 Veterans' Loan Program, an enterprise fund of the State of the Oregon Department of Veterans' Affairs (Department), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Veterans' Loan Program's basic financial statements, and have issued our report thereon dated November 17, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department of Veterans' Affairs' internal control over financial reporting (internal control) related to the Veterans' Loan Program as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 Veterans' 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 financial statements.

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Office of the Secretary of State, Audits Division

State of Oregon
November 17, 2021