OREGON DEPARTMENT of VETERANS' AFFAIRS

VETERANS' LOAN PROGRAM ANNUAL FINANCIAL REPORT

ENTERPRISE FUND OF THE OREGON DEPARTMENT OF VETERANS' AFFAIRS

AN AGENCY OF THE STATE OF OREGON

FOR THE FISCAL YEAR ENDING JUNE 30, 2023

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, 2023

Nakeia Daniels
Interim Director

Donna Haole-
Valenzuela Chief
Financial Officer

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Oregon
Tina Kotek, Governor

Oregon Department of Veterans' Affairs
Director's Office
700 Summer Street NE
Salem, Oregon 97301
Phone (503) 373-2383
www.oregon.gov/odva

October 22, 2023

To the Honorable Tina Kotek 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, 2023.

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, 2023. 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 May 2023 Oregon Economic and Revenue Forecast from the Oregon Office of Economic Analysis *(OEA)*:

> ***Economic Summary***
>
> The economic recovery from the pandemic has been faster, and more inclusive than any in recent memory. Employment is at an all-time high and wage growth is strong. Household finances are in a better position than pre-pandemic across the entire distribution. All of these outcomes are unequivocally good news. The challenge is these dynamics, when combined with pandemic production and supply chain issues has proved inflationary. Inflation has slowed off its peak rates a year ago but remains in the 4 or 5 percent range. The Federal Reserve has a 2 percent inflation target. As such, it is easy to be pessimistic

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about how the current macroeconomic situation resolves itself. The good outcome involves an immaculate slowdown in inflation, one that is not really seen in the historical data. The bad outcome involves the Federal Reserve raising interest rates to head off inflation, but in doing so creates a recession given monetary policy is a blunt instrument prone to policy lags. Importantly, the initial path the economy takes to either the good, or bad outcome starts the same way. Right now it is hard to tell for certain which path the U.S. economy will ultimately take.

Outlook

The economic recovery from the pandemic has been faster, more complete, and more inclusive than any in recent memory. Employment across Oregon has never been higher when analyzing based on educational attainment, gender, geographic location, or race and ethnicity. Household incomes and finances are likewise a stronger position today than pre-pandemic. However, as the economy is now at or near full employment, growth is set to slow. The upcoming 2023-25 biennium will see economic growth that is near its potential, which is determined by the amount of labor and capital in the state. Economic growth is all about how many workers there are, and how productive each worker is.

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, 2023, this Program had approximately 1,460 mortgage loans and contracts outstanding, with a principal balance of approximately $343 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, 2023, the Veterans' Loan Program had approximately $560 million in assets *(primarily consisting of cash and cash equivalents and loan and contract receivables)* and approximately $417 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.

Oregon
Tina Kotek, Governor

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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, 2023, 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, 2023, the Department had approximately $390 million *(par value)* in outstanding bonds. During fiscal year 2023, approximately $92 million in new bonds were issued and approximately $26 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, 2023, the Department's Loan Program cash, cash equivalents *(excluding securities lending collateral),* and investments totaled approximately $199 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,

Dr Nakeia Coney Daniels

Dr. Nakeia Daniels
Interim Director

Donna Haole Valenzuela

Donna Haole-Valenzuela
Chief Financial Officer

OREGON DEPARTMENT of VETERANS' AFFAIRS

ORGANIZATIONAL CHART 2023-25 BIENNIUM

GOVERNOR'S OFFICE

*ADVISORY COMMITTEE

*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 the state.

ADVISORY COMMITTEE MEMBER	TERM EXPIRES
James A. Gardner	November 30, 2024
Christine Gittins	September 30, 2023
John F. Howard	March 15, 2024
Reynold L. Leno	March 15, 2024
Nell Stamper	November 30, 2023
Bob Van Voorhis	April 30, 2023
Christina V. Wood	November 17, 2024
Christopher Waine	March 15, 2026
Vacant Position	

DIRECTOR'S OFFICE

LEGISLATIVE & POLICY

STRATEGIC COMMUNICATIONS

- Public Information Office
- Front Desk Reception Office

INTERNAL AUDITOR

DEPUTY DIRECTOR

AGING VETERAN SERVICES

- Oregon Veterans' Homes – The Dalles
- Oregon Veterans' Homes – Lebanon
- Conservatorship & Rep Payee
- Veteran Volunteer Program
- Aging Veteran Outreach

APPEALS & SPECIAL ADVOCACY

- Claims and Appeals
- Training, Certification & Outreach
- LGBTQ+ Veterans
- Women Veterans
- Houseless Veterans

STRATEGIC PARTNERSHIPS

- Tribal Veterans
- Incarcerated Veterans
- Grants
  - Veteran Services Grant
  - Campus Vet Resource Center Grant
  - Veteran Educational Bridge Grant
  - Vet Emergency Financial Assistance
- State Approving Agency

FINANCIAL SERVICES

- Home Loan Program
- Facility and Construction
- Financial Management
- Accounting & Cashiers

INFORMATION SERVICES

- Information Services
- Records & Information Management

HUMAN RESOURCES

- Human Resources

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FINANCIAL SECTION

LaVonne Griffin-Valade Secretary of State
Cheryl Myers Deputy Secretary of State, Tribal Liaison
Kip Memmott Audits Director

Independent Auditor's Report

The Honorable Tina Kotek
Governor of Oregon

Dr. Nakeia Daniels, Interim Director
Oregon Department of Veterans' Affairs

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Veteran's Loan Program, an enterprise fund of the State of Oregon, Department of Veterans' Affairs (department), as of and for the year ended June 30, 2023, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Veteran's Loan Program, as of June 30, 2023, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the department, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Veteran's Loan Program and do not purport to, and do not, present fairly the financial position of the State of Oregon or the department, as of June 30, 2023, the changes in its financial position or 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.

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and the disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 department's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information

Management is responsible for the other information included in the report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2023, on our consideration of the department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the department'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
October 17, 2023

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, 2023. 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) 2023	2022	Change *(In Millions)*	Percentage
Net Position	$ 135.3	$ 134.9	$ 0.40	0.30%
Revenues	$ 19.9	$ 16.3	$ 3.60	22.09%
Expenses	$ 19.8	$ 17.1	$ 2.70	15.79%
General Obligation Bond Debt *(par value)*	$ 390.4	$ 330.5	$ 59.90	18.12%
Mortgage Loan Originations	$ 73.9	$ 85.1	$ (11.20)	-13.16%

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, 2023 were approximately $560.3 million, an increase of $71.3 million from June 30, 2022. The change in assets consists primarily of a $28.3 million increase in -cash and equivalents in addition to a $44.1 million increase in mortgage loans receivable.

Liabilities
Total liabilities at June 30, 2023, were $417.4 million, an increase of $70.9 million from June 30, 2022. The change in liabilities consists primarily of an increase of $68.2 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			
	2023	**2022**	**Change**	**% Change**
Assets:				
Current and Other Assets	$ 554,409,131	$ 483,375,989	$ 71,033,142	14.70%
Capital Assets	5,866,446	5,624,437	242,009	4.30%
Total Assets	$ 560,275,577	$ 489,000,426	71,275,151	14.58%
Deferred Outflow of Resources	$ 1,604,451	$ 1,599,450	$ 5,001	0.31%
Liabilities:				
Long Term Liabilities	$ 395,432,043	$ 325,844,059	$ 69,587,984	21.36%
Other Liabilities	21,946,047	20,677,742	1,268,305	6.13%
Total Liabilities	$ 417,378,090	$ 346,521,801	$ 70,856,289	20.45%
Deferred Inflow of Resources	$ 9,218,419	$ 9,171,799	$ 46,620	0.51%
Net Position:				
Net Investment in Capital Assets	$ 5,866,446	$ 5,624,437	$ 242,009	4.30%
Restricted for OPEB	136,591	152,991	(16,400)	-10.72%
Unrestricted	129,280,482	129,128,848	151,634	0.12%
Total Net Position	$ 135,283,519	$ 134,906,276	$ 377,243	0.28%

Loans Receivable
Total mortgages and other loans receivable increased by $44.1 million in fiscal year 2023. This increase was primarily due to an increase in loan origination volume.

Bonds Payable
Bonds Payable increased by $65.8 million *(par value)* from June 30, 2022 to June 30, 2023. During fiscal year 2023, the Department issued approximately 91.6 million and retired approximately $25.8 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 increased by approximately $0.4 million in fiscal year 2023. Revenues exceeded expenses resulting in an increase 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 2023	Business Type Activity 2022	Change	% Change
Revenues:				
Interest Income:				
Mortgage Loans	$ 10,513,520	$ 11,844,958	$ (1,331,438)	-11.24%
Investment Income:	5,183,842	455,117	4,728,725	1039.01%
LCLI Premium Revenue	122,013	136,895	(14,882)	-10.87%
LCLI Processing Fee	76,767	66,000	10,767	16.31%
Other Fees and Charges	3,562,566	3,419,054	143,512	4.20%
Conservatorship Fees	469,063	418,607	50,456	12.05%
Total Revenues	$ 19,927,771	$ 16,340,631	$ 3,587,140	21.95%
Expenses:				
Bond Interest	$ 8,996,580	$ 7,901,444	$ 1,095,136	13.86%
Salaries and Other Payroll	5,120,180	4,314,746	805,434	18.67%
Bond Costs	1,331,051	814,254	516,797	63.47%
Securities Lending Investment Expense	13,871	2,498	11,373	455.28%
Real Estate Owned Expense	-	1,685	(1,685)	-100.00%
Services and Supplies	2,573,085	2,015,755	557,330	27.65%
LCLI Claims & Admin. Expense	156,573	300,770	(144,197)	-47.94%
Depreciation	260,864	211,187	49,677	23.52%
Bad Debt	(71,627)	31,428	(103,055)	-327.91%
Other	1,427,671	1,551,028	(123,357)	-7.95%
Total Expenses	$ 19,808,248	$ 17,144,795	$ 2,663,453	15.54%
Operating Income (Loss)	$ 119,523	$ (804,164)	$ 923,687	-114.86%
Non-Operating Revenues (Expenses)				
Gain/(Loss) on Extinguishment of Debt	472,046	612,893	(140,847)	-22.98%
Leases Incurred	12,262		12,262	100.00%
Interest Expense - Pension Related Debt	$ (22,988)	$ (24,416)	$ 1,428	-5.85%
Total Non-Operating Revenues (Expenses)	$ 461,320	$ 588,477	$ (127,157)	-21.61%
Income (Loss) before Transfers & Contributions	$ 580,843	$ (215,687)	$ 796,530	-369.30%
Transfers & Contributions				
Net Transfers to Dept. of Admin Services	(203,600)	(172,293)	(31,307)	18.17%
Total Transfers & Contributions	$ (203,600)	$ (172,293)	$ (31,307)	18.17%
Increase (Decrease) in Net Position	$ 377,243	$ (387,980)	$ 765,223	-197.23%
Net Position – Beginning	$ 134,906,276	$ 135,294,256	$ (387,980)	-0.29%
Net Position – Ending	$ 135,283,519	$ 134,906,276	$ 377,243	0.28%

Revenues and Expenses
The Veterans' Loan Program's revenue is generated principally from interest earned on mortgage loans and investment income. In fiscal year 2023, revenue generated through the Veterans' Loan Program totaled approximately $19.9 million, of which approximately $15.6 million, or 79% 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 $19.8 million, of which approximately $9.0 million, or 45% is bond interest expense and $5.1 million, or 26%, is salaries and other payroll expenses.

Change in Net Position
The change in net position for the year ended June 30, 2023 resulted in an increase of approximately $0.4 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 $390.4 million *(par value)* in outstanding general obligation bonds as of June 30, 2023. During fiscal year 2023, approximately 91.6 million in new general obligation bonds were issued and $25.8 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, 2023

		Business-Type Activity - Enterprise Fund
Assets		*Veterans' Loan Program*
Current Assets		
Cash and Cash Equivalents	$	93,621,505
Cash and Cash Equivalents - Restricted		3,666,521
Securities Lending Cash Collateral		72,539
Investments		11,529,826
Receivables:		
Mortgage Loans Receivable (Net)		9,638,353
Accrued Interest		1,444,567
Loan Cancellation Life Insurance Premiums		6,785
Other		89,655
Due from Other Funds		264,790
Prepaid Expenses		11,574
Total Current Assets		120,346,115
Noncurrent Assets		
Cash and Cash Equivalents - Restricted		89,717,960
Mortgage Loans Receivable (Net)		333,117,948
Other Receivable		2,954,600
Derivative Instrument - Interest Rate Swap		8,135,917
Net OPEB Asset - RHIA Plan - Restricted		136,591
Capital Assets:		
Building, Property and Equipment		11,625,192
Construction in Progress		86,132
Works of Art and Historical Treasures		627,021
Accumulated Depreciation		(6,471,899)
Total Noncurrent Assets		439,929,462
Total Assets		560,275,577
Deferred Outflows of Resources		
Pension Related		1,585,906
OPEB Related		18,545
Total Deferred Outflows of Resources		1,604,451
Liabilities		
Current Liabilities		
Accounts Payable	$	598,030
Lease Obligations		15,171
Subscription-Based IT Obligation		134,893
Deposit Liabilities		3,666,521
Accrued Interest on Bonds		1,079,648
Obligations under Securities Lending		72,539
Pension-Related Debt		64,571
Compensated Absences Payable		247,080
Bonds Payable-Maturing Within One Year (Net)		16,067,594
Total Current Liabilities		21,946,047
Noncurrent Liabilities		
Bonds Payable-Maturing After One Year (Net)		382,645,363
Pension-Related Debt		263,834
Subscription-Based IT Obligation		152,380
Net Pension Liability		3,335,539
Compensated Absences Payable		138,983
Excess Interest and Arbitrage Rebate Payable		8,826,479
Total OPEB Liability - PEBB Plan		67,733
Lease Obligations		1,732
Total Noncurrent Liabilities		395,432,043
Total Liabilities		417,378,090
Deferred Inflows of Resources		
Hedging Derivative		8,135,917
Pension Related		999,337
OPEB Related		83,165
Total Deferred Inflows of Resources		9,218,419
Net Position		
Net Investment in Capital Assets		5,866,446
Restricted for OPEB		136,591
Unrestricted		129,280,482
Total Net Position	$	135,283,519

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, 2023

		Business-Type Activity - Enterprise Fund
		Veterans' Loan Program
Operating Revenues		
Interest Income:		
Mortgage Loans	$	10,513,520
Investment Income		5,183,842
Loan Cancellation Life Insurance Premiums		122,013
Loan Cancellation Life Insurance Processing Fee		76,767
Other Fees and Charges		3,562,566
Conservatorship Fees		469,063
Total Operating Revenues		19,927,771
Operating Expenses		
Bond Interest		8,996,580
Salaries and Other Payroll		5,120,180
Bond Expenses		1,331,051
Securities Lending Investment Expense		13,871
Services and Supplies		2,573,085
Claims Expense - Loan Cancellation Life Insurance		156,573
Depreciation		260,864
Bad Debt		(71,627)
Other		1,427,671
Total Operating Expenses		19,808,248
Operating Income (Loss)		119,523
Non-operating Revenues (Expenses)		
Gain/(Loss) on Extinguishment of Debt		472,046
Leases Incurred		12,262
Interest Expense - Pension Related Debt		(22,988)
Total Non-operating Revenues (Expenses)		461,320
Income (Loss) before Transfers & Contributions		580,843
Transfers & Contributions		
Transfers to Dept. of Administrative Services		(203,600)
Total Transfers & Contributions		(203,600)
Increase (Decrease) in Net Position		377,243
Net Position - Beginning		134,906,276
Net Position - Ending	$	135,283,519

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, 2023

	Business-Type Activity - Enterprise Fund
	Veterans' Loan Program
Cash Flows from Operating Activities:	
Receipts from Customers	$ 3,378,665
Receipts from Other Funds for Services	839,048
Loan Principal Repayments	37,128,104
Loan Interest Received	11,948,579
Payments to Employees for Services	(5,531,600)
Payments to Suppliers	(738,317)
Payments to Other Funds for Services	(2,691,662)
Loans Made	(79,099,671)
Net Cash Provided (Used) in Operating Activities	(34,766,853)
Cash Flows from Noncapital Financing Activities:	
Proceeds from Bond Sales	94,916,390
Principal Payments on Bonds	(25,765,000)
Interest Payments on Bonds	(9,190,568)
Bond Issuance Costs	(1,265,799)
Lease Payments	(16,241)
SBITA Payments	(47,572)
Interest - Leased Assets	(538)
Interest - SBITA	(5,996)
Principal Payments on Pension-Related Debt	(90,610)
Interest Payments on Pension-Related Debt	(22,988)
Net Cash Provided (Used) in Noncapital Financing Activities	58,511,077
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets	(35,663)
Net Cash Provided (Used) in Capital and Related Financing Activities	(35,663)
Cash Flows from Investing Activities:	
Interest on Investments and Cash Balances	4,647,597
Investment Income from Securities Lending	13,871
Investment Expense from Securities Lending	(13,871)
Net Cash Provided (Used) in Investing Activities	4,647,597
Net Increase (Decrease) in Cash and Cash Equivalents	28,356,158
Cash and Cash Equivalents - Beginning	158,649,828
Cash and Cash Equivalents - Ending	$ 187,005,986
Reconciled to Statement of Net Position:	
Cash and Cash Equivalents - Current	$ 93,621,505
Cash and Cash Equivalents - Current, Restricted	3,666,521
Cash and Cash Equivalents - Noncurrent, Restricted	89,717,960
Cash and Cash Equivalents - Ending (shown above)	$ 187,005,986

(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, 2023

(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	119,523
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation/Amortization	186,922
Amortization of Bond Premium, Discount and Underwriter's Discount on Called Bonds	(498,859)
Bad Debt Expense	(71,627)
Investment Income Reported as Operating Revenue	(4,950,076)
Interest Expense Reported as Operating Expense	9,495,439
Bond Costs Reported as Operating Expense	1,331,051
Net Changes in Assets and Liabilities:	
Accounts and Interest Receivable	75,563
Loans, Contracts and Other Receivable	(42,709,883)
Other Receivable	(88,259)
Net OPEB Asset - RHIA Plan	25,676
Accounts Payable	1,459,132
Amortization of Leased Assets	6,972
Amortization of SBITAs	66,969
Lease Interest	538
SBITA Interest	5,996
Arbitrage Payable	1,215,163
Compensated Absences Payable	22,271
Net Pension Liability	672,511
Total OPEB Liability	(189,831)
Deferred Outflow of Resources	
Related to Pensions	58,056
Deferred Inflow of Resources	
Related to Pensions	(972,104)
Related to OPEB	(27,998)
Total Adjustments	(34,886,376)
Net Cash Provided (Used) by Operating Activities	$ (34,766,853)
Noncash Investing and Capital and Related Financing Activities:	
Net Change in Fair Value of Investments	$ 40,897
Total Noncash Investing and Capital and Related Financing Activities	$ 40,897

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, 2023, are included in the table below:

	Total June 30, 2023
Book Balance - Cash and Cash Equivalents	
Current unrestricted	$ 93,621,505
Current restricted	3,666,521
Noncurrent restricted	89,717,960
Combined Book Balance	$ 187,005,986
Bank Balance - Cash and Cash Equivalents	$ 188,358,394

As of June 30, 2023, the Veterans' Loan Program had a combined total of $176,805,290 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: https://www.oregon.gov/treasury/public-financial-services/oregon-short-term-funds/pages/default.aspx or by writing to the Oregon State Treasury, 867 Hawthorne Ave SE, Salem, OR 97301-5241.

In addition, the Department held $11,553,104 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, 2023, the Department estimated that required balance to be $240,000. 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, 2023, was 4.05 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, 2023, the Veterans' Loan Program had restricted assets of $93,384,481.

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, 2023, 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	$	1,017,411
Securities on Loan	$	997,162
Investments Purchased with Cash Collateral	$	72,528
Securities on Loan:		
U.S. Agency		80.44%
U.S. Treasury		12.44%
Domestic Fixed Income		7.12%
		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, 2023, is approximately $343 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 2023 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, 2023, is approximately $1 thousand. The balance of the allowance account represents approximately 0.0002 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, 2023.

	June 30, 2023		
	Current	Noncurrent	Total
Loans Receivable	$ 9,638,369	$ 333,118,501	$ 342,756,871
Less: Allowance for Principal Losses	(16)	(553)	(569)
Net Loans Receivable	$ 9,638,353	$ 333,117,948	$ 342,756,302

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, 2023, there were 26 non-amortizing accounts with an aggregate principal balance of approximately $3.02 million. This represents approximately 0.88 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, 2023, the Department had no borrowers that required this relief.

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, 2023, the Department had 147 insured accounts with five private mortgage insurers totaling approximately $57.9 million. The majority of insured accounts are with Mortgage Guaranty Insurance Corporation (MGIC) with 88%. As of June 30, 2023, the Moody's ratings for MGIC was "A3".

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, 2023, 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, 2023.

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, 2023:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Construction in Progress	$ -	$ 86,132	$ -	$ 86,132
Works of Art & Historical Treasures	$ 627,021	$ -	$ -	$ 627,021
Total Capital Assets Not Being Depreciated	627,021	86,132	-	713,153
Capital Assets Being Depreciated:				
Buildings, Property & Equipment	11,208,451	416,740	-	11,625,192
Total Capital Assets Being Depreciated	11,208,451	416,740	-	11,625,192
Leases and SBITAs				
Equipment Leases	63,610		(16,111)	$ 47,499
SBITAs (Subscription Based IT Agreements)	-	334,845	-	$ 334,845
Total leases and SBITAs	63,610	334,845	(16,111)	382,344
Amortization of Lease and SBITAs	-			
Equipment Leases	(23,623)	(6,972)		$ (30,596)
SBITAs (Subscription Based IT Agreements)	-	(66,969)	-	(66,969)
Total Amortization	(23,623)	(73,941)	-	(97,565)
Less Accumulated Depreciation:				
Buildings, Property & Equipment	(6,211,035)	(260,864)	-	(6,471,899)
Total Accumulated Depreciation	(6,211,035)	(260,864)	-	(6,471,899)
Total Capital Assets Being Depreciated, Net	4,997,416	155,877	-	5,153,293
Total Capital Assets Being Amortized, Net	$ 39,987	$ 260,904	$ (16,111)	$ 284,779
Total Capital Assets, Net	$ 5,664,424	$ 502,912	$ (16,111)	$ 6,151,225

Depreciation expense at June 30, 2023 was $260,864.

GASB 87

Under GASB 87, ODVA recognizes long-term leased equipment as capital assets. The equipment recognized includes copiers from Ricoh and mail sorting equipment from Quadient.

GASB 96

Under GASB 96, Subscription Based IT Arrangements which meet certain criteria must be recognized as Capital Assets. ODVA contracts with a number of software companies for necessary software to maintain efficient operations.

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, 2023:

Bonds Payable *(Par)* at June 30, 2022	$	324,565,000
Bonds Issued		91,555,000
Bonds Retired		(25,765,000)
Bonds Payable *(Par)* at June 30, 2023	$	390,355,000

Shown below are the components of net bonds payable as disclosed on the Statement of Net Position for June 30, 2023:

	Current	Noncurrent	Total
Bonds Payable *(Par)*	$ 15,505,000	$ 374,850,000	$ 390,355,000
Premium on Bonds Sold	562,594	7,795,363	8,357,957
Net Bonds Payable	$ 16,067,594	$ 382,645,363	$ 398,712,957

The following schedule summarizes future debt service requirements to maturity as of June 30, 2023:

Fiscal Year	***Principal***	***Interest***	***Total***
2024	15,505,000	11,781,618	$ 27,286,618
2025	16,585,000	11,332,100	$ 27,917,100
2026	16,880,000	11,016,495	$ 27,896,495
2027	16,880,000	10,668,690	$ 27,548,690
2028	16,990,000	10,263,305	$ 27,253,305
2029-2033	68,540,000	45,512,127	$ 114,052,127
2034-2038	82,355,000	35,637,559	$ 117,992,559
2039-2043	71,015,000	23,824,640	$ 94,839,640
2044-2048	51,825,000	13,445,475	$ 65,270,475
2049-2053	33,120,000	4,064,050	$ 37,184,050
2054-2058	660,000	18,150	$ 678,150
TOTAL	$ 390,355,000	$ 177,564,209	$ 567,919,209

Shown below are the outstanding bond issues and their final maturities *(in fiscal years)* as of June 30, 2023:

		Original Coupon Rates				Final
Series	Dated	From	To	Issued	Outstanding	Maturity
93 (2014 G)	3-Dec-14	0.7	3.90%	$25,965,000	$20,795,000	2040
95 (2015 P)	19-Nov-15	**		25,140,000	25,140,000	2037
96 (2015 Q)	19-Nov-15	2	5.00%	34,215,000	5,665,000	2046
97A (2016 J)	7-Dec-16	0.85	3.55%	22,310,000	11,725,000	2031
97B (2016 K)	7-Dec-16	3.9	4.05%	17,500,000	2,040,000	2047
98A (2017 N)	11-Oct-17	1.35	5.00%	15,275,000	10,645,000	2030
98B (2017 O)	11-Oct-17	##		23,300,000	15,800,000	2041
99B (2017 Q)	11-Oct-17	0.95	3.50%	33,955,000	8,935,000	2048
100 (2017 U)	20-Dec-17	1.3	3.70%	73,885,000	61,510,000	2045
101 (2017 V)	20-Dec-17	1.2	4.00%	29,235,000	10,700,000	2049
103 (2018 F)	28-Nov-18	1.95	4.25%	39,195,000	5,900,000	2049
104 (2019 R)	13-Nov-19	1.1	3.50%	28,990,000	17,595,000	2050
105A (2020 I)	24-Jun-20	0.65	2.15%	30,165,000	29,570,000	2035
105B (2020 J)	24-Jun-20	##		11,565,000	11,565,000	2039
106B (2020 L)	24-Jun-20	0.5	3.50%	11,650,000	7,145,000	2051
106C (2020 M)	24-Jun-20	##		11,435,000	11,435,000	2045
107 (2021 N)	18-Nov-21	2.375	2.60%	7,500,000	7,500,000	2043
108 (2021 O)	18-Nov-21	0.15	3.00%	38,675,000	35,840,000	2052
109 (2022 D)	10-Aug-22	1.45	5.00%	28,145,000	27,440,000	2052
110 (2022 E)	10-Aug-22	##		11,000,000	11,000,000	2045
111 (2023 E)	11-Apr-23	2.5	5.50%	52,410,000	52,410,000	2053
Total Bonds Outstanding as of June 30, 2023:					$390,355,000	

** 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 3.75% 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 4.00% for Series 98B, Series 105B, and Series 106C. The rate was 3.90% for Series 110.

On August 10, 2022, the Department issued $39,145,000 (par value) of fixed rate General Obligation Bonds. On April 11, 2023, the department issued $52,410,000 (par value) of fixed rate General Obligation Bonds.

6. Demand Bonds

Included in long-term debt at June 30, 2023 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	5/17/2027	34 days/12%	0.310%
Series 98B (2017 Series O)	$ 15,800,000	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	5/17/2027	34 days/12%	0.310%
Series 106C (2020 Series M)	$ 11,435,000	U.S. Bank National Association	5/17/2027	34 days/12%	0.310%
Series 110 (2022 Series E)	$ 11,000,000	JP Morgan Securities	8/09/2027	34 days/12%	0.275%

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)	$ 15,800,000	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%
Series 110 (2022 Series E)	$ 11,000,000	JP Morgan Securities	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. Under the SBPA for Series 110, JP Morgan Securities will commit to purchase any Series 110 unremarketed bonds, subject to certain conditions set forth in the SBPA.

If a tender advance did occur under the Series 95, 98B, 105B, 106C & 110 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 & 110 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 & 110 SBPAs for fiscal year 2023. Therefore, no tender advances or draws were outstanding as of June 30, 2023.

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") and 2022 Sereis E (Veterans' Welfare Bonds Series 110). The swaps and underlying floating-rate bonds together create "synthetic" fixed-rate debt.

The Department did not have any maturities of derivatives during fiscal year 2023. During the fiscal year the fair value of the Series 95 swap increased by $316,748. The fair value of the Series 105B & 106C swap increased by $574,040. The fair value of Series 110 is $213,243.

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, 2023 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, 2023, 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	$ 3,455,055
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**	$ 4,467,019
Pay – fixed interest rate swap	Hedge of changes in cash flows on the Series 110 bonds, specifically related to changes in municipal tax-exempt interest rates	$11,000,000	8/10/2022	6/1/2045	Pay 2.524%; Receive 100% USD-SIFMA* Municipal Swap Index***	$ 213,243

* Securities Industry and Financial Markets Association (resets weekly)

** Receive 100% SIFMA from July 1, 2021 until June 1, 2029 then 70% of 1-month IBOR (Interbank Offered Rate) from July 1, 2029 until the termination date.

*** Receive 100% SIFMA from August 10, 2022 until June 1, 2031 then 70%+ 0.06% of 1 month IBOR (Interbank Offered Rate) from July 1, 2031 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. The department may terminate the Series 110 swap on the first day of each June or December beginning on June 1, 2031. 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 & 110 swap is with The Bank of New York Mellon *(the "Series 105B, 106C & 110 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 & 110 swap counterparty's credit rating falls below certain levels, the Series 105B, 106C & 110 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, 2023, 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 & 110 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, Series 106C and Series 110 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, 2023, the interest rate on the Department's Series 95 VRDO bonds is 3.75%, the interest rate on the Series 105B and Series 106C VRDO bonds is 4.00% and the interest rate on the Series 110 VRDO bonds is 3.90% while the SIFMA Municipal Swap Index rate is 4.01%.

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, 2023, 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***
2024	-	2,246,541	(1,471,138)	775,403
2025	1,730,000	2,055,930	(1,432,917)	2,353,013
2026	1,800,000	1,992,762	(1,389,712)	2,403,050
2027	1,855,000	1,924,625	(1,340,269)	2,439,356
2028	1,895,000	1,857,111	(1,288,714)	2,463,397
2029-2033	10,200,000	8,159,701	(5,634,904)	12,724,797
2034-2038	18,275,000	5,728,850	(3,865,440)	20,138,410
2039-2043	18,235,000	2,545,338	(1,656,168)	19,124,170
2044-2045	5,150,000	171,903	(106,064)	5,215,839
TOTAL	$ 59,140,000	$ 26,682,761	$ (18,185,326)	$ 67,637,435

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, 2023:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Bond Principal	$ 324,565,000	$ 91,555,000	$ (25,765,000)	$ 390,355,000	
Bond Premium	5,967,471	3,361,390	(970,904)	8,357,957	
Bond Discount	-	-	-	-	
Total Bonds Payable	330,532,471	94,916,390	(26,735,904)	398,712,957	16,067,594
Pension-Related Debt	419,015		(90,610)	328,405	64,571
Net Pension Liability	2,599,289	2,087,331	(1,351,081)	3,335,539	-
Compensated Absences Payable	363,792	255,098	(232,827)	386,063	247,080
GASB 87 Leases	39,987	1,752	(24,837)	16,903	15,171
Excess Interest & Arbitrage Rebate Payable	7,611,316	8,826,479	(7,611,316)	8,826,479	-
Total OPEB Liability	71,633		(3,900)	67,733	-
Derivative Instrument - Interest Rate Swap		-		-	-
Total Long-Term Liabilities	$ 341,637,503	$ 106,087,050	$ (36,050,475)	$ 411,674,079	$ 16,394,416

9. Interfund Transactions

At June 30, 2023, the Veterans' Loan Program had outstanding interfund receivables of $264,790 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, 2023, for state agencies general service members were 21.03% for Tier One/Tier Two and 17.12% 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, 2023, the State of Oregon reported a liability of $4.57 billion for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. 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, 2022, the State's proportion was 29.8%, which increased from the 24.2% proportion measured as of June 30, 2021.

As part of the State of Oregon, the Loan Program was allocated a percentage (.0217%) 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	$ 161,913	$ 20,801
Changes in assumptions	523,364	4,781
Net difference between projected and actual earnings on investments	-	596,330
Changes in proportion and differences between contributions and proportionate share of contributions	356,730	377,424
Subtotal	1,042,008	999,337
Net deferred Outflow (Inflow) of Resources before contributions subsequent to measurement date		42,671
Contributions subsequent to measurement date	543,898	
Net Deferred Outflow (Inflow) of Resources		$ 586,569

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, 2023, the total rental income received from tenants was $815,666.

	Lease Effective Date	Lease Termination Date	Future Rental Income
Tenant 1	March 1, 2020	February 28, 2025	$ 482,155
Tenant 2	November 8, 2019	November 30, 2028	$ 3,226,661
Total			$ 3,708,817

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, 2023 there were no significant reductions in insurance coverage in any risk category. Also, for the past ten fiscal years *(July 1,2013 through June 30, 2023)* there have been no claims that exceeded the Department's property or liability coverage.

13. Subsequent Events

As of October 25, 2023, the Department has no significant subsequent events.

STATISTICAL SECTION

Oregon Department of Veterans' Affairs

Assets, Liabilities and Net Position

Veterans' Loan Program

For the Fiscal Years Ended 2014 - 2023

ASSETS & DEFERRED OUTFLOWS	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
Current Assets					
Cash and Cash Equivalents *(1)*	$ 93,621,505	$ 83,502,956	$ 107,464,132	$ 107,937,547	$ 109,175,030
Cash and Cash Equivalents - Restricted	3,666,521	3,320,998	3,195,707	3,887,427	3,913,498
Securities Lending Cash Collateral	72,539	857,459	560,948	2,614,659	4,164,292
Investments	11,529,826	11,488,929	12,333,627	11,985,204	11,333,230
Investments - Restricted				-	-
Receivables:					
Mortgage Loans and Contracts Receivable	9,638,353	8,983,021	8,567,346	10,053,418	10,433,755
Accrued Interest	1,444,567	1,078,327	1,062,805	1,286,518	1,401,495
LCLI Premiums	6,785	6,338	6,928	8,144	10,135
Other	89,655	128,089	194,374	140,845	47,605
Due from Other Funds	264,790	307,543	343,861	178,075	90,840
Real Estate Owned			-	-	-
Prepaid Expenses	11,574	7,641	17,738	2,743	5,896
Total Current Assets	$ 120,346,115	$ 109,681,301	$ 133,747,466	$ 138,094,580	$ 140,575,776
Noncurrent Assets					
Cash and Cash Equivalents - Restricted	$ 89,717,960	$ 71,825,874	$ 83,810,611	$ 74,016,597	$ 29,011,526
Investments			-	-	-
Investments - Restricted			-	-	-
Mortgage Loans and Contracts Receivable (Net)	333,117,948	289,655,634	266,820,295	337,869,323	357,506,594
Other Receivable	2,954,600	5,028,903	2,361,783	930,283	683,073
Derivative Instrument - Interest Rate Swap	8,135,917	7,031,286	1,488,213	-	-
Net OPEB Asset - RHIA Plan	136,591	152,991	23,011	50,530	29,507
Deferred Underwriter's Discount			-	-	-
Net Pension Asset			-	-	-
Capital Assets:					
Building, Property and Equipment	11,625,192	11,208,451	11,130,254	11,187,151	10,107,274
Construction in Progress	86,132		-	-	3,187
Works of Art and Historical Treasures	627,021	627,021	627,021	627,021	627,021
Accumulated Depreciation	(6,471,899)	(6,211,035)	(5,999,848)	(5,872,673)	(5,718,064)
Total Noncurrent Assets	$ 439,929,462	$ 379,319,125	$ 360,261,340	$ 418,808,232	$ 392,250,118
Deferred Outflow of Resources					
Hedging Derivative	$	$	$ -	$ 497,488	$ 297,215
Pension Related	1,585,906	1,580,223	1,603,367	1,299,310	1,254,344
OPEB Related	18,545	19,227	27,093	13,667	28,738
Total Deferred Outflow of Resources	1,604,451	1,599,450	1,630,460	1,810,465	1,580,297
TOTAL ASSETS & DEFERRED OUTFLOWS	$ 561,880,028	$ 490,599,876	$ 495,639,266	$ 558,713,277	$ 534,406,191
LIABILITIES & DEFERRED INFLOWS					
Current Liabilities					
Accounts Payable	$ 598,030	$ 35,720	$ 96,521	$ 304,272	$ 139,326
Lease Obligations	15,171	21,021	-	-	-
Subscription-Based IT Obligation	134,893				
LCLI Premium Payable		10,767	6,358	8,780	22,910
LCLI Claims Payable			-	-	-
Due to Other Funds			99,822	-	-
Deposit Liabilities	3,666,521	3,310,231	3,189,349	3,878,646	3,890,587
Accrued Interest on Bonds	1,079,648	670,120	696,205	854,351	997,600
Obligations Under Securities Lending	72,539	857,459	560,948	2,614,659	4,164,292
Pension-Related Debt	64,571	65,035	61,334	58,128	56,018
Compensated Absences Payable	247,080	232,827	263,162	231,259	217,763
Excess Interest and Arbitrage Rebate Payable			-	-	-
Bonds Payable - Maturing Within One Year (Net)	16,067,594	15,474,562	14,303,648	14,162,679	13,792,285
Matured Bonds Payable			-	-	-
Total Current Liabilities	$ 21,946,047	$ 20,677,742	$ 19,277,347	$ 22,112,774	$ 23,280,781
Noncurrent Liabilities					
Bonds Payable - Maturing After One Year (Net)	$ 382,645,363	$ 315,057,910	$ 324,015,267	$ 386,439,456	$ 362,887,787
Subscription-Based IT Obligation	152,380				
Pension-Related Debt	263,834	353,980	431,855	501,592	560,397
Net Pension Liability	3,335,539	2,599,289	4,711,809	3,852,506	3,275,369
Compensated Absences Payable	138,983	130,965	141,703	124,524	112,181
Excess Interest and Arbitrage Rebate Payable	8,826,479	7,611,316	10,041,642	8,811,678	9,638,437
Net OPEB Liability - RHIPA Plan			8,599	22,881	32,339
Total OPEB Liability - PEBB Plan	67,733	71,633	96,576	103,274	115,666
Lease Obligations	1,732	18,966			
Other Postemployment Benefits Obligation (Net)			-	-	-
Derivative Instrument - Interest Rate Swap			-	497,488	297,215
Total Noncurrent Liabilities	$ 395,432,043	$ 325,844,059	$ 339,447,451	$ 400,353,399	$ 376,919,391
TOTAL LIABILITIES	$ 417,378,090	$ 346,521,801	$ 358,724,798	$ 422,466,173	$ 400,200,172
Deferred Inflow of Resources					
Hedging Derivative	$ 8,135,917	$ 7,031,286	$ 1,488,213	-	-
Pension Related	999,337	2,029,349	107,049	183,664	184,094
OPEB Related	83,165	111,164	24,950	27,964	13,058
Total Deferred Inflow of Resources	9,218,419	9,171,799	1,620,212	211,628	197,152
NET POSITION					
Net Investment in Capital Assets	$ 5,866,446	$ 5,624,437	$ 5,757,427	$ 5,941,499	$ 5,019,418
Restricted for OPEB	136,591	152,991	23,011	50,530	29,507
Net Assets, Unrestricted	129,280,482	129,128,848	129,513,818	130,043,447	128,959,942
TOTAL NET POSITION	$ 135,283,519	$ 134,906,276	$ 135,294,256	$ 136,035,476	$ 134,008,867
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	$ 561,880,028	$ 490,599,876	$ 495,639,266	$ 558,713,277	$ 534,406,191

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

June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
$ 84,384,687	$ 86,895,236	$ 102,196,365	$ 88,290,771	$ 81,418,994
3,445,301	3,107,741	2,848,532	2,532,900	2,019,125
3,175,631	1,017,020	7,174,060	10,291,763	12,366,201
10,683,342	10,709,272	10,613,753	10,296,884	10,145,257
-	-	-	-	-
9,926,645	-	-	-	-
1,247,464	1,167,666	1,131,097	1,101,323	1,117,525
23,478	16,442	32,899	53,734	47,253
243,755	23,440	9,563	50,777	80,456
94,707	87,272	105,539	110,081	134,588
-	259,586	424,720	196,585	680,635
4,665	8,575	14,133	5,241	6,080
$ 113,229,675	$ 103,292,250	$ 124,550,661	$ 112,930,059	$ 108,016,114
$ 64,724,859	$ 52,093,642	$ 69,855,033	$ 85,073,503	$ 107,661,208
-	-	-	-	-
-	-	-	-	-
321,510,937	295,521,511	261,187,668	236,597,114	212,809,406
3,767,345	2,335,640	1,413,881	2,637,961	4,148,543
403,600	245,110	-	-	-
13,603	-	-	-	-
-	-	-	-	-
-	-	-	507,702	-
9,891,950	9,004,597	9,132,222	9,107,786	8,995,981
627,021	627,021	627,021	627,021	627,021
(5,568,352)	(5,448,479)	(5,501,146)	(5,392,363)	(5,288,119)
$ 395,370,963	$ 354,379,042	$ 336,714,679	$ 329,158,724	$ 328,954,040
$ -	$ -	$ 763,043	$ 1,391,681	$ 1,895,225
1,359,565	2,246,768	396,597	187,905	
25,794	-	-	-	-
1,385,359	2,246,768	1,159,640	1,579,586	1,895,225
$ 509,985,997	$ 459,918,060	$ 462,424,980	$ 443,668,369	$ 438,865,379
$ 86,208	$ 114,532	$ 118,401	$ 49,112	$ 144,124
-	-	-	-	-
14,543	27,227	18,059	26,024	34,124
-	45,708	-	25,166	42,245
-	-	-	-	-
3,430,757	3,080,514	2,830,472	2,506,875	1,920,002
916,761	667,278	579,261	467,235	380,999
3,175,631	1,017,020	7,174,060	10,291,763	12,366,201
40,100	33,200	25,300	29,900	21,100
235,512	239,928	242,503	231,008	208,479
-	-	-	111,793	9,024
13,045,401	8,386,825	6,883,474	4,621,160	3,634,808
-	-	-	-	65,000
$ 20,944,913	$ 13,612,232	$ 17,871,530	$ 18,360,036	$ 18,826,106
$ 342,783,322	$ 298,811,581	$ 297,180,572	$ 275,544,308	$ 270,369,127
625,521	672,474	713,539	734,282	776,914
3,891,047	4,295,159	1,538,316	-	-
126,814	129,192	130,579	119,004	107,398
10,599,876	20,660,816	22,845,548	21,941,769	21,063,255
49,224	-	-	-	-
107,538	-	-	-	-
-	114,450	112,087	119,930	115,524
-	-	763,043	1,391,681	1,895,225
$ 358,183,342	$ 324,683,672	$ 323,283,684	$ 299,850,974	$ 294,327,443
$ 379,128,255	$ 338,295,904	$ 341,155,214	$ 318,211,010	$ 313,153,549
403,600	245,110	-	-	-
32,509	40,813	374,548	979,659	-
9,180	-	-	-	-
445,289	285,923	374,548	979,659	-
$ 4,950,619	$ 4,183,139	$ 4,258,097	$ 4,342,444	$ 4,334,883
13,603	-	-	-	-
125,448,231	117,153,094	116,637,121	120,135,256	121,376,947
$ 130,412,453	$ 121,336,233	$ 120,895,218	$ 124,477,700	$ 125,711,830
$ 509,985,997	$ 459,918,060	$ 462,424,980	$ 443,668,369	$ 438,865,379

Oregon Department of Veterans' Affairs

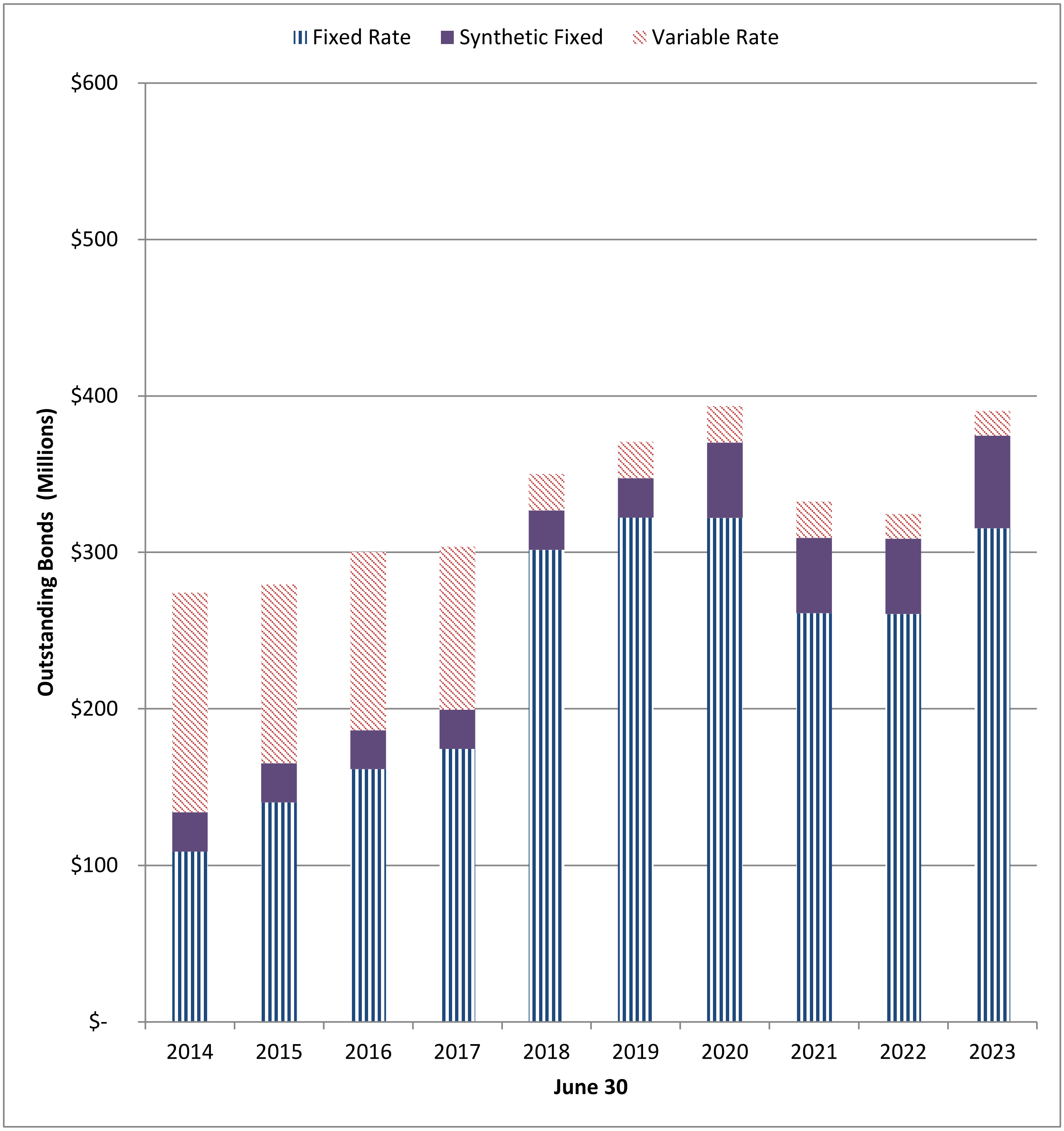
Revenues, Expenses and Changes in Net Position
Veterans' Loan Program
For the Fiscal Years Ended 2014 - 2023

	June 30, 2023	June 30, 2022	June 30, 2021	
OPERATING REVENUES				
Mortgage Loan Interest Income	$ 10,513,520	$ 11,844,958	$ 10,092,947	$
Contract Interest Income			208	
Investment Income	5,183,842	455,117	2,119,590	
Gain on Sale of Foreclosed Property			-	
Loan Cancellation Life Insurance Premiums	122,013	136,895	161,434	
Loan Cancellation Life Insurance Processing Fees	76,767	66,000	72,000	
Other Fees and Charges	3,562,566	3,419,054	2,985,887	
Conservatorship Fees	469,063	418,607	432,285	
TOTAL OPERATING REVENUES	$ 19,927,771	$ 16,340,631	$ 15,864,351	$
OPERATING EXPENSES				
Bond Interest	$ 8,996,580	$ 7,901,444	$ 8,957,712	$
Salaries and Other Payroll	5,120,180	4,314,746	5,048,660	
Bond Expenses	1,331,051	814,254	(381,644)	
Securities Lending Investment Expense	13,871	2,498	1,191	
Real Estate Owned Expense	-	1,685	-	
Services and Supplies	2,573,085	2,015,755	1,532,279	
Claims Expense - Loan Cancellation Life Insurance	156,573	300,770	273,555	
Depreciation	260,864	211,187	192,919	
Bad Debt	(71,627)	31,428	(20,124)	
Other	1,427,671	1,551,028	870,861	
TOTAL OPERATING EXPENSES	$ 19,808,248	$ 17,144,795	$ 16,475,409	$
OPERATING INCOME (LOSS)	$ 119,523	$ (804,164)	$ (611,058)	$
NONOPERATING INCOME (EXPENSES)				
Interest Expense - Pension Related Debt	(22,988)	(24,416)	(38,750)	
Leases Incurred	12,262			
Gain/(Loss) on Early Extinguishment of Debt	472,046	612,893	-	
TOTAL NONOPERATING INCOME (EXPENSES)	461,320	588,477	(38,750)	
INCOME (LOSS) BEFORE TRANSFERS	580,843	(215,687)	(649,808)	
TRANSFERS				
Net Transfers from Lottery Fund	$	$	$ 85,817	$
Net Transfers to Dept. of Administrative Services	(203,600)	(172,293)	(178,371)	
Net Transfers from Military Dept.			-	
Net Transfers to Veterans' Rural Transp. Grant			-	
Capital Contributions			1,142	
TOTAL TRANSFERS	(203,600)	(172,293)	(91,412)	
CHANGE IN NET POSITION	$ 377,243	$ (387,980)	$ (741,220)	$
NET POSITION				
Beginning Net Position	$ 134,906,276	$ 135,294,256	$ 136,035,476	$
Prior Period Adjustment	-	-	-	
Cumulative Effect of Change in Accounting Principle	-	-	-	
Beginning Net Position, Restated	$ 134,906,276	$ 135,294,256	$ 136,035,476	$
Ending Net Position	$ 135,283,519	$ 134,906,276	$ 135,294,256	$

June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
14,586,593	$ 14,987,375	$ 22,000,659	$ 13,302,684	$ 9,926,312	$ 9,573,211	$ 7,441,010
1,857	4,174	6,420	11,033	23,118	36,952	57,000
4,180,569	4,399,745	2,983,359	2,017,506	1,744,597	1,317,488	1,700,149
-	38,474	207,875	7,143	44,415	37,528	262,886
190,103	227,190	270,555	304,246	351,809	418,580	493,942
72,000	72,000	72,000	72,000	72,000	72,000	87,000
2,540,376	2,893,531	2,276,040	1,979,856	2,080,470	2,349,133	2,324,761
464,659	452,217	503,471	534,731	489,585	392,206	364,090
22,036,157	$ 23,074,706	$ 28,320,379	$ 18,229,199	$ 14,732,306	$ 14,197,098	$ 12,730,838
11,615,666	$ 11,212,762	$ 9,508,093	$ 8,299,193	$ 7,009,347	$ 5,999,144	$ 5,847,512
5,077,542	4,030,200	4,588,032	5,391,885	6,033,621	3,966,905	4,052,936
1,019,122	558,622	1,657,852	1,009,223	1,184,177	1,174,810	866,823
24,840	60,052	19,234	7,675	31,957	12,050	12,873
710	19,709	75,420	44,121	17,833	138,901	328,002
1,509,643	1,476,316	1,356,698	1,379,273	1,541,746	1,205,305	1,491,581
375,840	646,456	526,411	450,938	1,247,875	1,170,815	1,244,045
154,609	149,711	119,874	115,289	108,783	104,244	100,555
(29,554)	(126,193)	(313,706)	(539,102)	(244,749)	(600,374)	(1,187,213)
893,536	1,409,209	1,412,369	1,370,564	1,139,726	1,081,046	973,850
20,641,954	$ 19,436,844	$ 18,950,277	$ 17,529,059	$ 18,070,316	$ 14,252,846	$ 13,730,964
1,394,203	$ 3,637,862	$ 9,370,102	$ 700,140	$ (3,338,010)	$ (55,748)	$ (1,000,126)
(43,559)	(42,321)	(43,835)	(50,496)	(50,122)	(51,837)	(51,735)
-	-	-	-	-	-	-
(43,559)	(42,321)	(43,835)	(50,496)	(50,122)	(51,837)	(51,735)
1,350,644	3,595,541	9,326,267	649,644	(3,388,132)	(107,585)	(1,051,861)
475,000	$ -	$ -	$ -	$ -	$ -	$ -
(176,040)	(181,544)	(187,783)	(208,629)	(194,350)	(203,543)	(166,321)
-	-	-	-	-	-	-
-	(485)	-	-	-	-	-
377,005	182,902	-	-	-	-	-
675,965	873	(187,783)	(208,629)	(194,350)	(203,543)	(166,321)
2,026,609	$ 3,596,414	$ 9,138,484	$ 441,015	$ (3,582,482)	$ (311,128)	$ (1,218,182)
134,008,867	$ 130,412,453	$ 121,336,233	$ 120,895,218	$ 124,477,700	$ 125,711,830	$ 128,148,184
-	-	-	-	-	3,958	-
-	-	(62,264)	-	-	(926,960)	(1,218,172)
134,008,867	$ 130,412,453	$ 121,273,969	$ 120,895,218	$ 124,477,700	$ 124,788,828	$ 126,930,012
136,035,476	$ 134,008,867	$ 130,412,453	$ 121,336,233	$ 120,895,218	$ 124,477,700	$ 125,711,830

Oregon Department of Veterans' Affairs
Veterans' Loan Program

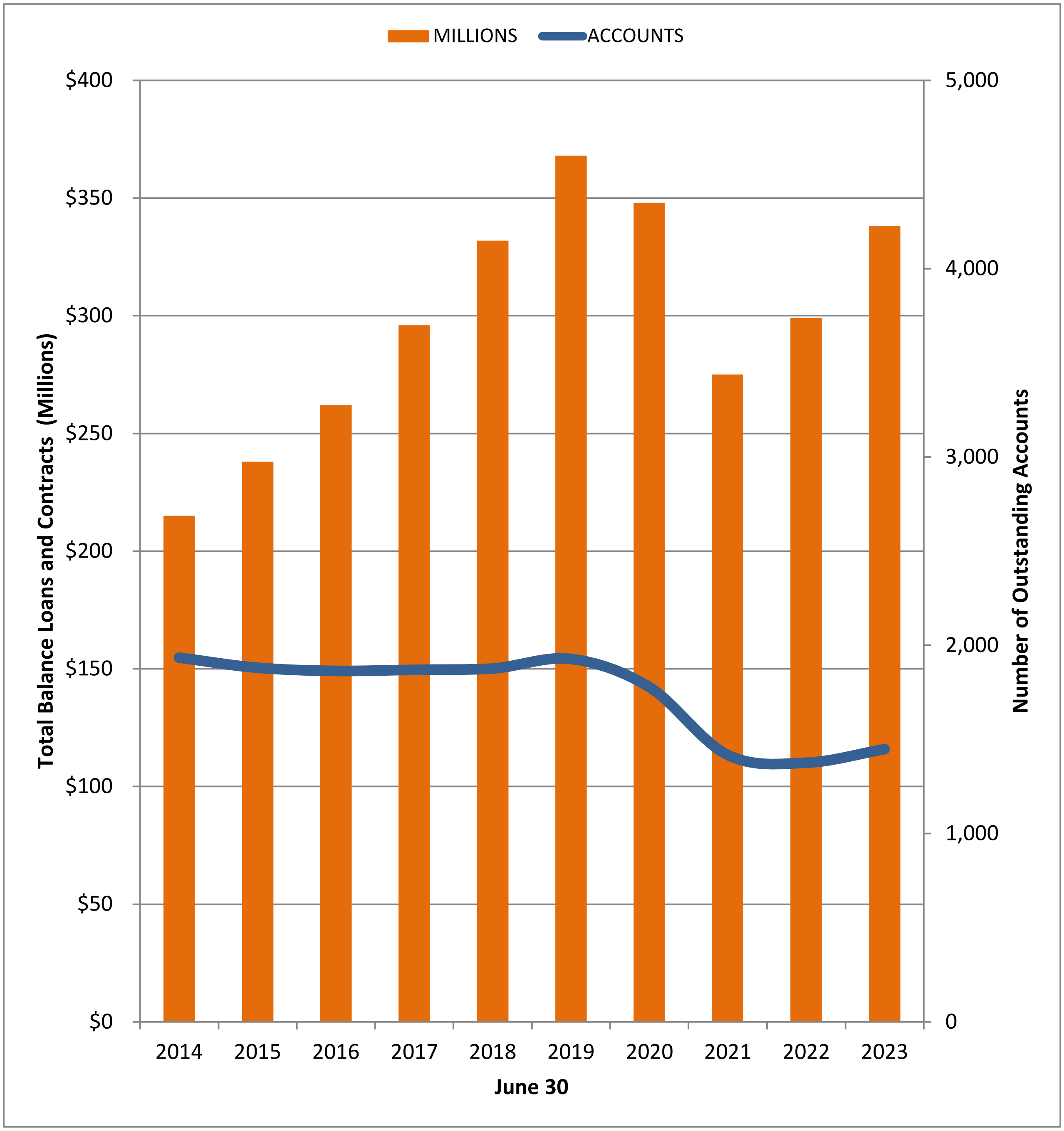
Principal Balance of Bonds Outstanding



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

Oregon Department of Veterans' Affairs
Veterans' Loan Program

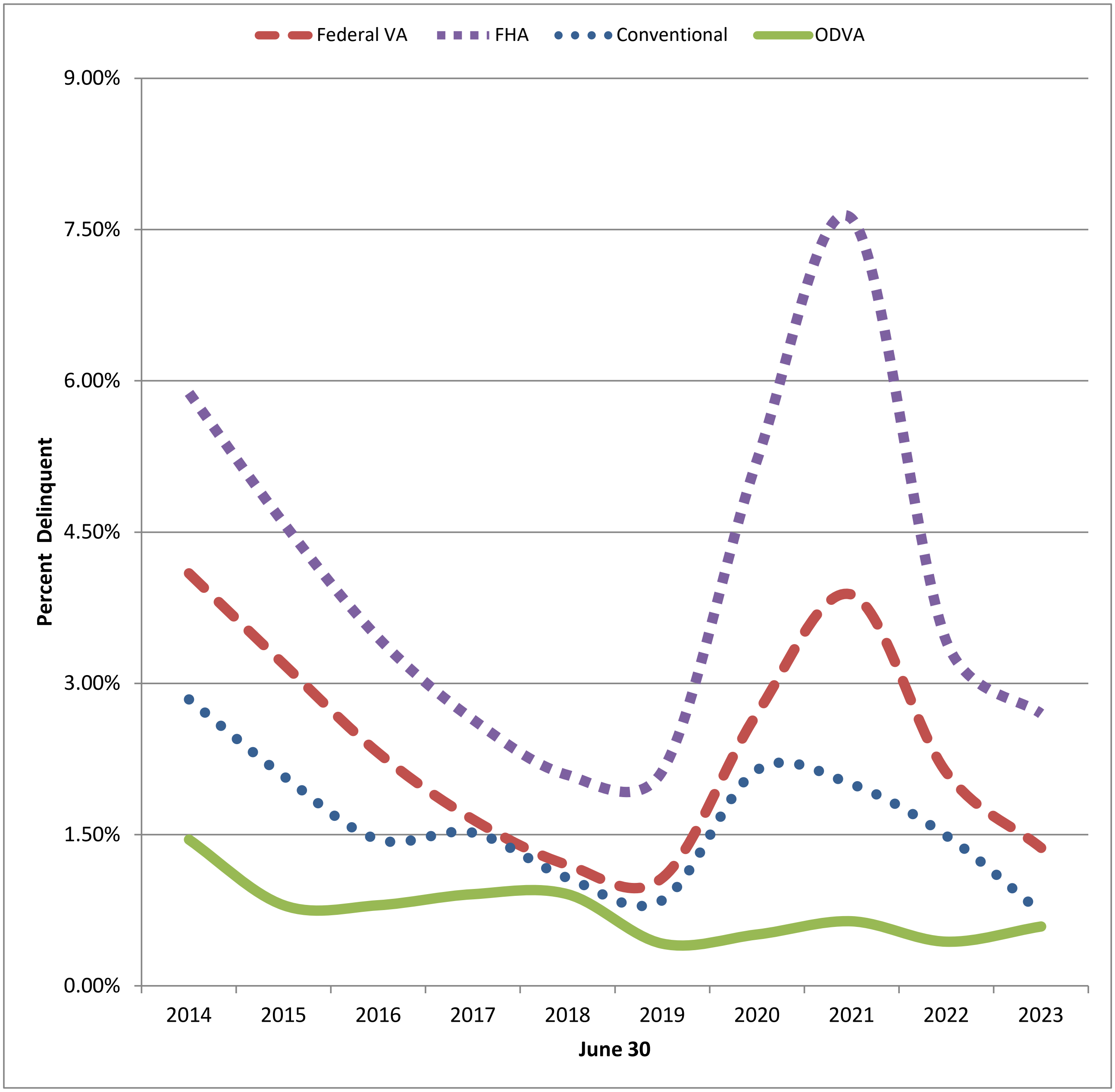
Loans and Contracts Outstanding



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

Oregon Department of Veterans' Affairs
Veterans' Loan Program

Loan and Contract 90+ Day Delinquencies



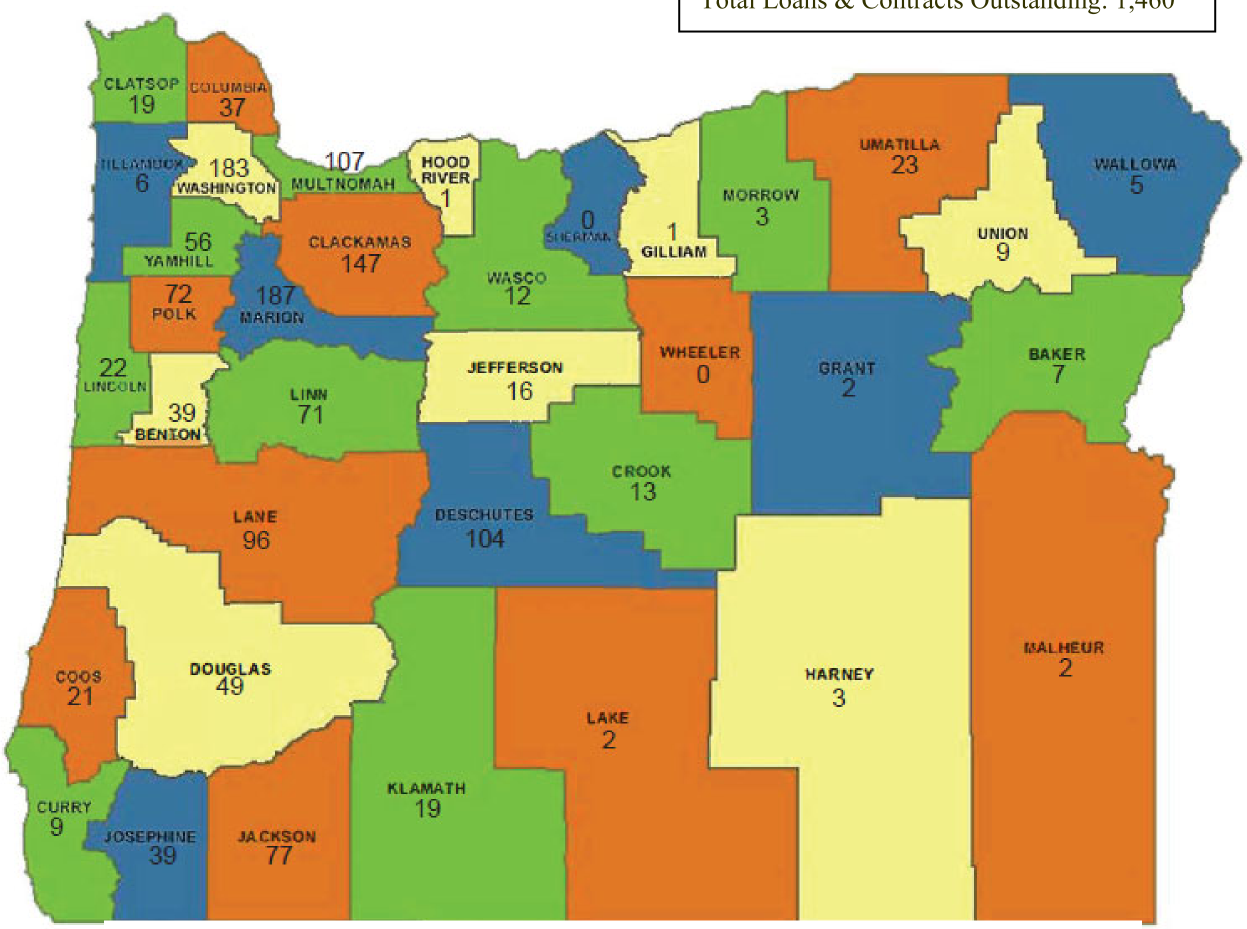
Source: Statistical Reports of the Oregon Department of Veterans' Affairs.

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

Oregon Department of Veterans' Affairs
Veterans' Loan Program

Loans and Contracts Outstanding by County
As of June 30, 2023

Total Loans & Contracts Outstanding: 1,460



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

OTHER REPORTS

OREGON SOS
OREGON AUDITS DIVISION

LaVonne Griffin-Valade Secretary of State
Cheryl Myers Deputy Secretary of State, Tribal Liaison
Kip Memmott Audits Director

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

The Honorable Tina Kotek, Governor of Oregon
Dr. Nakeia Daniels, Interim 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 Oregon Department of Veterans' Affairs, as of and for the year ended June 30, 2023, 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 October 17, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 department's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Office of the Secretary of State, Audits Division

State of Oregon
October 17, 2023

OREGON DEPARTMENT
of VETERANS' AFFAIRS

Serving Oregon Veterans Since 1945 | 700 Summer Street NE | Salem, Oregon 97301 | Headquarters 800 828 8801

The Oregon Department of Veterans' Affairs (ODVA) intends to comply with the Americans with Disabilities Act (The ADA), PL101-336. The ADA provides that no qualified person with a disability shall be kept from participation in (or be denied a benefit of) the services, programs, or activities of ODVA because of that disability. For additional information or how to file a complaint, please contact ODVA's ADA coordinator at 503-373-2380.

This information is also available in alternate formats, upon request.