



# Veterans' Home Program Annual Financial Report

ENTERPRISE FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2016

# **Annual Financial Report**

## **Veterans' Home Program**

### **Enterprise Fund of the Oregon Department of Veterans' Affairs**

*An Agency of the State of Oregon*

**For The Fiscal Year Ended  
June 30, 2016**



**Cameron Smith**  
Director

**Bruce Shriver, CPA**  
Chief Financial Officer

**Report Prepared By**

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With the assistance of the Financial Services Division

Cover Design: Nicole Hoeft, Public Information Section

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## *INTRODUCTORY SECTION*

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November 1, 2016

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

We are pleased to provide you with the Annual Financial Report of the Oregon Department of Veterans' Affairs (*the "Department"*) Home Program Enterprise fund, for the fiscal year ended June 30, 2016.

This report is organized and presented in five 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 **Other Supplemental Section** includes the Department's Governmental and Fiduciary funds' financial statements for the purposes of additional analysis. 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 Department has contracted with Merina and Company for the audit of the Department's Enterprise Fund for the year ended June 30, 2016. Their unmodified opinion on the Enterprise Fund financial statements is included in the Financial Section of this report.

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

## OREGON ECONOMY

**Recent Trends** – According to excerpts from the September 2016 Oregon Economic and Revenue Forecast from the Oregon Office of Economic Analysis (*OEA*):

### ***Economic Summary***

The economic expansion continues. However a few mounting concerns muddy the outlook with risks clearly tilted toward the downside. The good news is the nation

continues to muddle through various headwinds with job growth strong enough to bring down headline unemployment and make some progress on underemployment. The strengthening labor market, better wage gains and strong household balance sheets continue to support the U.S. consumer, the only real economic bright spot in the past eighteen months.

Even so, there are a number of worrisome trends that have emerged in the data that should give forecasters pause. First, manufacturing and industrial production continues to be weak. Second, personal income growth nationwide is slowing. Third, due to slowing tax revenues, an increasing number of state revenue forecasters are missing their forecasts. Fourth, the dearth of new business investment is weighing on growth. All told, even with these concerning trends, the baseline outlook still calls for the expansion to continue. And while expansions do not die of old age – they die due to mistakes – the economy is clearly closer to the next recession than not.

While some U.S. data is slowing, Oregon's expansion continues to see full-throttle rates of growth. Oregon is outpacing the typical state by a considerable margin today for both job and income gains. This growth differential largely comes from the state's underlying fundamentals like its industrial structure and strong in-migration flows. Both of these trends have long-lasting impacts on the Oregon economy and help drive the state's more volatile swings over the business cycle.

### **Outlook**

Robust job growth continues in Oregon. Since the beginning of 2013, Oregon job growth has picked up from around 1.5 to 2.0 percent to more than 3.0 percent today. The outlook calls for slightly slower growth through the end of 2017 – around 2.7 or 2.8 percent. However these gains remain strong enough to hold unemployment down and account for ongoing population growth. After these near-term job gains, longer-run demographic trends weigh on growth to a larger degree. While consistent with the general character of recent forecasts, this marks a slight downward revision to the employment outlook in the near-term. Previously our office expected job growth of around 3 percent annual through the end of 2017, while the current outlook expects growth slightly less strong. Wages and incomes remain similar, although revised downward as well.

Should this overall economic outlook come to pass, it will match the equivalent of previous expansions in Oregon. Given demographic trends today, particularly the aging Baby Boomer cohort, job growth of 3 percent is considered full throttle. In decades past, growth of 4 or 5 percent was common during expansions in Oregon, however that time period also coincided with the Baby Boomers entering their prime working years. Today the opposite is occurring. Even so, demographic trends are not all bad, as the even larger cohort of Millennials are currently entering their prime working years. The net effect is overall lower rates of labor force and economic growth, due to demographics.

## 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 governing the Department are Chapters 406 through 408.

The **Veterans' Home Program** provides professional medical, nursing, rehabilitative, social and other support services primarily to veterans and their spouses residing in an Oregon Veterans' Home. Located in The Dalles, the original Oregon Veterans' Home (OVH), which opened in November 1997, has the capacity to serve 151 residents and had occupancy of approximately 142 residents at June 30, 2016. The Department owns the OVH and as of October 1, 2008, has contracted with Veterans Care Centers of Oregon (VCCO), a non-profit organization, to provide the services needed by the residents.

Located in Linn County (Lebanon) and opened in October 2014, the second Veterans' Home is the Edward C. Allworth Oregon Veterans' Home. The Lebanon Veterans' Home has 154 beds and offers the same services as The Dalles Veterans' Home; however, it was built using a "small house model". This type of design is more costly to build and operate, but provides a more home-like setting for the residents. As of June 30, 2016, the occupancy was approximately 139 residents. After a competitive bidding process, the Department contracted with VCCO to provide the services needed by the residents.

The Oregon Department of Veterans' Affairs is also in the grant application process with the Federal VA seeking funding for a third Veterans' Home, as authorized by Oregon Revised Statute 408.385, as well as a facility renovation grant for The Dalles Oregon Veterans' Home.

## FINANCIAL INFORMATION

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

At June 30, 2016, the Veterans' Home Program had approximately \$66.6 million in assets (*primarily consisting of cash and cash equivalents, receivables, and capital assets*) and approximately \$3.8 million in liabilities (*primarily consisting of short-term payables and obligations arising from securities lending*).

**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. On June 30, 2016, the Department's Home Program cash and cash equivalents (*excluding securities lending collateral*) totaled approximately \$13.3 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,



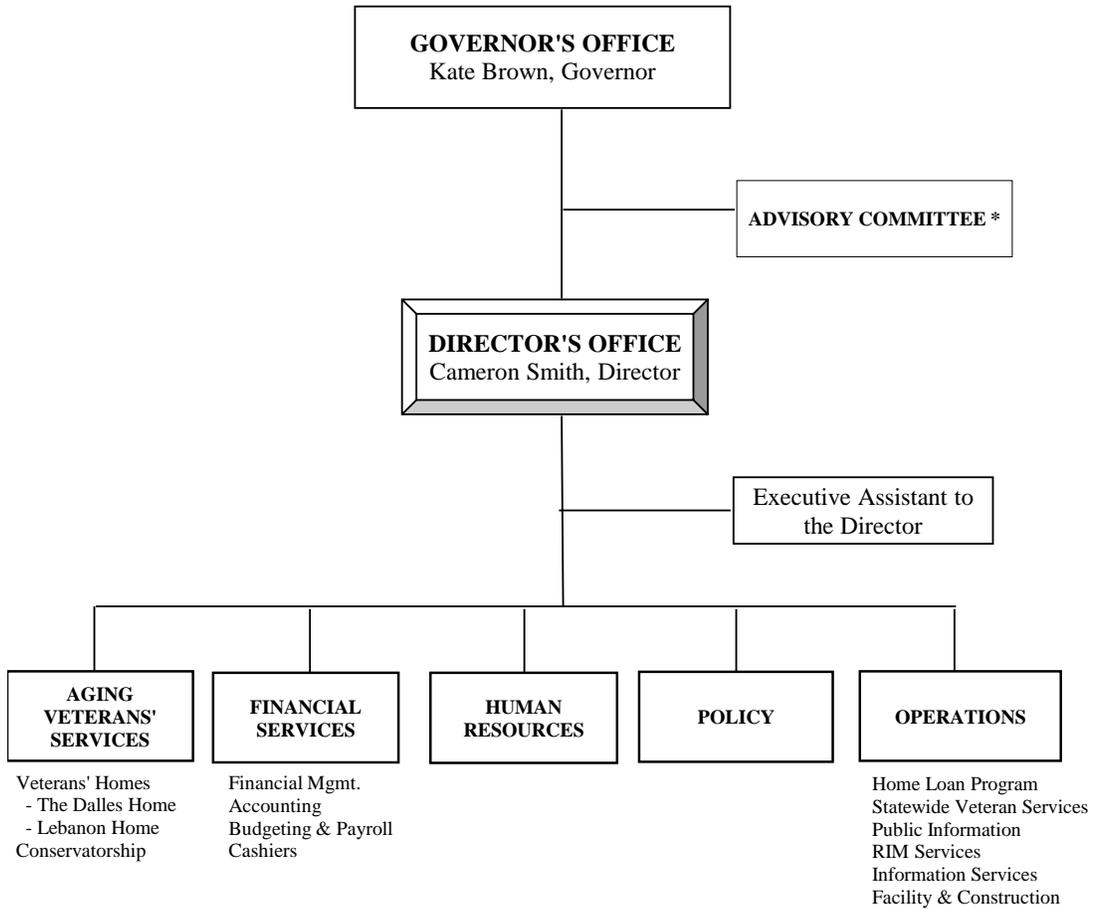
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Cameron Smith  
Director



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Bruce Shriver  
Chief Financial Officer



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

<u>Advisory Committee Members</u>	<u>Term Expires</u>	<u>Advisory Committee Members</u>	<u>Term Expires</u>
Kim Douthit	November 30, 2019	Reynold Leno	March 15, 2020
Tony Garcia	December 31, 2018	Rosa Macias	March 31, 2020
Dennis Guthrie	June 30, 2020	Jon Mangis	September 30, 2019
John Howard	March 15, 2020	Val Valfre	March 15, 2020
Michael Jones	November 30, 2016		



***FINANCIAL SECTION***

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**INDEPENDENT AUDITOR'S REPORT**

The Honorable Kate Brown  
Governor of Oregon  
254 State Capitol  
Salem, Oregon 97301-4047

Cameron Smith, Director  
Oregon Department of Veterans' Affairs  
700 Summer St NE  
Salem, Oregon 97301-1285

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Oregon Department of Veterans' Affairs' Home Program, (the Home Program) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Home Program's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial

statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Home Program as of June 30, 2016, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 1, the financial statements present only the Oregon Department of Veterans' Affairs Home Program and do not purport to, and do not, present fairly the financial position of the State of Oregon or the Oregon Department of Veterans' Affairs, as of June 30, 2016, the changes in their financial position, or, where applicable, their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Home Program's basic financial statements. The introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

## **Reports on Other Legal and Regulatory Requirements**

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2016 on our consideration of the Home Program's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Home Program's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Merina & Company".

Merina & Company, LLP  
West Linn, Oregon  
October 31, 2016

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

This section of the Oregon Department of Veterans' Affairs' (*the "Department"*) Home Program Annual Financial Report presents our discussion and analysis of financial performance for the Department's Proprietary Fund during the fiscal year ended June 30, 2016. The selected financial data presented was derived primarily from the financial statements of the Department, which have been audited.

**FINANCIAL HIGHLIGHTS**

- Net position increased from approximately \$60.8 million at June 30, 2015, to approximately \$62.9 million at June 30, 2016, an increase of \$2.1 million, or 3.43%.
- Operating revenues increased from approximately \$17.9 million at June 30, 2015, to approximately \$31.1 million at June 30, 2016, an increase of \$13.2 million, or 73.38%.
- Operating expenses increased from approximately \$20.1 million at June 30, 2015, to approximately \$29.6 million at June 30, 2016, an increase of \$9.5 million or 47.48%.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Veterans' Home Program's basic financial statements. The basic financial statements include proprietary fund financial statements and notes to the financial statements. The Veterans' Home Program's basic financial statements do not include department-wide financial statements since only the Veterans' Home Program proprietary fund is audited within this Annual Financial Report. The Department does have a Veterans' Loan Program and a minimal portion of governmental funds that are included in the State of Oregon Comprehensive Annual Financial Report located at <http://www.oregon.gov/DAS/Financial/Acctng/pages/index.aspx>. The audited Annual Financial Report on the Department's Veterans' Loan Program can be located at: <http://www.oregon.gov/odva/INFO/Pages/AnnualReports.aspx>.

- The Veterans' Home 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' Home Program's proprietary fund financial statements.

**OVERVIEW OF THE PROPRIETARY FUNDS FINANCIAL POSITION & OPERATIONS**

Total assets at June 30, 2016 were approximately \$66.6 million, an increase of \$2.7 million from June 30, 2015. The change in assets consists primarily of a \$1.7 million increase in cash and cash equivalents and a \$1.1 million increase in accounts receivable.

Total liabilities at June 30, 2016, were approximately \$3.8 million, an increase of \$635 thousand from June 30, 2015. The change in liabilities consists primarily of a \$595 thousand increase in accounts payable.

The Veterans' Home 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' Home Program - Proprietary Fund  
Statement of Net Position**

	<u>Business Type Activity</u>		<u>Change</u>	<u>% Change</u>
	<u>2016</u>	<u>2015</u>		
<b>Assets:</b>				
Current and Other Assets	\$ 17,941,459	\$ 15,157,522	\$ 2,783,937	18.37%
Capital Assets	48,669,061	48,783,212	(114,151)	-0.23%
<b>Total Assets</b>	<u>\$ 66,610,520</u>	<u>\$ 63,940,734</u>	<u>\$ 2,669,786</u>	4.18%
<b>Deferred Outflows of Resources</b>	<u>\$ 37,470</u>	<u>\$ 10,734</u>	<u>\$ 26,736</u>	249.08%
<b>Liabilities:</b>				
Long Term Liabilities	\$ 188,144	\$ 43,319	\$ 144,825	334.32%
Other Liabilities	3,570,943	3,080,932	490,011	15.90%
<b>Total Liabilities</b>	<u>\$ 3,759,087</u>	<u>\$ 3,124,251</u>	<u>\$ 634,836</u>	20.32%
<b>Deferred Inflows of Resources</b>	<u>\$ 35,387</u>	<u>\$ 55,962</u>	<u>\$ (20,575)</u>	-36.77%
<b>Net Position:</b>				
Net Investment in Capital Assets	\$ 48,669,061	\$ 48,783,212	\$ (114,151)	-0.23%
Expendable, Restricted for				
Capital Construction	639,234	1,215,711	(576,477)	-47.42%
Unrestricted	13,545,221	10,772,332	2,772,889	25.74%
<b>Total Net Position</b>	<u>\$ 62,853,516</u>	<u>\$ 60,771,255</u>	<u>\$ 2,082,261</u>	3.43%

**Cash and Cash Equivalents**

Total cash and cash equivalents increased by approximately \$1.7 million, or 14.32%, from June 30, 2015 to June 30, 2016. The increase in cash is a reflection of the Department's reduction in capital construction costs during fiscal year 2016 and higher overall resident census levels at both Veterans' Homes.

**Accounts Receivable**

Total accounts receivable increased by approximately \$1.1 million, or 40.10%, from June 30, 2015 to June 30, 2016. The increase in accounts receivable is related to the phase-in and increase in resident census levels at the Lebanon Veterans' Home.

**Net Position**

Total Net Position increased by approximately \$2.1 million in fiscal year 2016. The increase in net position is attributable to higher resident census levels in both Veterans' Homes and a reduction of one-time costs related to the opening of the Lebanon Veterans' Home.

The results of operations for the Veterans' Home Program's proprietary funds are presented below:

**Veterans' Home Program - Proprietary Funds**  
**Statement of Revenues, Expenses, and Changes in Net Position**

	<u>Business Type Activities</u>			
	<u>2016</u>	<u>2015</u>	<u>Change</u>	<u>% Change</u>
<b>Revenues:</b>				
Resident Revenue (Net)	\$ 30,962,601	\$ 17,841,786	\$ 13,120,815	73.54%
Investment Income	69,335	61,862	7,473	12.08%
Other Fees and Charges	72,373	35,809	36,564	102.11%
<b>Total Revenues</b>	<b>\$ 31,104,309</b>	<b>\$ 17,939,457</b>	<b>13,164,852</b>	<b>73.38%</b>
<b>Expenses:</b>				
Salaries and Other Payroll	565,015	317,818	247,197	77.78%
Securities Lending Investment Expense	1,921	819	1,102	134.55%
Services and Supplies	553,863	1,847,223	(1,293,360)	-70.02%
Veterans' Home Operations	27,207,376	16,985,392	10,221,984	60.18%
Depreciation	1,296,585	936,611	359,974	38.43%
<b>Total Expenses</b>	<b>\$ 29,624,760</b>	<b>\$ 20,087,863</b>	<b>\$ 9,536,897</b>	<b>47.48%</b>
<b>Operating Income (Loss)</b>	<b>\$ 1,479,549</b>	<b>\$ (2,148,406)</b>	<b>\$ 3,627,955</b>	<b>168.87%</b>
<b>Nonoperating Revenue (Expenses)</b>				
Interest Expense - Pension Related Debt	(2,053)	(2,123)	70	3.30%
<b>Total Nonoperating Revenue (Expenses)</b>	<b>(2,053)</b>	<b>(2,123)</b>	<b>70</b>	
<b>Income (Loss) before Transfers and Contributions</b>	<b>\$ 1,477,496</b>	<b>\$ (2,150,529)</b>	<b>\$ 3,628,025</b>	<b>168.70%</b>
<b>Transfers and Contributions</b>				
Net Transfers from Veterans' Home Trust Fund	83,485	384,311	(300,826)	-78.28%
Net Transfers to Dept. of Admin Services	(18,270)	(13,919)	(4,351)	31.26%
Gain (Loss) on Disposition of Assets	-	4,262	(4,262)	-100.00%
Capital Contributions	539,550	5,378,039	(4,838,489)	-89.97%
<b>Total Transfers and Contributions</b>	<b>\$ 604,765</b>	<b>\$ 5,752,693</b>	<b>\$ (5,147,928)</b>	<b>-89.49%</b>
<b>Increase (Decrease) in Net Position</b>	<b>\$ 2,082,261</b>	<b>\$ 3,602,164</b>	<b>\$ (1,519,903)</b>	<b>-42.19%</b>
<b>Net Position – Beginning</b>				
Prior Period Adjustment	-	(112,731)	112,731	-100.00%
Cumulative Effect of Change in Accounting Principle	-	(52,952)	52,952	-100.00%
<b>Net Position - Beginning Restated</b>	<b>60,771,255</b>	<b>57,169,091</b>	<b>3,602,164</b>	<b>6.30%</b>
<b>Net Position – Ending</b>	<b>\$ 62,853,516</b>	<b>\$ 60,771,255</b>	<b>\$ 2,082,261</b>	<b>3.43%</b>

The Veterans' Home Program's proprietary fund operating revenue is generated principally from resident-related revenues, including monies from the Federal VA, Medicare, Medicaid and resident private pay. In fiscal year 2016, revenue generated through the Veterans' Home Program's proprietary fund totaled approximately \$31.1 million, of which approximately 99% is from resident-related revenue. Expenses of the Veterans' Home Program's proprietary fund consist primarily of operational expenses. The total expenses for proprietary fund activities totaled approximately \$29.6 million, of which approximately 92% is related to services provided to residents at the Veterans' Homes.

**Requests for Information**

This financial report is designed to provide a general overview of the Department's Home Program finances. Questions 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' Home Program  
 Statement of Net Position  
 Proprietary Funds  
 June 30, 2016

	<b>Business-Type Activity - Enterprise Fund</b>
	<i>Veterans' Home Program</i>
<b>Assets</b>	
<b>Current Assets</b>	
Cash and Cash Equivalents	\$ 12,857,643
Securities Lending Cash Collateral	529,827
Resident Care Receivable	3,825,031
Construction Related Receivable	222,869
Due from Other Funds	2,568
<b>Total Current Assets</b>	<u>17,437,938</u>
<b>Noncurrent Assets</b>	
Cash and Cash Equivalents - Restricted	422,760
Resident Care Receivable (Net)	80,761
Capital Assets:	
Building, Property and Equipment	50,660,793
Improvements Other than Buildings	497,231
Land	4,648,018
Construction in Progress	289,741
Works of Art and Historical Treasures	89,998
Accumulated Depreciation	(7,516,720)
<b>Total Noncurrent Assets</b>	<u>49,172,582</u>
<b>Total Assets</b>	<u>\$ 66,610,520</u>
<b>Deferred Outflows of Resources</b>	
Pension Related	<u>37,470</u>
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts Payable	\$ 2,758,079
Due to Other Funds	108,107
Unearned Revenue	145,967
Contracts Payable - Retainage	6,395
Obligations under Securities Lending	529,827
Pension Related Debt	1,000
Compensated Absences Payable	21,568
<b>Total Current Liabilities</b>	<u>3,570,943</u>
<b>Noncurrent Liabilities</b>	
Pension Related Debt	29,266
Net Pension Liability	145,338
Compensated Absences Payable	11,614
Other Postemployment Benefits Obligation (Net)	1,926
<b>Total Noncurrent Liabilities</b>	<u>188,144</u>
<b>Total Liabilities</b>	<u>3,759,087</u>
<b>Deferred Inflows of Resources</b>	
Pension Related	<u>35,387</u>
<b>Net Position</b>	
Net Investment in Capital Assets	48,669,061
Expendable, Restricted for Capital Construction	639,234
Unrestricted	13,545,221
<b>Total Net Position</b>	<u>\$ 62,853,516</u>

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

Oregon Department of Veterans' Affairs  
 Veterans' Home Program  
 Statement of Revenues, Expenses and Changes in Fund Net Position  
 Proprietary Funds  
 For the Year Ended June 30, 2016

	<b>Business-Type Activity - Enterprise Fund</b>
	<i>Veterans' Home Program</i>
<b><u>Operating Revenues</u></b>	
Resident Revenue (Net)	\$ 30,962,601
Investment Income	69,335
Other Income	72,373
<b><i>Total Operating Revenues</i></b>	<b>31,104,309</b>
<b><u>Operating Expenses</u></b>	
Salaries and Other Payroll	565,015
Securities Lending Investment Expense	1,921
Services and Supplies	553,863
Veterans' Home Operations	27,207,376
Depreciation	1,296,585
<b><i>Total Operating Expenses</i></b>	<b>29,624,760</b>
<b>Operating Income (Loss)</b>	<b>1,479,549</b>
<b><u>Nonoperating Revenues (Expenses)</u></b>	
Interest Expense - Pension Related Debt	(2,053)
<b><i>Total Nonoperating Revenues (Expenses)</i></b>	<b>(2,053)</b>
<b>Income (Loss) before Transfers and Contributions</b>	<b>1,477,496</b>
<b>Transfers and Contributions</b>	
Net Transfers from Veterans' Home Trust Fund	83,485
Net Transfers to Dept. of Administrative Services	(18,270)
Capital Contributions	539,550
<b><i>Total Transfers and Contributions</i></b>	<b>604,765</b>
<b><i>Increase (Decrease) in Net Position</i></b>	<b>2,082,261</b>
<b>Net Position - Beginning</b>	<b>60,771,255</b>
<b>Net Position - Ending</b>	<b>\$ 62,853,516</b>

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

Oregon Department of Veterans' Affairs  
 Veterans' Home Program  
 Statement of Cash Flows  
 Proprietary Funds  
 For the Year Ended June 30, 2016

	<b>Business-Type Activity - Enterprise Fund</b>
	<i>Veterans' Home Program</i>
<b>Cash Flows from Operating Activities:</b>	
Receipts from Customers	\$ 29,898,078
Payments to Employees for Services	(490,019)
Payments to Suppliers	(25,731,438)
Payments to Other Funds for Services	(1,378,766)
Other Receipts (Payments)	69,560
Net Cash Provided (Used) in Operating Activities	<u>2,367,415</u>
<b>Cash Flows from Noncapital Financing Activities:</b>	
Principal Payments on Pension-Related Debt	(1,038)
Interest Payments on Pension-Related Debt	(2,053)
Transfers from Other Funds	83,485
Transfers to Other Funds	(18,270)
Net Cash Provided (Used) in Noncapital Financing Activities	<u>62,124</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Acquisition of Capital Assets	(1,182,433)
Capital Contributions	348,571
Net Cash Provided (Used) in Capital and Related Financing Activities	<u>(833,862)</u>
<b>Cash Flows from Investing Activities:</b>	
Interest on Investments and Cash Balances	67,414
Investment Income from Securities Lending	1,921
Investment Expense from Securities Lending	(1,921)
Net Cash Provided (Used) in Investing Activities	<u>67,414</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,663,091
Cash and Cash Equivalents - Beginning	<u>11,617,312</u>
Cash and Cash Equivalents - Ending	<u>\$ 13,280,403</u>
<b>Reconciled to Statement of Net Position:</b>	
<i>Cash and Cash Equivalents - Current</i>	\$ 12,857,643
<i>Cash and Cash Equivalents - Current, Restricted</i>	422,760
<i>Cash and Cash Equivalents - Ending (shown above)</i>	<u>\$ 13,280,403</u>

The accompanying notes are an integral part of the financial statements. (Continued on next page)

(Continued from prior page)

	<b>Business-Type Activity - Enterprise Fund</b>
	<i>Veterans' Home Program</i>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>	
Operating Income	\$ 1,479,549
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation and Amortization of Capital Assets	1,296,585
Interest Received on Investments Reported as Operating Revenue	(69,335)
Investment Expense	1,921
Net Changes in Assets and Liabilities:	
Accounts and Interest Receivable	(1,117,911)
Due From Other Funds	2,848
Accounts Payable	595,320
Contracts Payable - Retainage	6,395
Due to Other Funds	(7,392)
Deposit Liability	(2,812)
Unearned Revenue	53,387
Compensated Absences Payable	2,784
Post Employment Benefits	(954)
Net Pension Liability (Asset)	174,340
Deferred Outflow of Resources	
Contributions Subsequent to Measurement Date	(15,697)
Change in Employer Contribution and Proportion	(3,201)
Deferred Inflow of Resources	
Investment Earnings Difference	4,921
Difference between Expected and Actual Experience	(33,333)
Total Adjustments	<u>887,866</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 2,367,415</u>

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

**Oregon Department of Veterans' Affairs**  
**Veterans' Home Program**  
**Proprietary Fund**  
**Notes to the Financial Statements**  
**June 30, 2016**

## **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 1993 the Legislative Assembly authorized the Department to provide nursing and memory care to veterans and their spouses through an Oregon Veterans' Home. Opened in 1997, the first Oregon Veterans' Home was located in The Dalles. The facility has 151 beds and offers care in a home-like environment, complementing the philosophy of personal independence to some of Oregon's most vulnerable veterans.

In 1995, the Legislative Assembly authorized a second Oregon Veterans' Home. Opened in October 2014, the second Oregon Veterans' Home is located in Lebanon and has 154 beds. Constructed as a small-home design, the Lebanon Veterans' Home provides residents with private rooms in a community-like atmosphere.

The *Veterans' Home Program* is classified as a proprietary fund activity. The basic financial statements and notes presented herein include only the proprietary fund activity of the Veterans' Home 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' Home 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. 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 and cash held by the State Treasury in the Oregon Short-Term Fund (*OSTF*). 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. Investment income is derived from interest earned in the OSTF.

### **Securities Lending Cash Collateral**

The State Treasurer participates in securities lending with a portion of the OSTF. The Department's share of the cash collateral received from broker-dealers is disclosed in the Statement of Net Position as Securities Lending Cash Collateral.

### **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 pertain to resident-care related and other miscellaneous receivables.

### **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' Home buildings are depreciated over the estimated useful life (*40 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*).

### **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.

### **Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees Retirement System (PERS) and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefits and refunds are recognized in the month they are due and payable. Investments are reported at fair value.

**Compensated Absences Payable**

State policy allows employees to accrue vacation leave at various accrual rates with a maximum accumulation of 350 hours per employee. Employees can be paid up to a maximum of 300 hours of accrued vacation leave at separation from state service.

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 non-vesting, accumulated sick pay benefits.

**Invested in Capital Assets**

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

**Operating Revenues and Expenses**

Operating revenues include charges for resident-related care as well as earnings on cash. Administrative expenses, such as veterans' home operations, services and supplies, and depreciation related to capital assets, are considered operating expenses. All revenues and expenses not meeting this definition would be reported as nonoperating revenues and expenses.

**2. Deposits and Investments**

**Deposits**

Cash and cash equivalents for the Veterans' Home Program as of June 30, 2016 are included in the table below:

	TOTAL June 30, 2016
Book Balance - Cash & Cash Equivalents	
Current unrestricted	\$ 12,857,643
Current restricted	422,760
Combined Book Balance	<u>\$ 13,280,403</u>
Bank Balance - Cash & Cash Equivalents	<u>\$ 13,294,745</u>

As of June 30, 2016, the *Veterans' Home Program* had a combined total of \$13,294,745 held in demand accounts with the State Treasurer and invested in the Oregon Short-Term Fund (*OSTF*). The *OSTF* is a cash and investment pool that is available for use by all state funds and eligible local governments. State Treasurer demand deposit accounts and time certificates of deposit investments of the *OSTF* held in state banks are insured up to the Federal Deposit Insurance (*FDIC*) amount of \$250,000 for the combined total of all savings deposits. Where interest-bearing balances exceed the *FDIC* insured amount, the balances are covered by collateral held in a multiple financial institution collateral pool administered by the Oregon Office of the State Treasurer in the Public Funds Collateralization Program (*PFCP*). Because the pool operates as a demand deposit account, each fund type's portion of this pool is classified on the Statement of Net Position as Cash and Cash Equivalents.

Earnings on the OSTF are allocated based on daily account balances and a variable interest rate determined periodically by the State Treasurer. Securities in the OSTF are primarily held by the State Treasurer's agent in the name of the State of Oregon. Additional information about the OSTF can be found at [http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-\(OSTF\).aspx](http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-(OSTF).aspx) or by writing to the Oregon State Treasury, 350 Winter St NE Suite 100, Salem, OR 97301-3896.

**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 provisions or enabling legislation, deposit liabilities and from certain other contractual arrangements. The primary purpose of the restricted assets will be monies reserved for construction-related projects at the Veterans' Homes. As of June 30, 2016, the Veterans' Home Program had restricted assets of \$422,760.

**Securities Lending**

In accordance with State of Oregon investment policies, state agencies may participate in securities lending. The Department is currently involved in securities lending only with cash balances invested in the Oregon Short-Term Fund (OSTF). As of June 30, 2016, the amount of the fair value of all securities on loan from OSTF allocated to the Veterans' Home Program was \$718,302. OSTF securities on loan in total included U.S. Treasury securities (78.39%), U.S. Agency securities (13.11%) and domestic fixed income securities (8.50%). The amount allocated to the Veterans' Home Program of the fair value of all investments made with the cash collateral received for those securities on loan was \$529,827. The amount of total collateral received for the securities on loan from OSTF allocated to the Department's Home Program was \$529,999. Additional information about the OSTF and securities lending can be found in the OSTF financial statements at: <http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-%28OSTF%29.aspx#stat>.

**Investment Income**

The following table details the components of Investment Income for the year ended June 30, 2016:

	TOTAL June 30, 2016
Investment Income: Accrual Basis	\$ 67,414
Securities Lending Revenue	1,921
Investment Income	<u>\$ 69,335</u>

### 3. Resident-Care Receivables

The following table provides detail on the balances of the resident-care receivables by payor category for the fiscal year ended June 30, 2016:

	TOTAL
	<u>June 30, 2016</u>
Federal VA	\$ 2,466,600
Medicare Related	410,092
Medicaid Related	916,851
Resident Private Pay	112,249
Total Resident-Care Receivables	<u>\$ 3,905,792</u>

### 4. Construction-Related Receivables

The Department has construction-related receivables for the Lebanon Veterans' Home.

On September 11, 2013, the United States Department of Veterans Affairs (USDVA) awarded the Department a grant in the amount of \$26,203,125 for construction of the Lebanon Veterans' Home. The grant is based on 65% reimbursement of the total construction cost. As of June 30, 2016, the Department had a grant receivable from the USDVA of \$222,869.

## 5. Capital Assets

The following table provides detail on the balances and activities of the Department's capital assets for the year ended June 30, 2016:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 4,252,259	\$ 395,759	\$ -	\$ 4,648,018
Construction in Progress	641,460	600,523	(952,242)	289,741
Works of Art & Historical Treasures	59,998	-	-	59,998
<b>Total Capital Assets Not Being Depreciated</b>	<b>\$ 4,953,717</b>	<b>\$ 996,282</b>	<b>\$ (952,242)</b>	<b>\$ 4,997,757</b>
<b>Capital Assets Being Depreciated:</b>				
Buildings, Property & Equipment	\$50,005,936	\$ 659,937	\$ (5,080)	\$50,660,793
Improvements Other than Buildings	13,695	483,536	-	497,231
Works of Art & Historical Treasures	30,000	-	-	30,000
<b>Total Capital Assets Being Depreciated</b>	<b>\$50,049,631</b>	<b>\$ 1,143,473</b>	<b>\$ (5,080)</b>	<b>\$51,188,024</b>
<b>Less Accumulated Depreciation:</b>				
Buildings, Property & Equipment	\$ (6,179,770)	\$ (1,273,477)	\$ 339	\$ (7,452,908)
Improvements Other than Buildings	(10,366)	(23,446)	-	(33,812)
Works of Art & Historical Treasures	(30,000)	-	-	(30,000)
<b>Total Accumulated Depreciation</b>	<b>\$ (6,220,136)</b>	<b>\$ (1,296,923)</b>	<b>\$ 339</b>	<b>\$ (7,516,720)</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$43,829,495</b>	<b>\$ (153,450)</b>	<b>\$ (4,741)</b>	<b>\$43,671,304</b>
<b>Total Capital Assets, Net</b>	<b>\$48,783,212</b>	<b>\$ 842,832</b>	<b>\$ (956,983)</b>	<b>\$48,669,061</b>

Depreciation expense for year-ended June 30, 2016 was \$1,296,585.

## 6. Changes in Long-Term Liabilities

The following table provides detail on the long-term liability activity as of June 30, 2016:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Contracts Payable - Retainage	\$ -	\$ 6,395	\$ -	\$ 6,395	\$ 6,395
Net Pension Liability	-	145,338	-	145,338	-
Pension-Related Debt	31,304	-	(1,038)	\$ 30,266	1,000
Compensated Absences Payable	30,397	2,785	-	\$ 33,182	21,568
OPEB Obligation (Net)	2,880	-	(954)	\$ 1,926	-
<b>Total Long-Term Liabilities</b>	<b>\$ 64,581</b>	<b>\$ 154,518</b>	<b>\$ (1,992)</b>	<b>\$ 217,107</b>	<b>\$ 28,963</b>

## 7. Interfund Transactions

At June 30, 2016, there were outstanding interfund payables due to Other Funds for services performed by Department employees related to the operation of the Veterans' Home Program. The balances are shown as a "Due from Other Funds" and "Due to Other Funds" on the Statement of Net Position.

	TOTAL June 30, 2016
Due to Loan Program	\$ 105,538
Due to Lebanon Home	2,568
Total Due to Other Funds	<u>\$ 108,106</u>
Due from The Dalles Veterans' Home	\$ 2,568
Total Due from Other Funds	<u>\$ 2,568</u>

## 8. 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 Comprehensive Annual Financial Report (CAFR) that can be obtained at [http://www.oregon.gov/pers/Pages/section/financial\\_reports/financials.aspx](http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx).

### Contributions

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. The rates in effect for the fiscal year ended June 30, 2016 for state agencies general service members were 12.31% for Tier One/Tier Two and 6.51% for OPSRP. The IAP member contribution as set by statute is 6% and is currently paid by state agencies.

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

At June 30, 2016, the State of Oregon reported a liability of \$1.47 billion for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013 rolled forward to June 30, 2015. The State's proportion of the net pension liability was based on a projection of the State's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2015, the State's proportion was 25.6%, which increased from the 23.9% proportion measured as of June 30, 2014.

As part of the State of Oregon, the Home Program was allocated a percentage (.0025%) 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	\$ 7,837	\$ -
Net difference between projected and actual earnings on investments	-	30,466
Changes in proportion and differences between contributions and proportionate share of contributions	3,720	4,921
Subtotal	<u>11,557</u>	<u>35,387</u>
Net deferred Outflow (Inflow) of Resources before contributions subsequent to measurement date		(23,830)
Contributions subsequent to measurement date		<u>25,912</u>
Net Deferred Outflow (Inflow) of Resources		<u><u>2,082</u></u>

**9. 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, 2016 there were no significant reductions in insurance coverage in any risk category. Also, for the past ten fiscal years *(July 1, 2006 through June 30, 2016)* there have been no claims that exceeded the Department's property or liability coverage.

### **10. Allowances in Veterans' Home Program**

Revenues are reported net of discounts and allowances in the accompanying financial statements. The amounts netted against Resident Related Revenues are \$239,841 for fiscal year 2016.



***OTHER SUPPLEMENTAL SECTION***

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Oregon Department of Veterans' Affairs  
 Veterans' Home Program  
 Combining Statement of Net Position - *Unaudited*  
 Proprietary Funds  
 June 30, 2016

	<b>Business-Type Activities - Enterprise Funds</b>		
	<i>The Dalles</i> <u>Veterans' Home</u>	<i>Lebanon</i> <u>Veterans' Home</u>	<u>Total</u>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 8,710,369	\$ 4,147,274	\$ 12,857,643
Cash and Cash Equivalents - Restricted	-	422,760	422,760
Securities Lending Cash Collateral	347,504	182,323	529,827
Resident Care Receivable	1,419,079	2,405,952	3,825,031
Construction Related Receivable	-	222,869	222,869
Due from Other Funds	-	2,568	2,568
<b>Total Current Assets</b>	<u>10,476,952</u>	<u>7,383,746</u>	<u>17,860,698</u>
<b>Noncurrent Assets</b>			
Resident Care Receivable (Net)	70,349	10,412	80,761
Capital Assets:			
Building, Property and Equipment	16,360,991	34,299,802	50,660,793
Improvements Other than Buildings	497,231	-	497,231
Land	600,073	4,047,945	4,648,018
Construction in Progress	-	289,741	289,741
Works of Art and Historical Treasures	89,998	-	89,998
Accumulated Depreciation	(6,156,026)	(1,360,694)	(7,516,720)
<b>Total Noncurrent Assets</b>	<u>11,462,616</u>	<u>37,287,206</u>	<u>48,749,822</u>
<b>Total Assets</b>	<u>\$ 21,939,568</u>	<u>\$ 44,670,952</u>	<u>\$ 66,610,520</u>
<b>Deferred Outflows of Resources</b>			
Pension Related	37,470	-	37,470
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 1,218,963	\$ 1,539,116	\$ 2,758,079
Due to Other Funds	54,487	53,620	108,107
Unearned Revenue	125,308	20,659	145,967
Contracts Payable - Retainage	-	6,395	6,395
Obligations under Securities Lending	347,504	182,323	529,827
Pension Related Debt	1,000	-	1,000
Compensated Absences Payable	18,592	2,976	21,568
<b>Total Current Liabilities</b>	<u>1,765,854</u>	<u>1,805,089</u>	<u>3,570,943</u>
<b>Noncurrent Liabilities</b>			
Pension Related Debt	29,266	-	29,266
Net Pension Liability	145,338	-	145,338
Compensated Absences Payable	10,012	1,602	11,614
Other Postemployment Benefits Obligation (Net)	1,926	-	1,926
<b>Total Noncurrent Liabilities</b>	<u>186,542</u>	<u>1,602</u>	<u>188,144</u>
<b>Total Liabilities</b>	<u>1,952,396</u>	<u>1,806,691</u>	<u>3,759,087</u>
<b>Deferred Inflows of Resources</b>			
Pension Related	35,387	-	35,387
<b>Net Position</b>			
Net Investment in Capital Assets	11,392,267	37,276,794	48,669,061
Expendable, Restricted for Capital Construction	-	639,234	639,234
Unrestricted	8,596,988	4,948,233	13,545,221
<b>Total Net Position</b>	<u>\$ 19,989,255</u>	<u>\$ 42,864,261</u>	<u>\$ 62,853,516</u>

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

Oregon Department of Veterans' Affairs  
Veterans' Home Program  
Combining Statement of Revenues, Expenses and Changes in Fund Net Position - *Unaudited*  
Proprietary Funds  
For the Year Ended June 30, 2016

	<b>Business-Type Activities - Enterprise Funds</b>		
	<i>The Dalles Veterans' Home</i>	<i>Lebanon Veterans' Home</i>	<i>Total</i>
<b>Operating Revenues</b>			
Resident Revenue (Net)	\$ 16,308,920	\$ 14,653,681	\$ 30,962,601
Investment Income	52,249	17,086	69,335
Other Income	23,854	48,519	72,373
<b>Total Operating Revenues</b>	<u>16,385,023</u>	<u>14,719,286</u>	<u>31,104,309</u>
<b>Operating Expenses</b>			
Salaries and Other Payroll	434,715	130,300	565,015
Securities Lending Investment Expense	1,260	661	1,921
Services and Supplies	134,037	419,826	553,863
Veterans' Home Operations	13,379,228	13,828,148	27,207,376
Depreciation	464,034	832,551	1,296,585
<b>Total Operating Expenses</b>	<u>14,413,274</u>	<u>15,211,486</u>	<u>29,624,760</u>
<b>Operating Income (Loss)</b>	<u>1,971,749</u>	<u>(492,200)</u>	<u>1,479,549</u>
<b>Nonoperating Revenues (Expenses)</b>			
Interest Expense - Pension Related Debt	(2,053)	-	(2,053)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(2,053)</u>	<u>-</u>	<u>(2,053)</u>
<b>Income (Loss) before Transfers and Contributions</b>	1,969,696	(492,200)	1,477,496
<b>Transfers and Contributions</b>			
Net Transfers from Veterans' Home Trust Fund	18,972	64,513	83,485
Net Transfers between The Dalles and Lebanon	(3,750,000)	3,750,000	-
Net Transfers to Dept. of Administrative Services	(13,292)	(4,978)	(18,270)
Capital Contributions	30,006	509,544	539,550
<b>Total Transfers and Contributions</b>	<u>(3,714,314)</u>	<u>4,319,079</u>	<u>604,765</u>
<b>Increase (Decrease) in Net Position</b>	(1,744,618)	3,826,879	2,082,261
<b>Net Position - Beginning</b>	21,733,873	39,037,382	60,771,255
<b>Net Position - Ending</b>	<u>\$ 19,989,255</u>	<u>\$ 42,864,261</u>	<u>\$ 62,853,516</u>

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

Oregon Department of Veterans' Affairs  
Veterans' Home Program  
Combining Statement of Cash Flows - *Unaudited*  
Proprietary Funds  
For the Year Ended June 30, 2016

	<b>Business-Type Activity - Enterprise Funds</b>		
	<i>The Dalles Veterans' Home</i>	<i>Lebanon Veterans' Home</i>	<i>Total</i>
<b>Cash Flows from Operating Activities:</b>			
Receipts from Customers	\$ 16,530,613	\$ 13,367,465	\$ 29,898,078
Payments to Employees for Services	(302,022)	(187,997)	(490,019)
Payments to Suppliers	(12,800,226)	(12,931,212)	(25,731,438)
Payments to Other Funds for Services	(803,947)	(574,819)	(1,378,766)
Other Receipts (Payments)	21,041	48,519	69,560
Net Cash Provided (Used) in Operating Activities	<u>2,645,459</u>	<u>(278,044)</u>	<u>2,367,415</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Principal Payments on Pension-Related Debt	(1,038)	-	(1,038)
Interest Payments on Pension-Related Debt	(2,053)	-	(2,053)
Transfers from Other Funds	18,972	3,814,513	3,833,485
Transfers to Other Funds	<u>(3,763,292)</u>	<u>(4,978)</u>	<u>(3,768,270)</u>
Net Cash Provided (Used) in Noncapital Financing Activities	<u>(3,747,411)</u>	<u>3,809,535</u>	<u>62,124</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition of Capital Assets	(297,693)	(884,740)	(1,182,433)
Capital Contributions	38,317	310,254	348,571
Net Cash Provided (Used) in Capital and Related Financing Activities	<u>(259,376)</u>	<u>(574,486)</u>	<u>(833,862)</u>
<b>Cash Flows from Investing Activities:</b>			
Interest on Investments and Cash Balances	50,989	16,425	67,414
Investment Income from Securities Lending	1,260	661	1,921
Investment Expense from Securities Lending	<u>(1,260)</u>	<u>(661)</u>	<u>(1,921)</u>
Net Cash Provided (Used) in Investing Activities	<u>50,989</u>	<u>16,425</u>	<u>67,414</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,310,339)	2,973,430	1,663,091
Cash and Cash Equivalents - Beginning	<u>10,020,708</u>	<u>1,596,604</u>	<u>11,617,312</u>
Cash and Cash Equivalents - Ending	<u>\$ 8,710,369</u>	<u>\$ 4,570,034</u>	<u>\$ 13,280,403</u>
<b>Reconciled to Statement of Net Position:</b>			
Cash and Cash Equivalents - Current	\$ 8,710,369	\$ 4,147,274	\$ 12,857,643
Cash and Cash Equivalents - Current, Restricted	-	422,760	422,760
Cash and Cash Equivalents - Ending (shown above)	<u>\$ 8,710,369</u>	<u>\$ 4,570,034</u>	<u>\$ 13,280,403</u>

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

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	<b>Business-Type Activity - Enterprise Funds</b>		
	<i>The Dalles Veterans' Home</i>	<i>Lebanon Veterans' Home</i>	<i>Total</i>
<b>Reconciliation of Operating Income to Net Cash Provided (Used)</b>			
<b>by Operating Activities:</b>			
Operating Income	\$ 1,971,749	\$ (492,200)	\$ 1,479,549
Adjustments to Reconcile Operating Income to Net Cash Provided (Used)			
by Operating Activities:			
Depreciation and Amortization of Capital Assets	464,034	832,551	1,296,585
Interest Received on Investments Reported			
as Operating Revenue	(52,249)	(17,086)	(69,335)
Investment Expense	1,260	661	1,921
Net Changes in Assets and Liabilities:			
Accounts and Interest Receivable	168,665	(1,286,576)	(1,117,911)
Due From Other Funds	5,416	(2,568)	2,848
Accounts Payable	(50,777)	646,097	595,320
Contracts Payable - Retainage	-	6,395	6,395
Due to Other Funds	(40,131)	32,739	(7,392)
Deposit Liability	(2,812)	-	(2,812)
Unearned Revenue	53,027	360	53,387
Compensated Absences Payable	1,201	1,583	2,784
Post Employment Benefits	(954)	-	(954)
Net Pension Liability (Asset)	174,340	-	174,340
Deferred Outflow of Resources			
Contributions Subsequent to Measurement Date	(15,697)	-	(15,697)
Change in Employer Contribution and Proportion	(3,201)	-	(3,201)
Deferred Inflow of Resources			
Investment Earnings Difference	4,921	-	4,921
Difference between Expected and Actual Experience	(33,333)	-	(33,333)
Total Adjustments	<u>673,710</u>	<u>214,156</u>	<u>887,866</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 2,645,459</u>	<u>\$ (278,044)</u>	<u>\$ 2,367,415</u>

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

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## Governmental Funds

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### General Fund

The General Fund accounts for general governmental operations that are financed by legislatively approved appropriations funded from general revenues. For the Department, general government activities are related to services to veterans. Specifically, general fund dollars cover a portion of the cost for counseling, conservatorship and other services to veterans. In addition, the General Fund makes available educational aid and emergency assistance to certain veterans, as well as financial assistance and training to County Veterans' Service Offices and Veterans' Organizations.

### Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Veterans' Trust Accounts - The Department accepts donations that can be used to operate the Oregon Veterans' Homes and to provide its residents with amenities to enhance their quality of life. The fund is composed of donations and interest earnings. In addition, the Department maintains other veteran-related trust accounts.

Oregon Department of Veterans' Affairs  
 Combined Balance Sheet - *Unaudited*  
**Governmental Funds**  
 June 30, 2016 and June 30, 2015

	<u>General Fund</u>		<u>Special Revenue Fund</u>	
	<u>June 30, 2016</u>	<u>June 30, 2015</u>	Veterans' Home Trust <u>June 30, 2016</u>	<u>June 30, 2015</u>
<b>Assets</b>				
<b>Current Assets</b>				
Cash and Cash Equivalents	\$ -	\$ -	\$ 1,345,911	\$ 1,159,247
Securities Lending Cash Collateral	-	-	53,761	68,396
Receivables:				
Due from State General Fund	614,944	790,521	-	-
Due from Other Funds	-	-	9,350	8,828
Prepaid Items	242	10	-	-
Total Current Assets	<u>615,186</u>	<u>790,531</u>	<u>1,409,022</u>	<u>1,236,471</u>
<b>Total Assets</b>	<b>\$ <u>615,186</u></b>	<b>\$ <u>790,531</u></b>	<b>\$ <u>1,409,022</u></b>	<b>\$ <u>1,236,471</u></b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts Payable	\$ 614,944	\$ 790,521	\$ -	\$ -
Obligations under Securities Lending	-	-	53,761	68,396
Total Current Liabilities	<u>614,944</u>	<u>790,521</u>	<u>53,761</u>	<u>68,396</u>
<b>Total Liabilities</b>	<b>\$ <u>614,944</u></b>	<b>\$ <u>790,521</u></b>	<b>\$ <u>53,761</u></b>	<b>\$ <u>68,396</u></b>
<b>Fund Balances</b>				
Nonspendable Fund Balance - Prepaids	\$ 242	\$ 10	\$ -	\$ -
Restricted Fund Balance - Donor/Other External Party	-	-	1,355,261	1,168,075
<b>Total Fund Balances</b>	<b>\$ <u>242</u></b>	<b>\$ <u>10</u></b>	<b>\$ <u>1,355,261</u></b>	<b>\$ <u>1,168,075</u></b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ <u>615,186</u></b>	<b>\$ <u>790,531</u></b>	<b>\$ <u>1,409,022</u></b>	<b>\$ <u>1,236,471</u></b>

<u>Special Revenue Fund</u>		<u>Governmental Funds</u>	
Other Veterans' Trust Accounts		Total	
<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
\$ 166,161	\$ 107,323	\$ 1,512,072	\$ 1,266,570
6,564	6,332	60,325	74,728
-	-	614,944	790,521
-	-	9,350	8,828
-	-	242	10
<u>172,725</u>	<u>113,655</u>	<u>2,196,933</u>	<u>2,140,657</u>
<u>\$ 172,725</u>	<u>\$ 113,655</u>	<u>\$ 2,196,933</u>	<u>\$ 2,140,657</u>
\$ -	\$ -	\$ 614,944	\$ 790,521
6,564	6,332	60,325	74,728
<u>6,564</u>	<u>6,332</u>	<u>675,269</u>	<u>865,249</u>
<u>\$ 6,564</u>	<u>\$ 6,332</u>	<u>\$ 675,269</u>	<u>\$ 865,249</u>
\$ -	\$ -	\$ 242	\$ 10
<u>166,161</u>	<u>107,323</u>	<u>1,521,422</u>	<u>1,275,398</u>
<u>\$ 166,161</u>	<u>\$ 107,323</u>	<u>\$ 1,521,664</u>	<u>\$ 1,275,408</u>
<u>\$ 172,725</u>	<u>\$ 113,655</u>	<u>\$ 2,196,933</u>	<u>\$ 2,140,657</u>

Oregon Department of Veterans' Affairs  
 Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - *Unaudited*  
**Governmental Funds**  
 For The Fiscal Years Ended June 30, 2016 and June 30, 2015

	<u>General Fund</u>		<u>Special Revenue Fund</u>	
	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
<b>Revenues</b>				
Federal Revenue	\$ -	\$ -	\$ -	\$ -
Donations	-	-	157,739	160,645
Interest Income	-	-	8,775	6,955
<b>Total Revenues</b>	<u>-</u>	<u>-</u>	<u>166,514</u>	<u>167,600</u>
<b>Expenditures</b>				
Veterans' Services				
Personal Services	1,707,563	1,684,027	-	-
Services and Supplies	439,435	471,968	-	-
Bond Interest	28,810	32,797	-	-
Securities Lending Investment Expense	-	-	231	91
State Treasury Charges	-	-	-	-
Trust Fund Distributions	-	-	-	-
Special Payments	2,419,958	2,313,000	-	-
<b>Total Expenditures</b>	<u>4,595,766</u>	<u>4,501,792</u>	<u>231</u>	<u>91</u>
<b>Other Financing Sources (Uses)</b>				
State Appropriations	4,595,766	4,501,792	-	-
Transfer In from DMV	-	-	104,388	91,067
Transfer Out to Counties	-	-	-	-
Transfer Out to Veterans' Home	-	-	(83,485)	(384,311)
<b>Total Other Financing Sources (Uses)</b>	<u>4,595,766</u>	<u>4,501,792</u>	<u>20,903</u>	<u>(293,244)</u>
<b>Net Change in Fund Balance</b>	<u>-</u>	<u>-</u>	<u>187,186</u>	<u>(125,735)</u>
<b>Beginning Fund Balance</b>	10	248	1,168,075	1,293,810
<b>Change in Reserve for Prepaid Items</b>	232	(238)	-	-
<b>Ending Fund Balance</b>	<u>\$ 242</u>	<u>\$ 10</u>	<u>\$ 1,355,261</u>	<u>\$ 1,168,075</u>

<b>Special Revenue Fund</b>		<b>Governmental Funds</b>	
Other Veterans' Trust Accounts		Total	
<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
\$ 462,348	\$ 216,717	\$ 462,348	\$ 216,717
78,119	39,442	235,858	200,087
835	544	9,610	7,499
<u>541,302</u>	<u>256,703</u>	<u>707,816</u>	<u>424,303</u>
36,058	16,894	1,743,621	1,700,921
17,803	21,176	457,238	493,144
-	-	28,810	32,797
28	8	259	99
1,062	925	1,062	925
13,868	11,916	13,868	11,916
-	-	2,419,958	2,313,000
<u>68,819</u>	<u>50,919</u>	<u>4,664,816</u>	<u>4,552,802</u>
-	-	4,595,766	4,501,792
-	-	104,388	91,067
(413,645)	(196,847)	(413,645)	(196,847)
-	-	(83,485)	(384,311)
<u>(413,645)</u>	<u>(196,847)</u>	<u>4,203,024</u>	<u>4,011,701</u>
<u>58,838</u>	<u>8,937</u>	<u>246,024</u>	<u>(116,798)</u>
107,323	98,386	1,275,408	1,392,444
-	-	232	(238)
<u>\$ 166,161</u>	<u>\$ 107,323</u>	<u>\$ 1,521,664</u>	<u>\$ 1,275,408</u>

**UNAUDITED**  
 STATE OF OREGON  
 DEPARTMENT OF VETERANS' AFFAIRS  
**SCHEDULE OF LEGISLATIVE AUTHORIZATION (NON-GAAP BUDGETARY BASIS)**  
**COMPARED TO ACTUAL EXPENDITURES SUBJECT TO BUDGET**  
**GOVERNMENTAL FUND**  
 FOR THE BIENNIUM ENDING JUNE 30, 2017  
 AS OF JUNE 30, 2016

	General Fund*			
	2015-2017 Original Budget	2015-2017 Adjusted Budget	First Year Actual June 30, 2016	Variance Favorable/ (Unfavorable)
General Fund:				
Veterans' Services Division - Appropriation	\$ 10,045,480	\$ 10,389,026	\$ 3,992,846	\$ 6,396,180
 Total General Fund	 \$ 10,045,480	 \$ 10,389,026	 \$ 3,992,846	 \$ 6,396,180

\* Amounts do not include General Fund Debt Service

## Fiduciary Fund

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### Private Purpose Trust Fund

Private Purpose Trust Funds, a type of Fiduciary Fund, account for trust arrangements, other than those properly reported in pension trust funds or investment trust funds, under which principal and income benefit individuals, private organizations, or other governments.

Conservatorship Private Purpose Trust Fund – As of June 30, 2016, the Department acts as conservator of estates of approximately 140 veterans, survivors, and minor or helpless children of veterans who the court has determined are unable to manage their own financial affairs. Revenue sources include Social Security monies, U.S. Department of Veterans' Affairs benefits, investment income, and other sources of income. Additionally, as of June 30, 2016, the Department acts as representative payee – a more limited financial management position than conservator – for 131 clients upon assignment by the U.S. Department of Veterans' Affairs.

Oregon Department of Veterans' Affairs  
Statement of Net Position - *Unaudited*  
**Fiduciary Fund**  
June 30, 2016 and June 30, 2015

	<b>Private Purpose Trust Fund</b>	
	Conservatorship Program	
	<u>June 30, 2016</u>	<u>June 30, 2015</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 21,774,708	\$ 18,109,692
Investments	1,079,503	1,358,331
Securities Lending Cash Collateral	868,695	1,057,223
Receivables:		
Accrued Interest	16,201	8,047
Total Current Assets	<u>23,739,107</u>	<u>20,533,293</u>
<b>Noncurrent Assets</b>		
Conservatorship Real Property	3,820,966	4,213,604
Conservatorship Personal Property	528,096	451,298
Total Noncurrent Assets	<u>4,349,062</u>	<u>4,664,902</u>
<b>Total Assets</b>	<u>\$ 28,088,169</u>	<u>\$ 25,198,195</u>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Mortgages on Conservatorship Real Property	82,152	86,220
Obligations under Securities Lending	868,695	1,057,223
Total Current Liabilities	<u>950,847</u>	<u>1,143,443</u>
<b>Noncurrent Liabilities</b>		
Mortgages on Conservatorship Real Property	1,293,003	1,233,268
Total Noncurrent Liabilities	<u>1,293,003</u>	<u>1,233,268</u>
<b>Total Liabilities</b>	<u>2,243,850</u>	<u>2,376,711</u>
<b>Net Position</b>		
<b>Net Position Held in Trust for Individuals</b>	<u>25,844,319</u>	<u>22,821,484</u>
<b>Total Net Position</b>	<u>\$ 25,844,319</u>	<u>\$ 22,821,484</u>

Oregon Department of Veterans' Affairs  
Statement of Changes in Net Position  
**Fiduciary Fund**

For The Fiscal Years Ended June 30, 2016 and June 30, 2015

	<b>Private Purpose Trust Fund</b>	
	Conservatorship Program	
	June 30, 2016	June 30, 2015
<b>Additions</b>		
<b>Contributions:</b>		
Veterans' Benefits	\$ 14,744,942	\$ 6,968,279
<b>Investment Income:</b>		
Interest Income	139,362	107,066
Valuation Changes and Redemptions of Investments	(66,175)	(134,417)
<b>Total Additions</b>	<b>\$ 14,818,129</b>	<b>\$ 6,940,928</b>
<b>Deductions</b>		
Veterans' Services: Beneficiary Care	\$ 11,791,658	\$ 9,140,371
Securities Lending Investment Expense	3,636	1,331
<b>Total Deductions</b>	<b>11,795,294</b>	<b>9,141,702</b>
<b>Net Increase/ (Decrease)</b>	<b>3,022,835</b>	<b>(2,200,774)</b>
<b>Change in Net Position</b>	<b>3,022,835</b>	<b>(2,200,774)</b>
<b>Beginning Net Position</b>	22,821,484	25,022,258
<b>Ending Net Position</b>	<b>\$ 25,844,319</b>	<b>\$ 22,821,484</b>

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*STATISTICAL SECTION*

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Oregon Department of Veterans' Affairs  
 Assets, Liabilities, and Net Position - *Unaudited*  
 Veterans' Home Program (The Dalles Veterans' Home only)  
 For The Fiscal Years Ended 2007 - 2016

<u>Assets</u>	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
<b><u>Current Assets</u></b>				
Cash and Cash Equivalents	\$ 8,710,369	\$ 9,845,403	\$ 7,969,206	\$ 6,435,934
Securities Lending Cash Collateral	347,504	591,146	519,927	427,682
Resident Care Receivable	1,419,079	1,570,711	1,481,895	2,282,144
Other Receivable	-	8,312	100,495	-
Due from Other Funds	-	5,416	9,241	8,560
<b>Total Current Assets</b>	<b>\$ 10,476,952</b>	<b>\$ 12,020,988</b>	<b>\$ 10,080,764</b>	<b>\$ 9,154,320</b>
<b><u>Noncurrent Assets</u></b>				
Cash and Cash Equivalents - Restricted	-	175,305	-	-
Resident Care Receivable (Net)	\$ 70,349	\$ 87,382	\$ 58,823	\$ 134,885
Net Pension Asset	-	29,002	-	-
Capital Assets:				
Building, Property and Equipment	16,360,991	15,905,374	15,732,349	15,732,349
Improvements Other than Buildings	497,231	13,695	13,695	13,695
Land	600,073	600,073	600,073	600,073
Construction in Progress	-	641,460	39,163	-
Works of Art and Historical Treasures	89,998	89,998	89,998	89,998
Accumulated Depreciation	(6,156,026)	(5,691,993)	(5,294,125)	(4,895,076)
<b>Total Noncurrent Assets</b>	<b>\$ 11,462,616</b>	<b>\$ 11,850,296</b>	<b>\$ 11,239,976</b>	<b>\$ 11,675,924</b>
<b>Total Assets</b>	<b>\$ 21,939,568</b>	<b>\$ 23,871,284</b>	<b>\$ 21,320,740</b>	<b>\$ 20,830,244</b>
<b>Deferred Outflows of Resources</b>				
Pension Related	37,470	10,734	-	-
<b>Total Assets and Deferred Outflows of Resources</b>	<b>21,977,038</b>	<b>23,882,018</b>	<b>21,320,740</b>	<b>20,830,244</b>
<b><u>Liabilities</u></b>				
<b><u>Current Liabilities</u></b>				
Accounts Payable	\$ 1,218,963	\$ 1,269,740	\$ 1,258,941	\$ 1,389,624
Due to Other Funds	54,487	94,617	81,173	71,798
Deposit Liabilities	-	2,812	-	-
Unearned Revenue	125,308	72,282	33,108	23,835
Obligations Under Securities Lending	347,504	591,146	519,927	427,682
Pension-Related Debt (1)	1,000	1,200	900	700
Compensated Absences Payable	18,592	18,085	5,326	3,994
<b>Total Current Liabilities</b>	<b>\$ 1,765,854</b>	<b>\$ 2,049,882</b>	<b>\$ 1,899,375</b>	<b>\$ 1,917,633</b>
<b><u>Noncurrent Liabilities</u></b>				
Pension-Related Debt (1)	\$ 29,266	\$ 30,104	\$ 31,790	\$ 32,853
Net Pension Liability	145,338	-	-	-
Compensated Absences Payable	10,012	9,317	2,744	2,151
Other Post Employment Benefits Obligation (Net)	1,926	2,880	2,377	2,162
<b>Total Noncurrent Liabilities</b>	<b>\$ 186,542</b>	<b>\$ 42,301</b>	<b>\$ 36,911</b>	<b>\$ 37,166</b>
<b>Total Liabilities</b>	<b>\$ 1,952,396</b>	<b>\$ 2,092,183</b>	<b>\$ 1,936,286</b>	<b>\$ 1,954,799</b>
<b>Deferred Inflows of Resources</b>				
Pension Related	35,387	55,962	-	-
<b>Net Position</b>				
Net Investment in Capital Assets	\$ 11,392,267	\$ 11,558,607	\$ 11,181,153	\$ 11,541,039
Expendable, Restricted for Capital Construction	-	183,617	-	-
Unrestricted	8,596,988	9,991,649	8,203,301	7,334,406
<b>Total Net Position</b>	<b>\$ 19,989,255</b>	<b>\$ 21,733,873</b>	<b>\$ 19,384,454</b>	<b>\$ 18,875,445</b>
<b>Total Liabilities, Deferred Inflows and Net Position</b>	<b>\$ 21,977,038</b>	<b>\$ 23,882,018</b>	<b>\$ 21,320,740</b>	<b>\$ 20,830,244</b>

(1) Starting in fiscal year 2013, pension-related debt reported separately as required by GASB Statement 27.

	June 30, 2012	June 30, 2011	June 30, 2010	June 30, 2009	June 30, 2008	June 30, 2007
\$	5,809,130	\$ 3,981,396	\$ 2,422,398	\$ 1,982,432	\$ 1,653,358	\$ 1,105,989
	607,557	4,459,350	939,799	907,514	818,718	387,988
	1,566,269	1,376,424	1,484,378	1,398,921	1,136,487	1,158,387
	-	-	-	-	-	-
	-	-	-	-	-	-
\$	<u>7,982,956</u>	<u>9,817,170</u>	<u>4,846,575</u>	<u>4,288,867</u>	<u>3,608,563</u>	<u>2,652,364</u>
	-	-	-	-	-	-
\$	14,369	\$ 26,927	\$ 70,750	\$ 138,125	\$ 6,693	\$ 13,754
	-	-	-	-	-	-
	15,507,603	12,718,076	12,643,416	12,715,158	12,708,097	12,562,282
	13,695	13,695	7,250	7,250	7,250	7,250
	600,073	600,073	600,073	600,073	600,073	600,073
	-	1,566,650	-	-	-	-
	70,000	70,000	70,000	70,000	70,000	70,000
	(4,497,806)	(4,202,032)	(3,895,082)	(3,653,406)	(3,339,812)	(3,027,776)
\$	<u>11,707,934</u>	<u>10,793,389</u>	<u>9,496,407</u>	<u>9,877,200</u>	<u>10,052,301</u>	<u>10,225,583</u>
\$	<u>19,690,890</u>	<u>20,610,559</u>	<u>14,342,982</u>	<u>14,166,067</u>	<u>13,660,864</u>	<u>12,877,947</u>
	-	-	-	-	-	-
	<u>19,690,890</u>	<u>20,610,559</u>	<u>14,342,982</u>	<u>14,166,067</u>	<u>13,660,864</u>	<u>12,877,947</u>
\$	1,316,836	\$ 1,125,035	\$ 1,017,734	\$ 963,037	\$ 889,510	\$ 855,175
	68,285	66,147	66,674	71,991	63,499	55,909
	-	187	6,076	7,990	361	361
	124,746	92,502	55,186	131,604	-	-
	607,557	4,459,350	939,799	907,514	818,718	387,988
	-	-	-	-	-	-
	3,046	3,392	4,565	9,945	5,345	2,277
\$	<u>2,120,470</u>	<u>5,746,613</u>	<u>2,090,034</u>	<u>2,092,081</u>	<u>1,777,433</u>	<u>1,301,710</u>
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
	-	-	-	-	-	-
	1,569	1,748	2,352	4,898	2,632	1,121
	1,112	494	-	-	-	-
\$	<u>2,681</u>	<u>2,242</u>	<u>2,352</u>	<u>4,898</u>	<u>2,632</u>	<u>1,121</u>
\$	<u>2,123,151</u>	<u>5,748,855</u>	<u>2,092,386</u>	<u>2,096,979</u>	<u>1,780,065</u>	<u>1,302,831</u>
	-	-	-	-	-	-
\$	11,693,565	\$ 10,766,462	\$ 9,425,657	\$ 9,739,075	\$ 10,045,608	\$ 10,211,829
	-	-	-	-	-	-
	5,874,174	4,095,242	2,824,939	2,330,013	1,835,191	1,363,287
\$	<u>17,567,739</u>	<u>14,861,704</u>	<u>12,250,596</u>	<u>12,069,088</u>	<u>11,880,799</u>	<u>11,575,116</u>
\$	<u>19,690,890</u>	<u>20,610,559</u>	<u>14,342,982</u>	<u>14,166,067</u>	<u>13,660,864</u>	<u>12,877,947</u>

Oregon Department of Veterans' Affairs  
Statement of Revenues, Expenses and Changes In Net Position - *Unaudited*  
Veterans' Home Program (The Dalles Veterans' Home only)  
For The Fiscal Years Ended 2007 - 2016

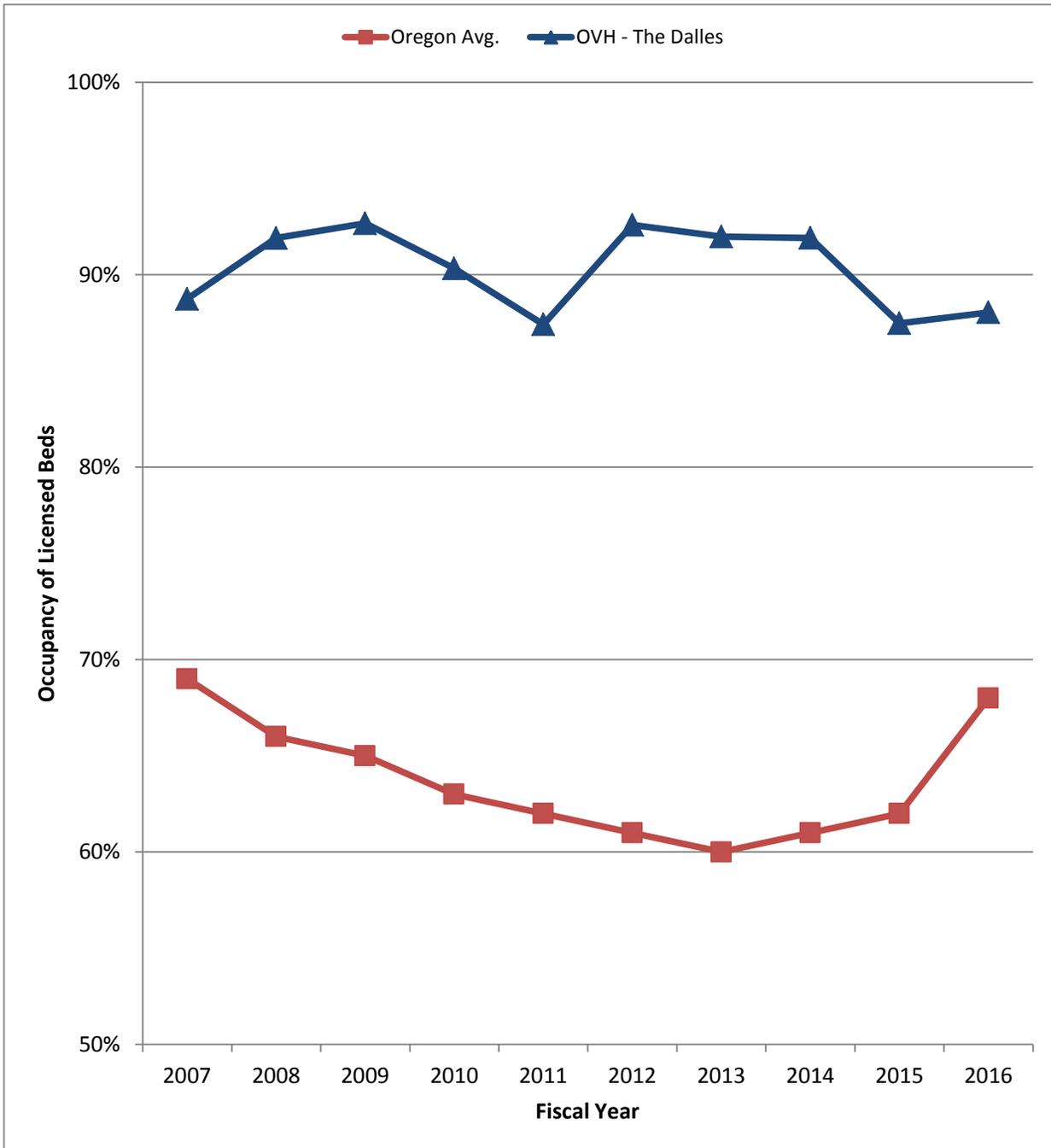
	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
<b>Operating Revenues</b>				
Resident Revenue (Net) (1)	\$ 16,308,920	\$ 15,855,020	\$ 16,216,313	\$ 14,263,736
Investment Income	52,249	46,467	45,590	35,394
Other Fees and Charges	23,854	21,119	20,968	28,303
<b>Total Operating Revenues</b>	<b>\$ 16,385,023</b>	<b>\$ 15,922,606</b>	<b>\$ 16,282,871</b>	<b>\$ 14,327,433</b>
<b>Operating Expenses</b>				
Salaries and Other Payroll	\$ 434,715	\$ 225,034	\$ 138,129	\$ 133,068
Securities Lending Investment Expense	1,260	706	488	1,210
Services and Supplies	134,037	173,227	165,230	160,526
Veterans' Home Operations	13,379,228	13,431,203	12,679,264	12,407,376
Depreciation	464,034	408,468	399,050	397,270
<b>Total Operating Expenses</b>	<b>\$ 14,413,274</b>	<b>\$ 14,238,638</b>	<b>\$ 13,382,161</b>	<b>\$ 13,099,450</b>
<b>Operating Income (Loss)</b>	<b>\$ 1,971,749</b>	<b>\$ 1,683,968</b>	<b>\$ 2,900,710</b>	<b>\$ 1,227,983</b>
<b>Non-operating Revenues (Expenses)</b>				
Interest Expense - Pension Related	(2,053)	(2,123)	(2,119)	(2,218)
<b>Total Non-operating Revenues (Expenses)</b>	<b>(2,053)</b>	<b>(2,123)</b>	<b>(2,119)</b>	<b>(2,218)</b>
<b>Income (Loss) before Transfers and Contributions</b>	<b>1,969,696</b>	<b>1,681,845</b>	<b>2,898,591</b>	<b>1,225,765</b>
<b>Transfers and Contributions</b>				
Net Transfers from Veterans' Home Trust Fund	\$ 18,972	\$ 384,311	\$ 15,509	\$ 13,534
Net Transfers to Lebanon Veterans' Home	(3,750,000)	-	(2,500,000)	-
Net Transfers to Dept. of Administrative Services	(13,292)	(10,935)	(5,586)	(4,979)
Gain (Loss) on Disposition of Asset	-	4,262	-	-
Capital Contributions	30,006	342,726	100,495	107,687
<b>Total Transfers and Contributions</b>	<b>(3,714,314)</b>	<b>720,364</b>	<b>(2,389,582)</b>	<b>116,242</b>
<b>Increase (Decrease) in Net Position</b>	<b>(1,744,618)</b>	<b>2,402,209</b>	<b>509,009</b>	<b>1,342,007</b>
<b>Net Position</b>				
Beginning Net Position	\$ 21,733,873	\$ 19,384,454	\$ 18,875,445	\$ 17,567,739
Prior Period Adjustment	-	162	-	(34,301)
Cumulative Effect of Change in Accounting Principle	-	(52,952)	-	-
<b>Beginning Net Position, Restated</b>	<b>\$ 21,733,873</b>	<b>\$ 19,331,664</b>	<b>\$ 18,875,445</b>	<b>\$ 17,533,438</b>
<b>Ending Net Position</b>	<b>\$ 19,989,255</b>	<b>\$ 21,733,873</b>	<b>\$ 19,384,454</b>	<b>\$ 18,875,445</b>

(1) Resident Revenue is shown net of any related bad debt expense.

	June 30, 2012	June 30, 2011	June 30, 2010	June 30, 2009	June 30, 2008	June 30, 2007
\$	13,677,396	\$ 12,615,906	\$ 11,833,514	\$ 11,709,871	\$ 10,985,553	\$ 10,223,934
	27,712	20,719	12,655	34,591	62,149	57,064
	2,048	1,648	2,167	1,708	2,191	2,066
\$	<u>13,707,156</u>	<u>\$ 12,638,273</u>	<u>\$ 11,848,336</u>	<u>\$ 11,746,170</u>	<u>\$ 11,049,893</u>	<u>\$ 10,283,064</u>
\$	230,801	\$ 217,270	\$ 202,012	\$ 145,500	\$ 120,273	\$ 98,888
	1,345	3,861	1,188	3,087	15,600	12,974
	82,462	121,569	119,113	64,966	81,099	583,527
	11,603,548	11,103,989	11,050,913	11,044,368	10,365,986	9,632,303
	317,534	315,949	313,419	313,593	315,110	288,852
\$	<u>12,235,690</u>	<u>\$ 11,762,638</u>	<u>\$ 11,686,645</u>	<u>\$ 11,571,514</u>	<u>\$ 10,898,068</u>	<u>\$ 10,616,544</u>
\$	<u>1,471,466</u>	<u>\$ 875,635</u>	<u>\$ 161,691</u>	<u>\$ 174,656</u>	<u>\$ 151,825</u>	<u>\$ (333,480)</u>
	-	-	-	-	-	-
	-	-	-	-	-	-
	1,471,466	875,635	161,691	174,656	151,825	(333,480)
\$	177,700	\$ 947,478	\$ 20,514	\$ 18,060	\$ 153,858	\$ 25,024
	-	-	-	-	-	-
	(9,278)	(8,679)	(7,519)	(4,427)	-	-
	-	-	-	-	-	-
	1,066,147	796,674	-	-	-	-
	<u>1,234,569</u>	<u>1,735,473</u>	<u>12,995</u>	<u>13,633</u>	<u>153,858</u>	<u>25,024</u>
	2,706,035	2,611,108	174,686	188,289	305,683	(308,456)
\$	14,861,704	\$ 12,250,596	\$ 12,069,088	\$ 11,880,799	\$ 11,575,116	\$ 11,883,572
	-	-	6,822	-	-	-
	-	-	-	-	-	-
\$	<u>14,861,704</u>	<u>\$ 12,250,596</u>	<u>\$ 12,075,910</u>	<u>\$ 11,880,799</u>	<u>\$ 11,575,116</u>	<u>\$ 11,883,572</u>
\$	<u>17,567,739</u>	<u>\$ 14,861,704</u>	<u>\$ 12,250,596</u>	<u>\$ 12,069,088</u>	<u>\$ 11,880,799</u>	<u>\$ 11,575,116</u>

Oregon Department of Veterans' Affairs  
Veterans' Home Program  
*Unaudited*

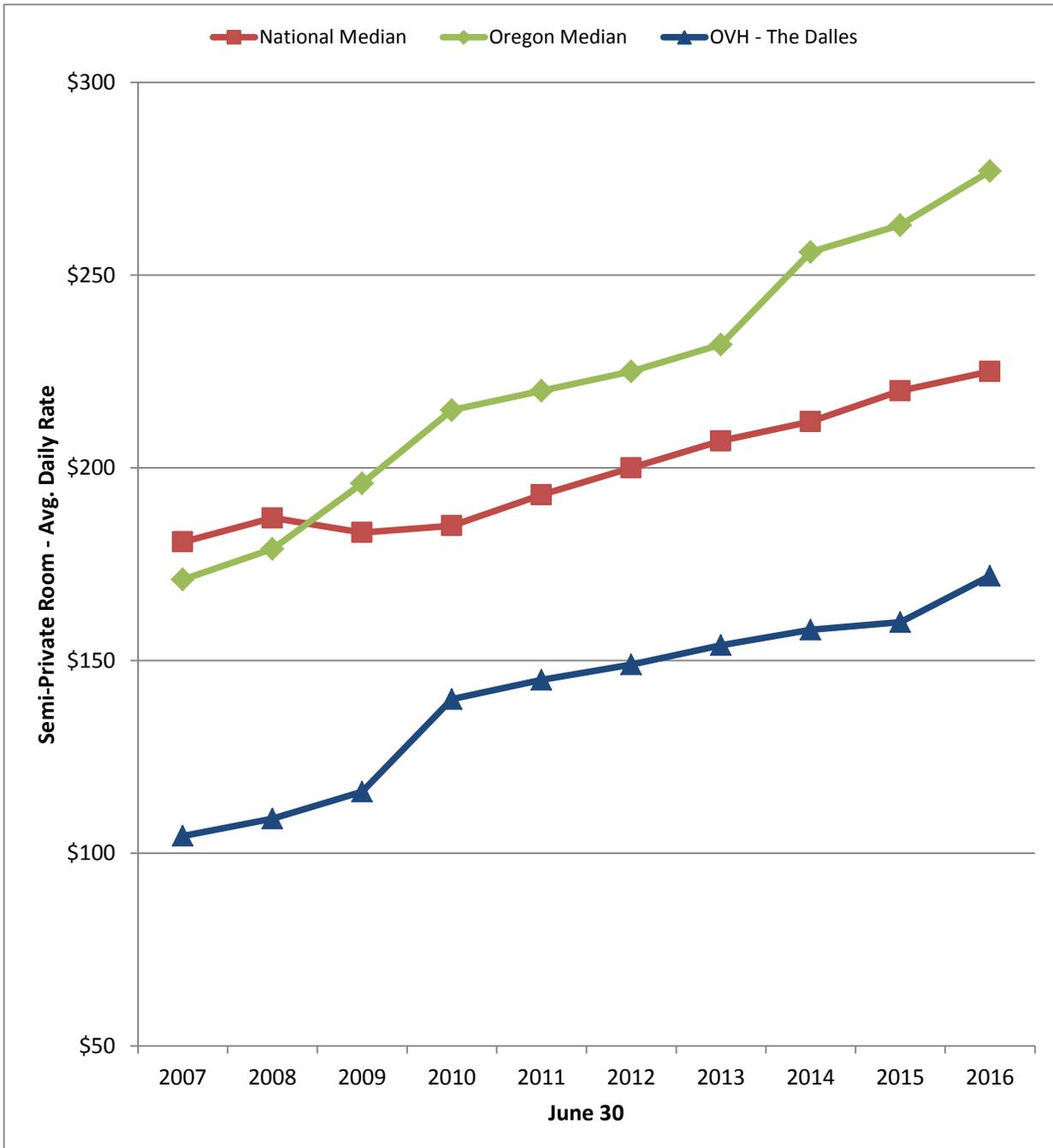
Average Occupancy Rate - The Dalles



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

Oregon Department of Veterans' Affairs  
Veterans' Home Program  
*Unaudited*

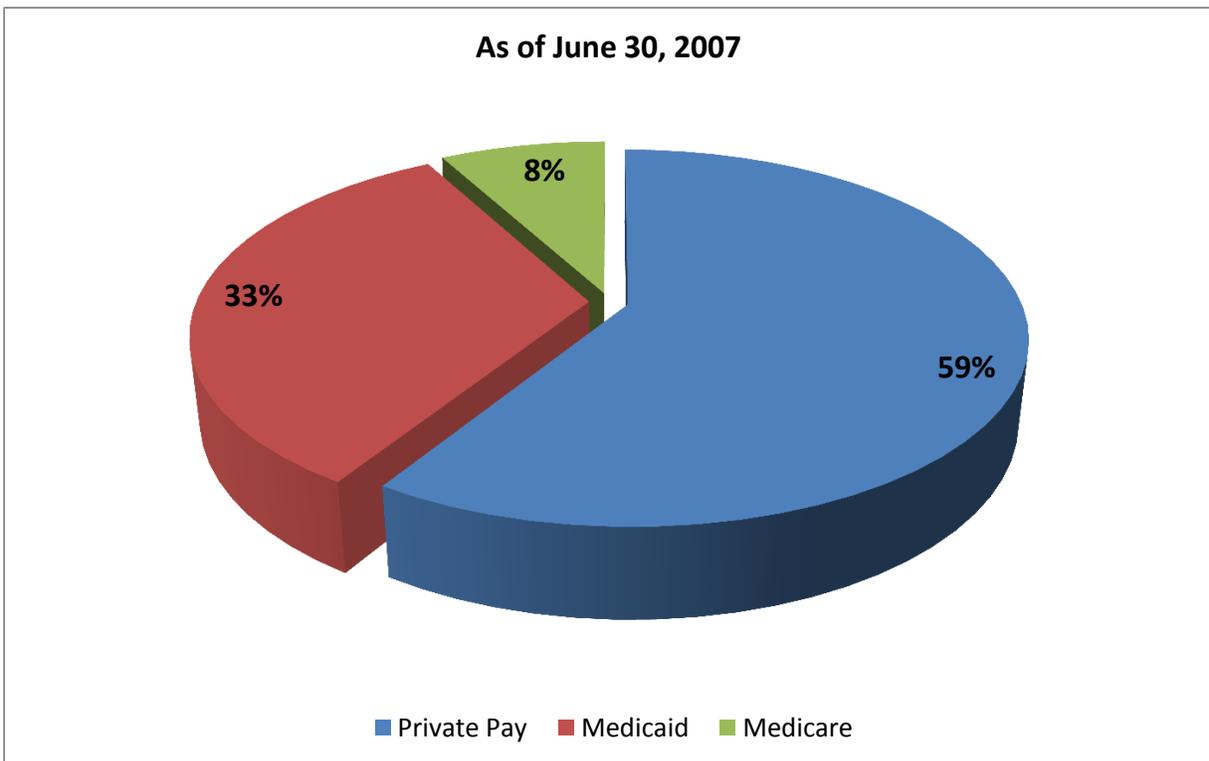
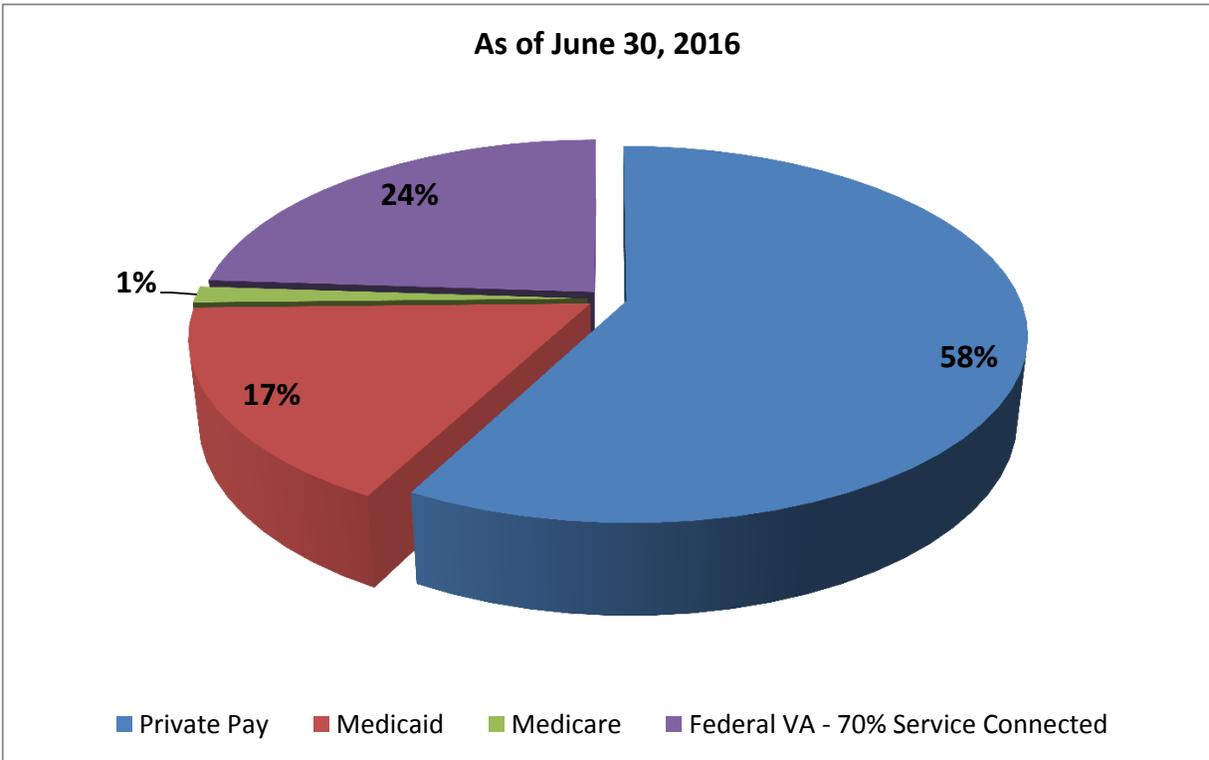
Resident Semi-Private Room Rates - The Dalles



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

Oregon Department of Veterans' Affairs  
Veterans' Home Program - *Unaudited*

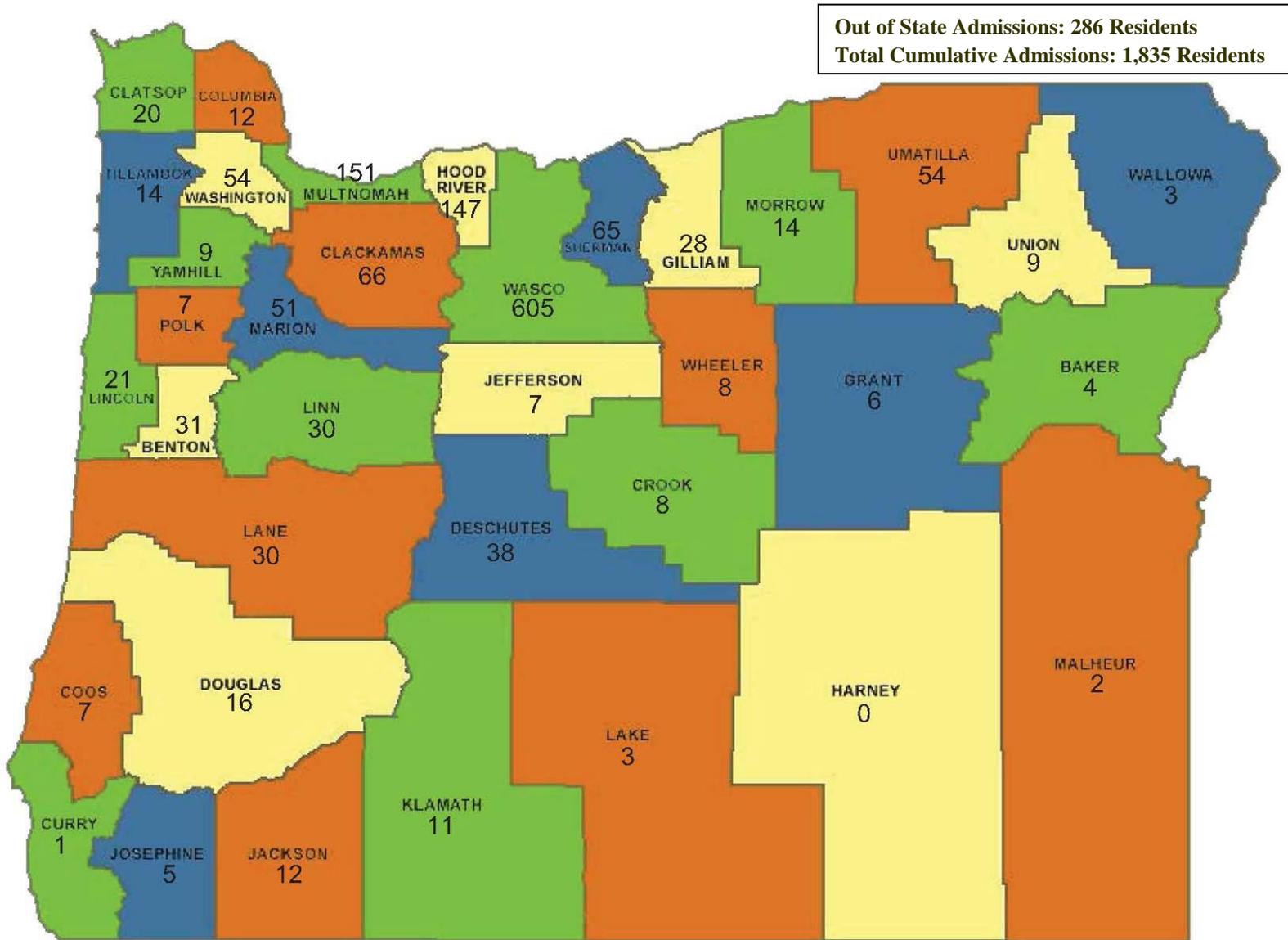
Payor Type Categories - The Dalles  
Current Year and Nine Years Ago



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

Oregon Department of Veterans' Affairs  
Veterans' Home Program

Cumulative Resident Admissions by County – The Dalles  
November 1, 1997 through June 30, 2016



Oregon Department of Veterans' Affairs  
 Assets, Liabilities, and Net Position - *Unaudited*  
 Veterans' Home Program (Lebanon Veterans' Home only)  
 For The Fiscal Years Ended 2011 - 2016

<b>Assets</b>	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
<b>Current Assets</b>				
Cash and Cash Equivalents	\$ 4,147,274	\$ 588,088	\$ 2,496,571	\$ -
Securities Lending Cash Collateral	182,323	94,875	353,877	512,271
Resident Care Receivable	2,405,952	1,129,788	-	-
Construction Related Receivable	222,869	23,578	2,603,198	-
Due from Other Funds	2,568	-	-	-
<b>Total Current Assets</b>	<b>\$ 6,960,986</b>	<b>\$ 1,836,329</b>	<b>\$ 5,453,646</b>	<b>\$ 512,271</b>
<b>Noncurrent Assets</b>				
Cash and Cash Equivalents - Restricted	422,760	1,008,516	2,927,534	6,805,940
Resident Care Receivable (Net)	\$ 10,412	\$ -	\$ -	\$ -
Loan Receivable	-	-	65,947	-
Capital Assets:				
Building, Property and Equipment	34,299,802	34,100,562	-	-
Land	4,047,945	3,652,186	3,619,901	2,910,424
Construction in Progress	289,741	-	29,414,900	4,105,576
Accumulated Depreciation	(1,360,694)	(528,143)	-	-
<b>Total Noncurrent Assets</b>	<b>\$ 37,709,966</b>	<b>\$ 38,233,121</b>	<b>\$ 36,028,282</b>	<b>\$ 13,821,940</b>
<b>Total Assets</b>	<b>\$ 44,670,952</b>	<b>\$ 40,069,450</b>	<b>\$ 41,481,928</b>	<b>\$ 14,334,211</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts Payable	\$ 1,539,116	\$ 893,019	\$ 1,788,550	\$ 1,607,981
Due to Other Funds	53,620	20,880	62,656	8,560
Contracts Payable - Retainage	6,395	-	1,326,525	-
Unearned Revenue	20,659	20,299	-	-
Obligations Under Securities Lending	182,323	94,875	353,877	512,271
Compensated Absences Payable	2,976	1,977	-	-
<b>Total Current Liabilities</b>	<b>\$ 1,805,089</b>	<b>\$ 1,031,050</b>	<b>\$ 3,531,608</b>	<b>\$ 2,128,812</b>
<b>Noncurrent Liabilities</b>				
Contracts Payable - Retainage	\$ -	\$ -	\$ -	\$ 167,981
Compensated Absences Payable	1,602	1,018	-	-
<b>Total Noncurrent Liabilities</b>	<b>\$ 1,602</b>	<b>\$ 1,018</b>	<b>\$ -</b>	<b>\$ 167,981</b>
<b>Total Liabilities</b>	<b>\$ 1,806,691</b>	<b>\$ 1,032,068</b>	<b>\$ 3,531,608</b>	<b>\$ 2,296,793</b>
<b>Net Position</b>				
Net Investment in Capital Assets	\$ 37,276,794	\$ 37,224,605	\$ 33,034,801	\$ 7,016,000
Expendable, Restricted for Capital Construction	639,234	1,032,094	2,459,241	5,021,418
Unrestricted	4,948,233	780,683	2,456,278	-
<b>Total Net Position</b>	<b>\$ 42,864,261</b>	<b>\$ 39,037,382</b>	<b>\$ 37,950,320</b>	<b>\$ 12,037,418</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 44,670,952</b>	<b>\$ 40,069,450</b>	<b>\$ 41,481,928</b>	<b>\$ 14,334,211</b>

<u>June 30, 2012</u>	<u>June 30, 2011</u>
\$ -	\$ -
1,283,694	-
-	-
-	-
<u>\$ 1,283,694</u>	<u>\$ -</u>
10,254,538	10,431,646
\$ -	\$ -
-	-
-	-
1,500,000	1,500,000
458,006	-
-	-
<u>\$ 12,212,544</u>	<u>\$ 11,931,646</u>
<u>\$ 13,496,238</u>	<u>\$ 11,931,646</u>
\$ 226,027	\$ -
-	-
-	-
-	-
1,283,694	-
-	-
<u>\$ 1,509,721</u>	<u>\$ -</u>
\$ -	\$ -
-	-
<u>\$ -</u>	<u>\$ -</u>
\$ 1,509,721	\$ -
\$ 1,958,006	\$ 1,500,000
10,028,511	10,431,646
-	-
<u>\$ 11,986,517</u>	<u>\$ 11,931,646</u>
<u>\$ 13,496,238</u>	<u>\$ 11,931,646</u>

Oregon Department of Veterans' Affairs  
Statement of Revenues, Expenses and Changes In Net Position - *Unaudited*  
Veterans' Home Program (Lebanon Veterans' Home only)  
For The Fiscal Years Ended 2011 - 2016

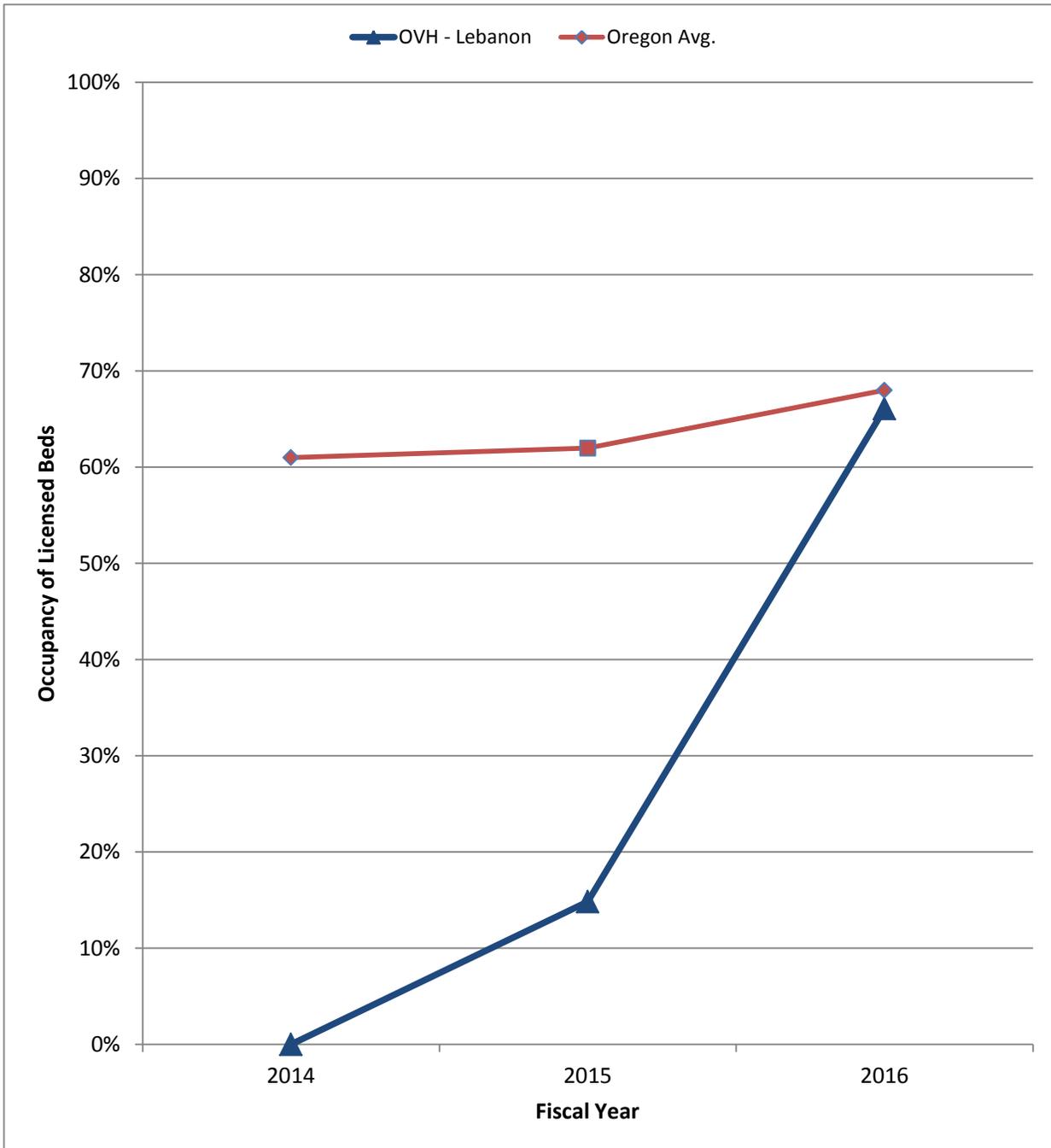
	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
<b>Operating Revenues</b>				
Resident Revenue (Net) (1)	\$ 14,653,681	\$ 1,986,766	\$ -	\$ -
Investment Income	17,086	15,395	33,165	52,586
Other Income	48,519	14,690	112,893	-
<b>Total Operating Revenues</b>	<b>\$ 14,719,286</b>	<b>\$ 2,016,851</b>	<b>\$ 146,058</b>	<b>\$ 52,586</b>
<b>Operating Expenses</b>				
Salaries and Other Payroll Expenses	\$ 130,300	\$ 92,784	\$ -	\$ -
Securities Lending Investment Expense	661	113	414	1,685
Services and Supplies	419,826	1,673,996	903,293	-
Veterans' Home Operations	13,828,148	3,554,189	45,971	-
Depreciation Expense	832,551	528,143	-	-
<b>Total Operating Expenses</b>	<b>\$ 15,211,486</b>	<b>\$ 5,849,225</b>	<b>\$ 949,678</b>	<b>\$ 1,685</b>
<b>Operating Income (Loss)</b>	<b>\$ (492,200)</b>	<b>\$ (3,832,374)</b>	<b>\$ (803,620)</b>	<b>\$ 50,901</b>
<b>Transfers and Contributions</b>				
Net Transfers from Veterans' Home Trust Fund	\$ 64,513	\$ -	\$ -	\$ -
Net Transfers to Dept. of Administrative Services	(4,978)	(2,984)	-	-
Net Transfers from General Fund	-	-	4,000,000	-
Net Transfers from The Dalles Veterans' Home	3,750,000	-	2,500,000	-
Capital Contributions	509,544	5,035,313	20,216,522	-
<b>Total Transfers and Contributions</b>	<b>4,319,079</b>	<b>5,032,329</b>	<b>26,716,522</b>	<b>-</b>
<b>Change in Net Position</b>	<b>\$ 3,826,879</b>	<b>\$ 1,199,955</b>	<b>\$ 25,912,902</b>	<b>\$ 50,901</b>
<b>Net Position</b>				
Beginning Net Position	\$ 39,037,382	\$ 37,950,320	\$ 12,037,418	\$ 11,986,517
Prior Period Adjustment	-	(112,893)	-	-
<b>Beginning Net Position, Restated</b>	<b>\$ 39,037,382</b>	<b>\$ 37,837,427</b>	<b>\$ 12,037,418</b>	<b>\$ 11,986,517</b>
<b>Ending Net Position</b>	<b>\$ 42,864,261</b>	<b>\$ 39,037,382</b>	<b>\$ 37,950,320</b>	<b>\$ 12,037,418</b>

(1) Resident Revenue is shown net of any related bad debt expense.

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
\$	-	\$ -
	57,713	5,550
	<u>-</u>	<u>-</u>
\$	<u>57,713</u>	<u>\$ 5,550</u>
\$	-	\$ -
	2,842	-
	-	-
	-	-
	<u>-</u>	<u>-</u>
\$	<u>2,842</u>	<u>\$ -</u>
\$	<u>54,871</u>	<u>\$ 5,550</u>
\$	-	\$ -
	-	-
	-	-
	-	-
	<u>-</u>	<u>11,926,096</u>
	<u>-</u>	<u>11,926,096</u>
\$	<u>54,871</u>	<u>\$ 11,931,646</u>
\$	11,931,646	\$ -
	<u>-</u>	<u>-</u>
\$	11,931,646	\$ -
\$	<u>11,986,517</u>	<u>\$ 11,931,646</u>

**Oregon Department of Veterans' Affairs**  
**Veterans' Home Program**  
*Unaudited*

**Average Occupancy Rate - Lebanon**

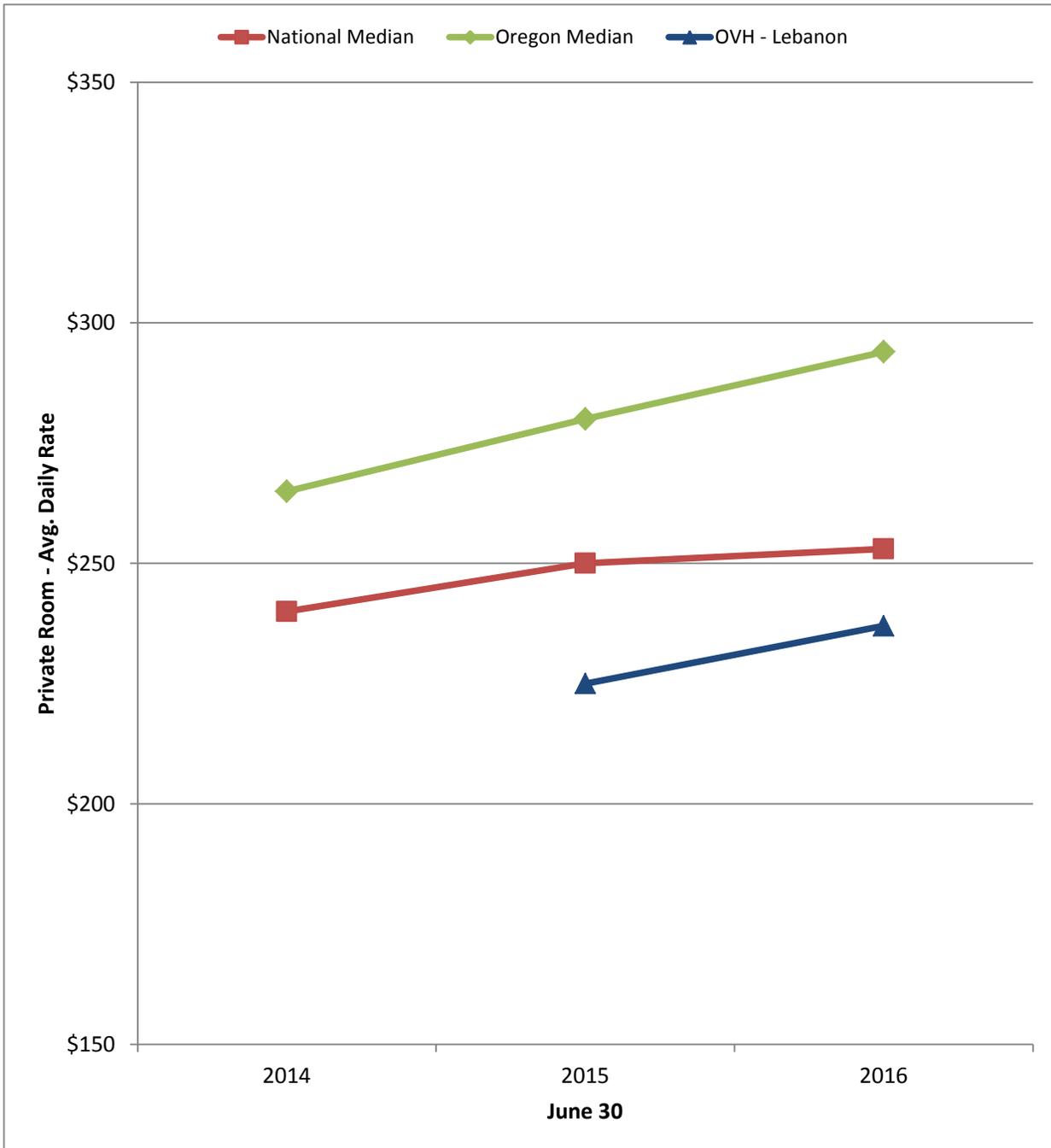


**Note: The Lebanon Veterans' Home was opened in October 2014.**

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

Oregon Department of Veterans' Affairs  
Veterans' Home Program  
*Unaudited*

Resident Private Room Rates - Lebanon

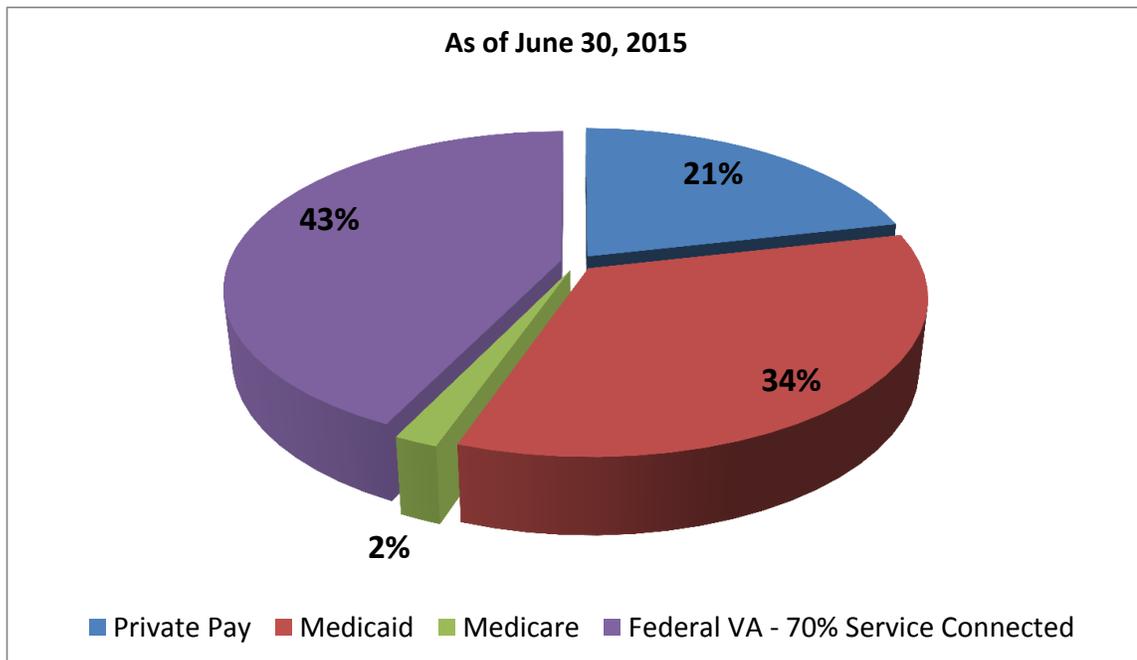
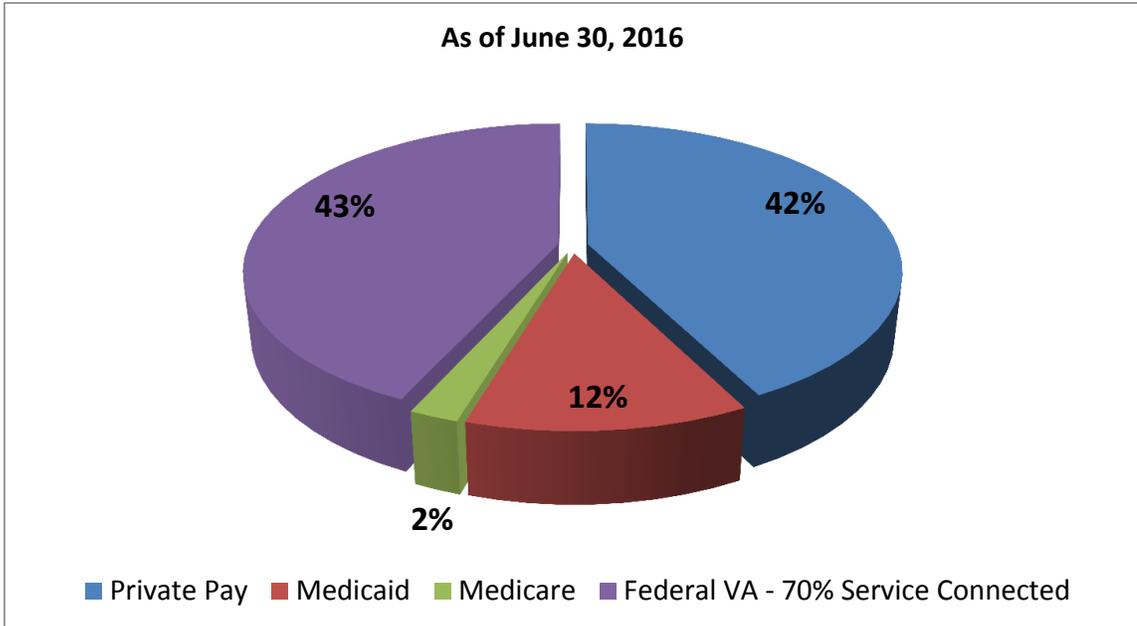


*Note: The Lebanon Veterans' Home was opened in October 2014.*

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

**Oregon Department of Veterans' Affairs  
Veterans' Home Program  
Unaudited**

**Payor Type Categories - Lebanon**



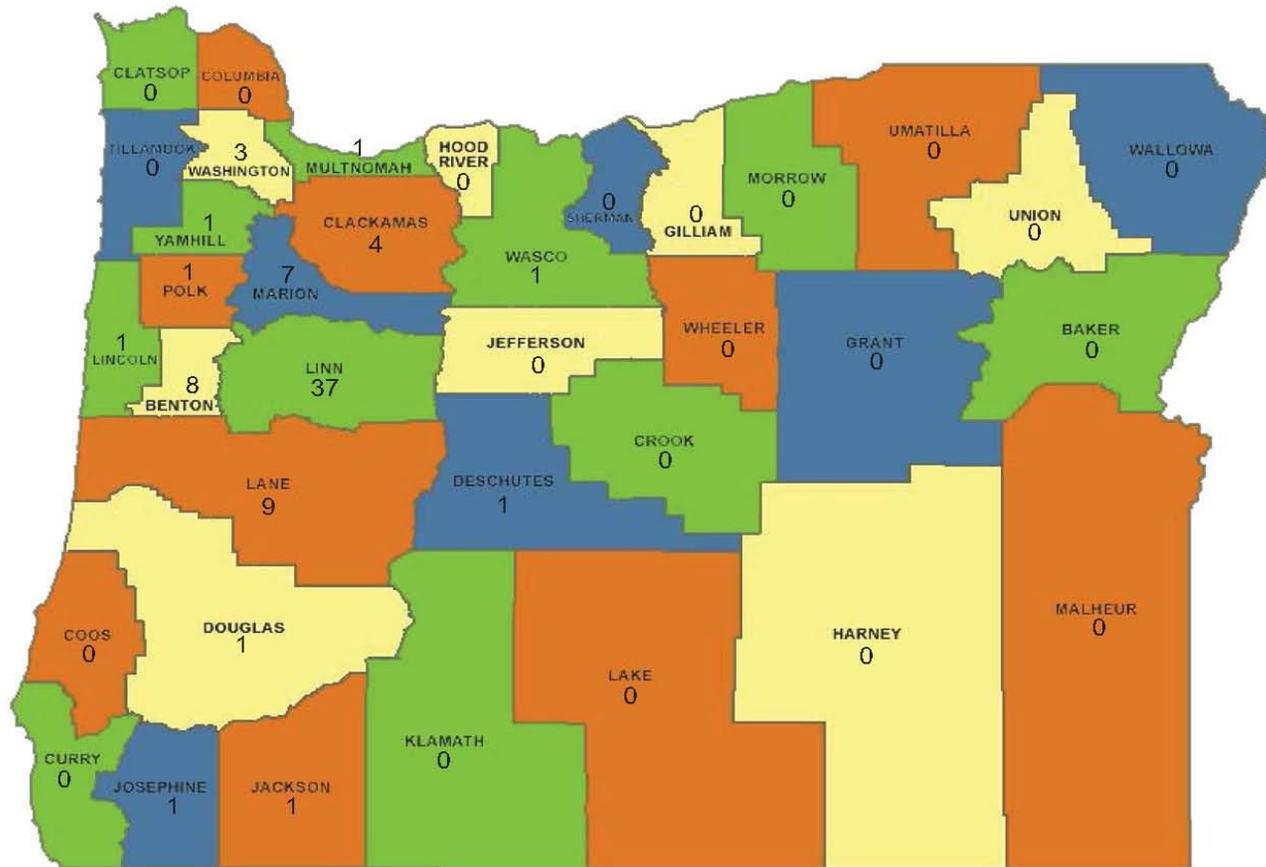
***Note: The Lebanon Veterans' Home was opened in October 2014.***

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

Oregon Department of Veterans' Affairs  
Veterans' Home Program

Cumulative Resident Admissions by County – Lebanon  
October 23, 2014 through June 30, 2016

Out of State Admissions: 4 Residents  
Total Cumulative Admissions: 267 Residents





***OTHER REPORTS***

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

The Honorable Kate Brown  
Governor of Oregon  
254 State Capitol  
Salem, Oregon 97301-4047

Cameron Smith, Director  
Oregon Department of Veterans' Affairs  
700 Summer St NE  
Salem, OR 97301-1285

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Oregon Department of Veterans' Affairs' Home Program, (the Home Program), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Home Program's basic financial statements, and have issued our report thereon dated October 31, 2016.

The financial statements present only the Home Program and are not intended to present fairly the financial position and cash flows of the State of Oregon or the Oregon Department of Veterans' Affairs and the results of their operations in conformity with accounting principles generally accepted in the United States of America.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Home Program's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Home Program's internal control. Accordingly, we do not express an opinion on the effectiveness of the Home Program's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Home Program'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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



Merina & Company, LLP  
West Linn, Oregon  
October 31, 2016



**OREGON DEPARTMENT**  
*of* **VETERANS' AFFAIRS**

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