

# AUDIT REPORT

**Tennessee State Veterans' Homes Board**

**For the Years Ended  
June 30, 2007, and June 30, 2006**



**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY**

**Department of Audit  
Division of State Audit**



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**COMPTROLLER OF THE TREASURY**  
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March 26, 2009

The Honorable Phil Bredesen, Governor  
and  
Members of the General Assembly  
State Capitol  
Nashville, Tennessee 37243  
and  
Board of Directors  
Tennessee State Veterans' Homes Board  
P.O. Box 11328  
Murfreesboro, Tennessee 37129

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Tennessee State Veterans' Homes Board for the years ended June 30, 2007, and June 30, 2006. You will note from the independent auditor's report that unqualified opinions were given on the fairness of the presentation of the financial statements.

Consideration of internal control over financial reporting and tests of compliance disclosed a deficiency, which is detailed in the Results of the Audit section of this report. The board's management has responded to the audit finding; the response is included following the finding. The Division of State Audit will follow up the audit to examine the application of the procedures instituted because of the audit finding.

Sincerely,

Arthur A. Hayes, Jr., CPA  
Director

AAH/ajm  
08/051

State of Tennessee

# Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit  
**Tennessee State Veterans' Homes Board**  
For the Years Ended June 30, 2007, and June 30, 2006

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## AUDIT OBJECTIVES

The objectives of our audit were to consider the board's internal control over financial reporting; to determine compliance with certain provisions of laws, regulations, contracts, and grant agreements; to determine the fairness of the presentation of the financial statements; and to recommend appropriate actions to correct any deficiencies.

## OBSERVATIONS AND COMMENTS

Management has made significant improvements in fiscal operations since the last audit report. As noted in the Prior Audit Findings section of this report, management has corrected the majority of the many audit findings previously reported. While corrective action is still needed for certain functions as indicated by the one audit finding included in this report, significant progress has been made.

## INTERNAL CONTROL FINDING

**For the Seventh Consecutive Audit, the Board Had Not Addressed the Risk of Illegal, Unauthorized, or Inappropriate Purchases; for the Fourth Consecutive Audit, the Board Still Had Inadequate Controls Regarding Use of Credit Cards; and Payments Were Not Timely and Were Made Without Documentation That Goods and Services Were Received \***

The board's policies and procedures over purchasing were still not being followed, and service contract approvals required by state law were still not obtained. Also, contract payments were not always properly invoiced or reviewed. Credit card transactions were not properly approved, and payments were made without proper support (page 10).

\* This finding is repeated from prior audits.

## **OPINIONS ON THE FINANCIAL STATEMENTS**

The opinions on the financial statements are unqualified.

**Audit Report**  
**Tennessee State Veterans' Homes Board**  
**For the Years Ended June 30, 2007, and June 30, 2006**

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# **Tennessee State Veterans' Homes Board**

## **For the Years Ended June 30, 2007, and June 30, 2006**

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### **INTRODUCTION**

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#### **POST-AUDIT AUTHORITY**

This is a report on the financial and compliance audit of the Tennessee State Veterans' Homes Board. The audit was conducted pursuant to Section 4-3-304, *Tennessee Code Annotated*, which authorizes the Department of Audit to "perform currently a post-audit of all accounts and other financial records of the state government, and of any department, institution, office, or agency thereof in accordance with generally accepted auditing standards and in accordance with such procedures as may be established by the comptroller."

Section 8-4-109, *Tennessee Code Annotated*, authorizes the Comptroller of the Treasury to audit any books and records of any governmental entity that handles public funds when the Comptroller considers an audit to be necessary or appropriate.

#### **BACKGROUND**

The Tennessee State Veterans' Homes Board was established in 1988 under the provisions of Title 58, Chapter 7, *Tennessee Code Annotated*. This statute authorizes the creation of public homes for veterans throughout the state to provide support and care for honorably discharged veterans who served in the United States armed forces. Although the state contributed certain capital to the board during the construction of its facilities, the board does not receive operating funds from the state. Prior to September 11, 2003, the board was funded with revenue bonds. Subsequently, the revenue bonds were replaced by general obligation bonds of the State of Tennessee. The board is responsible for the debt service on their portion of the general obligation bonds. The board's primary revenue source is residents' fees. The board operates three facilities – one in Murfreesboro, one in Humboldt, and one in Knoxville which began operations on January 1, 2007. The board has the authority to employ an executive director and other employees; to incur expenses as may be necessary for the proper discharge of the board's duties; to establish policies regarding the rates for patient care in a state veterans' home; and to incur debts, borrow money, issue debt instruments, and provide for the rights of the holders of the debt instruments.

The board consists of ten members. The Commissioner of the Tennessee Department of Veterans Affairs serves *ex officio* as a voting member of the board. The remaining nine members are appointed by the Governor, three from each of the three grand divisions of the state. The Governor appoints a member of the board to serve as chairman. Each board member must be a citizen of the state and an honorably discharged veteran. Refer to the subsequent event

disclosure (Note 13) for information regarding legislative changes made to the board after our audit was completed.

## **ORGANIZATION**

The governing board exercises its authority over operations through its executive staff. The executive staff consists of the Executive Director, Finance Director, Information Technology Director, and other executive staff. The Executive Director is responsible for the oversight of all the facilities. The Executive Director hires and supervises the executive staff and employs the administrators to oversee the daily operations of each facility. The administrator then hires the managerial staff and all other facility employees.

The Finance Director was hired in April 2004, and the board purchased and implemented a new information system and became completely self-managed after many years of contracting with various management companies. The administrators continued to have responsibility for the business offices even though the Finance Director was ultimately responsible for the results and the output from the business offices. To correct this, the Finance Director was assigned the responsibility for the business offices in February 2006, and a director of patient financial services and a controller were subsequently hired.

An organization chart for the Tennessee State Veterans' Homes Board is on the following page.

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## **AUDIT SCOPE**

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The audit was limited to the period July 1, 2005, through June 30, 2007, and was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in generally accepted government auditing standards. Financial statements are presented for the years ended June 30, 2007, and June 30, 2006. The Tennessee State Veterans' Homes Board has been included as a component unit in the *Tennessee Comprehensive Annual Financial Report*.

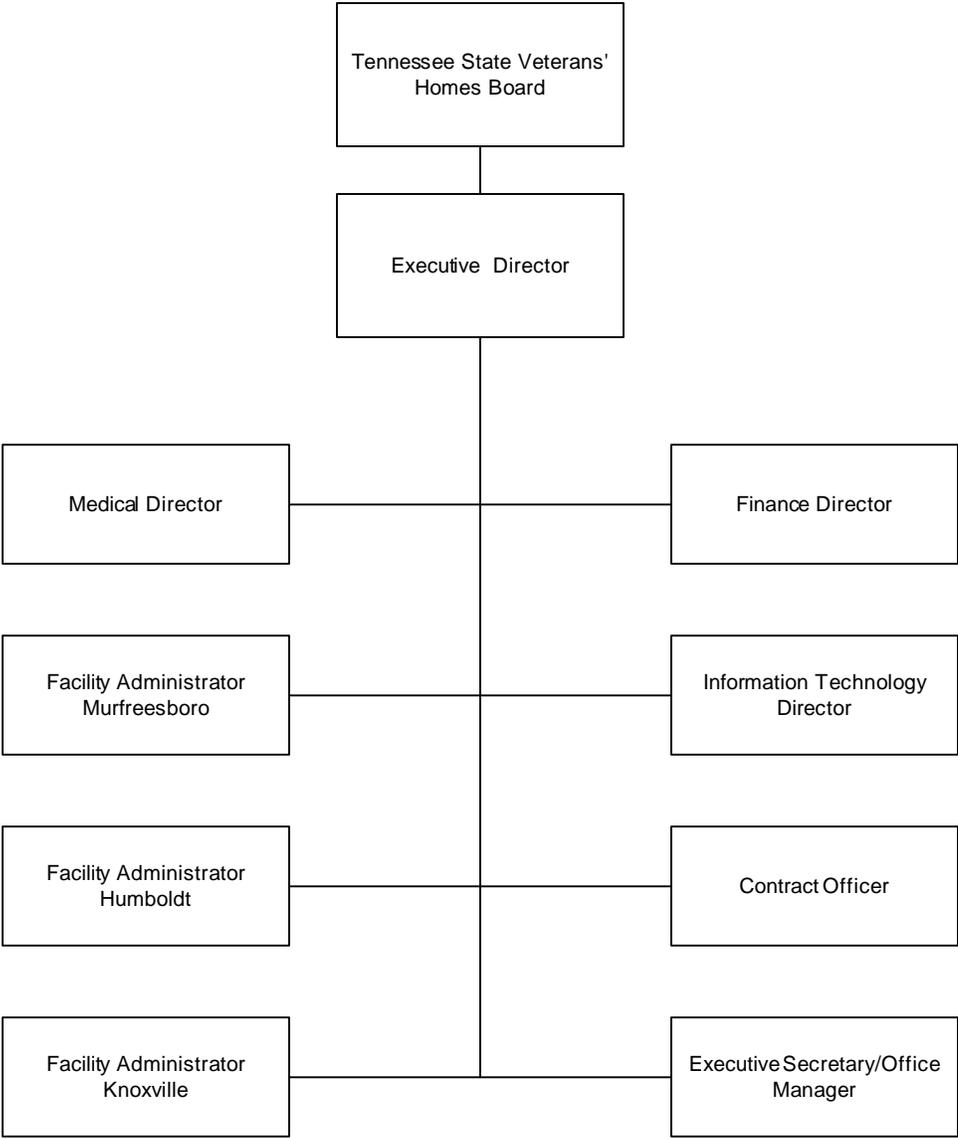
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## **OBJECTIVES OF THE AUDIT**

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The objectives of the audit were

# Tennessee State Veterans' Homes Board Organization Chart



1. to consider the board's internal control over financial reporting to determine auditing procedures for the purpose of expressing opinions on the financial statements;
2. to determine compliance with certain provisions of laws, regulations, contracts, and grant agreements;
3. to determine the fairness of the presentation of the financial statements; and
4. to recommend appropriate actions to correct any deficiencies.

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### **PRIOR AUDIT FINDINGS**

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Section 8-4-109, *Tennessee Code Annotated*, requires that each state department, agency, or institution report to the Comptroller of the Treasury the action taken to implement the recommendations in the prior audit report. A follow-up of all prior audit findings was conducted as part of the current audit.

### **RESOLVED AUDIT FINDINGS**

The current audit disclosed that the board has corrected previous audit findings concerning collections of accounts receivable, accounts payable, Tennessee Consolidated Retirement System contributions, Medicaid residents being charged more than private pay residents, accounts receivable practices and accounting records, risk of theft of resident funds, internal controls for information systems, inadequate surety bond coverage, an inaccurate check register, internal controls over the recording and reconciliation of cash, policies and procedures, and missing documents.

### **REPEATED AUDIT FINDINGS**

The prior audit report also contained findings concerning purchases and credit cards. These findings were resolved in part. The unresolved portions are repeated in a single finding in this report.

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## **OBSERVATIONS AND COMMENTS**

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### **IMPROVEMENTS IN FISCAL OPERATIONS**

Management has made significant improvements in fiscal operations since the last audit report. As noted in the Prior Audit Findings section of this report, management has corrected the majority of the many audit findings previously reported. While corrective action is still needed for certain functions as indicated by the one audit finding included in this report, significant progress has been made.

### **MANAGEMENT'S RESPONSIBILITY FOR RISK ASSESSMENT**

Auditors and management are required to assess the risk of fraud in the operations of the entity. The risk assessment is based on a critical review of operations considering what frauds could be perpetrated in the absence of adequate controls. The auditors' risk assessment is limited to the period during which the audit is conducted and is limited to the transactions that the auditors are able to test during that period. The risk assessment by management is the primary method by which the entity is protected from fraud, waste, and abuse. Since new programs may be established at any time by management or older programs may be discontinued, that assessment is ongoing as part of the daily operations of the entity.

Risks of fraud, waste, and abuse are mitigated by effective internal controls. It is management's responsibility to design, implement, and monitor effective controls in the entity. Although internal and external auditors may include testing of controls as part of their audit procedures, these procedures are not a substitute for the ongoing monitoring required of management. After all, the auditor testing is limited and is usually targeted to test the effectiveness of particular controls. Even if controls appear to be operating effectively during the time of the auditor testing, they may be rendered ineffective the next day by management override or by other circumventions that, if left up to the auditor to detect, will not be noted until the next audit engagement and then only if the auditor tests the same transactions and controls. Furthermore, since staff may be seeking to avoid auditor criticisms, they may comply with the controls during the period that the auditors are on site and revert to ignoring or disregarding the control after the auditors have left the field.

The risk assessments and the actions of management in designing, implementing, and monitoring the controls should be adequately documented to provide an audit trail both for auditors and for management, in the event that there is a change in management or staff, and to maintain a record of areas that are particularly problematic. The assessment and the controls should be reviewed and approved by the head of the entity.

## **FRAUD CONSIDERATIONS**

Statement on Auditing Standards No. 99, *Consideration of Fraud in a Financial Statement Audit*, promulgated by the American Institute of Certified Public Accountants requires auditors to specifically assess the risk of material misstatement of an audited entity's financial statements due to fraud. The standard also restates the obvious premise that management, not the auditors, is primarily responsible for preventing and detecting fraud in its own entity. Management's responsibility is fulfilled in part when it takes appropriate steps to assess the risk of fraud within the entity and to implement adequate internal controls to address the results of those risk assessments.

During our audit, we discussed these responsibilities with management and how management might approach meeting them. We also increased the breadth and depth of our inquiries of management and others in the entity as we deemed appropriate. We obtained formal assurances from top management that management had reviewed the entity's policies and procedures to ensure that they are properly designed to prevent and detect fraud and that management had made changes to the policies and procedures where appropriate. Top management further assured us that all staff had been advised to promptly alert management of all allegations of fraud, suspected fraud, or detected fraud and to be totally candid in all communications with the auditors. All levels of management assured us there were no known instances or allegations of fraud that were not disclosed to us.

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## **RESULTS OF THE AUDIT**

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### **AUDIT CONCLUSIONS**

#### Internal Control

As part of our audit of the Tennessee State Veterans' Homes Board's financial statements for the years ended June 30, 2007, and June 30, 2006, we considered internal control over financial reporting as a basis for designing auditing procedures for the purpose of expressing opinions on the financial statements, as required by auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in generally accepted government auditing standards. A significant deficiency, along with the recommendation and management's response, is detailed in the Finding and Recommendation section of this report. Consideration of internal control over financial reporting disclosed no material weaknesses.

#### Compliance and Other Matters

The results of our audit tests disclosed no instances of noncompliance or other matters that are required to be reported under generally accepted government auditing standards.

#### Fairness of Financial Statement Presentation

The Division of State Audit has rendered unqualified opinions on the board's financial statements.



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

February 5, 2009

The Honorable Phil Bredesen, Governor  
and  
Members of the General Assembly  
State Capitol  
Nashville, Tennessee 37243  
and  
Board of Directors  
Tennessee State Veterans' Homes Board  
P.O. Box 11328  
Murfreesboro, Tennessee 37129

Ladies and Gentlemen:

We have audited the financial statements of the Tennessee State Veterans' Homes Board, a component unit of the State of Tennessee, as of and for the years ended June 30, 2007, and June 30, 2006, and have issued our report thereon dated February 5, 2009. 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 generally accepted government auditing standards.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the board's internal control over financial reporting as a basis for designing our auditing procedures 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 board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the board's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be a significant deficiency in internal control over financial reporting:

- For the seventh consecutive audit, the board had not addressed the risk of illegal, unauthorized, or inappropriate purchases; for the fourth consecutive audit, the board still had inadequate controls regarding use of credit cards; and payments were not timely and were made without documentation that goods or services were received

These deficiencies are described in the Finding and Recommendation section of this report.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe that the significant deficiency described above is a material weakness.

February 5, 2009  
Page Three

We also noted certain matters involving the internal control over financial reporting, which we have reported to the board's management in a separate letter.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the board's financial statements are free of material misstatement, we performed tests of the board's 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 generally accepted government auditing standards.

We did, however, note certain less significant instances of noncompliance, which we have reported to the board's management in a separate letter.

The board's response to the finding identified in our audit is included in the Finding and Recommendation section of this report. We did not audit the board's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the General Assembly of the State of Tennessee, the board of directors, management, and the audit committee and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record.

Sincerely,

A handwritten signature in black ink, appearing to read "Arthur A. Hayes, Jr.", written in a cursive style.

Arthur A. Hayes, Jr., CPA  
Director

AAH/ajm

## FINDING AND RECOMMENDATION

**For the seventh consecutive audit, the board had not addressed the risk of illegal, unauthorized, or inappropriate purchases; for the fourth consecutive audit, the board still had inadequate controls regarding use of credit cards; and payments were not timely and were made without documentation that goods and services were received**

### Finding

As noted in the six prior audits, the Tennessee State Veterans' Homes Board's policies and procedures over purchasing were not being followed, and service contract approvals required by state law were not obtained. Also, as noted in the three prior audits, contract payments were not always properly invoiced or reviewed, and the board did not have adequate controls in place over the use of credit cards. Furthermore, we noted that payments were not timely, and they were made without documentation that goods and services were received. While certain problems still remain as indicated within this finding, the following deficiencies noted in the related prior audit findings have been corrected:

- travel reimbursements being paid twice, exceeding allowable rates, and being paid without required approvals; and
- inadequate policies for credit cards.

In the prior audit, management concurred with the findings and stated, "Procedures have been put into place to strengthen controls over purchasing . . . Staff training on purchasing procedures has been held and purchasing activities [have been] monitored for compliance with Board policy." Management further stated that "a Contract Officer has been appointed and given responsibility to bring service contracts into compliance with State law." With regard to credit cards, management stated,

Procedures and controls for use of credit cards have been strengthened and additional training has been held. The number of credit cards has been reduced to three per facility. Access to credit cards is restricted and staff must be an approved user and have an approved purchase order prior to obtaining the credit card and making a purchase. Staff is aware of consequences of not following policy. This activity will continue to be monitored and reported to the Audit Committee.

During this audit, we found that purchasing policies were still not followed on a consistent basis, and some credit card charges were not approved until after the purchase was made, while others were paid without knowledge of what was purchased. In addition, service contracts were still not in compliance with state law even though the Contract Officer referred to in management's response was appointed June 29, 2006, the middle of our audit period.

## Purchasing policies and procedures regarding purchase orders were not followed

Written policies and procedures require purchase orders on all purchases, except for monthly utilities, telephones, labor and compensation, and travel claims.

Our review of various disbursements revealed pervasive errors as follows:

- Purchase orders were not completed until after the goods were received or services were rendered. For 41 of 177 fiscal year 2007 disbursements tested (23%) and 51 of 147 fiscal year 2006 disbursements (35%) purchase orders were not completed until after goods were received or services were rendered.
- Purchase orders did not contain a description of the goods ordered. Three of 55 fiscal year 2007 credit card payments (5%) and 5 of 39 fiscal year 2006 credit card payments (13%) were supported by purchase orders, but the purchase orders did not contain a description of the goods ordered.

We noted several more errors during our credit card testwork. Twenty-two of 55 fiscal year 2007 credit card payments (40%) and 11 of 39 fiscal year 2006 credit card payments (28%) were not in compliance with the purchasing policies and procedures.

- As noted earlier in the finding, some fiscal year 2007 and fiscal year 2006 purchase orders were completed after the goods or services were purchased, or purchase orders did not contain a description of the goods ordered.
- Seven fiscal year 2007 payments contained a charge for sales tax or late fees.
- As noted later in the finding, for some fiscal year 2007 credit card purchases there was no receiving report or documentation on the invoice or purchase order to indicate that the goods or services were received.
- For four fiscal year 2007 payments, there was no invoice or receipt indicating the price of the goods or services purchased. For two of the four, we were able to examine other support, and the disbursements appeared to be for legitimate business purposes. For the other two disbursements, we did not have enough information to make that determination.

Purchase orders document supervisory approval to purchase goods or services. In so doing, the approver has deemed that the goods or services have a business purpose and that funds are available to pay the resulting obligation. Without advance approval, the risk increases that goods or services could be purchased for personal purposes or the board could be obligated for unnecessary purchases.

Because certain credit card purchases were still not supported adequately, we cannot be certain that these purchases were legitimate business expenses. This situation creates

opportunities for card users to commit fraud. If bills are paid by management without knowing all of the items that are purchased, the risk significantly increases that unauthorized purchases will be made without detection.

#### Contracts and approvals not obtained

Service contracts were still not prepared and sent to the Commissioner of the Department of Finance and Administration for approval. In response to the prior-year finding, management stated that it appointed a contract officer effective June 29, 2006, which was just before the beginning of fiscal year 2007. To test compliance, we reviewed service vendors with more than \$5,000 in purchased services. For 16 of 25 fiscal year 2007 service vendors tested (64%) and 10 of 26 fiscal year 2006 service vendors tested (38%), there was no service contract. Contracts for services are necessary to ensure all parties are aware of the duties and responsibilities of each party, and proper approvals are necessary to ensure that agreements are enforceable and in the best interest of the state.

#### Contract payment for nurse staffing was not mathematically accurate

In addition to testing contracts with service vendors, we also tested payments made to service vendors. For the year ended June 30, 2006, we noted one payment that was not in compliance with the contract. This was a payment for nurse staffing. The vendor charged the facility holiday rates for Easter; however, because Easter was not listed as a recognized holiday in the contract, the invoice was overstated by \$400. We also discovered that this same vendor charged higher rates than what was stated in the contract. The invoice was overstated by \$4,270 due to this error. In this one payment, totaling \$32,610, the facility overpaid \$4,670 to this vendor. We reviewed support for the other payments made to this vendor during the 2006 fiscal year, and we only noted one other instance where the support showed that higher rates were charged. That payment was for \$12,702. The support for this payment should be examined by the Finance Director to determine the total amount that was overpaid. According to the Controller, the board no longer does business with this vendor.

As was indicated in the prior audit report, the board still has no written policies and procedures to ensure that invoices for nurse staffing are adequately supported and mathematically correct and to ensure that the facilities are being charged the correct rate. The losses noted above occurred because of the board's failure to recognize and address this risk. Payments to service vendors must be reviewed for propriety in accordance with contracts to ensure proper payments are made.

#### Prudent business practices not followed

During our testwork, we noted the following items that were not in accordance with prudent business practices:

- Seventeen of 75 fiscal year 2007 disbursements (23%) and 15 of 59 fiscal year 2006 disbursements (25%) were not paid in a timely manner (within 45 days). The days late

ranged from one to 60 days. The Executive Director stated that payments were made late because the homes had cash flow problems due to the decrease in the number of residents and penalties assessed. Management's inability to make payments in a timely manner can have an effect on the board's reputation within the community.

- For 3 of 56 fiscal year 2007 disbursements (5%) and 13 of 56 fiscal year 2006 disbursements tested (23%), there was no receiving report or documentation on the invoice or purchase order to indicate that the goods or services were received. This scenario provided employees an opportunity to commit fraud that could have escaped detection by management. Employees could initiate payments for items never received.

### Conclusion

The Executive Director stated that purchasing is an area that management continues to monitor for compliance. She stated that the facility administrators had not adequately monitored the purchase orders for compliance with policies and procedures, but did not explain why the other problems discussed in this finding have continued to occur. While management was able to resolve all of the other previous audit findings, improvements in the areas of purchasing are still needed. We believe that a weak control environment for purchasing evidenced by failure of employees to follow purchasing and credit card policies; failure of management to monitor compliance with policies, procedures, and state law; and failure of management to institute recommended policies and procedures contributed to the problems. Although we noted no suspicious activity when conducting our testwork, the deficiencies created opportunities for fraud.

### **Recommendation**

The board should examine why the actions promised by the Finance Director continue to be ineffective, and the Executive Director and the Audit Committee should take action to ensure that they gain control over the purchasing and accounts payable functions. The control environment should be strengthened by monitoring compliance with existing policies and developing and monitoring new policies where needed. Disciplinary actions should be taken against those who continue to violate established policies or procedures.

### Purchasing policies and procedures regarding purchase orders were not followed

The Finance Director should ensure that purchasing policies are followed and notify the Executive Director when they are not followed. Purchase orders should be completed and approved in advance of all applicable purchases, and a standing purchase order should be maintained for contracted or routine services, including nurse staffing.

The nature and propriety of credit card purchases should be scrutinized by the authorized purchaser's supervisor. The Finance Director should ensure billing statements are properly reconciled to the receipts approved by the supervisors. Any charges without approved receipts,

invoices, or purchase orders should be investigated immediately. These reconciliations and investigations need to be documented and completed in a timely manner to ensure that late payment charges are avoided.

#### Contracts and approvals not obtained

The Contract Officer should ensure that service contracts are established and approved in accordance with state law. The audit committee should approve a formal process for standing contracts including development of a policy for establishing limits to the contracts, receiving necessary approvals, and monitoring the amounts outstanding on the contracts. A listing of standing contracts for routine and recurring purchases should be available to business office personnel.

#### Contract payment for nurse staffing was not mathematically accurate

The board should develop policies and procedures which require invoices from service vendors to be reviewed prior to disbursing funds to ensure vendors' compliance with contracts and documentation requirements and to ensure mathematical accuracy. The Finance Director should determine the total amount of the overpayment made to the vendor discussed in this finding and attempt to recoup those funds.

#### Prudent business practices not followed

The Executive Director should implement policies and procedures to ensure that payments are made in a timely manner. Also, the Finance Director should ensure that policies and procedures are followed concerning the documentation of receipt of goods.

### **Management's Comment**

We concur that purchasing policies and procedures were not always followed for the fiscal years ended June 30, 2006, and June 30, 2007.

The Board and Audit Committee made resolution of repeat audit findings a priority and have made major improvements as evidenced by the reduction of audit findings from 14 reported for the fiscal year ended June 30, 2005, to one for the report issued for the fiscal years ended June 30, 2006, and June 30, 2007. The Audit Committee continues to monitor the progress made by management in the resolution of the remaining finding relating to purchasing.

#### Purchasing policies and procedures regarding purchase orders were not followed

The Finance Director will monitor compliance with Board purchasing policies and procedures. Standing purchase orders are already issued for contracted or routine services, including nurse staffing. Staff have been instructed to enter standing purchase orders before the first day of the month so that all purchases are included in that month's standing purchase order.

A system has been established to monitor other untimely purchases so that notification can be given to the Executive Director for appropriate action. It is anticipated that improvements will be reflected in the audit for fiscal year 2009.

Contracts and approvals not obtained

The Contract Officer has developed a correction plan and is working with the facility administrators and other staff, as appropriate, to complete the process. This assignment has been given priority. It is anticipated that improvements will be reflected in the audit for fiscal year 2009.

Contract payment for nurse staffing was not mathematically accurate

It is the responsibility of the nurse supervisor, or other person who can attest to the hours worked, to sign the time card of agency staff. Hours worked as calculated on the time card are to be reviewed for mathematical accuracy. Any changes to the hours worked should be noted on all copies of the time card to provide a basis for accurate billing from the staffing agency. The time cards are also reviewed by accounts payable staff before making payment.

Prudent business practices not followed

Unlike state departments and most other state agencies, TSVH is a business, generating revenues, collecting monies owed, and using the funds collected to pay its debt, its employees, and vendors. It is the intent of TSVH to comply with the Prompt Payment Act of 1985. However, there may be times when payments are delayed due to cash flow constraints. Other delays can be caused when there are billing disputes. Staff are instructed to immediately submit all receiving documents, invoices, receipts, etc. to the accounts payable department for processing. As a matter of routine, TSVH strives to meet the payment terms for all its vendors. Documentation of goods or services is required before payment to vendors is issued. This will be monitored by management.



STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF STATE AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-1402  
PHONE (615) 401-7897  
FAX (615) 532-2765

**Independent Auditor's Report**

February 5, 2009

The Honorable Phil Bredesen, Governor  
and  
Members of the General Assembly  
State Capitol  
Nashville, Tennessee 37243  
and  
Board of Directors  
Tennessee State Veterans' Homes Board  
P.O. Box 11328  
Murfreesboro, Tennessee 37129

Ladies and Gentlemen:

We have audited the accompanying statements of net assets of the Tennessee State Veterans' Homes Board, a component unit of the State of Tennessee, as of June 30, 2007, and June 30, 2006, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the board's management. 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 generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our

opinions. Tennessee statutes, in addition to audit responsibilities, entrust certain other responsibilities to the Comptroller of the Treasury. Those responsibilities include approving plans of operation of the Tennessee State Veterans' Homes Board and serving as a member of the State Funding Board.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tennessee State Veterans' Homes Board as of June 30, 2007, and June 30, 2006, and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Tennessee State Veterans' Homes Board has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements. The Schedule of Pension Funding Progress on page 40 is not a required part of the basic financial statements but is supplementary information also required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements. The accompanying financial information on pages 41 through 50 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with generally accepted government auditing standards, we have also issued our report dated February 5, 2009, on our consideration of the board'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

February 5, 2009  
Page Three

with generally accepted government auditing standards and should be read in conjunction with this report in considering the results of our audit.

Sincerely,

A handwritten signature in black ink that reads "Arthur A. Hayes, Jr." The signature is written in a cursive style with a large, prominent initial 'A'.

Arthur A. Hayes, Jr., CPA  
Director

AAH/ajm

**Tennessee State Veterans' Homes Board**  
**Statements of Net Assets**  
**June 30, 2007, and June 30, 2006**

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
<b>Assets:</b>		
Current assets:		
Cash (Note 2)	\$ 2,616,784.91	\$ 1,885,864.15
Resident accounts receivable, net of allowance for doubtful accounts of \$744,022.99 at June 30, 2007, and \$1,656,108.28 at June 30, 2006 (Note 3)	2,228,182.82	748,359.07
Medicare cost settlement receivable	207,209.92	181,352.66
Due from federal government	75,611.89	5,985,441.15
Inventories	235,033.76	54,759.68
Prepaid items	45,606.03	9,945.00
Restricted cash (Notes 2 and 5)	381,057.84	827,749.13
	<u>5,789,487.17</u>	<u>9,693,470.84</u>
Total current assets		
Noncurrent assets:		
Restricted cash (Notes 2 and 5)	1,383,014.91	1,012,007.08
Unamortized bond issuance costs	48,610.21	51,874.05
Capital assets (Note 6):		
Land and improvements	401,667.00	401,667.00
Infrastructure	676,063.00	676,063.00
Accumulated depreciation - infrastructure	(284,499.89)	(264,751.64)
Buildings and improvements	29,047,507.82	10,439,859.26
Accumulated depreciation - buildings and improvements	(3,754,895.29)	(3,224,848.37)
Furniture and equipment	2,670,670.40	2,206,372.99
Accumulated depreciation - furniture and equipment	(1,485,861.84)	(1,292,678.16)
Construction in progress	1,893,660.74	17,619,999.79
	<u>30,595,937.06</u>	<u>27,625,565.00</u>
Total noncurrent assets		
	<u>36,385,424.23</u>	<u>37,319,035.84</u>
Total assets		

**Tennessee State Veterans' Homes Board**  
**Statements of Net Assets**  
**June 30, 2007, and June 30, 2006**

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
<b>Liabilities:</b>		
Current liabilities:		
Accounts payable and accruals (Note 7)	2,010,970.01	897,372.37
Due to primary government (Note 4)	7,554.25	6,022,210.59
Checks payable	-	6,361.06
Amounts held in custody for others	132,881.33	88,144.75
Medicaid current financing	333,480.31	300,138.49
Loans from the State of Tennessee (Note 8)	175,000.00	180,000.00
Compensated absences (Note 8)	302,697.29	226,807.12
	<u>2,962,583.19</u>	<u>7,721,034.38</u>
Total current liabilities		
Noncurrent liabilities:		
Loans from the State of Tennessee, net (Note 8)	5,673,211.68	5,595,695.48
Compensated absences (Note 8)	219,194.59	164,239.65
	<u>5,892,406.27</u>	<u>5,759,935.13</u>
Total noncurrent liabilities		
	<u>8,854,989.46</u>	<u>13,480,969.51</u>
Total liabilities		
<b>Net assets:</b>		
Invested in capital assets, net of related debt	23,316,100.26	20,785,988.39
Restricted for:		
Debt service	143,191.96	146,090.66
Repairs and replacements	1,010,102.28	413,788.18
Other purposes	373,127.71	598,218.90
Foundation activities	-	32,306.24
Unrestricted	2,687,912.56	1,861,673.96
	<u>27,530,434.77</u>	<u>23,838,066.33</u>
Total net assets	\$ <u>27,530,434.77</u>	\$ <u>23,838,066.33</u>

The notes to the financial statements are an integral part of this statement.

**Tennessee State Veterans' Homes Board**  
**Statements of Revenues, Expenses, and Changes in Net Assets**  
**For the Years Ended June 30, 2007, and June 30, 2006**

	Year Ended June 30, 2007	Year Ended June 30, 2006
<b>Operating revenue:</b>		
Resident service revenue plus contractual adjustments of \$1,435,707.83 for the year ended June 30, 2007, and \$1,564,639.30 for the year ended June 30, 2006, and plus provision for bad debts of \$329,433.86 for the year ended June 30, 2007, and less provision for bad debts of \$427,775.23 for the year ended June 30, 2006	\$ 20,294,788.68	\$ 15,496,483.78
Total operating revenue	<u>20,294,788.68</u>	<u>15,496,483.78</u>
<b>Operating expenses:</b>		
Administrative and general	4,013,519.29	3,021,963.18
Nursing services	8,772,409.42	6,310,401.95
Central services	539,135.17	745,256.77
Ancillary departments	1,917,518.81	1,263,061.98
Dietary	1,510,215.28	1,165,301.27
Activities	380,205.62	267,577.98
Social services	334,609.89	287,755.07
Environmental services	1,174,980.35	920,237.17
Plant operations and maintenance	1,376,700.36	858,871.40
Depreciation	<u>844,901.09</u>	<u>554,886.56</u>
Total operating expenses	<u>20,864,195.28</u>	<u>15,395,313.33</u>
Operating income (loss)	<u>(569,406.60)</u>	<u>101,170.45</u>
<b>Nonoperating revenues (expenses):</b>		
Grant revenue	3,413,941.39	10,181,553.04
Interest revenue	203,800.12	119,515.88
Miscellaneous revenue	880,150.99	3,600,287.08
Interest expense	(194,972.91)	(202,278.74)
Amortization of discounts and issuance costs	(3,263.84)	(3,263.84)
Loss on disposal of equipment	(21,178.30)	(18,678.19)
Miscellaneous expense	<u>(16,702.41)</u>	<u>(17,117.12)</u>
Total nonoperating revenues	<u>4,261,775.04</u>	<u>13,660,018.11</u>
Increase in net assets	3,692,368.44	13,761,188.56
Net assets, July 1	<u>23,838,066.33</u>	<u>10,076,877.77</u>
Net assets, June 30	<u>\$ 27,530,434.77</u>	<u>\$ 23,838,066.33</u>

The notes to the financial statements are an integral part of this statement.

**Tennessee State Veterans' Homes Board**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2007, and June 30, 2006**

	Year Ended June 30, 2007	Year Ended June 30, 2006
<b>Cash flows from operating activities:</b>		
Receipts from residents and third party payors	\$ 19,085,766.27	\$ 16,186,441.46
Other miscellaneous receipts	1,109,732.26	123,439.02
Payments to service providers and vendors	(8,504,343.99)	(6,786,817.28)
Payments to employees	(10,962,223.93)	(8,217,115.33)
Other miscellaneous payments	(810,729.68)	(99,631.75)
Net cash provided by (used for) operating activities	<u>(81,799.07)</u>	<u>1,206,316.12</u>
<b>Cash flows from noncapital financing activities:</b>		
Principal paid on loan from the State of Tennessee	(30,000.00)	(10,000.00)
State appropriation	1,600,000.00	-
Foundation donations	278.34	16,947.92
Expenses paid by the foundation	(75,733.23)	(17,117.42)
Net cash provided by (used for) noncapital financing activities	<u>1,494,545.11</u>	<u>(10,169.50)</u>
<b>Cash flows from capital and related financing activities:</b>		
Capital grant received	7,586,122.93	5,575,153.71
Purchase of capital assets	(8,133,722.49)	(5,890,159.18)
Principal paid on debt	(160,000.00)	(155,000.00)
Interest paid on debt	(257,278.09)	(200,752.18)
Net cash used for capital and related financing activities	<u>(964,877.65)</u>	<u>(670,757.65)</u>
<b>Cash flows from investing activities:</b>		
Proceeds from sales and maturities of investments	-	30,009.51
Interest received	207,368.91	120,283.83
Net cash provided by investing activities	<u>207,368.91</u>	<u>150,293.34</u>
Net increase in cash	655,237.30	675,682.31
Cash, July 1	<u>3,725,620.36</u>	<u>3,049,938.05</u>
Cash, June 30	<u>\$ 4,380,857.66</u>	<u>\$ 3,725,620.36</u>

**Tennessee State Veterans' Homes Board**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2007, and June 30, 2006**

	Year Ended June 30, 2007	Year Ended June 30, 2006
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>		
Operating income (loss)	\$ (569,406.60)	\$ 101,170.45
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	844,901.09	554,886.56
Miscellaneous receipts	145,654.31	24,628.68
(Increase) decrease in net resident accounts receivable	(1,479,823.75)	390,432.49
(Increase) decrease in due from federal government	5,909,829.26	(4,748,830.68)
(Increase) decrease in due from other facilities	0.30	(31,903.88)
(Increase) in Medicare cost settlement receivable	(25,857.26)	(220,440.41)
(Increase) decrease in inventories	(180,274.38)	23,581.95
(Increase) in prepaid items	(35,661.03)	(9,195.00)
Increase in noncapital accounts payable and accruals	1,120,932.88	163,618.75
(Decrease) in checks payable	(6,361.06)	(96,980.60)
Increase (decrease) in due to primary government	(6,014,656.34)	4,966,589.97
Increase (decrease) in amounts held in custody for others	44,736.58	(18,037.53)
Increase (decrease) in Medicaid current financing	33,341.82	(1,896.17)
Increase in compensated absences	130,845.11	108,691.54
Total adjustments	487,607.53	1,105,145.67
Net cash provided by (used for) operating activities	\$ (81,799.07)	\$ 1,206,316.12
<b>Noncash capital activities</b>		
Contributed capital assets	\$ 787,603.56	\$ -

The notes to the financial statements are an integral part of this statement.

**Tennessee State Veterans' Homes Board**  
**Notes to the Financial Statements**  
**June 30, 2007, and June 30, 2006**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Tennessee State Veterans' Homes Board was established in 1988 under the provisions of Title 58, Chapter 7, *Tennessee Code Annotated*. This statute authorizes the creation of public homes for veterans throughout the state to provide support and care for honorably discharged veterans who served in the United States armed forces. At June 30, 2007, three facilities, located in Murfreesboro, Humboldt, and Knoxville, were operating. The Knoxville facility began operations on January 1, 2007. The ten-member board has appointed an executive director to carry out its operations.

The Tennessee State Veterans' Homes Board is a component unit of the State of Tennessee (the primary government). Although it is a separate legal entity, the board is appointed by the Governor, and its budget is approved by the state. In addition, the issuance of bonds must be approved by the State Funding Board. The board is discretely presented in the *Tennessee Comprehensive Annual Financial Report*.

The Tennessee Veterans Home Foundation, Inc., was established by the Tennessee State Veterans' Homes Board to receive donations for the benefit of the facilities' residents. The foundation's board of directors had 11 members, 6 of which were appointed by the Tennessee State Veterans' Homes Board. The board was developed solely to benefit the residents of Tennessee State Veterans' Homes. Due to this relationship, the foundation is included in the board's financial statements. The Tennessee State Veterans' Homes Board dissolved the foundation in February 2007. At that time, the funds held by the foundation reverted back to the Murfreesboro and Humboldt facilities.

**B. Basis of Presentation**

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The Tennessee State Veterans' Homes Board follows applicable GASB pronouncements. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed to the extent that those standards do not conflict with or contradict guidance of the GASB. Governmental entities also have the option of following subsequent private-sector guidance subject to this same limitation. The Tennessee State Veterans' Homes Board has elected not to follow subsequent private-sector guidance.

**Tennessee State Veterans' Homes Board**  
**Notes to the Financial Statements (Cont.)**  
**June 30, 2007, and June 30, 2006**

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**C. Measurement Focus and Basis of Accounting**

The financial statements have been prepared using the accrual basis of accounting and the flow of economic resources measurement focus. Under the accrual basis, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The Tennessee State Veterans' Homes Board distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with principal ongoing operations. The board's principal operation is to provide support and care for honorably discharged veterans who served in the United States armed services. Any revenues and expenses not meeting this definition would be reported as nonoperating revenues and expenses.

The effects of internal activity between the individual facilities, the foundation, and the executive office have been eliminated. When the board has both restricted and unrestricted resources available to finance a particular activity, it is the board's policy to use restricted resources before unrestricted resources. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**D. Cash**

Cash is defined as cash on hand and demand deposits. In addition to petty cash, facility bank accounts, and foundation bank accounts, cash includes funds held with a trustee. The Tennessee State Veterans' Homes Board dissolved the foundation in February 2007. At that time, the funds held by the foundation reverted back to the Murfreesboro and Humboldt facilities. The unrestricted portion of the trustee funds included funds available for use for board operations through the budget process.

**Tennessee State Veterans' Homes Board**  
**Notes to the Financial Statements (Cont.)**  
**June 30, 2007, and June 30, 2006**

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**E. Inventories**

Medical, dietary, and housekeeping supplies are recorded as expenses when purchased. Inventories are determined by physical count and are valued at replacement cost. This valuation is not materially different from historical cost.

**F. Restricted Assets**

Certain assets of the Tennessee State Veterans' Homes Board are classified as restricted assets because their use is restricted by applicable loan agreements. Other assets are the property of the homes' residents and are likewise classified as restricted assets.

**G. Capital Assets and Depreciation**

Capital assets are defined as assets with a useful life of at least 2 years and with a single-item value of at least \$1,000 or are part of group of similar items with a cumulative value of at least \$2,000. Capital assets are recorded at cost. Donated capital assets are stated at fair value at the date of donation. The board's policy is to capitalize interest expense incurred during the construction of assets. All capital assets other than land are depreciated using the straight-line method using the following asset lives:

Infrastructure	8 to 40 years
Buildings and building improvements	5 to 40 years
Furniture and equipment	4 to 20 years

**H. Checks Payable**

This amount represents the sum of checks written in excess of the board's checking account balances.

**I. Loan Premiums, Deferred Amounts on Refunding and Issuance Costs**

Loan premiums and issuance costs are deferred and amortized over the life of the loans. The deferred amount on refunding is amortized over the shorter of the life of the loans or bonds that were refunded. The straight-line method of amortization is used and the premium and deferred amortization amount is a component of interest expense. The results of using the straight-line method are not materially different from those of the effective interest method. Loans payable are reported net of unamortized premium and unamortized deferred amount on refunding.

**Tennessee State Veterans' Homes Board**  
**Notes to the Financial Statements (Cont.)**  
**June 30, 2007, and June 30, 2006**

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**J. Compensated Absences**

The board's employees accrue Earned Time Off (ETO) at varying rates, depending on length of service or classification. The amount of this liability and the related benefits are reported in the statement of net assets.

**NOTE 2. DEPOSITS AND INVESTMENTS**

At June 30, 2007, the carrying amount of the board's deposits was \$1,096,548.41, and the bank balance was \$1,922,631.44. At June 30, 2006, the carrying amount of the board's deposits was \$239,057.37, and the bank balance was \$387,583.84. The entire bank balance at June 30, 2007, and June 30, 2006, was considered insured by FDIC or was in financial institutions that participate in the bank collateral pool administered by the Treasurer of the State of Tennessee. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

At June 30, 2007, the board also had \$3,282,998.25 deposited in the Local Government Investment Pool (LGIP) administered by the State Treasurer and \$1,311.00 of petty cash on hand. At June 30, 2006, the board had \$3,485,868.81 deposited in the Local Government Investment Pool (LGIP) administered by the State Treasurer and \$694.18 of petty cash on hand. The LGIP is part of the Pooled Investment Fund. The fund's investment policy and required risk disclosures are presented in the *Tennessee Comprehensive Annual Financial Report*. That report may be obtained by writing to the Tennessee Department of Finance and Administration, Division of Accounts, 14<sup>th</sup> Floor William R. Snodgrass Tennessee Tower, 312 Rosa L. Parks Avenue, Nashville, Tennessee 37243-1102, or by calling (615) 741-2140.

**NOTE 3. ACCOUNTS RECEIVABLE**

Receivables at June 30, 2007, consist of the following:

**Tennessee State Veterans' Homes Board**  
**Notes to the Financial Statements (Cont.)**  
**June 30, 2007, and June 30, 2006**

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Receivables from patients and their insurance	\$1,192,045.58
Receivable from Medicare	745,465.98
Receivable from U.S. Department of Veterans Affairs	1,034,694.25
Allowance for doubtful accounts	<u>(744,022.99)</u>
Net amount reported as resident accounts receivable	<u>\$2,228,182.82</u>

The net receivable amount of \$2,228,182.82 represents accounts receivable that are expected to be collected within one year.

Receivables at June 30, 2006, consist of the following:

Receivables from patients and their insurance	\$1,411,241.08
Receivable from Medicare	471,617.21
Receivable from U.S. Department of Veterans Affairs	521,609.06
Allowance for doubtful accounts	<u>(1,656,108.28)</u>
Net amount reported as resident accounts receivable	<u>\$ 748,359.07</u>

The net receivable amount of \$748,359.07 represents accounts receivable that are expected to be collected within one year.

**NOTE 4. DUE TO PRIMARY GOVERNMENT**

	<u>June 30, 2007</u>
Due to:	
Department of Finance and Administration - State Building Commission	\$ 79,160.33
Department of Finance and Administration - Medicaid current services less void adjustments	(353,668.50)
Department of Finance and Administration - Medicaid overpayments occurring before 1994	<u>282,062.42</u>
Total due to primary government	<u>\$ 7,554.25</u>

	<u>June 30, 2006</u>
Due to:	
Department of Finance and Administration - State Building Commission	\$5,848,706.62
Department of Finance and Administration - Medicaid current services less void adjustments	(180,649.41)
Department of Finance and Administration - Medicaid overpayments occurring before 1994	282,062.42

**Tennessee State Veterans' Homes Board  
Notes to the Financial Statements (Cont.)  
June 30, 2007, and June 30, 2006**

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Department of Health - bed tax	44,250.00
Department of the Treasury - retirement contributions	28,189.00
Department of Human Services - child support payments	<u>(348.04)</u>
Total due to primary government	<u>\$6,022,210.59</u>

The amount Due from Primary Government, Department of Finance and Administration - Medicaid current services less void adjustments, includes both the receivable for amounts collectible from Medicaid for current services and a payable to Medicaid for void adjustments that may be related to previous services. At June 30, 2007, the receivable from Medicaid is \$1,071,588.08, and the estimated payable to Medicaid for void adjustments is \$717,919.58. At June 30, 2006, the receivable from Medicaid is \$928,095.38, and the estimated payable to Medicaid for void adjustments is \$747,445.97.

The amount Due to Primary Government, Department of Finance and Administration - Medicaid overpayments occurring before 1994, consists of \$282,062.42 payable for Medicaid overpayments made prior to the implementation of the void adjustment process.

**NOTE 5. RESTRICTED ASSETS**

The balances of the board's restricted asset accounts at June 30, 2007, are as follows:

Resident trust fund accounts	\$ 136,959.39
Debt service account	240,529.66
Bond savings account	372,912.63
Repair and replacement account	<u>1,013,671.07</u>
Total restricted assets	<u>\$1,764,072.75</u>

The balances of the board's restricted asset accounts at June 30, 2006, are as follows:

Resident trust fund accounts	\$ 93,687.43
Debt service account	232,813.29
Bond savings account	598,218.90
Repair and replacement account	<u>915,036.59</u>
Total restricted assets	<u>\$1,839,756.21</u>

**Tennessee State Veterans' Homes Board**  
**Notes to the Financial Statements (Cont.)**  
**June 30, 2007, and June 30, 2006**

**NOTE 6. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2007, was as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u>
Capital assets, not being depreciated:				
Land and improvements	\$ 401,667.00	\$ -	\$ -	\$ 401,667.00
Construction in progress	<u>17,619,999.79</u>	<u>2,875,097.96</u>	<u>(18,601,437.01)</u>	<u>1,893,660.74</u>
Total capital assets, not being depreciated	<u>18,021,666.79</u>	<u>2,875,097.96</u>	<u>(18,601,437.01)</u>	<u>2,295,327.74</u>
Capital assets, being depreciated:				
Infrastructure	676,063.00	-	-	676,063.00
Buildings and improvements	10,439,859.26	18,626,578.16	(18,929.60)	29,047,507.82
Furniture and equipment	<u>2,206,372.99</u>	<u>958,274.81</u>	<u>(493,977.40)</u>	<u>2,670,670.40</u>
Total depreciable capital assets	<u>13,322,295.25</u>	<u>19,584,852.97</u>	<u>(512,907.00)</u>	<u>32,394,241.22</u>
Less accumulated depreciation:				
Infrastructure	(264,751.64)	(47,955.09)	28,206.84	(284,499.89)
Buildings and improvements	(3,224,848.37)	(816,321.70)	286,274.78	(3,754,895.29)
Furniture and equipment	<u>(1,292,678.16)</u>	<u>(492,722.31)</u>	<u>299,538.63</u>	<u>(1,485,861.84)</u>
Total accumulated depreciation	<u>(4,782,278.17)</u>	<u>(1,356,999.10)</u>	<u>614,020.25</u>	<u>(5,525,257.02)</u>
Total depreciable capital assets, net	<u>8,540,017.08</u>	<u>(18,227,853.87)</u>	<u>101,113.25</u>	<u>26,868,984.20</u>
Net capital assets	<u>\$26,561,683.87</u>	<u>\$21,102,951.83</u>	<u>\$(18,500,323.76)</u>	<u>\$29,164,311.94</u>

**Tennessee State Veterans' Homes Board**  
**Notes to the Financial Statements (Cont.)**  
**June 30, 2007, and June 30, 2006**

Capital asset activity for the year ended June 30, 2006, was as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u>
Capital assets, not being depreciated:				
Land and improvements	\$ 394,827.00	\$ 6,840.00	\$ -	\$ 401,667.00
Construction in progress	<u>1,977,522.88</u>	<u>15,749,620.04</u>	<u>(107,143.13)</u>	<u>17,619,999.79</u>
Total capital assets, not being depreciated	<u>2,372,349.88</u>	<u>15,756,460.04</u>	<u>(107,143.13)</u>	<u>18,021,666.79</u>
Capital assets, being depreciated:				
Infrastructure	676,063.00	-	-	676,063.00
Buildings and improvements	10,392,876.21	70,986.21	(24,003.16)	10,439,859.26
Furniture and equipment	<u>1,993,192.42</u>	<u>1,099,283.26</u>	<u>(886,102.69)</u>	<u>2,206,372.99</u>
Total depreciable capital assets	<u>13,062,131.63</u>	<u>1,170,269.47</u>	<u>(910,105.85)</u>	<u>13,322,295.25</u>
Less accumulated depreciation:				
Infrastructure	(241,355.51)	(23,396.13)	-	(264,751.64)
Buildings and improvements	(2,951,355.43)	(273,492.94)	-	(3,224,848.37)
Furniture and equipment	<u>(1,098,789.10)</u>	<u>(652,110.46)</u>	<u>458,221.40</u>	<u>(1,292,678.16)</u>
Total accumulated depreciation	<u>(4,291,500.04)</u>	<u>(948,999.53)</u>	<u>458,221.40</u>	<u>(4,782,278.17)</u>
Total depreciable capital assets, net	<u>8,770,631.59</u>	<u>221,269.94</u>	<u>(451,884.45)</u>	<u>8,540,017.08</u>
Net capital assets	<u>\$11,142,981.47</u>	<u>\$15,977,729.98</u>	<u>\$(559,027.58)</u>	<u>\$26,561,683.87</u>

**NOTE 7. ACCOUNTS PAYABLE AND ACCRUALS**

Payables at June 30, 2007, consist of the following:

**Tennessee State Veterans' Homes Board**  
**Notes to the Financial Statements (Cont.)**  
**June 30, 2007, and June 30, 2006**

Payables to suppliers	\$1,478,081.51
Accruals for salaries and benefits	435,550.80
Accrued interest	<u>97,337.70</u>
Amount reported as accounts payable and accruals	<u>\$2,010,970.01</u>

Payables at June 30, 2006, consist of the following:

Payables to suppliers	\$538,508.69
Accruals for salaries and benefits	263,878.61
Accrued interest	<u>94,985.07</u>
Amount reported as accounts payable and accruals	<u>\$897,372.37</u>

**NOTE 8. LONG TERM LIABILITIES**

Long term debt activity for the year ended June 30, 2007, was as follows:

	Balance <u>July 1, 2006</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2007</u>	Amount due <u>within 1 year</u>
Loans payable:					
Murfreesboro-1989	\$ 120,000.00	\$	\$ (20,000.00)	\$ 100,000.00	\$ 10,000.00
Murfreesboro-2003	1,246,155.02	-	(76,602.84)	1,169,552.18	76,700.00
Murfreesboro-2005	1,082,545.87	144,834.88	-	1,227,380.75	-
Humboldt-2003	2,259,048.77	-	(64,836.06)	2,194,212.71	88,300.00
Humboldt-2005	<u>1,067,945.81</u>	<u>89,120.23</u>	<u>-</u>	<u>1,157,066.04</u>	<u>-</u>
Total loans payable	<u>5,775,695.47</u>	<u>233,955.11</u>	<u>(161,438.90)</u>	<u>5,848,211.68</u>	<u>175,000.00</u>
Compensated absences	<u>391,046.77</u>	<u>291,278.04</u>	<u>(160,432.93)</u>	<u>521,891.88</u>	<u>302,697.29</u>
Total long term liabilities	<u>\$6,166,742.24</u>	<u>\$525,233.15</u>	<u>\$(321,871.83)</u>	<u>\$6,370,103.56</u>	<u>\$477,697.29</u>

**Tennessee State Veterans' Homes Board**  
**Notes to the Financial Statements (Cont.)**  
**June 30, 2007, and June 30, 2006**

Long term debt activity for the year ended June 30, 2006, was as follows:

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2006</u>	<u>Amount due</u> <u>within 1 year</u>
Loans payable:					
Murfreesboro-1989	\$ 130,000.00	\$ -	\$ (10,000.00)	\$ 120,000.00	\$ 20,000.00
Murfreesboro-2003	1,320,557.86	-	(74,402.84)	1,246,155.02	74,500.00
Murfreesboro-2005	57,166.63	1,025,379.24	-	1,082,545.87	-
Humboldt-2003	2,321,084.83	-	(62,036.06)	2,259,048.77	85,500.00
Humboldt-2005	<u>109,081.54</u>	<u>958,864.27</u>	<u>-</u>	<u>1,067,945.81</u>	<u>-</u>
Total loans payable	<u>3,937,890.86</u>	<u>1,984,243.51</u>	<u>(146,438.90)</u>	<u>5,775,695.47</u>	<u>180,000.00</u>
Compensated absences	<u>282,355.23</u>	<u>481,503.50</u>	<u>(372,811.96)</u>	<u>391,046.77</u>	<u>226,807.12</u>
Total long term liabilities	<u>\$4,220,246.09</u>	<u>\$2,465,747.01</u>	<u>\$(519,250.86)</u>	<u>\$6,166,742.24</u>	<u>\$406,807.13</u>

The board received a \$200,000 loan from the State of Tennessee to be repaid from excess revenues from the operations of the Murfreesboro facility. No interest is accrued. Payments of \$10,000 are made yearly. The \$10,000 due for the year ended June 30, 2007, was paid before June 30, 2007. However, the \$10,000 due for the year ended June 30, 2006, was not paid until after June 30, 2006.

The State Funding Board, through the Division of Bond Finance, is currently issuing commercial paper to finance the construction of an additional wing for the Murfreesboro and Humboldt facilities. Once the projects are complete, the Division of Bond Finance will retire the commercial paper with general obligation bonds. The board will be responsible for the debt service of these bonds. Until then, no principal payments will be made on this loan. The board is responsible for the interest on the commercial paper. These amounts represent the commercial paper that has been expended on the construction projects through June 30, 2007. There are no plans to issue the general obligation bonds in fiscal year 2008.

The total loans payable consisted of the following:

**Tennessee State Veterans' Homes Board**  
**Notes to the Financial Statements (Cont.)**  
**June 30, 2007, and June 30, 2006**

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Loan from the State of Tennessee to the Murfreesboro facility, 0.0% due in yearly installments of \$10,000	\$ 100,000.00	\$ 120,000.00
Loan from the State of Tennessee to the Murfreesboro facility, 3.0% to 5.125%, due from 2005 to final maturity in 2019 (net of unamortized premium of \$63,335.82 and \$74,764.84 and unamortized deferred refunding of \$25,883.64 and \$33,106.98 at June 30, 2007, and June 30, 2006, respectively)	1,169,552.18	1,246,155.02
Loan from the State of Tennessee to the Murfreesboro facility, construction payments as of June 30	1,227,380.75	1,082,545.87
Loan from the State of Tennessee to the Humboldt facility, 3.0% to 5.125%, due from 2005 to final maturity in 2026 (net of unamortized premium of \$64,877.94 and \$72,053.35 and unamortized deferred refunding of \$343,565.23 and \$392,068.52 at June 30, 2007, and June 30, 2006, respectively)	2,194,212.71	2,259,048.77
Loan from the State of Tennessee to the Humboldt facility, construction payments as of June 30	<u>1,157,066.04</u>	<u>1,067,945.81</u>
Total loans payable	<u>\$5,848,211.68</u>	<u>\$5,775,695.47</u>

Debt-service requirements to maturity for the loans payable at June 30, 2007, are as follows:

**Tennessee State Veterans' Homes Board**  
**Notes to the Financial Statements (Cont.)**  
**June 30, 2007, and June 30, 2006**

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<u>For the Year(s)</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 175,000.00	\$ 172,181.26	\$ 347,181.26
2009	180,000.00	165,456.26	345,456.26
2010	185,000.00	156,831.26	341,831.26
2011	195,000.00	147,831.26	342,831.26
2012	200,000.00	138,456.26	338,456.26
2013 - 2017	1,115,000.00	537,506.27	1,652,506.27
2018 - 2022	965,000.00	266,234.40	1,231,234.40
2023 - 2026	<u>690,000.00</u>	<u>69,112.50</u>	<u>759,112.50</u>
	<u>\$3,705,000.00</u>	<u>\$1,653,609.47</u>	<u>\$5,358,609.47</u>

The above debt principal is less than that presented on the accompanying financial statements by \$2,143,211.68 due to \$2,384,446.79 in loans for which debt service requirements have not been established and due to \$128,213.76 of unamortized premium and \$(369,448.87) representing the deferred amount on refunding.

**NOTE 9. DEFINED BENEFIT PENSION PLAN**

**A. Plan Description**

Employees of Tennessee State Veterans' Homes Board are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with 5 years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who became disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service, and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of the *Tennessee Code Annotated*. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the Tennessee

**Tennessee State Veterans' Homes Board**  
**Notes to the Financial Statements (Cont.)**  
**June 30, 2007, and June 30, 2006**

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State Veterans' Homes Board participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230, or online at <http://www.tn.gov/treasury/tcrs/PS/>.

**B. Funding Policy**

The Tennessee State Veterans' Homes Board has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5% of annual covered payroll.

The Tennessee State Veterans' Homes Board is required to contribute at an actuarially determined rate; the rate for the fiscal years ended June 30, 2007, and June 30, 2006, was 9.36% and 6.55%, respectively, of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the board is established and may be amended by the TCRS' Board of Trustees.

**C. Annual Pension Cost**

Tennessee State Veterans' Homes Board's annual pension cost of \$627,484 for the year ended June 30, 2007, and \$379,211 for the year ended June 30, 2006, to TCRS was equal to the board's required and actual contributions. The required contribution was determined as part of the July 1, 2005, and July 1, 2003, actuarial valuations, respectively, using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5% a year compounded annually, (b) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5% annual increase in the social security wage base, and (d) projected post retirement increases of 3% annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. The remaining amortization period at July 1, 2005, was 15 years.

**Tennessee State Veterans' Homes Board  
Notes to the Financial Statements (Cont.)  
June 30, 2007, and June 30, 2006**

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**Three-Year Trend Information**

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2007	\$627,484	100%	-
June 30, 2006	\$379,211	100%	-
June 30, 2005	\$313,015	100%	-

**NOTE 10. OTHER POST-EMPLOYMENT BENEFITS**

The State of Tennessee administers a group health insurance program which provides post-employment health insurance benefits to eligible board retirees. This benefit is provided by and administered by the State of Tennessee. The board assumes no liability for retiree health care programs. Information related to this plan is available at the statewide level in the *Tennessee Comprehensive Annual Financial Report*. That report may be obtained by writing to the Tennessee Department of Finance and Administration, Division of Accounts, 14<sup>th</sup> Floor, William R. Snodgrass Tennessee Tower, 312 Rosa L. Parks Avenue, Nashville, TN 37243-1102 or by calling (615) 741-2140.

**NOTE 11. EXTENDED DISABILITY BENEFITS**

The board records the cost of extended disability benefits when paid. Generally, since these benefits (earned approximately one day per month with unlimited accumulation) are paid only when an employee who has successfully completed one year of employment is absent due to illness or injury, there is no liability for these benefits at June 30, 2007, or June 30, 2006.

**NOTE 12. RISK MANAGEMENT**

The board is exposed to various risks of loss related to general liability; automobile liability; professional malpractice; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

- A. The buildings and contents are insured by the State of Tennessee. At June 30, 2007, the board had scheduled coverage of \$31,416,800 for the buildings and

**Tennessee State Veterans' Homes Board**  
**Notes to the Financial Statements (Cont.)**  
**June 30, 2007, and June 30, 2006**

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\$3,736,300 for the contents. At June 30, 2006, the board had scheduled coverage of \$30,748,800 for the buildings and \$2,223,300 for the contents. The state purchases commercial insurance for real property, flood, earthquake, and builder's risk losses and surety bond coverage on the state's officials and employees. The insurance policy deductibles vary from \$25,000 per occurrence to an aggregate of \$7.5 million. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

- B. The board participates in the State of Tennessee's Risk Management Fund, an internal service fund in which the state has set aside assets for claims settlement. This fund services all claims for risk of loss to which the state is exposed, including general liability, automobile liability, professional malpractice, and workers' compensation. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the participating agencies based on a percentage of each agency's expected loss costs, which include both experience and exposures. This charge considers recent trends in actual claims experience of the state as a whole. An actuarial valuation is performed as of each fiscal year-end to determine the fund liability and premium allocation.
  
- C. The board has elected to provide health coverage for its employees through a health plan for eligible local governments and quasi-governmental agencies in Tennessee. The Local Government Group Insurance Fund provides access to affordable health insurance by pooling risk among the groups. The plan provides for greater stability in controlling premium increases and, through a structured managed-care program, helps contain health care costs of participating members.

The plan is administered by the State of Tennessee, using a separately established fund. Premiums of participating units are deposited to this fund and used to pay claims for health care costs of participants, as well as the state's administrative costs of the plan. Employees have the option of obtaining insurance through Blue Cross Blue Shield of Tennessee, Cigna Healthcare, or United Healthcare. Claims are administered by these companies, which are currently under contract to provide these and other services to the state. Insurance premiums are adjusted at the end of the year based on the claims experience of the pool. Individual pool participants are not assessed additional premiums based on individual claims experience. Employees and providers have 13 months to file medical claims under Blue Cross Blue Shield of Tennessee, Cigna Healthcare, and United Healthcare.

**Tennessee State Veterans' Homes Board**  
**Notes to the Financial Statements (Cont.)**  
**June 30, 2007, and June 30, 2006**

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**NOTE 13. SUBSEQUENT EVENT**

Section 58-7-102, *Tennessee Code Annotated*, was amended effective June 13, 2008. This law increased the number of board members from 10 to 13. The Commissioner of the Department of Finance and Administration is now an ex officio, voting member of the board. In addition, two more members are appointed by the Governor – a nursing home administrator and a person with clinical experience in nursing homes.

**UNAUDITED**  
**Tennessee State Veterans' Homes Board**  
**Required Supplementary Information**  
**Schedule of Pension Funding Progress**

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(Expressed in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/01/05	\$3,456	\$3,456	\$0	100%	\$3,992	0%
7/01/03	\$2,569	\$2,569	\$0	100%	\$2,902	0%
7/01/01	\$1,780	\$1,780	\$0	100%	\$3,048	0%

**Tennessee State Veterans' Homes Board**  
**Supplementary Information**  
**Supplementary Schedule of Net Assets**  
**June 30, 2007**

	<u>Murfreesboro</u>	<u>Humboldt</u>	<u>Knox County</u>	<u>Executive Office</u>	<u>Totals</u>
<b>Assets:</b>					
Current assets:					
Cash	\$ 932,670.19	\$ 1,278,615.76	\$ 273,519.81	\$ 131,979.15	\$ 2,616,784.91
Resident accounts receivable, net of allowance for doubtful accounts of \$744,022.99	921,888.73	812,235.61	494,058.48	-	2,228,182.82
Medicare cost settlement receivable	106,022.53	101,187.39	-	-	207,209.92
Due from federal government	75,611.89	-	-	-	75,611.89
Due from other facilities	-	289,768.71	-	57,286.25	347,054.96
Inventories	117,885.50	54,172.61	62,975.65	-	235,033.76
Prepaid items	24,329.62	11,411.63	9,864.78	-	45,606.03
Restricted cash	156,298.79	216,463.75	8,295.30	-	381,057.84
<b>Total current assets</b>	<u>2,334,707.25</u>	<u>2,763,855.46</u>	<u>848,714.02</u>	<u>189,265.40</u>	<u>6,136,542.13</u>
Noncurrent assets:					
Restricted cash	754,253.77	628,761.14	-	-	1,383,014.91
Unamortized bond issuance costs	16,483.96	32,126.25	-	-	48,610.21
Capital assets:					
Land and improvements	58,540.00	200,127.00	143,000.00	-	401,667.00
Infrastructure	153,695.00	522,368.00	-	-	676,063.00
Accumulated depreciation - infrastructure	(134,209.51)	(150,290.38)	-	-	(284,499.89)
Buildings and improvements	7,203,817.92	9,643,873.58	12,199,816.32	-	29,047,507.82
Accumulated depreciation - buildings and improvements	(1,675,994.46)	(1,926,403.13)	(152,497.70)	-	(3,754,895.29)
Furniture and equipment	1,197,163.36	1,328,962.49	98,125.65	46,418.90	2,670,670.40
Accumulated depreciation - furniture and equipment	(673,727.43)	(780,949.56)	(15,318.22)	(15,866.63)	(1,485,861.84)
Construction in progress	354,185.26	186,055.42	1,353,420.06	-	1,893,660.74
<b>Total noncurrent assets</b>	<u>7,254,207.87</u>	<u>9,684,630.81</u>	<u>13,626,546.11</u>	<u>30,552.27</u>	<u>30,595,937.06</u>
<b>Total assets</b>	<u>9,588,915.12</u>	<u>12,448,486.27</u>	<u>14,475,260.13</u>	<u>219,817.67</u>	<u>36,732,479.19</u>

**Tennessee State Veterans' Homes Board**  
**Supplementary Information**  
**Supplementary Schedule of Net Assets (Cont.)**  
**June 30, 2007**

	<u>Murfreesboro</u>	<u>Humboldt</u>	<u>Knox County</u>	<u>Executive Office</u>	<u>Totals</u>
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable and accruals	796,734.39	798,811.86	260,237.30	155,186.46	2,010,970.01
Due to primary government	165,297.51	128,512.65	(286,255.91)	-	7,554.25
Amounts held in custody for others	53,859.63	71,990.15	7,031.55	-	132,881.33
Medicaid current financing	191,058.01	142,422.30	-	-	333,480.31
Due to other facilities	66,190.76	-	280,864.20	-	347,054.96
Loan from the State of Tennessee	86,700.00	88,300.00	-	-	175,000.00
Compensated absences	103,029.99	107,220.15	38,339.08	54,108.07	302,697.29
Total current liabilities	<u>1,462,870.29</u>	<u>1,337,257.11</u>	<u>300,216.22</u>	<u>209,294.53</u>	<u>3,309,638.15</u>
Noncurrent liabilities:					
Loans from the State of Tennessee, net	2,410,232.93	3,262,978.75	-	-	5,673,211.68
Compensated absences	74,607.93	77,642.18	27,762.78	39,181.70	219,194.59
Total noncurrent liabilities	<u>2,484,840.86</u>	<u>3,340,620.93</u>	<u>27,762.78</u>	<u>39,181.70</u>	<u>5,892,406.27</u>
Total liabilities	<u>3,947,711.15</u>	<u>4,677,878.04</u>	<u>327,979.00</u>	<u>248,476.23</u>	<u>9,202,044.42</u>
<b>Net assets:</b>					
Invested in capital assets, net of related debt	3,986,537.21	5,672,464.67	13,626,546.11	30,552.27	23,316,100.26
Restricted for:					
Debt service	66,023.64	77,168.32	-	-	143,191.96
Repairs and replacements	499,216.41	510,885.87	-	-	1,010,102.28
Other purposes	255,037.56	118,090.15	-	-	373,127.71
Unrestricted	834,389.15	1,391,999.22	520,735.02	(59,210.83)	2,687,912.56
Total net assets	<u>\$ 5,641,203.97</u>	<u>\$ 7,770,608.23</u>	<u>\$ 14,147,281.13</u>	<u>\$ (28,658.56)</u>	<u>\$ 27,530,434.77</u>

**Tennessee State Veterans' Homes Board**  
**Supplementary Information**  
**Supplementary Schedule of Net Assets**  
**June 30, 2006**

	<u>Murfreesboro</u>	<u>Humboldt</u>	<u>Knox County</u>	<u>Executive Office</u>	<u>Foundation</u>	<u>Totals</u>
<b>Assets:</b>						
Current assets:						
Cash	\$ 878,468.25	\$ 932,631.83	\$ -	\$ -	\$ 74,764.07	\$ 1,885,864.15
Resident accounts receivable, net of allowance for doubtful accounts of \$1,656,108.28	78,564.73	669,794.34	-	-	-	748,359.07
Medicare cost settlement receivable	70,012.86	111,339.80	-	-	-	181,352.66
Due from federal government	1,418,830.15	1,018,340.03	3,548,270.97	-	-	5,985,441.15
Due from other facilities	-	4,971.65	-	37,937.32	-	42,908.97
Inventories	35,056.25	19,703.43	-	-	-	54,759.68
Prepaid items	6,111.50	3,193.50	-	640.00	-	9,945.00
Restricted cash	143,955.59	683,297.74	495.80	-	-	827,749.13
<b>Total current assets</b>	<u>2,630,999.33</u>	<u>3,443,272.32</u>	<u>3,548,766.77</u>	<u>38,577.32</u>	<u>74,764.07</u>	<u>9,736,379.81</u>
Noncurrent assets:						
Restricted cash	757,154.69	254,852.39	-	-	-	1,012,007.08
Unamortized bond issuance costs	17,971.23	33,902.82	-	-	-	51,874.05
Capital assets:						
Land and improvements	58,540.00	200,127.00	143,000.00	-	-	401,667.00
Infrastructure	153,695.00	522,368.00	-	-	-	676,063.00
Accumulated depreciation - infrastructure	(127,520.50)	(137,231.14)	-	-	-	(264,751.64)
Buildings and improvements	3,978,370.05	6,461,489.21	-	-	-	10,439,859.26
Accumulated depreciation - buildings and improvements	(1,520,541.66)	(1,704,306.71)	-	-	-	(3,224,848.37)
Furniture and equipment	983,794.42	1,193,919.07	-	28,659.50	-	2,206,372.99
Accumulated depreciation - furniture and equipment	(570,221.64)	(718,955.68)	-	(3,500.84)	-	(1,292,678.16)
Construction in progress	3,121,038.82	3,067,960.49	11,431,000.48	-	-	17,619,999.79
<b>Total noncurrent assets</b>	<u>6,852,280.41</u>	<u>9,174,125.45</u>	<u>11,574,000.48</u>	<u>25,158.66</u>	<u>-</u>	<u>27,625,565.00</u>
<b>Total assets</b>	<u>9,483,279.74</u>	<u>12,617,397.77</u>	<u>15,122,767.25</u>	<u>63,735.98</u>	<u>74,764.07</u>	<u>37,361,944.81</u>

**Tennessee State Veterans' Homes Board**  
**Supplementary Information**  
**Supplementary Schedule of Net Assets (Cont.)**  
**June 30, 2006**

	<u>Murfreesboro</u>	<u>Humboldt</u>	<u>Knox County</u>	<u>Executive Office</u>	<u>Foundation</u>	<u>Totals</u>
<b>Liabilities:</b>						
Current liabilities:						
Accounts payable and accruals	380,472.40	476,667.51	5,305.45	34,927.01	-	897,372.37
Due to primary government	1,544,072.51	929,371.31	3,548,766.77	-	-	6,022,210.59
Checks payable	3.72	6,357.34	-	-	-	6,361.06
Amounts held in custody for others	47,037.87	41,106.88	-	-	-	88,144.75
Medicaid current financing	147,574.00	152,564.49	-	-	-	300,138.49
Due to other facilities	19,438.49	-	23,470.48	-	-	42,908.97
Loan from the State of Tennessee	94,500.00	85,500.00	-	-	-	180,000.00
Compensated absences	95,385.44	96,943.60	1,601.23	32,876.85	-	226,807.12
<b>Total current liabilities</b>	<u>2,328,484.43</u>	<u>1,788,511.13</u>	<u>3,579,143.93</u>	<u>67,803.86</u>	<u>-</u>	<u>7,763,943.35</u>
Noncurrent liabilities:						
Loans from the State of Tennessee, net	2,354,200.89	3,241,494.59	-	-	-	5,595,695.48
Compensated absences	69,072.22	70,200.54	1,159.51	23,807.38	-	164,239.65
<b>Total noncurrent liabilities</b>	<u>2,423,273.11</u>	<u>3,311,695.13</u>	<u>1,159.51</u>	<u>23,807.38</u>	<u>-</u>	<u>5,759,935.13</u>
<b>Total liabilities</b>	<u>4,751,757.54</u>	<u>5,100,206.26</u>	<u>3,580,303.44</u>	<u>91,611.24</u>	<u>-</u>	<u>13,523,878.48</u>
<b>Net assets:</b>						
Invested in capital assets, net of related debt	3,628,453.60	5,558,375.65	11,574,000.48	25,158.66	-	20,785,988.39
Restricted for:						
Debt service	64,013.78	82,076.88	-	-	-	146,090.66
Repairs and replacements	413,788.18	-	-	-	-	413,788.18
Other purposes	343,366.51	254,852.39	-	-	-	598,218.90
Foundation activities	-	-	-	-	32,306.24	32,306.24
Unrestricted	281,900.13	1,621,886.59	(31,536.67)	(53,033.92)	42,457.83	1,861,673.96
<b>Total net assets</b>	<u>\$ 4,731,522.20</u>	<u>\$ 7,517,191.51</u>	<u>\$ 11,542,463.81</u>	<u>\$ (27,875.26)</u>	<u>\$ 74,764.07</u>	<u>\$ 23,838,066.33</u>

**Tennessee State Veterans' Homes Board**  
**Supplementary Information**  
**Supplementary Schedule of Revenues, Expenses, and Changes in Net Assets**  
**For the Year Ended June 30, 2007**

	<u>Murfreesboro</u>	<u>Humboldt</u>	<u>Knoxville</u>	<u>Executive Office</u>	<u>Foundation</u>	<u>Totals</u>
<b>Operating revenue:</b>						
Resident service revenue plus contractual adjustments of \$1,435,707.83 and provision for bad debts of \$329,433.86	\$ 9,938,434.90	\$ 8,817,586.12	\$ 1,538,767.66	\$ -	\$ -	\$ 20,294,788.68
Total operating revenue	<u>9,938,434.90</u>	<u>8,817,586.12</u>	<u>1,538,767.66</u>	<u>-</u>	<u>-</u>	<u>20,294,788.68</u>
<b>Operating expenses:</b>						
Administrative and general	1,157,278.00	1,212,315.96	518,869.79	1,125,055.54	-	4,013,519.29
Nursing services	4,295,561.55	3,608,241.29	868,606.58	-	-	8,772,409.42
Central services	184,302.92	287,927.49	66,904.76	-	-	539,135.17
Ancillary departments	870,235.86	775,621.95	271,661.00	-	-	1,917,518.81
Dietary	650,998.44	689,319.60	169,897.24	-	-	1,510,215.28
Activities	161,428.63	178,591.74	40,185.25	-	-	380,205.62
Social services	148,161.20	142,198.83	44,249.86	-	-	334,609.89
Environmental services	571,222.16	490,525.48	113,232.71	-	-	1,174,980.35
Plant operations and maintenance	518,888.64	509,074.53	348,737.19	-	-	1,376,700.36
Depreciation	298,244.95	366,474.43	167,815.92	12,365.79	-	844,901.09
Total operating expenses	<u>8,856,322.35</u>	<u>8,260,291.30</u>	<u>2,610,160.30</u>	<u>1,137,421.33</u>	<u>-</u>	<u>20,864,195.28</u>
Operating income (loss)	<u>1,082,112.55</u>	<u>557,294.82</u>	<u>(1,071,392.64)</u>	<u>(1,137,421.33)</u>	<u>-</u>	<u>(569,406.60)</u>
<b>Nonoperating revenues (expenses):</b>						
Grant revenue	268,979.04	165,509.01	2,979,453.34	-	-	3,413,941.39
Interest revenue	75,438.44	96,682.01	30,985.20	3.65	690.82	203,800.12
Miscellaneous revenue	36,743.71	49,561.13	793,357.81	210.00	278.34	880,150.99
Interest expense	(53,579.35)	(140,193.56)	(1,200.00)	-	-	(194,972.91)
Amortization of discounts and issuance costs	(1,487.27)	(1,776.57)	-	-	-	(3,263.84)
Loss on disposal of equipment	(1,169.04)	(20,009.26)	-	-	-	(21,178.30)
Miscellaneous expense	(3,200.00)	(3,200.00)	-	-	(10,302.41)	(16,702.41)
Intercompany transfers	(494,156.31)	(450,450.86)	(126,386.39)	1,136,424.38	(65,430.82)	-
Total nonoperating revenues (expenses)	<u>(172,430.78)</u>	<u>(303,878.10)</u>	<u>3,676,209.96</u>	<u>1,136,638.03</u>	<u>(74,764.07)</u>	<u>4,261,775.04</u>
Increase (decrease) in net assets	909,681.77	253,416.72	2,604,817.32	(783.30)	(74,764.07)	3,692,368.44
Net assets, July 1	4,731,522.20	7,517,191.51	11,542,463.81	(27,875.26)	74,764.07	23,838,066.33
Net assets, June 30	<u>\$ 5,641,203.97</u>	<u>\$ 7,770,608.23</u>	<u>\$ 14,147,281.13</u>	<u>\$ (28,658.56)</u>	<u>\$ -</u>	<u>\$ 27,530,434.77</u>

**Tennessee State Veterans' Homes Board**  
**Supplementary Information**  
**Supplementary Schedule of Revenues, Expenses, and Changes in Net Assets**  
**For the Year Ended June 30, 2006**

	<u>Murfreesboro</u>	<u>Humboldt</u>	<u>Knoxville</u>	<u>Executive Office</u>	<u>Foundation</u>	<u>Totals</u>
<b>Operating revenue:</b>						
Resident service revenue plus contractual adjustments of \$1,543,639.90 and less provision for bad debts of \$427,775.23	\$ 7,880,565.71	\$ 7,615,918.07	\$ -	\$ -	\$ -	\$ 15,496,483.78
Total operating revenue	<u>7,880,565.71</u>	<u>7,615,918.07</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,496,483.78</u>
<b>Operating expenses:</b>						
Administrative and general	992,964.75	1,146,965.42	29,887.67	852,145.34	-	3,021,963.18
Nursing services	3,312,847.42	2,997,554.53	-	-	-	6,310,401.95
Central services	344,569.49	400,687.28	-	-	-	745,256.77
Ancillary departments	577,059.26	686,002.72	-	-	-	1,263,061.98
Dietary	571,127.90	594,173.37	-	-	-	1,165,301.27
Activities	128,861.50	138,716.48	-	-	-	267,577.98
Social services	162,359.83	125,395.24	-	-	-	287,755.07
Environmental services	486,378.73	433,858.44	-	-	-	920,237.17
Plant operations and maintenance	433,319.43	425,431.97	120.00	-	-	858,871.40
Depreciation	236,526.26	313,598.26	-	4,762.04	-	554,886.56
Total operating expenses	<u>7,246,014.57</u>	<u>7,262,383.71</u>	<u>30,007.67</u>	<u>856,907.38</u>	<u>-</u>	<u>15,395,313.33</u>
Operating income (loss)	<u>634,551.14</u>	<u>353,534.36</u>	<u>(30,007.67)</u>	<u>(856,907.38)</u>	<u>-</u>	<u>101,170.45</u>
<b>Nonoperating revenues (expenses):</b>						
Grant revenue	1,901,246.74	1,779,013.67	6,501,292.63	-	-	10,181,553.04
Interest revenue	49,038.51	68,639.84	-	-	1,837.53	119,515.88
Miscellaneous revenue	60,588.71	22,054.45	3,500,696.00	-	16,947.92	3,600,287.08
Interest expense	(56,115.99)	(146,162.75)	-	-	-	(202,278.74)
Amortization of discounts and issuance costs	(1,487.27)	(1,776.57)	-	-	-	(3,263.84)
Loss on disposal of equipment	(16,000.01)	-	-	(2,678.18)	-	(18,678.19)
Miscellaneous expense	-	0.30	-	-	(17,117.42)	(17,117.12)
Intercompany transfers	(415,855.00)	(415,855.30)	-	831,710.30	-	-
Total nonoperating revenues (expenses)	<u>1,521,415.69</u>	<u>1,305,913.64</u>	<u>10,001,988.63</u>	<u>829,032.12</u>	<u>1,668.03</u>	<u>13,660,018.11</u>
Increase (decrease) in net assets	2,155,966.83	1,659,448.00	9,971,980.96	(27,875.26)	1,668.03	13,761,188.56
Net assets, July 1	<u>2,575,555.37</u>	<u>5,857,743.51</u>	<u>1,570,482.85</u>	<u>-</u>	<u>73,096.04</u>	<u>10,076,877.77</u>
Net assets, June 30	<u>\$ 4,731,522.20</u>	<u>\$ 7,517,191.51</u>	<u>\$ 11,542,463.81</u>	<u>\$ (27,875.26)</u>	<u>\$ 74,764.07</u>	<u>\$ 23,838,066.33</u>

**Tennessee State Veterans' Homes Board**  
**Supplementary Information**  
**Supplementary Schedule of Cash Flows**  
**For the Year Ended June 30, 2007**

	Murfreesboro	Humboldt	Knoxville	Executive Office	Foundation	Totals
<b>Cash flows from operating activities:</b>						
Receipts from residents and third party payors	\$ 9,328,961.95	\$ 8,993,247.92	\$ 763,556.40	\$ -	\$ -	\$ 19,085,766.27
Other miscellaneous receipts	509,569.61	435,349.04	15,078.71	149,734.90	-	1,109,732.26
Payments to service providers and vendors	(3,777,087.89)	(3,622,452.04)	(1,104,804.06)	-	-	(8,504,343.99)
Payments to employees	(5,136,725.81)	(4,827,589.99)	(997,908.13)	-	-	(10,962,223.93)
Other miscellaneous payments	(472,832.72)	(335,904.05)	(1,992.91)	-	-	(810,729.68)
Net cash provided by (used for) operating activities	451,885.14	642,650.88	(1,326,069.99)	149,734.90	-	(81,799.07)
<b>Cash flows from noncapital financing activities</b>						
Principal paid on loan from the State of Tennessee	(30,000.00)	-	-	-	-	(30,000.00)
State appropriation	-	-	1,600,000.00	-	-	1,600,000.00
Foundation donations	-	-	-	-	278.34	278.34
Expenses paid by the foundation	-	-	-	-	(75,733.23)	(75,733.23)
Net cash provided by (used for) noncapital financing activities	(30,000.00)	-	1,600,000.00	-	(75,454.89)	1,494,545.11
<b>Cash flows from capital and related financing activities:</b>						
Capital grant received	1,532,197.30	1,126,180.62	4,927,745.01	-	-	7,586,122.93
Purchase of capital assets	(1,797,838.29)	(1,365,820.14)	(4,952,304.66)	(17,759.40)	-	(8,133,722.49)
Principal paid on debt	(74,500.00)	(85,500.00)	-	-	-	(160,000.00)
Interest paid on debt	(95,928.53)	(161,349.56)	-	-	-	(257,278.09)
Net cash used for capital and related financing activities	(436,069.52)	(486,489.08)	(24,559.65)	(17,759.40)	-	(964,877.65)
<b>Cash flows from investing activities:</b>						
Interest received	77,828.60	96,896.89	31,948.95	3.65	690.82	207,368.91
Net cash provided by investing activities	77,828.60	96,896.89	31,948.95	3.65	690.82	207,368.91
Net increase (decrease) in cash	63,644.22	253,058.69	281,319.31	131,979.15	(74,764.07)	655,237.30
Cash, July 1	1,779,578.53	1,870,781.96	495.80	-	74,764.07	3,725,620.36
Cash, June 30	\$ 1,843,222.75	\$ 2,123,840.65	\$ 281,815.11	\$ 131,979.15	\$ -	\$ 4,380,857.66

**Tennessee State Veterans' Homes Board**  
**Supplementary Information**  
**Supplementary Schedule of Cash Flows**  
**For the Year Ended June 30, 2007**

	Murfreesboro	Humboldt	Knoxville	Executive Office	Foundation	Totals
<b>Reconciliation of operating income (loss) to net cash provided by (used for ) operating activities:</b>						
Operating income (loss)	\$ 1,082,112.55	\$ 557,294.82	\$ (1,071,392.64)	\$ (1,137,421.33)	\$ -	\$ (569,406.60)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation	298,244.95	366,474.43	167,815.92	12,365.79	-	844,901.09
Transfers (to) from other facilities	(500,418.20)	(471,506.67)	(126,386.39)	1,098,311.26	-	-
Miscellaneous receipts	30,660.00	70,616.94	6,054.25	38,323.12	-	145,654.31
(Increase) decrease in net resident accounts receivable	(843,324.00)	(142,441.27)	(494,058.48)	-	-	(1,479,823.75)
(Increase) decrease in due from federal government	1,343,218.26	1,018,340.03	3,548,270.97	-	-	5,909,829.26
(Increase) decrease in due from other facilities	46,752.27	(284,796.76)	257,393.72	(19,348.93)	-	0.30
(Increase) decrease in Medicare cost settlement receivable	(36,009.67)	10,152.41	-	-	-	(25,857.26)
(Increase) decrease in inventories	(82,829.25)	(34,469.48)	(62,975.65)	-	-	(180,274.38)
(Increase) decrease in prepaid items	(18,218.12)	(8,218.13)	(9,864.78)	640.00	-	(35,661.03)
Increase (decrease) in noncapital accounts payable and accruals	446,989.04	329,961.29	223,723.10	120,259.45	-	1,120,932.88
Increase (decrease) in checks payable	(3.72)	(6,357.34)	-	-	-	(6,361.06)
Increase (decrease) in due to primary government	(1,378,775.00)	(800,858.66)	(3,835,022.68)	-	-	(6,014,656.34)
Increase (decrease) in amounts held in custody for others	6,821.76	30,883.27	7,031.55	-	-	44,736.58
Increase (decrease) in Medicaid current financing	43,484.01	(10,142.19)	-	-	-	33,341.82
Increase (decrease) in compensated absences	13,180.26	17,718.19	63,341.12	36,605.54	-	130,845.11
Total adjustments	(630,227.41)	85,356.06	(254,677.35)	1,287,156.23	-	487,607.53
Net cash provided by (used for) operating activities	\$ 451,885.14	\$ 642,650.88	\$ (1,326,069.99)	\$ 149,734.90	\$ -	\$ (81,799.07)
<b>Noncash capital activities</b>						
Contributed capital assets	\$ -	\$ -	\$ 787,603.56	\$ -	\$ -	\$ 787,603.56

**Tennessee State Veterans' Homes Board  
Supplementary Information  
Supplementary Schedule of Cash Flows  
For the Year Ended June 30, 2006**

	<u>Murfreesboro</u>	<u>Humboldt</u>	<u>Knoxville</u>	<u>Executive Office</u>	<u>Foundation</u>	<u>Totals</u>
<b>Cash flows from operating activities:</b>						
Receipts from residents and third party payors	\$ 8,598,851.83	\$ 7,587,589.63	\$ -	\$ -	\$ -	\$ 16,186,441.46
Other miscellaneous receipts	76,654.37	46,784.65	-	-	-	123,439.02
Payments to service providers and vendors	(3,238,219.06)	(3,548,598.22)	-	-	-	(6,786,817.28)
Payments to employees	(4,462,472.40)	(3,754,642.93)	-	-	-	(8,217,115.33)
Other miscellaneous payments	(59,134.19)	(40,497.56)	-	-	-	(99,631.75)
Net cash provided by operating activities	<u>915,680.55</u>	<u>290,635.57</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,206,316.12</u>
<b>Cash flows from noncapital financing activities</b>						
Principal paid on loan from the State of Tennessee	(10,000.00)	-	-	-	-	(10,000.00)
State appropriation	-	-	-	-	-	-
Foundation donations	-	-	-	-	16,947.92	16,947.92
Expenses paid by the foundation	-	-	-	-	(17,117.42)	(17,117.42)
Net cash used for noncapital financing activities	<u>(10,000.00)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(169.50)</u>	<u>(10,169.50)</u>
<b>Cash flows from capital and related financing activities:</b>						
Capital grant received	671,612.20	1,022,656.00	3,880,885.51	-	-	5,575,153.71
Purchase of capital assets	(847,240.99)	(1,162,032.68)	(3,880,885.51)	-	-	(5,890,159.18)
Principal paid on debt	(72,300.00)	(82,700.00)	-	-	-	(155,000.00)
Interest paid on debt	(67,166.13)	(133,586.05)	-	-	-	(200,752.18)
Net cash used for capital and related financing activities	<u>(315,094.92)</u>	<u>(355,662.73)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(670,757.65)</u>
<b>Cash flows from investing activities:</b>						
Proceeds from sales and maturities of investments	-	-	-	-	30,009.51	30,009.51
Interest received	49,348.15	68,602.35	495.80	-	1,837.53	120,283.83
Net cash provided by investing activities	<u>49,348.15</u>	<u>68,602.35</u>	<u>495.80</u>	<u>-</u>	<u>31,847.04</u>	<u>150,293.34</u>
Net increase in cash	639,933.78	3,575.19	495.80	-	31,677.54	675,682.31
Cash, July 1	1,139,644.75	1,867,206.77	-	-	43,086.53	3,049,938.05
Cash, June 30	<u>\$ 1,779,578.53</u>	<u>\$ 1,870,781.96</u>	<u>\$ 495.80</u>	<u>\$ -</u>	<u>\$ 74,764.07</u>	<u>\$ 3,725,620.36</u>

**Tennessee State Veterans' Homes Board**  
**Supplementary Information**  
**Supplementary Schedule of Cash Flows**  
**For the Year Ended June 30, 2006**

	<u>Murfreesboro</u>	<u>Humboldt</u>	<u>Knoxville</u>	<u>Executive Office</u>	<u>Foundation</u>	<u>Totals</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>						
Operating income (loss)	\$ 634,551.14	\$ 353,534.36	\$ (30,007.67)	\$ (856,907.38)	\$ -	\$ 101,170.45
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	236,526.26	313,598.26	-	4,762.04	-	554,886.56
Transfers (to) from other facilities	(415,855.00)	(415,855.30)	-	831,710.30	-	-
Miscellaneous receipts	17,504.43	7,124.25	-	-	-	24,628.68
(Increase) decrease in net resident accounts receivable	509,867.90	(119,435.41)	-	-	-	390,432.49
(Increase) decrease in due from federal government	(1,312,663.54)	(815,760.02)	(2,620,407.12)	-	-	(4,748,830.68)
(Increase) decrease in due from other facilities	(109,459.75)	125,455.29	21,941.48	(69,840.90)	-	(31,903.88)
(Increase) decrease in Medicare cost settlement receivable	(63,281.84)	(157,158.57)	-	-	-	(220,440.41)
(Increase) decrease in inventories	(497.57)	24,079.52	-	-	-	23,581.95
(Increase) decrease in prepaid items	(5,361.50)	(3,193.50)	-	(640.00)	-	(9,195.00)
Increase (decrease) in noncapital accounts payable and accruals	(41,411.00)	165,492.59	5,305.45	34,231.71	-	163,618.75
Increase (decrease) in checks payable	(32,457.49)	(64,523.11)	-	-	-	(96,980.60)
Increase (decrease) in due to primary government	1,459,044.59	887,138.26	2,620,407.12	-	-	4,966,589.97
Increase (decrease) in amounts held in custody for others	(8,022.30)	(10,015.23)	-	-	-	(18,037.53)
Increase (decrease) in Medicaid current financing	17,234.96	(19,131.13)	-	-	-	(1,896.17)
Increase (decrease) in compensated absences	29,961.26	19,285.31	2,760.74	56,684.23	-	108,691.54
Total adjustments	281,129.41	(62,898.79)	30,007.67	856,907.38	-	1,105,145.67
Net cash provided by operating activities	\$ 915,680.55	\$ 290,635.57	\$ -	\$ -	\$ -	\$ 1,206,316.12