OREGON DEPARTMENT *of* VETERANS' AFFAIRS

VETERANS' HOME PROGRAM ANNUAL FINANCIAL REPORT

ENTERPRISE FUNDS FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND JUNE 30, 2013

Annual Financial Report

Veterans' Home Program

Enterprise Funds of the Oregon Department of Veterans' Affairs

An Agency of the State of Oregon

For The Fiscal Years Ended
June 30, 2014 and June 30, 2013

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INTRODUCTORY SECTION

Oregon
John A. Kitzhaber, MD, Governor

Department of Veterans' Affairs
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October 17, 2014

To the Honorable Governor John A. Kitzhaber, M.D. 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 years ended June 30, 2014, and June 30, 2013.

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 years ended June 30, 2014 and June 30, 2013. 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 the September 2014 Oregon Economic and Revenue Forecast from the Oregon Office of Economic Analysis *(OEA)*:

> The U.S. economic recovery remains intact and may finally be exhibiting signs that growth is picking up as job gains across the country are now on pace to be the strongest since 2000. Oregon's employment growth has accelerated sharply over the past year and a half. The state is now adding jobs about one percentage point faster than the nation, a differential growth advantage Oregon typically enjoys during economic expansions.
>
> Along with more job opportunities come more individuals in search of employment. In the past nine months, Oregon's labor force has increased and added back nearly a quarter of the labor force losses it suffered following the financial crisis. As the labor force increases, it places upward pressure on the unemployment rate, but for a good reason. Even with the stronger job gains, the state's unemployment rate has remained unchanged in 2014.
>
> As the economy continues to improve, an increasing amount of attention is being paid to the Federal Reserve and future path of monetary policy. If economic slack remains, further accommodative monetary policy makes sense, since temporary support has the potential to prevent permanent damage to our productive capacity. Alternatively, if the economy is once again firing on all cylinders, monetary policymakers should turn their attention to fighting inflation rather than supporting growth. A stronger recovery, should it come to fruition, draws the economy closer to full employment and the Fed and monetary policy will take center stage.
>
> ***Outlook***
> Job growth in Oregon continues to remain relatively strong in 2014 and the outlook is for this growth to persist for two to three years before longer-run demographic trends weigh on growth rates. The character of the forecast remains the same as three months ago, with employment growth rates unchanged through 2016 and small downward revisions to the out years. Job growth in the recent months has tracked the forecast well and the acceleration the state experienced in 2013 is holding steady so far in 2014. With that being said, this economic expansion does not reach the rates of growth Oregon is accustomed to based on previous expansions. During the 1990s, employment grew at over 3 percent per year. During the housing boom, Oregon averaged nearly 2.5 percent over the expansion. So far in the aftermath of the Great Recession, Oregon has averaged just 1.8 percent job growth and the forecast calls for peak growth rates of 2.5 percent over the 2014-2016 time frame.
>
> Private sector growth, measured by the number of jobs created, will be dominated by the large, service sector industries like professional and business services, leisure and hospitality and health. Nevertheless, goods-producing industries, while smaller, are expected to grow at above average rates. Job growth in mining and logging, construction and manufacturing – led by durable goods – will outpace the average industry in both 2014 and 2015 as the recovery continues to strengthen.

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 the Oregon Veterans' Home *(OVH)*. Located in The Dalles, the OVH, which opened in November 1997, has the capacity to serve 151 residents and had occupancy of approximately 140 residents at June 30, 2014. 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.

During 2013, the OVH began implementing an electronic health records system. Additionally, in fiscal year 2014, a Federal VA grant was approved to install a wandering patient management system for the memory-care unit. These upgrades will improve compliance documentation, better monitor diseases and other health risks and help ensure a more safe and secure environment for residents that also allows maximum freedom.

It is anticipated that in the Fall of 2014, the second Veterans' Home, currently being built in Linn County (Lebanon), will open. The Lebanon Home will have 154 beds and offer the same services as The Dalles Veterans' Home, however, it will be built using a "small house model". This type of design is more costly to build and operate, but provides a home-like setting for 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.

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, 2014, the Veterans' Home Program had approximately $62.8 million in assets *(primarily consisting of cash and cash equivalents, securities lending cash collateral, receivables, and capital assets)* and approximately $5.5 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, 2014, the Department's Home Program cash and cash equivalents *(excluding securities lending collateral)* totaled approximately $13.4 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.

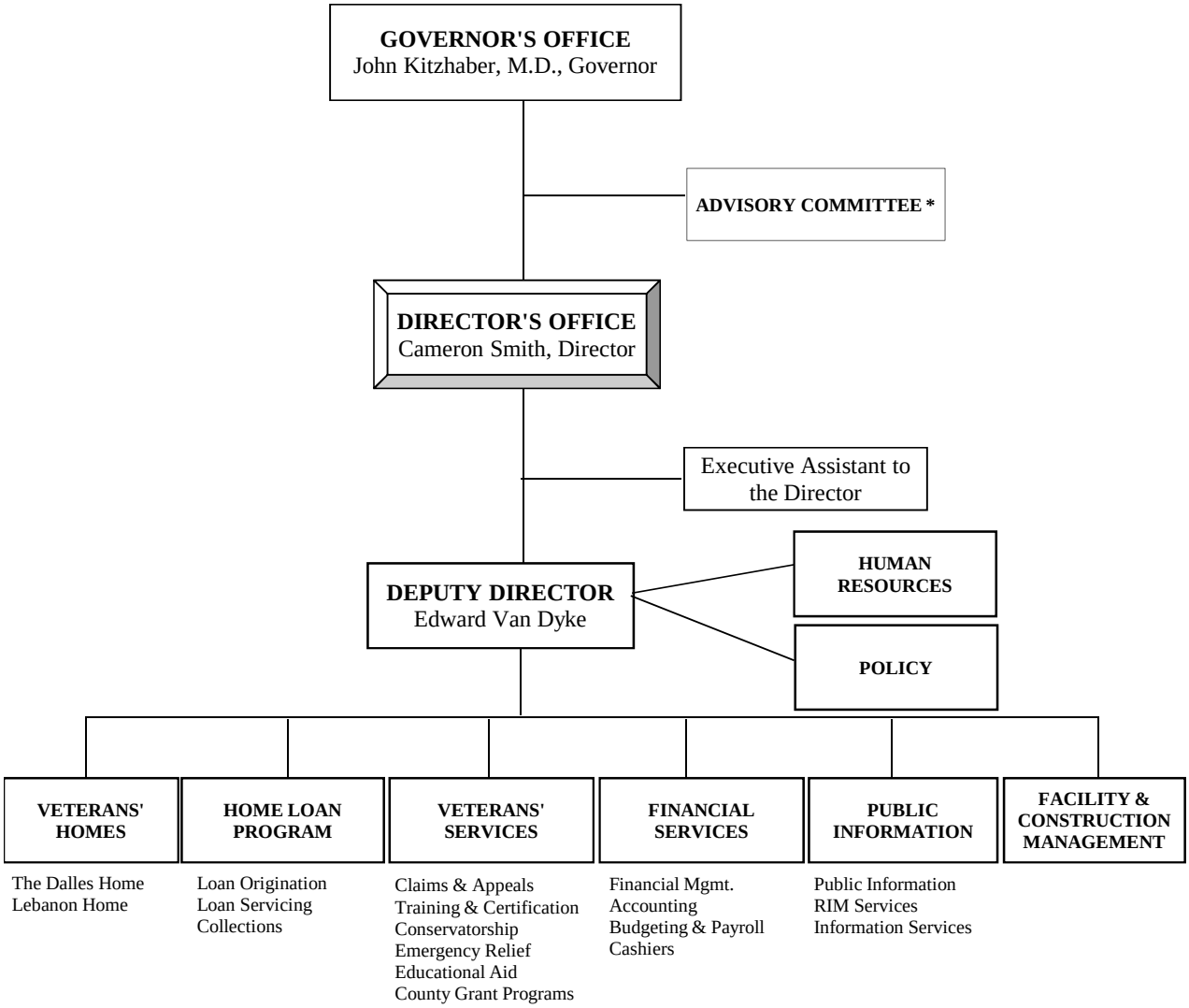
Respectfully submitted,

C. Smith

Cameron Smith
Director

Bruce Shriver

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.

Advisory Committee Members	Term Expires	Advisory Committee Members	Term Expires
Irv Fletcher	December 31, 2014	Trisa Kelly	April 17, 2016
Dennis Guthrie	June 30, 2016	Gerard Lorang	March 7, 2016
Al Herrera	November 30, 2015	Mary Mayer	September 14, 2015
Ryan Howell	March 7, 2016	Kevin Owens	March 7, 2016
Michael Jones	November 30, 2016		

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

The Honorable John Kitzhaber
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 Dalles and the Lebanon Veterans' Homes of the Oregon Department of Veterans' Affairs' Home Program, (the Home Program), as of and for the years ended June 30, 2014 and June 30, 2013, 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 opinions 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Dalles and the Lebanon Veterans' Homes of the Oregon Department of Veterans' Affairs Home Program as of June 30, 2014 and June 30, 2013, and the respective changes in financial position and cash flows thereof for the years 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 Dalles and the Lebanon Veterans' Homes of 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, 2014 and June 30, 2013, the changes in their financial position, or, where applicable, their cash flows for the years 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 opinions on the financial statements that collectively comprise The Dalles and the Lebanon Veterans' Homes of the Oregon Department of Veterans' Affairs Home Program basic financial statements. The introductory, other supplemental and statistical sections, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory, other supplemental 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2014, 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 the 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.

Merina & Company

Merina & Company, LLP
West Linn, Oregon
October 17, 2014

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, 2014. 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 $30.9 million at June 30, 2013, to approximately $57.3 million at June 30, 2014, an increase of $26.4 million, or 85.47%.

- Operating revenues increased from approximately $14.4 million at June 30, 2013, to approximately $16.4 million at June 30, 2014, an increase of $2 million, or 14.25%.

- Operating expenses increased from approximately $13.1 million at June 30, 2013, to approximately $14.3 million at June 30, 2014, an increase of $1.2 million or 9.39%.

- Capital assets increased from approximately $18.6 million on June 30, 2013, to approximately $44.2 million on June 30, 2014, an increase of $25.6 million or 138.27%.

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://cms.oregon.gov/DAS/CFO/SARS/Pages/publications.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, 2014 were approximately $62.8 million, an increase of $27.7 million from June 30, 2013. The change in assets consists primarily of a $25.6 million increase in capital assets and a $2.7 million increase in construction rebate and grant receivable.

Total liabilities at June 30, 2014, were $5.5 million, an increase of $1.3 million from June 30, 2013. The change in liabilities consists primarily of an increase of $1.2 million in contracts payable – retainage.

The Veterans' Home Program's proprietary fund financial position and operations for the past three years are summarized below based on the information included in the basic financial statements.

Veterans' Home Program - Proprietary Fund
Statement of Net Position

	Business Type Activity		
	2014	**2013**	**2012**
Assets:			
Current and Other Assets	$ 18,586,714	$ 16,547,414	$ 19,535,557
Capital Assets	44,215,954	18,557,039	13,651,571
Total Assets	$ 62,802,668	$ 35,104,453	$ 33,187,128
Liabilities:			
Long Term Liabilities	$ 36,911	$ 205,147	$ 2,681
Other Liabilities	5,430,983	3,986,443	3,630,191
Total Liabilities	$ 5,467,894	$ 4,191,590	$ 3,632,872
Net Position:			
Invested in Capital Assets	$ 44,215,954	$ 18,557,039	$ 13,651,571
Expendable, Restricted for Capital Construction	$ 2,459,241	$ 5,021,418	$ 10,028,511
Unrestricted	10,659,579	7,334,406	5,874,174
Total Net Position	$ 57,334,774	$ 30,912,863	$ 29,554,256

Cash and Cash Equivalents
Total cash and cash equivalents increased by approximately $151 thousand, or 1.14%, from June 30, 2013 to June 30, 2014. The slight increase reflects the Department's continued use of restricted cash, and grant reimbursement thereof, to continue construction on the second Veterans' Home in Lebanon.

Capital Assets
Capital asset activity during the year included continued construction of the Lebanon Veterans' Home, increasing the construction in progress account.

Contracts Payable – Retainage
Contracts Payable – Retainage increased by approximately $1.2 million from June 30, 2013 to June 30, 2014. Retainage is accrued over the life of the construction project and is paid to contractor upon successful completion. It is expected that the Lebanon Home retainage will be paid in fiscal year 2015.

Net Position
Total Net Position increased by approximately $26.4 million in fiscal year 2014. Capital assets for the Department increased due to activity related to the second veterans' home, resulting in a positive impact on net position.

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

	Business Type Activities		
	2014	**2013**	**2012**
Revenues:			
Resident Revenue (Net)	$ 16,216,313	$ 14,263,736	$ 13,677,396
Investment Income	78,755	87,980	85,425
Other Fees and Charges	133,861	28,303	2,048
Total Revenues	$ 16,428,929	$ 14,380,019	$ 13,764,869
Expenses:			
Salaries and Other Payroll	138,129	133,068	230,801
Securities Lending Investment Expense	902	2,895	4,187
Services and Supplies	1,068,523	160,526	82,462
Interest	2,119	2,218	-
Veterans' Home Operations	12,725,235	12,407,376	11,603,548
Depreciation	399,050	397,270	317,534
Total Expenses	$ 14,333,958	$ 13,103,353	$ 12,238,532
Increase (Decrease) before Contributions, Special and Extraordinary Items, and Transfers	$ 2,094,971	$ 1,276,666	$ 1,526,337
Net Transfers from Veterans' Home Trust Fund	15,509	13,534	177,700
Net Transfers to Dept. of Admin Services	(5,586)	(4,979)	(9,278)
Net Transfers from General Fund	4,000,000	-	-
Capital Contributions	20,317,017	107,687	1,066,147
Increase (Decrease) in Net Position	$ 26,421,911	$ 1,392,908	$ 2,760,906
Net Position – Beginning	$ 30,912,863	$ 29,554,256	$ 26,793,350
Prior Period Adjustment	-	(34,301)	-
Net Position - Beginning Restated	30,912,863	29,519,955	26,793,350
Net Position – Ending	$ 57,334,774	$ 30,912,863	$ 29,554,256

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 2014, revenue generated through the Veterans' Home Program's proprietary fund totaled approximately $16.4 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 $14.3 million, of which approximately 89% is from veterans' home operations.

The change in net position for the year ended June 30, 2014 resulted in an increase of approximately $26.4 million compared to a $1.3 million increase for the year ending June 30, 2013. The primary factors contributing is the continuing addition of capital assets for the Lebanon Veterans' Home.

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.

STATE OF OREGON
DEPARTMENT OF VETERANS' AFFAIRS
VETERANS' HOME PROGRAM
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014 AND JUNE 30, 2013

	Enterprise Funds	
	The Dalles Veterans' Home	
	June 30, 2014	June 30, 2013
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 7,969,206	$ 6,435,934
Cash and Cash Equivalents - Restricted	-	-
Securities Lending Cash Collateral	519,927	427,682
Resident Care Receivable	1,481,895	2,282,144
Construction Rebates and Grants Receivable	100,495	-
Due from Other Funds	9,241	8,560
Total Current Assets	10,080,764	9,154,320
Noncurrent Assets		
Resident Care Receivable (Net)	58,823	134,885
Loan Receivable	-	-
Capital Assets:		
Building, Property and Equipment	15,732,349	15,732,349
Improvements Other than Buildings	13,695	13,695
Land	600,073	600,073
Construction in Progress	39,163	-
Works of Art and Historical Treasures	89,998	89,998
Accumulated Depreciation	(5,294,125)	(4,895,076)
Total Noncurrent Assets	11,239,976	11,675,924
TOTAL ASSETS	$ 21,320,740	$ 20,830,244
LIABILITIES		
Current Liabilities		
Accounts Payable	$ 1,258,941	$ 1,389,624
Due to Other Funds	81,173	71,798
Unearned Revenue	33,108	23,835
Obligations under Securities Lending	519,927	427,682
Contracts Payable - Retainage	-	-
Pension Related Debt	900	700
Compensated Absences Payable	5,326	3,994
Total Current Liabilities	1,899,375	1,917,633
Noncurrent Liabilities		
Contracts Payable - Retainage	-	-
Pension Related Debt	31,790	32,853
Compensated Absences Payable	2,744	2,151
Other Postemployment Benefits Obligation (Net)	2,377	2,162
Total Noncurrent Liabilities	36,911	37,166
TOTAL LIABILITIES	1,936,286	1,954,799
NET POSITION		
Net Investment in Capital Assets	11,181,153	11,541,039
Expendable, Restricted for Capital Construction	-	-
Unrestricted	8,203,301	7,334,406
TOTAL NET POSITION	$ 19,384,454	$ 18,875,445

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

Enterprise Funds		Enterprise Funds	
Lebanon Veterans' Home		TOTAL	
June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
$ 2,496,571	$ -	$ 10,465,777	$ 6,435,934
2,927,534	6,805,940	2,927,534	6,805,940
353,877	452,269	873,804	879,951
-	-	1,481,895	2,282,144
2,603,198	-	2,703,693	-
-	-	9,241	8,560
8,381,180	7,258,209	18,461,944	16,412,529
-	-	58,823	134,885
65,947	-	65,947	-
-	-	15,732,349	15,732,349
-	-	13,695	13,695
3,619,901	2,910,424	4,219,974	3,510,497
29,414,900	4,105,576	29,454,063	4,105,576
-	-	89,998	89,998
-	-	(5,294,125)	(4,895,076)
33,100,748	7,016,000	44,340,724	18,691,924
$ 41,481,928	$ 14,274,209	$ 62,802,668	$ 35,104,453
$ 1,788,550	$ 1,607,981	$ 3,047,491	$ 2,997,605
62,656	8,560	143,829	80,358
-	-	33,108	23,835
353,877	452,269	873,804	879,951
1,326,525	-	1,326,525	-
-	-	900	700
-	-	5,326	3,994
3,531,608	2,068,810	5,430,983	3,986,443
-	167,981	-	167,981
-	-	31,790	32,853
-	-	2,744	2,151
-	-	2,377	2,162
-	167,981	36,911	205,147
3,531,608	2,236,791	5,467,894	4,191,590
33,034,801	7,016,000	44,215,954	18,557,039
2,459,241	5,021,418	2,459,241	5,021,418
2,456,278	-	10,659,579	7,334,406
$ 37,950,320	$ 12,037,418	$ 57,334,774	$ 30,912,863

STATE OF OREGON
DEPARTMENT OF VETERANS' AFFAIRS
VETERANS' HOME PROGRAM

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

PROPRIETARY FUNDS
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND JUNE 30, 2013

	Enterprise Funds	
	The Dalles Veterans' Home	
	June 30, 2014	June 30, 2013
OPERATING REVENUES		
Resident Revenue (Net)	$ 16,216,313	$ 14,263,736
Investment Income	45,590	35,394
Other Income	20,968	28,303
TOTAL OPERATING REVENUES	16,282,871	14,327,433
OPERATING EXPENSES		
Salaries and Other Payroll	138,129	133,068
Securities Lending Investment Expense	488	1,210
Services and Supplies	165,230	160,526
Interest	2,119	2,218
Veterans' Home Operations	12,679,264	12,407,376
Depreciation	399,050	397,270
TOTAL OPERATING EXPENSES	13,384,280	13,101,668
OPERATING INCOME (LOSS)	2,898,591	1,225,765
NON-OPERATING REVENUES (EXPENSES):		
Net Transfers from Veterans' Home Trust Fund	15,509	13,534
Net Transfers from General Fund	-	-
Net Transfers between The Dalles and Lebanon	(2,500,000)	-
Net Transfers to Dept. of Administrative Services	(5,586)	(4,979)
Capital Contributions	100,495	107,687
TOTAL NONOPERATING REVENUES (EXPENSES)	(2,389,582)	116,242
CHANGE IN NET POSITION	509,009	1,342,007
NET POSITION		
NET POSITION - Beginning	18,875,445	17,567,739
Prior Period Adjustment	-	(34,301)
NET POSITION - Beginning Restated	18,875,445	17,533,438
NET POSITION - Ending	$ 19,384,454	$ 18,875,445

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

Enterprise Funds		Enterprise Funds	
Lebanon Veterans' Home		TOTAL	
June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
$ -	$ -	$ 16,216,313	$ 14,263,736
33,165	52,586	78,755	87,980
112,893	-	133,861	28,303
146,058	52,586	16,428,929	14,380,019
-	-	138,129	133,068
414	1,685	902	2,895
903,293	-	1,068,523	160,526
-	-	2,119	2,218
45,971	-	12,725,235	12,407,376
-	-	399,050	397,270
949,678	1,685	14,333,958	13,103,353
(803,620)	50,901	2,094,971	1,276,666
-	-	15,509	13,534
4,000,000		4,000,000	-
2,500,000	-	-	-
-	-	(5,586)	(4,979)
20,216,522	-	20,317,017	107,687
26,716,522	-	24,326,940	116,242
25,912,902	50,901	26,421,911	1,392,908
12,037,418	11,986,517	30,912,863	29,554,256
-	-	-	(34,301)
12,037,418	11,986,517	30,912,863	29,519,955
$ 37,950,320	$ 12,037,418	$ 57,334,774	$ 30,912,863

STATE OF OREGON
DEPARTMENT OF VETERANS' AFFAIRS
VETERANS' HOME PROGRAM
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND JUNE 30, 2013

	Enterprise Funds	
	The Dalles Veterans' Home	
	June 30, 2014	June 30, 2013
Cash Flows from Operating Activities:		
Receipts from Customers	$ 17,001,402	$ 13,326,435
Payments to Employees for Services	(138,791)	(229,694)
Payments to Suppliers	(12,052,939)	(11,529,354)
Payments to Other Funds for Services	(912,862)	(873,820)
Other Receipts (Payments)	20,968	28,301
Net Cash Provided (Used) in Operating Activities	3,917,778	721,868
Cash Flows from Noncapital Financing Activities:		
Pension-Related Debt Principal Payment	(863)	(748)
Transfers from Other Funds	15,509	13,534
Transfers to Other Funds	(2,505,586)	(4,979)
Net Cash Provided (Used) in Noncapital Financing Activities	(2,490,940)	7,807
Cash Flows from Capital and Related Financing Activities:		
Acquisition of Capital Assets	(39,163)	(244,743)
Capital Contributions	100,495	107,687
Net Cash Provided (Used) in Capital and Related Financing Activities	61,332	(137,056)
Cash Flows from Investing Activities:		
Interest on Investments and Cash Balances	45,102	34,185
Investment Income from Securities Lending	488	1,210
Investment Expense from Securities Lending	(488)	(1,210)
Net Cash Provided (Used) in Investing Activities	45,102	34,185
Net Increase (Decrease) in Cash and Cash Equivalents	1,533,272	626,804
Cash and Cash Equivalents - Beginning	6,435,934	5,809,130
Cash and Cash Equivalents - Ending	$ 7,969,206	$ 6,435,934
Reconciled to Statement of Net Position:		
Cash and Cash Equivalents - Current	$ 7,969,206	$ 6,435,934
Cash and Cash Equivalents - Current, Restricted	-	-
Cash and Cash Equivalents - Ending (shown above)	$ 7,969,206	$ 6,435,934

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

Enterprise Funds		Enterprise Funds	
Lebanon Veterans' Home		TOTAL	
June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
$ -	$ -	$ 17,001,402	$ 13,326,435
-	-	(138,791)	(229,694)
(908,972)	1,549,935	(12,961,911)	(9,979,419)
-	8,560	(912,862)	(865,260)
-	-	20,968	28,301
(908,972)	1,558,495	3,008,806	2,280,363
-	-	(863)	(748)
6,500,000	-	6,515,509	13,534
-	-	(2,505,586)	(4,979)
6,500,000	-	4,009,060	7,807
(24,731,831)	(5,057,994)	(24,770,994)	(5,302,737)
17,726,217	-	17,826,712	107,687
(7,005,614)	(5,057,994)	(6,944,282)	(5,195,050)
32,751	50,901	77,853	85,086
414	1,685	902	2,895
(414)	(1,685)	(902)	(2,895)
32,751	50,901	77,853	85,086
(1,381,835)	(3,448,598)	151,437	(2,821,794)
6,805,940	10,254,538	13,241,874	16,063,668
$ 5,424,105	$ 6,805,940	$ 13,393,311	$ 13,241,874
$ 2,496,571	$ -	$ 10,465,777	$ 6,435,934
2,927,534	6,805,940	2,927,534	6,805,940
$ 5,424,105	$ 6,805,940	$ 13,393,311	$ 13,241,874

(Continued on next page)

STATE OF OREGON
DEPARTMENT OF VETERANS' AFFAIRS
VETERANS' HOME PROGRAM
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND JUNE 30, 2013

	Enterprise Funds	
	The Dalles Veterans' Home	
	June 30, 2014	June 30, 2013

(Continued from prior page)

Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating Income	$ 2,898,591	$ 1,225,765
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization of Capital Assets	399,050	397,270
Interest Received on Investments Reported as Operating Revenue	(45,590)	(35,395)
Investment Expense	488	1,210
Net Changes in Assets and Liabilities:		
Accounts and Interest Receivable	876,311	(836,392)
Construction Rebate and Grant Receivable	(100,495)	-
Loans Receivable	-	-
Due From Other Funds	(681)	(8,560)
Accounts Payable	(130,682)	72,788
Due to Other Funds	9,375	3,513
Unearned Revenue	9,272	(100,911)
Compensated Absences Payable	1,924	1,530
Post Employment Benefits	215	1,050
Total Adjustments	1,019,187	(503,897)
Net Cash Provided (Used) by Operating Activities	$ 3,917,778	$ 721,868

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

Enterprise Funds		Enterprise Funds	
Lebanon Veterans' Home		TOTAL	
June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
$ (803,620)	$ 50,901	$ 2,094,971	$ 1,276,666
-	-	399,050	397,270
(33,165)	(52,586)	(78,755)	(87,981)
414	1,685	902	2,895
-	-	876,311	(836,392)
(112,893)	-	(213,388)	-
40,292	-	40,292	-
-	-	(681)	(8,560)
-	1,549,935	(130,682)	1,622,723
-	8,560	9,375	12,073
-	-	9,272	(100,911)
-	-	1,924	1,530
-	-	215	1,050
(105,352)	1,507,594	913,835	1,003,697
$ (908,972)	$ 1,558,495	$ 3,008,806	$ 2,280,363

STATE OF OREGON
DEPARTMENT OF VETERANS' AFFAIRS
VETERANS' HOME PROGRAM
PROPRIETARY FUNDS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 and 2013

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 single-story 75,000 square foot facility 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. Through a competitive-bid process, the location for the second Oregon Veterans' Home was selected to be in Lebanon, with construction commencing in the spring of 2013 and projected completion in the fall of 2014.

The *Veterans' Home Program* is classified as a proprietary fund activitiy. The basic financial statements and notes presented herein include only the proprietary fund activities 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)*. During the year, the Department implemented GASB Statement 65, *Items Previously Reported as Assets and Liabilities.* The implementation of this

GASB Statement resulted in no changes to the Department's Home Program financial statements.

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 Oregon Veterans' Home is depreciated over its 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.

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 250 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.

Comparative Data and Reclassifications

Certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation. Balances in securities lending asset and liability accounts for fiscal year 2013 were adjusted between The Dalles and Lebanon Veterans' Homes to be based upon the cash amount at year-end and consistency of presentation with fiscal year 2014.

2. DEPOSITS AND INVESTMENTS

Deposits

Cash and cash equivalents for the Veterans' Home Program as of June 30, 2014 and June 30, 2013 are included in the table below:

	The Dalles Veterans' Home	Lebanon Veterans' Home	TOTAL June 30, 2014	TOTAL June 30, 2013
Book Balance - Cash & Cash Equivalents				
Current unrestricted	$ 7,969,206	$ 2,496,571	$ 10,465,777	$ 6,435,934
Current restricted	-	2,927,534	2,927,534	6,805,940
Combined Book Balance	$ 7,969,206	$ 5,424,105	$ 13,393,311	$ 13,241,874
Bank Balance - Cash & Cash Equivalents	$ 7,973,350	$ 5,443,151	$ 13,416,501	$ 13,250,053

As of June 30, 2014, the *Veterans' Home Program* had a combined total of $13,416,501 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 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 of the Lebanon Veterans' Home. As of June 30, 2014 and 2013, the Veterans' Home Program had restricted assets of $2,927,534 and $6,805,940 respectively.

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, 2014, the amount of the fair value of all securities on loan from OSTF allocated to the Department's Home Program was $1,434,938. OSTF securities on loan in total included U.S. Agency securities (88.91%), U.S. Treasury securities (5.50%) and domestic fixed income securities (5.59%). The amount allocated to the Department's Home Program of the fair value of all investments made with the cash collateral received for those securities on loan was $873,804. The amount of total collateral received for the securities on loan from OSTF allocated to the Department's Home Program was $873,967. 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 years ended June 30, 2014 and June 30, 2013:

	The Dalles Veterans' Home	Lebanon Veterans' Home	TOTAL June 30, 2014	TOTAL June 30, 2013
Investment Income: Accrual Basis	$ 45,102	$ 32,751	$ 77,853	$ 85,085
Securities Lending Revenue	488	414	902	2,895
Investment Income	$ 45,590	$ 33,165	$ 78,755	$ 87,980

3. RESIDENT-CARE RECEIVABLES

The following table provides detail on the balances of the resident-care receivables by payor category for the fiscal years ended June 30, 2014 and 2013:

	TOTAL June 30, 2014	TOTAL June 30, 2013
Federal VA	$ 524,116	$ 1,567,976
Medicare Related	267,261	330,593
Medicaid Related	657,178	453,679
Resident Private Pay	92,163	64,781
Total Current Receivables	$ 1,540,718	$ 2,417,029

4. CONSTRUCTION REBATE & GRANT RECEIVABLE

The Department has construction rebate and grant recievables for the following Veterans' Home projects:

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, 2014, the Department had a grant receivable from the USDVA of $2,490,305. Additionally, the Department had construction rebates of $112,893 related to incentives expected from the Energy Trust of Oregon.

The Dalles Veterans' Home

On May 22, 2014, the United States Department of Veterans Affairs (USDVA) awarded the Department a grant in the amount of $473,226 for an electronic medical records system and other upgrades to The Dalles Veterans' Home. The grant is based on 65% reimbursement of the total construction cost. As of June 30, 2014, the Department had a grant receivable from the USDVA of $100,495.

5. LOAN RECEIVABLE

The Department has a loan receivable from the City of Lebanon due to the advancement of funds for the Lebanon Veterans' Home construction project. As of June 30, 2014, the loan receivable amount was $65,947.

6. CAPITAL ASSETS

The following table provides detail on the balances and activities of the Department's capital assets for the year ended June 30, 2014:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Land	$ 3,510,497	$ 709,477	$ -	$ 4,219,974
Construction in Progress	4,105,576	25,348,487	-	29,454,063
Works of Art & Historical Treasures	59,998	-	-	59,998
Total Capital Assets Not Being Depreciated	$ 7,676,071	$ 26,057,964	$ -	$ 33,734,035
Capital Assets Being Depreciated:				
Buildings, Property & Equipment	$ 15,732,349	$ -	$ -	$ 15,732,349
Improvements Other than Buildings	13,695	-	-	13,695
Works of Art & Historical Treasures	30,000	-	-	30,000
Total Capital Assets Being Depreciated	$ 15,776,044	$ -	$ -	$ 15,776,044
Less Accumulated Depreciation:				
Buildings, Property & Equipment	$ (4,857,450)	$ (397,679)	$ -	$ (5,255,129)
Improvements Other than Buildings	(7,626)	(1,370)	-	(8,996)
Works of Art & Historical Treasures	(30,000)	-	-	(30,000)
Total Accumulated Depreciation	$ (4,895,076)	$ (399,049)	$ -	$ (5,294,125)
Total Capital Assets Being Depreciated, Net	$ 10,880,968	$ (399,049)	$ -	$ 10,481,919
Total Capital Assets, Net	$ 18,557,039	$ 25,658,915	$ -	$ 44,215,954

Depreciation expense at June 30, 2014 and 2013 was $399,050 and $397,270 respectively.

7. CHANGES IN LONG TERM LIABILITIES

The following table provides detail on the long-term liability activity as of June 30, 2014:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Contracts Payable - Retainage	$ 167,981	$1,158,544	$ -	$1,326,525	$1,326,525
Pension-Related Debt	33,553	-	(863)	32,690	900
Compensated Absences Payable	6,145	1,925	-	8,070	5,326
OPEB Obligation (Net)	2,162	215	-	2,377	-
Total Long-Term Liabilities	$ 209,841	$1,160,684	$ (863)	$1,369,662	$1,332,751

8. INTERFUND TRANSACTIONS

At June 30, 2014 and 2013, there were outstanding interfund payables due 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.

	The Dalles Veterans' Home		Lebanon Veterans' Home		TOTAL June 30, 2014	TOTAL June 30, 2013
	2014	2013	2014	2013		
Due to Loan Program	$ 81,173	$ 71,798	$ 53,415	$ -	$ 134,588	$ 71,798
Due to The Dalles Veterans' Home	-	-	9,241	8,560	9,241	8,560
Total Due to Other Funds	$ 81,173	$ 71,798	$ 62,656	$ 8,560	$ 143,829	$ 80,358
Due from Lebanon Veterans' Home	$ 9,241	$ 8,560	$ -	$ -	$ 9,241	$ 8,560
Total Due from Other Funds	$ 9,241	$ 8,560	$ -	$ -	$ 9,241	$ 8,560

9. EMPLOYEE RETIREMENT PLAN

The Oregon Public Employees Retirement System *(PERS)* provides retirement plans for Department employees. PERS is administered by the Public Employees Retirement Board *(Board)*, as required by Chapters 238 and 238A of the Oregon Revised Statutes *(ORS)*. A copy of the Oregon Public Employees Retirement System annual financial report may be obtained from Fiscal Services Division, PERS, PO Box 23700, Tigard, Oregon 97281-3700.

PERS Pension

Employees of the Department who were plan members before August 29, 2003 participate in the PERS Pension, a cost-sharing multiple-employer defined benefit pension plan. The PERS retirement allowance is payable monthly for life and may be selected from several retirement benefit options as established by ORS Chapter 238. Options include survivorship benefits and lump sum payments. PERS also provides death and disability benefits.

Oregon Public Service Retirement Plan

The 2003 Oregon Legislature created the Oregon Public Service Retirement Plan *(OPSRP)*, also a cost-sharing multiple-employer plan. OPSRP is a hybrid pension plan with two components: the Pension Program *(defined benefit)* and the Individual Account Program *(defined contribution)*. Department employees hired after August 28, 2003, participate in OPSRP after completing six months of service. The OPSRP Pension Program provides a monthly pension payable for life as well as death and disability benefits as established by ORS Chapter 238A.

Beginning January 1, 2004, PERS members became members of the Individual Account Program *(IAP)* portion of OPSRP. PERS members retain their existing PERS accounts, but member contributions are now deposited in the IAP account rather than into the member's PERS account. All covered employees are required by state statute to contribute a percentage of their salary to the IAP. Current law permits employers to pay the employee contribution, which the Department does.

For the PERS Pension and the OPSRP Pension, the Department is required by ORS 238.225 and ORS 238A.220, respectively, to contribute actuarially computed amounts as determined by the Board. The funding policies provide for monthly employer and contributions. Rates are subject to change as a result of subsequent actuarial valuations.

The required State employee contributions and the required state employer contributions, shown as a percentage of covered salary, for the PERS multiple-employer plans are as follows: the Employee rate is 6.00%; the PERS Pension Employer rate is 9.00%; and the OPSRP rate is 7.45%.

Combined employer contributions for the years ended June 30, 2014, 2013, and 2012 were approximately $11,600, $10,900, and $12,100 respectively, equal to the required contributions each year.

Combined employee contributions for the years ended June 30, 2014, 2013, and 2012 were approximately $9,300, $9,100, and $9,000 respectively.

10. OTHER POSTEMPLOYMENT BENEFIT PLANS

Department employees may be eligible to participate in health insurance plans and other benefit plans after retirement, collectively known as Other Postemployment Benefits *(OPEB)*. OPEB plans are offered through the Public Employees Retirement System *(PERS)* as established by Oregon Revised Statutes *(ORS)* 238.410 and the Public Employees Benefit Board *(PEBB)* as established by ORS 243.302. A copy of the Oregon Public Employees Retirement System annual financial report may be obtained from Fiscal Services Division, PERS, PO Box 23700, Tigard, Oregon 97281-3700

Retirement Health Insurance Account

The Retirement Health Insurance Account *(RHIA)* is a cost-sharing multiple-employer OPEB plan which provides a payment of up to $60 toward the monthly cost of health insurance for eligible PERS members. To be eligible for the RHIA subsidy, the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare parts A and B coverage, and (3) enroll in a PERS-sponsored health insurance plan.

The Department is required by statute to contribute actuarially computed amounts as determined by PERS. Rates are subject to change as a result of subsequent actuarial valuations. The rate of each covered employee's salary for the fiscal year ended June 30, 2014 was 0.59% for Tier 1 and Tier 2 employees and 0.49% for OPSRP employees, which is embedded within the total PERS contribution rate.

Combined employer contributions for the years ended June 30, 2014, 2013, and 2012 were approximately $760, $760 and $750 respectively, equal to the required contributions each year.

The Legislature has the sole authority to amend the benefit provisions and funding policy for the RHIA plan.

Retiree Health Insurance Premium Account

The Retiree Health Insurance Premium Account *(RHIPA)* is a single-employer OPEB plan that provides for payment of the average difference between the health insurance premiums paid by retired state employees, under contracts entered into by the PERS Board, and health insurance premiums paid by state employees who are not retired. Retired state employees are qualified to receive the RHIPA subsidy if they had eight or more years of qualifying service in PERS at the time of retirement or are receiving a disability pension calculated as if they had eight or more years of qualifying service, but are not eligible for federal Medicare coverage.

The Department is required by statute to contribute actuarially computed amounts as determined by PERS. Rates are subject to change as a result of subsequent actuarial valuations. The rate of each covered employee's salary for the fiscal year ended June 30, 2014 was 0.27% for Tier 1 and Tier 2 employees and 0.20% for OPSRP employees, which is embedded within the total PERS contribution rate. The Department's actual contribution for the years ended June 30, 2014 and 2013 were approximately $310 and $170 respectively, which was equal to the actuarial required contribution.

The Legislature has the sole authority to amend the benefit provisions and funding policy for the RHIPA plan.

Public Employees Benefit Board Plan

The PEBB plan is an agent multiple-employer plan, which offers medical, dental, and vision benefits to eligible retired employees. Retired employees not eligible for Medicare are eligible for PEBB coverage if the retiree is receiving a service or disability benefit from PERS or another state system, is eligible to receive a retirement allowance from PERS and has reached the earliest retirement age under ORS Chapter 238, or is eligible to receive a service allowance or pension under any system offered by the state and has attained the earliest retirement age under that system. The PEBB Plan funding policy provides for contributions at amounts sufficient to fund benefits on a pay-as-you-go basis. Active employees do not make contributions. Participating retirees pay their own monthly premiums based on a blended premium rate since retirees are pooled together with active employees for insurance rating purposes.

ORS 243 assigns PEBB the authority to establish and amend the benefit provisions of the PEBB Plan. As the administrator of the PEBB Plan, PEBB has the authority to determine postretirement benefit increases and decreases.

11. 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 years ended June 30, 2014 and June 30, 2013 there have been no significant reductions in insurance coverage in any risk category. Also, for the past ten fiscal years *(July 1, 2004 through June 30, 2014)* there have been no claims that exceeded the Department's property or liability coverage.

12. ALLOWANCES IN PROPRIETARY FUND VETERANS' HOME PROGRAM

Revenues are reported net of discounts and allowances in the accompanying financial statements. The amounts netted against Resident Related Revenues are $90,227 for fiscal year 2014 and $68,704 for fiscal year 2013.

13. PRIOR PERIOD ADJUSTMENT

During fiscal year ended June 30, 2013, the Department recorded a prior period adjustment of $34,301. This adjustment consisted of recording the Department's portion of statewide pension related debt.

OTHER SUPPLEMENTAL SECTION

Governmental Funds

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.

UNAUDITED
STATE OF OREGON
DEPARTMENT OF VETERANS' AFFAIRS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014 and JUNE 30, 2013

	General Fund		Special Revenue Fund	
			Veterans' Home Trust	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
ASSETS				
Current Assets				
Cash and Cash Equivalents	$ -	$ -	$ 1,287,154	$ 1,046,219
Securities Lending Cash Collateral	-	-	83,976	69,523
Receivables:				
Due from State General Fund	512,686	620,669	-	-
Due from Other Funds			6,656	12,949
Prepaid Items	248	655	-	-
Total Current Assets	512,934	621,324	1,377,786	1,128,691
TOTAL ASSETS	$ 512,934	$ 621,324	$ 1,377,786	$ 1,128,691
LIABILITIES				
Current Liabilities				
Accounts Payable	$ 512,686	$ 620,669	$ -	$ -
Obligations under Securities Lending	-	-	83,976	69,523
Total Current Liabilities	512,686	620,669	83,976	69,523
TOTAL LIABILITIES	$ 512,686	$ 620,669	$ 83,976	$ 69,523
FUND BALANCES				
Nonspendable Fund Balance - Prepaids	$ 248	$ 655	$ -	$ -
Restricted Fund Balance - Donor/Other External Party	-	-	1,293,810	1,059,168
TOTAL FUND BALANCES	$ 248	$ 655	$ 1,293,810	$ 1,059,168
TOTAL LIABILITIES AND FUND BALANCES	$ 512,934	$ 621,324	$ 1,377,786	$ 1,128,691

Special Revenue Fund		Governmental Funds	
Other Veterans' Trust Accounts		TOTAL	
June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
$ 98,386	$ 92,286	$ 1,385,540	$ 1,138,505
6,419	6,133	90,395	75,656
-	-	512,686	620,669
-	-	6,656	12,949
-	-	248	655
104,805	98,419	1,995,525	1,848,434
$ 104,805	$ 98,419	$ 1,995,525	$ 1,848,434
$ -	$ -	$ 512,686	$ 620,669
6,419	6,133	90,395	75,656
6,419	6,133	603,081	696,325
$ 6,419	$ 6,133	$ 603,081	$ 696,325
$ -	$ -	$ 248	$ 655
98,386	92,286	1,392,196	1,151,454
$ 98,386	$ 92,286	$ 1,392,444	$ 1,152,109
$ 104,805	$ 98,419	$ 1,995,525	$ 1,848,434

UNAUDITED

STATE OF OREGON

DEPARTMENT OF VETERANS' AFFAIRS

COMBINED STATEMENT OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE FISCAL YEARS ENDED JUNE 30, 2014 and JUNE 30, 2013

	General Fund		Special Revenue Fund	
			Veterans' Home Trust	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Revenues				
Donations	$ -	$ -	$ 164,099	$ 187,114
Interest Income	-	-	6,351	5,655
Total Revenues	-	-	170,450	192,769
Expenditures				
Veterans' Services				
Personal Services	1,599,593	781,110	-	-
Services and Supplies	111,025	256,807	-	-
Bond Interest	15,673	-	-	-
Securities Lending Investment Expense	-	-	73	188
State Treasury Charges	-	-	-	-
Trust Fund Distributions	-	-	-	-
Special Payments	2,970,997	2,231,272	-	-
Total Expenditures	4,697,288	3,269,189	73	188
Other Financing Sources (Uses)				
State Appropriations	4,697,288	3,269,189	-	-
Operating Transfer In from DMV	-	-	79,774	67,997
Operating Transfer Out to Veterans' Home	-	-	(15,509)	(13,534)
Total Other Financing Sources (Uses)	4,697,288	3,269,189	64,265	54,463
Net Change in Fund Balance	-	-	234,642	247,044
Beginning Fund Balance	655	932	1,059,168	812,124
Change in Reserve for Prepaid Items	(407)	(277)	-	-
Ending Fund Balance	$ 248	$ 655	$ 1,293,810	$ 1,059,168

Special Revenue Fund		Governmental Funds	
Other Veterans' Trust Accounts		TOTAL	
June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
$ 30,755	$ 1,266	$ 194,854	$ 188,380
516	564	6,867	6,219
31,271	1,830	201,721	194,599
-	-	1,599,593	781,110
-	-	111,025	256,807
-	-	15,673	-
6	17	79	205
233	127	233	127
24,932	7,905	24,932	7,905
-	-	2,970,997	2,231,272
25,171	8,049	4,722,532	3,277,426
-	-	4,697,288	3,269,189
-	-	79,774	67,997
-	-	(15,509)	(13,534)
-	-	4,761,553	3,323,652
6,100	(6,219)	240,742	240,825
92,286	98,505	1,152,109	911,561
-	-	(407)	(277)
$ 98,386	$ 92,286	$ 1,392,444	$ 1,152,109

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, 2015

AS OF JUNE 30, 2014

	General Fund			
	2013-2015 Original Budget	2013-2015 Adjusted Budget	First Year Actual June 30, 2014	Variance Favorable/ (Unfavorable)
General Fund:				
Veterans' Services Division - Appropriation	$ 9,141,637	$ 9,196,628	$ 4,229,411	$ 4,967,217
Total General Fund	$ 9,141,637	$ 9,196,628	$ 4,229,411	$ 4,967,217

Fiduciary Fund

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 - The Department acts as conservator of estates of approximately 151 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.

UNAUDITED

STATE OF OREGON

DEPARTMENT OF VETERANS' AFFAIRS

STATEMENT OF NET POSITION

FIDUCIARY FUND

JUNE 30, 2014 and JUNE 30, 2013

	Private Purpose Trust Fund	
	Conservatorship Program	
	June 30, 2014	June 30, 2013
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 20,413,013	$ 19,527,878
Investments	1,492,335	1,553,895
Securities Lending Cash Collateral	1,331,783	1,297,669
Receivables:		
Accrued Interest	9,203	8,815
Total Current Assets	23,246,334	22,388,257
Noncurrent Assets		
Conservatorship Real Property	4,401,948	4,313,960
Conservatorship Personal Property	467,303	423,632
Total Noncurrent Assets	4,869,251	4,737,592
TOTAL ASSETS	$ 28,115,585	$ 27,125,849
LIABILITIES		
Current Liabilities		
Due to Other Funds	$ -	$ -
Mortgages on Conservatorship Real Property	90,108	84,144
Obligations under Securities Lending	1,331,782	1,297,669
Total Current Liabilities	1,421,890	1,381,813
Noncurrent Liabilities		
Mortgages on Conservatorship Real Property	1,671,437	1,789,425
Total Noncurrent Liabilities	1,671,437	1,789,425
TOTAL LIABILITIES	3,093,327	3,171,238
NET POSITION		
Net Position Held in Trust for Individuals	25,022,258	23,954,611
TOTAL NET POSITION	$ 25,022,258	$ 23,954,611

UNAUDITED

STATE OF OREGON

DEPARTMENT OF VETERANS' AFFAIRS

STATEMENT OF CHANGES IN

NET POSITION

FIDUCIARY FUND

FOR THE FISCAL YEARS ENDED JUNE 30, 2014 and JUNE 30, 2013

	Private Purpose Trust Fund	
	Conservatorship Program	
	June 30, 2014	June 30, 2013
ADDITIONS		
Contributions:		
Veterans' Benefits	$ 8,147,073	$ 7,200,411
Investment Income:		
Interest Income	113,692	118,690
Valuation Changes and Redemptions of Investments	10,581	433,882
TOTAL ADDITIONS	$ 8,271,346	$ 7,752,983
DEDUCTIONS		
Veterans' Services: Beneficiary Care	$ 7,202,401	$ 7,655,349
Securities Lending Investment Expense	1,298	3,905
TOTAL DEDUCTIONS	7,203,699	7,659,254
Net Increase/ (Decrease)	1,067,647	93,729
CHANGE IN NET POSITION	1,067,647	93,729
BEGINNING NET POSITION	23,954,611	23,860,882
ENDING NET POSITION	$ 25,022,258	$ 23,954,611

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STATISTICAL SECTION

UNAUDITED

STATE OF OREGON

DEPARTMENT OF VETERANS' AFFAIRS

ASSETS, LIABILITIES AND NET POSITION

PROPRIETARY FUND - VETERANS' HOME PROGRAM (THE DALLES VETERANS' HOME only)

FOR THE FISCAL YEARS ENDED 2005 - 2014

ASSETS	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2011
Current Assets				
Cash and Cash Equivalents	$ 7,969,206	$ 6,435,934	$ 5,809,130	$ 3,981,396
Securities Lending Cash Collateral	519,927	427,682	607,557	4,459,350
Resident Care Receivable	1,481,895	2,282,144	1,566,269	1,376,424
Other Receivable	100,495	-	-	-
Due from Other Funds	9,241	8,560	-	-
Prepaid Expenses	-	-	-	-
Total Current Assets	$ 10,080,764	$ 9,154,320	$ 7,982,956	$ 9,817,170
Noncurrent Assets				
Resident Care Receivable (Net)	$ 58,823	$ 134,885	$ 14,369	$ 26,927
Capital Assets:				
Building, Property and Equipment	15,732,349	15,732,349	15,507,603	12,718,076
Improvements Other than Buildings	13,695	13,695	13,695	13,695
Land	600,073	600,073	600,073	600,073
Construction in Progress	39,163	-	-	1,566,650
Works of Art and Historical Treasures	89,998	89,998	70,000	70,000
Accumulated Depreciation	(5,294,125)	(4,895,076)	(4,497,806)	(4,202,032)
Total Noncurrent Assets	$ 11,239,976	$ 11,675,924	$ 11,707,934	$ 10,793,389
TOTAL ASSETS	$ 21,320,740	$ 20,830,244	$ 19,690,890	$ 20,610,559
LIABILITIES				
Current Liabilities				
Accounts Payable	$ 1,258,941	$ 1,389,624	$ 1,316,836	$ 1,125,035
Due to Other Funds	81,173	71,798	68,285	66,147
Deposit Liabilities	-	-	-	187
Unearned Revenue	33,108	23,835	124,746	92,502
Obligations Under Securities Lending	519,927	427,682	607,557	4,459,350
Pension-Related Debt *(1)*	900	700	-	-
Compensated Absences Payable	5,326	3,994	3,046	3,392
Total Current Liabilities	$ 1,899,375	$ 1,917,633	$ 2,120,470	$ 5,746,613
Noncurrent Liabilities				
Pension-Related Debt *(1)*	$ 31,790	$ 32,853	$ -	$ -
Compensated Absences Payable	2,744	2,151	1,569	1,748
Other Post Employment Benefits Obligation (Net)	2,377	2,162	1,112	494
Claims and Judgements Payable	-	-	-	-
Total Noncurrent Liabilities	$ 36,911	$ 37,166	$ 2,681	$ 2,242
TOTAL LIABILITIES	$ 1,936,286	$ 1,954,799	$ 2,123,151	$ 5,748,855
NET POSITION				
Net Investment in Capital Assets	$ 11,181,153	$ 11,541,039	$ 11,693,565	$ 10,766,462
Unrestricted	8,203,301	7,334,406	5,874,174	4,095,242
TOTAL NET POSITION	$ 19,384,454	$ 18,875,445	$ 17,567,739	$ 14,861,704
TOTAL LIABILITIES AND NET POSITION	$ 21,320,740	$ 20,830,244	$ 19,690,890	$ 20,610,559

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

June 30, 2010	June 30, 2009	June 30, 2008	June 30, 2007	June 30, 2006	June 30, 2005
$ 2,422,398	$ 1,982,432	$ 1,653,358	$ 1,105,989	$ 1,474,963	$ 1,414,057
939,799	907,514	818,718	387,988	189,105	248,379
1,484,378	1,398,921	1,136,487	1,158,387	707,089	818,414
-	-	-	-	51,800	-
-	-	-	-	-	5,405
-	-	-	-	571	553
$ 4,846,575	$ 4,288,867	$ 3,608,563	$ 2,652,364	$ 2,423,528	$ 2,486,808
$ 70,750	$ 138,125	$ 6,693	$ 13,754	$ 2,614	$ 3,572
12,643,416	12,715,158	12,708,097	12,562,282	12,540,540	12,517,677
7,250	7,250	7,250	7,250	7,250	7,250
600,073	600,073	600,073	600,073	600,073	600,073
-	-	-	-	-	-
70,000	70,000	70,000	70,000	70,000	70,000
(3,895,082)	(3,653,406)	(3,339,812)	(3,027,776)	(2,738,926)	(2,449,306)
$ 9,496,407	$ 9,877,200	$ 10,052,301	$ 10,225,583	$ 10,481,551	$ 10,749,266
$ 14,342,982	$ 14,166,067	$ 13,660,864	$ 12,877,947	$ 12,905,079	$ 13,236,074
$ 1,017,734	$ 963,037	$ 889,510	$ 855,175	$ 705,069	$ 873,212
66,674	71,991	63,499	55,909	119,104	493,755
6,076	7,990	361	361	652	361
55,186	131,604	-	-	-	-
939,799	907,514	818,718	387,988	189,105	248,379
-	-	-	-	-	-
4,565	9,945	5,345	2,277	437	3,455
$ 2,090,034	$ 2,092,081	$ 1,777,433	$ 1,301,710	$ 1,014,367	$ 1,619,162
$ -	$ -	$ -	$ -	$ -	$ -
2,352	4,898	2,632	1,121	146	1,481
-	-	-	-	-	-
-	-	-	-	6,994	-
$ 2,352	$ 4,898	$ 2,632	$ 1,121	$ 7,140	$ 1,481
$ 2,092,386	$ 2,096,979	$ 1,780,065	$ 1,302,831	$ 1,021,507	$ 1,620,643
$ 9,425,657	$ 9,739,075	$ 10,045,608	$ 10,211,829	$ 10,478,937	$ 10,745,694
2,824,939	2,330,013	1,835,191	1,363,287	1,404,635	869,737
$ 12,250,596	$ 12,069,088	$ 11,880,799	$ 11,575,116	$ 11,883,572	$ 11,615,431
$ 14,342,982	$ 14,166,067	$ 13,660,864	$ 12,877,947	$ 12,905,079	$ 13,236,074

UNAUDITED

STATE OF OREGON

DEPARTMENT OF VETERANS' AFFAIRS

REVENUES, EXPENSES AND CHANGES IN NET POSITION

PROPRIETARY FUND - VETERANS' HOME PROGRAM (THE DALLES VETERANS' HOME only)

FOR THE FISCAL YEARS ENDED 2005 - 2014

	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2011
OPERATING REVENUES				
Resident Revenue (Net) *(1)*	$ 16,216,313	$ 14,263,736	$ 13,677,396	$ 12,615,906
Investment Income	45,590	35,394	27,712	20,719
Other Fees and Charges	20,968	28,303	2,048	1,648
TOTAL OPERATING REVENUES	$ 16,282,871	$ 14,327,433	$ 13,707,156	$ 12,638,273
OPERATING EXPENSES				
Salaries and Other Payroll	$ 138,129	$ 133,068	$ 230,801	$ 217,270
Securities Lending Investment Expense	488	1,210	1,345	3,861
Services and Supplies	165,230	160,526	82,462	121,569
Interest	2,119	2,218	-	-
Veterans' Home Operations	12,679,264	12,407,376	11,603,548	11,103,989
Depreciation	399,050	397,270	317,534	315,949
TOTAL OPERATING EXPENSES	$ 13,384,280	$ 13,101,668	$ 12,235,690	$ 11,762,638
OPERATING INCOME (LOSS)	$ 2,898,591	$ 1,225,765	$ 1,471,466	$ 875,635
NONOPERATING REVENUE (EXPENSES)				
Net Transfers from Veterans' Home Trust Fund	$ 15,509	$ 13,534	$ 177,700	$ 947,478
Net Transfers to Lebanon Veterans' Home	(2,500,000)			
Net Transfers to Dept. of Administrative Services	(5,586)	(4,979)	(9,278)	(8,679)
Capital Contributions	100,495	107,687	1,066,147	796,674
TOTAL NONOPERATING REVENUES (EXPENSES)	(2,389,582)	116,242	1,234,569	1,735,473
CHANGE IN NET POSITION	$ 509,009	$ 1,342,007	$ 2,706,035	$ 2,611,108
NET POSITION				
Beginning Net Position	$ 18,875,445	$ 17,567,739	$ 14,861,704	$ 12,250,596
Prior Period Adjustment	-	(34,301)	-	-
Beginning Net Position, Restated	$ 18,875,445	$ 17,533,438	$ 14,861,704	$ 12,250,596
Ending Net Position	$ 19,384,454	$ 18,875,445	$ 17,567,739	$ 14,861,704

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

June 30, 2010	June 30, 2009	June 30, 2008	June 30, 2007	June 30, 2006	June 30, 2005
$ 11,833,514	$ 11,709,871	$ 10,985,553	$ 10,223,934	$ 9,809,017	$ 8,674,907
12,655	34,591	62,149	57,064	73,604	24,217
2,167	1,708	2,191	2,066	1,946	2,825
$ 11,848,336	$ 11,746,170	$ 11,049,893	$ 10,283,064	$ 9,884,567	$ 8,701,949
$ 202,012	$ 145,500	$ 120,273	$ 98,888	$ 80,684	$ 512,025
1,188	3,087	15,600	12,974	10,346	4,349
119,113	64,966	81,099	583,527	157,869	208,319
-	-	-	-	-	-
11,050,913	11,044,368	10,365,986	9,632,303	9,120,185	7,596,750
313,419	313,593	315,110	288,852	289,619	287,472
$ 11,686,645	$ 11,571,514	$ 10,898,068	$ 10,616,544	$ 9,658,703	$ 8,608,915
$ 161,691	$ 174,656	$ 151,825	$ (333,480)	$ 225,864	$ 93,034
$ 20,514	$ 18,060	$ 153,858	$ 25,024	$ 25,483	$ 71,091
(7,519)	(4,427)	-	-	-	-
-	-	-	-	16,794	7,250
12,995	13,633	153,858	25,024	42,277	78,341
$ 174,686	$ 188,289	$ 305,683	$ (308,456)	$ 268,141	$ 171,375
$ 12,069,088	$ 11,880,799	$ 11,575,116	$ 11,883,572	$ 11,615,431	$ 11,444,056
6,822	-	-	-	-	-
$ 12,075,910	$ 11,880,799	$ 11,575,116	$ 11,883,572	$ 11,615,431	$ 11,444,056
$ 12,250,596	$ 12,069,088	$ 11,880,799	$ 11,575,116	$ 11,883,572	$ 11,615,431

UNAUDITED

STATE OF OREGON

DEPARTMENT OF VETERANS' AFFAIRS

ASSETS, LIABILITIES AND NET POSITION

PROPRIETARY FUND - VETERANS' HOME PROGRAM (LEBANON VETERANS' HOME only)

FOR THE FISCAL YEARS ENDED 2011 - 2014

ASSETS	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2011
Current Assets				
Cash and Cash Equivalents	$ 2,496,571	$ -	$ -	$ -
Cash and Cash Equivalents - Restricted	2,927,534	6,805,940	10,254,538	10,431,646
Securities Lending Cash Collateral	353,877	512,271	1,283,694	-
Other Receivable	2,603,198	-	-	-
Total Current Assets	$ 8,381,180	$ 7,318,211	$ 11,538,232	$ 10,431,646
Noncurrent Assets				
Loan Receivable	$ 65,947	$ -	$ -	$ -
Capital Assets:				
Land	3,619,901	2,910,424	1,500,000	1,500,000
Construction in Progress	29,414,900	4,105,576	458,006	-
Total Noncurrent Assets	$ 33,100,748	$ 7,016,000	$ 1,958,006	$ 1,500,000
TOTAL ASSETS	$ 41,481,928	$ 14,334,211	$ 13,496,238	$ 11,931,646
LIABILITIES				
Current Liabilities				
Accounts Payable	$ 1,788,550	$ 1,607,981	$ 226,027	$ -
Due to Other Funds	62,656	8,560	-	-
Contracts Payable - Retainage	1,326,525	-	-	-
Obligations Under Securities Lending	353,877	512,271	1,283,694	-
Total Current Liabilities	$ 3,531,608	$ 2,128,812	$ 1,509,721	$ -
Noncurrent Liabilities				
Contracts Payable - Retainage	$ -	$ 167,981	$ -	$ -
Total Noncurrent Liabilities	$ -	$ 167,981	$ -	$ -
TOTAL LIABILITIES	$ 3,531,608	$ 2,296,793	$ 1,509,721	$ -
NET POSITION				
Net Investment in Capital Assets	$ 33,034,801	$ 7,016,000	$ 1,958,006	$ 1,500,000
Expendable, Restricted for Capital Construction	2,459,241	5,021,418	10,028,511	10,431,646
Unrestricted	2,456,278	-	-	-
TOTAL NET POSITION	$ 37,950,320	$ 12,037,418	$ 11,986,517	$ 11,931,646
TOTAL LIABILITIES AND NET POSITION	$ 41,481,928	$ 14,334,211	$ 13,496,238	$ 11,931,646

UNAUDITED

STATE OF OREGON

DEPARTMENT OF VETERANS' AFFAIRS

REVENUES, EXPENSES AND CHANGES IN NET POSITION

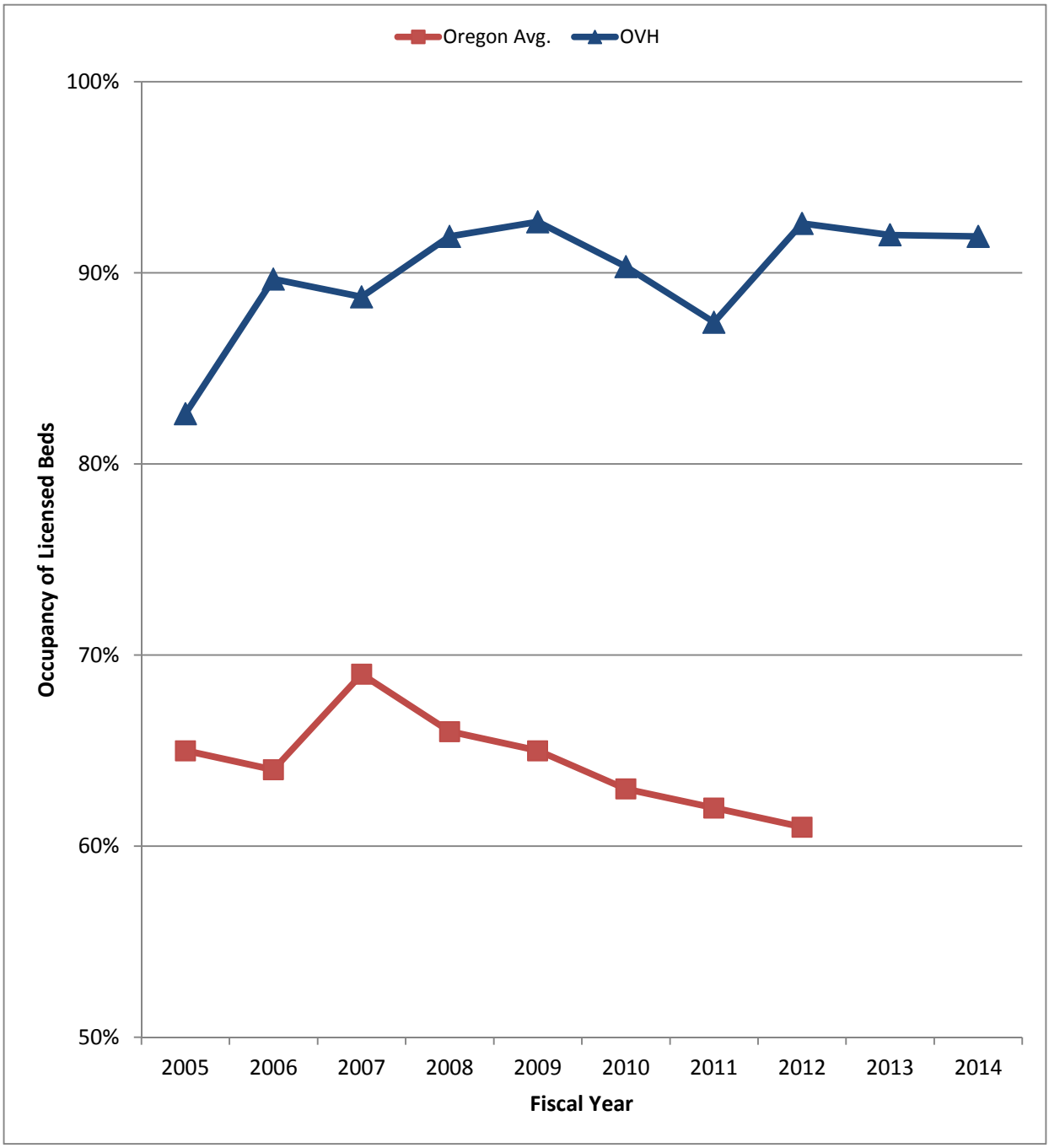
PROPRIETARY FUND - VETERANS' HOME PROGRAM (LEBANON VETERANS' HOME only)

FOR THE FISCAL YEARS ENDED 2011 - 2014

	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2011
OPERATING REVENUES				
Investment Income	$ 33,165	$ 52,586	$ 57,713	$ 5,550
Other Income	112,893	-	-	-
TOTAL OPERATING REVENUES	$ 146,058	$ 52,586	$ 57,713	$ 5,550
OPERATING EXPENSES				
Securities Lending Investment Expense	$ 414	$ 1,685	$ 2,842	$ -
Services and Supplies	903,293	-	-	-
Veterans' Home Operations	45,971	-	-	-
TOTAL OPERATING EXPENSES	$ 949,678	$ 1,685	$ 2,842	$ -
OPERATING INCOME (LOSS)	$ (803,620)	$ 50,901	$ 54,871	$ 5,550
NONOPERATING REVENUE (EXPENSES)				
Net Transfers from General Fund	$ 4,000,000	$ -	$ -	$ -
Net Transfers from The Dalles Veterans' Home	2,500,000	-	-	-
Capital Contributions	20,216,522	-	-	11,926,096
TOTAL NONOPERATING REVENUES (EXPENSES)	26,716,522	-	-	11,926,096
CHANGE IN NET POSITION	$ 25,912,902	$ 50,901	$ 54,871	$ 11,931,646
NET POSITION				
Beginning Net Position	$ 12,037,418	$ 11,986,517	$ 11,931,646	$ -
Ending Net Position	$ 37,950,320	$ 12,037,418	$ 11,986,517	$ 11,931,646

UNAUDITED
OREGON DEPARTMENT OF VETERANS' AFFAIRS
VETERANS' HOME PROGRAM

AVERAGE OCCUPANCY RATE



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

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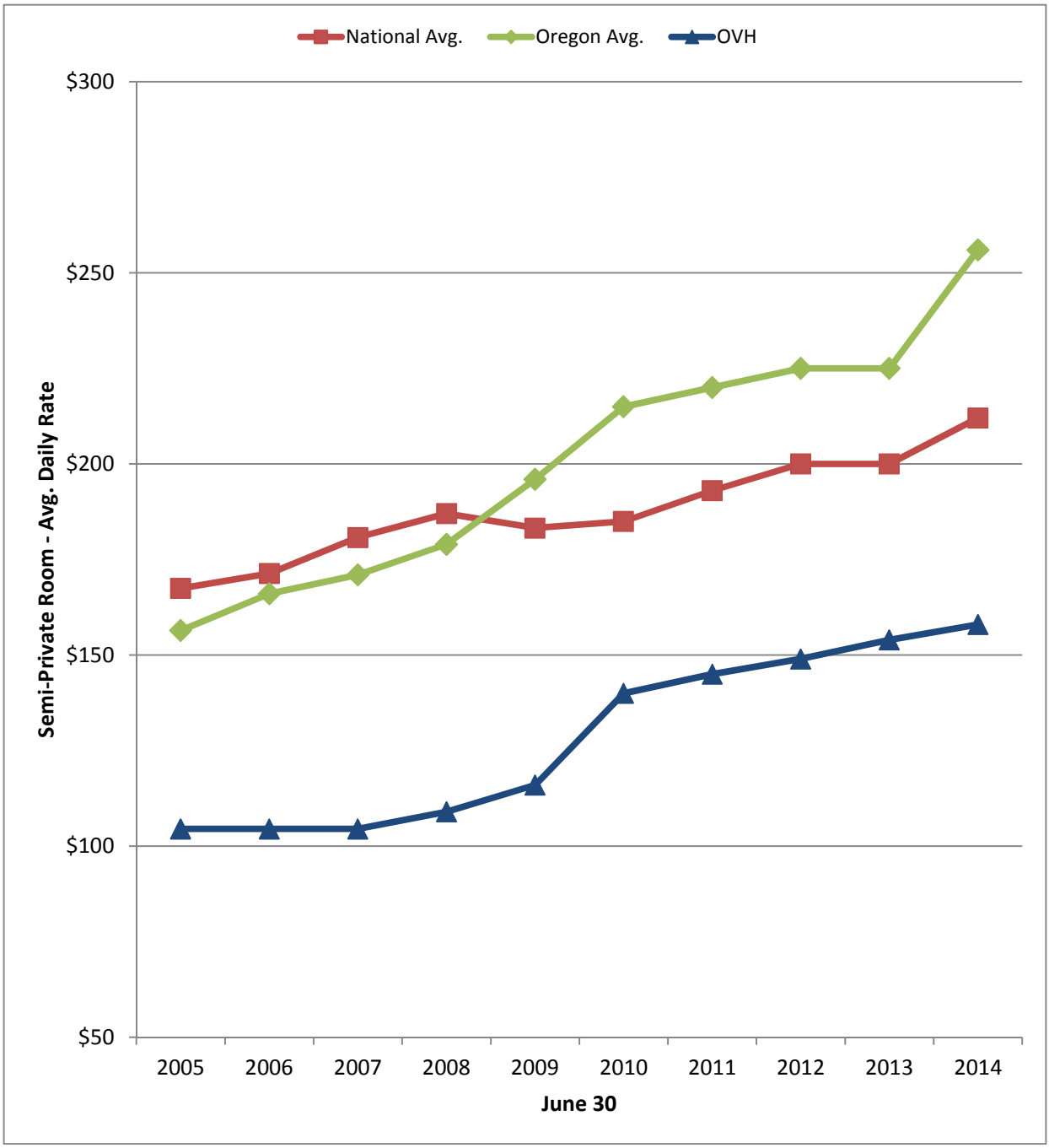
OREGON DEPARTMENT OF VETERANS' AFFAIRS
VETERANS' HOME PROGRAM

RESIDENT PRIVATE PAY RATES

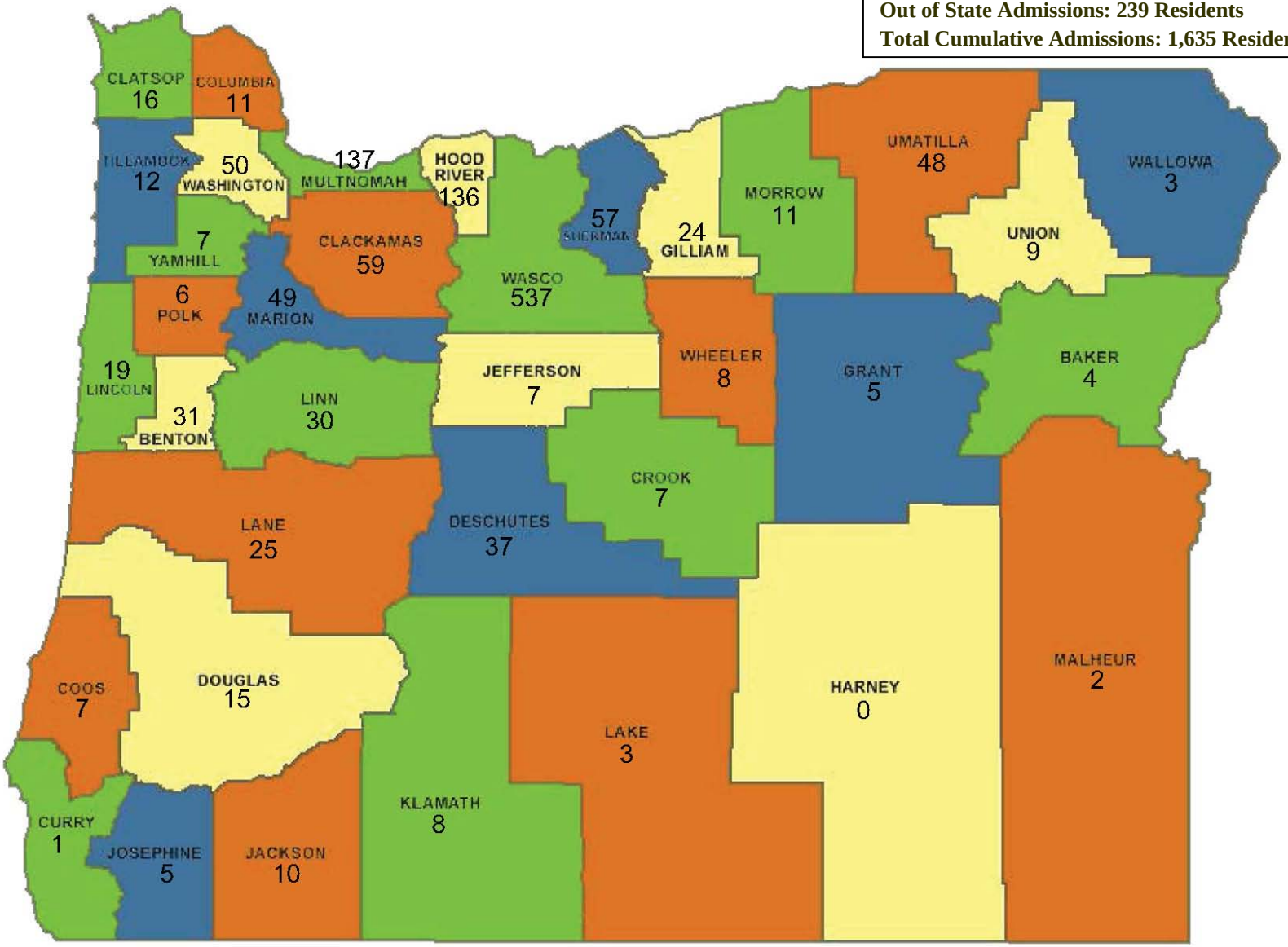


Source: Genworth Financial Reports and Statistical Reports of the Oregon Department of Veterans' Affairs.
Note: Prior to 2005, data for the National and Oregon average is not available.

UNAUDITED
OREGON DEPARTMENT OF VETERANS' AFFAIRS

CUMULATIVE RESIDENT ADMISSIONS BY COUNTY
NOVEMBER 1, 1997 THROUGH JUNE 30, 2014

Out of State Admissions: 239 Residents
Total Cumulative Admissions: 1,635 Residents



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

OTHER REPORTS

MERINA & COMPANY, LLP
Certified Public Accountants and Consultants

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

PARTNERS
KAMALA K. AUSTIN, CPA • TONYA M. MOFFITT, CPA

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 John Kitzhaber
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, financial statements of The Dalles and the Lebanon Veterans' Homes of the Oregon Department of Veterans' Affairs' Home Program, (the Home Program), as of and for the years ended June 30, 2014 and June 30, 2013, 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 17, 2014.

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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Home Programs' internal control. Accordingly, we do not express an opinion on the effectiveness of the Home Programs' 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 Programs' financial statements are free of 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

Merina & Company, LLP
West Linn, Oregon
October 17, 2014

OREGON DEPARTMENT of VETERANS' AFFAIRS

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

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