

AUDIT REPORT

Tennessee State Veterans' Homes Board

For the Year Ended
June 30, 2011



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY

Department of Audit
Division of State Audit



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September 27, 2012

The Honorable Bill Haslam, 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 year ended June 30, 2011. You will note from the independent auditor's report that an unqualified opinion was 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/rrp
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State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit
Tennessee State Veterans' Homes Board
For the Year Ended June 30, 2011

AUDIT OBJECTIVES

The objectives of the 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.

INTERNAL CONTROL FINDING

The Board Has Continued to Neglect Contract Requirements, Increasing the Risk of Inappropriate Purchases*

As noted in the ten prior audits, the board did not comply with state regulations regarding contracts with service vendors. There were two instances in which the board did not obtain a contract even though the board incurred more than \$5,000 in expenses (page 11).

OPINION ON THE FINANCIAL STATEMENTS

The opinion on the financial statements is unqualified.

* This finding is repeated from prior audits.

Audit Report
Tennessee State Veterans' Homes Board
For the Year Ended June 30, 2011

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Tennessee State Veterans' Homes Board For the Year Ended June 30, 2011

INTRODUCTION

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. 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 its portion of the general obligation bonds. Residents' fees are the board's primary revenue source. The board operates three facilities—one in Murfreesboro, one in Humboldt, and one in Knoxville.

The board consists of 13 members. The Commissioner of the Tennessee Department of Veterans Affairs and the Commissioner of the Tennessee Department of Finance and Administration serve *ex officio* as voting members of the board. The remaining 11 members are appointed by the Governor: 3 from each of the 3 grand divisions of the state, a nursing home administrator, and a person with clinical experience in nursing homes. Each board member must be a citizen of the state, and the nine members from the grand divisions of the state must be honorably discharged veterans. The board elects a chair from its members, and the chair must be a veteran.

The board has an executive committee composed of three of its members. One member is the Commissioner of the Department of Finance and Administration. The remaining two members are elected by the board subject to the qualifications that one member is either a

nursing home administrator or has clinical experience in nursing homes, and the other member is the chair of the board.

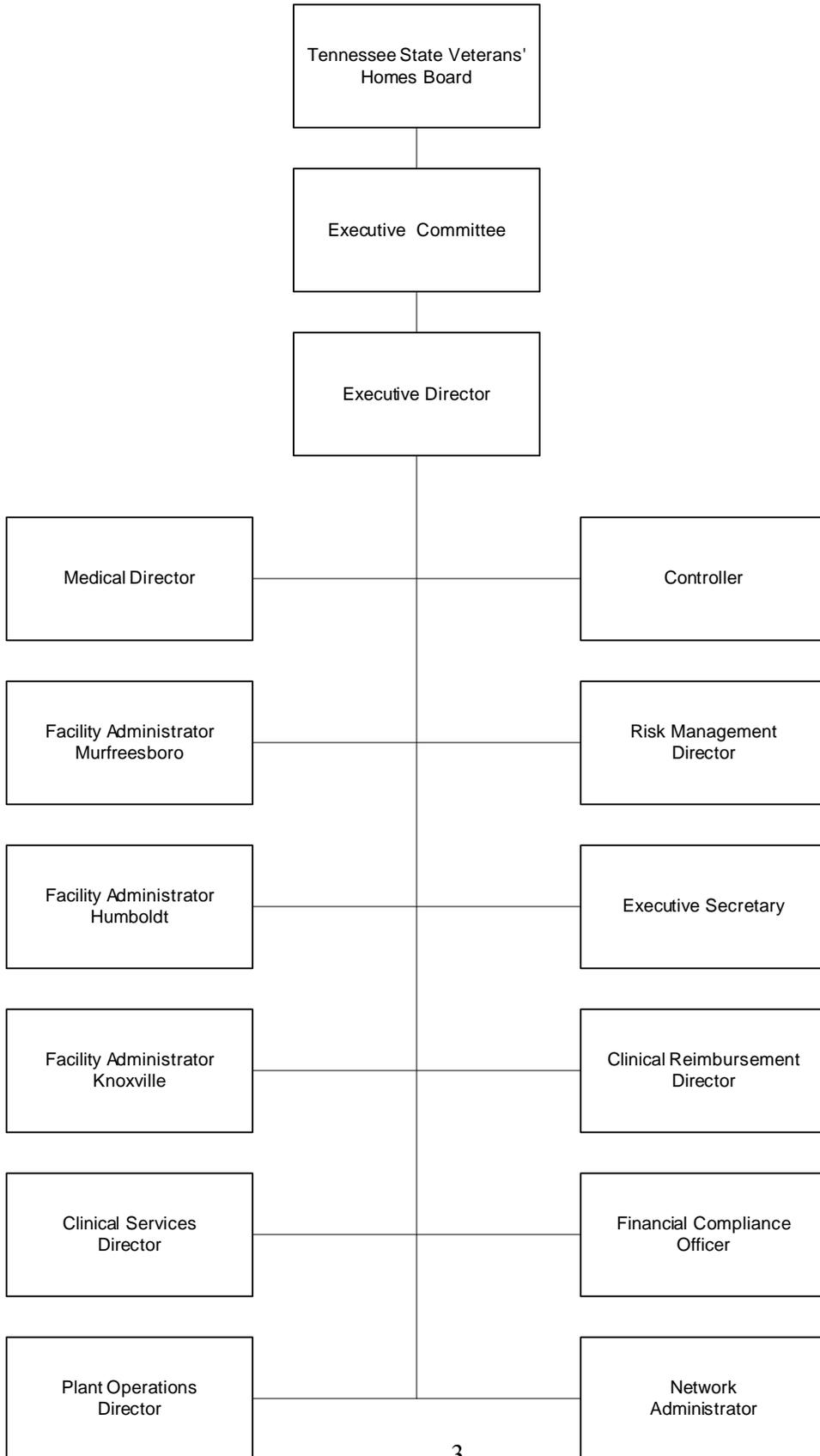
The executive committee is responsible for the oversight of the day-to-day management and operation of the state veterans' homes. The executive committee has the authority to employ an Executive Director, subject to review by the full board, and other employees; to incur expenses as may be necessary for the proper discharge of the committee's duties; to establish policies regarding the rates for patient care in a state veterans' home; and to make and execute contracts. The board continues to have other authority such as to incur debts, to provide for the rights of the holders of the debt instruments, to procure insurance, and to receive bequests and donations.

ORGANIZATION

The executive committee exercises its authority over operations through its executive staff. The executive staff consists of the Executive Director, Controller, Network Administrator, 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.

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

Tennessee State Veterans' Homes Board Organization Chart



AUDIT SCOPE

The audit was limited to the period July 1, 2010, through June 30, 2011, 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 year ended June 30, 2011, and for comparative purposes, the year ended June 30, 2010. The Tennessee State Veterans' Homes Board has been included as a component unit in the *Tennessee Comprehensive Annual Financial Report*.

OBJECTIVES OF THE AUDIT

The objectives of the audit were

1. to consider the board's internal control over financial reporting as a basis for designing auditing procedures for the purpose of expressing an opinion 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.
-

PRIOR AUDIT FINDINGS

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. The Tennessee State Veterans' Homes Board filed its report with the Department of Audit on January 31, 2012. A follow-up of all prior audit findings was conducted as part of the current audit.

RESOLVED AUDIT FINDING

The current audit disclosed that the Tennessee State Veterans' Homes Board has corrected the previous audit finding concerning the board not implementing policies or procedures to effectively mitigate the risk of misappropriation of sensitive equipment.

REPEATED AUDIT FINDING

The prior audit report also contained a finding concerning the board not obtaining contracts even though the board incurred more than \$5,000 in expenses. This finding has not been resolved and is repeated in this report.

OBSERVATIONS AND COMMENTS

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.

RESULTS OF THE AUDIT

AUDIT CONCLUSIONS

Internal Control

As part of the audit of the Tennessee State Veterans' Homes Board's financial statements for the year ended June 30, 2011, we considered internal control over financial reporting as a basis for designing auditing procedures for the purpose of expressing an opinion 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. Significant deficiencies, along with recommendations and management's responses, are detailed in the Findings and Recommendations section. 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 an unqualified opinion on the board's financial statements.



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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***

August 8, 2012

The Honorable Bill Haslam, Governor
and
Members of the General Assembly
State Capital
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 year ended June 30, 2011, and have issued our report thereon dated August 8, 2012. 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

Management of the Tennessee State Veterans' Homes Board is responsible for establishing and maintaining effective 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 opinion 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We consider the following deficiency to be a significant deficiency in internal control over financial reporting:

- The board has continued to neglect contract requirements, increasing the risk of inappropriate purchases

This deficiency is described in the Finding and Recommendation section of this report.

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 its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under generally accepted government auditing standards.

August 8, 2012
Page Three

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 others within the entity 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 that reads "Arthur A. Hayes, Jr." The signature is written in a cursive style with a large initial 'A' and a distinct 'H'.

Arthur A. Hayes, Jr., CPA
Director

AAH/rrp

FINDING AND RECOMMENDATION

The board has continued to neglect contract requirements, increasing the risk of inappropriate purchases

Finding

As noted in the ten prior audits, the Tennessee State Veterans' Homes Board did not comply with state regulations regarding contracts with service vendors. The board did not obtain the required contracts with two service vendors.

In the prior audit, management concurred with the finding and stated, "Progress is being made to ensure that appropriately approved service contracts are in place by January 2012 for all service vendors where a DPA, contract, or required approvals were not obtained. Therefore, it is anticipated that significant improvements will be reflected in the audits for fiscal years 2011 and 2012."

We did find some evidence of improvement in the service contracts area for fiscal year 2011; however, further improvements are necessary. To test compliance with state regulations, we reviewed four service vendors with more than \$5,000 in purchased services, for which the board should have obtained a contract during the fiscal year. For two of the service vendors tested (50%), the board did not obtain a contract with the service vendor. However, the board spent \$15,208 on services with one vendor and \$10,459 on services with a second vendor during the audit period. We had also noted in the prior audit that the board had not obtained a contract with these two service vendors.

It is important that properly approved contracts are obtained in order to ensure the contracts are in the best interest of the state, the agreements are enforceable, and unwarranted contingencies and contractual compliance issues between the board and the service vendors are avoided.

Recommendation

The Risk Management Director should ensure that service contracts are established in accordance with state regulations. The executive committee along with the audit committee should monitor service vendor contracts to ensure compliance with state regulations.

Management's Comment

We concur that for the fiscal year ended June 30, 2011, the Tennessee State Veterans' Homes Board (TSVHB) did not have a service contract approved in accordance with state regulations with two vendors discussed above. However, this issue has been subsequently resolved. The TSVHB brought its e-mail and website in-house in a process that began in late 2011 and ended in April and June 2012, respectively, eliminating the need for the services of one vendor. The other vendor was replaced as the result of an RFP process that started in September

2011 and culminated in a contract signed by another vendor in December 2011 with a contract start date of February 1, 2012.

The TSVHB has addressed the long-term issue of compliance with state contracting processes for service vendors through the following measures. After the former Contract Officer retired in August 2010, the Executive Director expanded the contract officer position to include risk management and hired a Director of Risk Management effective November 29, 2010. The Director of Risk Management is an attorney who previously worked for the Attorney General's Office as Senior Counsel and possesses the skill set to ensure all contracts remain in compliance. During the remaining seven months of the audit period, the Director of Risk Management began the process of systematically reviewing the TSVHB's service contracts, and where there either was no contract for a service or the existing contract did not comply with state contract requirements, putting in place a contract that did. With the number of contracts inherent in the operation of nursing home facilities, this has been a lengthy and ongoing process. The TSVHB has approximately 80 service contracts and approximately the same number of leases; software subscriptions; contracts for the purchase of goods, participation, and training; and other agreements. The new contracts are being executed as multi-year entity-wide agreements when possible. The Director of Risk Management has also reported to the TSVHB periodically concerning the status of the service contract compliance, and with the assistance of TSVHB financial staff, is now auditing expenditures to monitor contract compliance and to capture any additional services that should have a contract, and conducting contract training for facility management staff. Going forward, this monitoring will occur at least bimonthly and be reported at the TSVHB bimonthly meetings.

Based on the foregoing, it is anticipated that significant improvements will be reflected in the audit for fiscal year 2012.



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Independent Auditor's Report

August 8, 2012

The Honorable Bill Haslam, 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, 2011, and June 30, 2010, 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 an opinion on these financial statements, based on our audits.

We conducted our audits 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

August 8, 2012
Page Two

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, 2011, and June 30, 2010, 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 management's discussion and analysis on pages 15 through 20, the Schedule of Pension Funding Progress on page 44, and the Other Post Employment Benefits Schedule of Funding Progress on page 45 are not a required part of the basic financial statements but are supplementary information 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 audits were conducted for the purpose of forming an opinion on the basic financial statements. The accompanying financial information on pages 46 through 55 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 audits 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 August 8, 2012, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with generally accepted government auditing standards and should be considered in assessing the results of our audit.

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/rrp

Tennessee State Veterans' Homes Board Management's Discussion and Analysis

Tennessee State Veterans' Homes Board provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011, and June 30, 2010, with comparative information presented for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the Independent Auditor's Report, the board's financial statements, and the notes to the financial statements. The financial statements, notes, and this discussion are the responsibility of management.

FINANCIAL HIGHLIGHTS

Year Ended June 30, 2011

- ◆ The board's operating revenues increased 9%, or \$2,966,969, from fiscal 2010 to fiscal 2011.
- ◆ The board's operating expenses were 3%, or \$1,014,801, more in fiscal 2011 than in fiscal 2010.
- ◆ The board's net assets increased 7%, or \$2,332,550, from June 30, 2010, to June 30, 2011.

Year Ended June 30, 2010

- ◆ The board's operating revenues increased 4%, or \$1,314,294, from fiscal 2009 to fiscal 2010.
- ◆ The board's operating expenses were 3%, or \$914,972, more in fiscal 2010 than in fiscal 2009.
- ◆ The board's net assets increased 2%, or \$616,292, from June 30, 2009, to June 30, 2010.

USING THIS ANNUAL REPORT

The Tennessee State Veterans' Homes Board is a component unit of the State of Tennessee and presents its financial statements using the economic resources measurement focus and accrual basis of accounting, which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis is intended to serve as an introduction to Tennessee State Veterans' Homes Board's basic financial statements. The financial statements consist of the following financial statements and required supplementary information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the board's financial activities.

The Statement of Net Assets presents information on the board's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the board is improving or deteriorating.

Tennessee State Veterans' Homes Board Management's Discussion and Analysis (Cont.)

The Statement of Revenues, Expenses and Changes in Net Assets is the basic statement of activities for business-type activities. This statement presents information on the board's operating revenues and expenses, non-operating revenues and expenses, and whether the board's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the board's cash during the year. This information can assist the user of the report in determining how the board financed its activities and how it met its cash requirements.

Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

In addition to the three basic financial statements, the reader should also review the Schedule of Pension Funding Progress and the Other Post Employment Benefits Schedule of Funding Progress to gain an understanding of the funded status of the board's benefits over time. This information provides an indication of the board's ability to meet both current and future benefit payment obligations.

FINANCIAL ANALYSIS OF THE BOARD

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of the board's financial position. A summary of the board's net assets is presented below.

	Net Assets		
	June 30		
	2011	2010	2009
Current assets and other assets	\$ 15,450,258.50	\$ 12,688,046.78	\$ 11,778,615.59
Capital assets at cost, less accumulated depreciation	<u>27,182,838.56</u>	<u>28,203,924.99</u>	<u>29,408,511.21</u>
Total assets	<u>42,633,097.06</u>	<u>40,891,971.77</u>	<u>41,187,126.80</u>
Long-term debt outstanding	5,398,545.88	5,712,434.78	5,953,311.57
Other liabilities	<u>2,405,056.53</u>	<u>2,682,592.32</u>	<u>3,353,162.72</u>
Total liabilities	<u>7,803,602.41</u>	<u>8,395,027.10</u>	<u>9,306,474.29</u>
Net assets:			
Invested in capital assets, net of related debt	21,784,292.68	22,491,490.21	23,455,199.64
Restricted	2,523,803.45	2,027,663.76	1,576,688.48
Unrestricted	<u>10,521,398.52</u>	<u>7,977,790.70</u>	<u>6,848,764.39</u>
Total net assets	\$ <u>34,829,494.65</u>	\$ <u>32,496,944.67</u>	\$ <u>31,880,652.51</u>

Tennessee State Veterans' Homes Board Management's Discussion and Analysis (Cont.)

2011 to 2010

The board's net assets at the end of fiscal 2011 totaled \$34,829,495. This compares to \$32,496,945 at the end of fiscal 2010. The unrestricted portion of the board's net assets (30%) may be used to meet the board's obligations as they come due. The largest portion of the board's net assets (63%) is invested in capital assets (e.g., land, buildings and equipment), less the related debt. The restricted portion of the board's net assets (7%) represents funds that are required to be restricted according to the Funds Management Guidelines. The Funds Management Guidelines require the board to deposit funds in a debt service fund, repair & replacement fund, and technology fund. The increase in net assets is due primarily to the increase in the census at the Murfreesboro facility and the increase in the Medicare patient mix at the Humboldt facility.

2010 to 2009

The board's net assets at the end of fiscal 2010 totaled \$32,496,945. This compares to \$31,880,653 at the end of fiscal 2009. The unrestricted portion of the board's net assets (25%) may be used to meet the board's obligations as they come due. The largest portion of the board's net assets (69%) is invested in capital assets (e.g., land, buildings and equipment), less the related debt. The restricted portion of the board's net assets (6%) represents funds that are required to be restricted according to the Funds Management Guidelines. The primary reason for the increase in net assets is due to the increase in the census at the Murfreesboro facility.

Statement of Revenues, Expenses, and Changes in Net Assets

Operating revenues are received for nursing home services provided to veterans, spouses of veterans, and gold star parents (parents of service persons killed in action). Operating expenses are expenses paid to operate the nursing homes and corporate office. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses, and changes in net assets between fiscal years is presented below:

**Tennessee State Veterans' Homes Board
Management's Discussion and Analysis (Cont.)**

	Changes in Net Assets		
	2011	June 30 2010	2009
Operating revenue:			
Resident service revenue	\$ <u>37,554,468.68</u>	\$ <u>34,587,500.11</u>	\$ <u>33,273,206.24</u>
Total operating revenue	<u>37,554,468.68</u>	<u>34,587,500.11</u>	<u>33,273,206.24</u>
Operating expenses:			
Administrative and general	4,571,540.33	4,370,194.61	4,894,355.72
Nursing services	16,032,949.26	16,082,389.55	15,057,913.39
Central services	1,012,927.71	903,789.00	919,012.90
Ancillary departments	3,213,153.53	3,017,712.63	3,044,545.58
Dietary	3,258,469.52	3,112,782.52	2,635,379.56
Activities	945,857.96	888,343.96	840,282.57
Social services	646,965.09	539,831.20	522,869.29
Environmental services	2,266,356.82	2,099,916.99	2,124,645.26
Plant operations and maintenance	1,834,255.99	1,657,567.98	1,818,999.53
Depreciation	<u>1,275,904.56</u>	<u>1,371,050.94</u>	<u>1,270,603.18</u>
Total operating expenses	<u>35,058,380.77</u>	<u>34,043,579.38</u>	<u>33,128,606.98</u>
Operating income	<u>2,496,087.91</u>	<u>543,920.73</u>	<u>144,599.26</u>
Nonoperating revenues (expenses):			
Grant revenue	-	264,444.27	2,232,186.73
Interest revenue	18,860.66	76,603.34	79,558.38
Miscellaneous revenue	106,784.88	56,639.50	104,158.05
Interest expense	(273,151.00)	(291,508.78)	(277,405.60)
Amortization of premiums and issuance costs	(3,263.84)	(3,263.84)	(3,263.84)
Loss on disposal of equipment	(3,168.63)	(20,943.06)	(21,631.32)
Miscellaneous expense	<u>(9,600.00)</u>	<u>(9,600.00)</u>	<u>(9,400.00)</u>
Total nonoperating revenues	<u>(163,537.93)</u>	<u>72,371.43</u>	<u>2,104,202.40</u>
Increase in net assets	2,332,549.98	616,292.16	2,248,801.66
Net assets, July 1	<u>32,496,944.67</u>	<u>31,880,652.51</u>	<u>29,631,850.85</u>
Net assets, June 30	\$ <u>34,829,494.65</u>	\$ <u>32,496,944.67</u>	\$ <u>31,880,652.51</u>

**Tennessee State Veterans' Homes Board
Management's Discussion and Analysis (Cont.)**

2011 to 2010

In fiscal 2011, operating revenues increased \$2,966,969, or 9%, primarily a result of Murfreesboro's average daily census increasing from 127 resident days in fiscal year 2010 to 134 resident days in fiscal year 2011, and Humboldt's Medicare patient mix increasing from 12% in fiscal year 2010 to 14% in fiscal year 2011. Operating expenses increased \$1,014,801, or 3%. The increase was primarily a result of an increase in salaries and related expenses. In addition, the increase in Humboldt's Medicare patient mix resulted in an increase in expenses for ancillary departments.

2010 to 2009

In fiscal 2010, operating revenues increased \$1,314,294, or 4%, primarily a result of Murfreesboro's average daily census increasing from 122 resident days in fiscal year 2009 to 127 resident days in fiscal year 2010. Operating expenses increased \$914,972, or 3%. The increase was primarily a result of nursing costs increasing as a direct result of an increase in nursing staffing patterns due to the acuity level of current residents.

CAPITAL ASSETS

At June 30, 2011, the board had \$27,182,839 invested in capital assets, net of accumulated depreciation of approximately \$10,230,444. Depreciation charges totaled \$1,275,905 for fiscal year 2011. At June 30, 2010, the board had \$28,203,925 invested in capital assets, net of accumulated depreciation of approximately \$9,024,794. Depreciation charges totaled \$1,371,051 for fiscal 2010. At June 30, 2009, the board had \$29,408,511 in capital assets, net of accumulated depreciation of approximately \$7,731,431. Depreciation charges totaled \$1,270,603 for fiscal year 2009.

More detailed information about the board's capital assets is presented in Note 6 to the financial statements.

LONG-TERM DEBT

The table below summarizes outstanding debt.

	June 30		
	2011	2010	2009
Long-term debt	\$ 5,398,545.88	\$ 5,712,434.78	\$ 5,953,311.57

Tennessee State Veterans' Homes Board Management's Discussion and Analysis (Cont.)

2011 to 2010

At June 30, 2011, the board had \$5,398,546 in debt outstanding, a decrease of \$313,889 from 2010. The decrease was due to the principal paid on the debt.

2010 to 2009

At June 30, 2010, the board had \$5,712,435 in debt outstanding, a decrease of \$240,877 from 2009. The decrease was due to the principal paid on the debt.

Long-term debt consists of a loan from the State of Tennessee and bonds and commercial paper that have been issued by the State of Tennessee on behalf of the board. Additional information about the board's long-term debt is presented in Note 8 to the financial statements.

ECONOMIC FACTORS

Tennessee State Veterans' Homes Board continued to improve its financial position during the current fiscal year. However, the current condition of the economy in the state continues to be a concern for board officials. Some of the realities that may potentially become challenges for the board to meet are

- ◆ Facilities require constant maintenance and upkeep.
- ◆ Technology continues to expand and current technology becomes outdated, presenting an ongoing challenge to maintain up-to-date technology at a reasonable cost.
- ◆ Third-party reimbursement rates are uncertain.

The board anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the board's ability to react to unknown issues.

CONTACTING THE BOARD'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of Tennessee State Veterans' Homes Board finances for all those with an interest in the board's finances. If you have questions about this report or need additional financial information, contact Danielle Brown, P.O. Box 11328, Murfreesboro, Tennessee 37129.

Tennessee State Veterans' Homes Board
Statements of Net Assets
June 30, 2011, and June 30, 2010

	June 30, 2011	June 30, 2010
Assets:		
Current assets:		
Cash (Note 2)	\$ 8,578,278.65	\$ 5,903,738.15
Resident accounts receivable, net of allowance for doubtful accounts of \$639,889.50 at June 30, 2011, and \$652,804.78 at June 30, 2010 (Note 3)	2,940,678.27	3,378,348.20
Miscellaneous receivable	51,196.00	-
Medicare cost settlement receivable	117,696.00	174,837.41
Due from primary government (Note 4)	759,224.71	588,891.38
Due from federal government	-	46,213.38
Inventories	121,364.06	176,207.61
Prepaid items	56,958.87	55,177.63
Restricted cash (Notes 2 and 5)	559,367.11	587,109.14
	13,184,763.67	10,910,522.90
Total current assets		
Noncurrent assets:		
Restricted cash (Notes 2 and 5)	2,229,939.98	1,738,705.19
Unamortized bond issuance costs	35,554.85	38,818.69
Capital assets (Note 6):		
Land and improvements	406,186.56	406,186.56
Infrastructure	1,691,378.94	1,691,378.94
Accumulated depreciation - infrastructure	(467,426.42)	(425,718.07)
Buildings and improvements	30,205,459.33	30,166,136.63
Accumulated depreciation - buildings and improvements	(6,781,068.47)	(5,968,415.45)
Furniture and equipment	5,104,407.98	4,965,017.23
Accumulated depreciation - furniture and equipment	(2,981,949.36)	(2,630,660.85)
Construction in progress	5,850.00	-
	29,448,333.39	29,981,448.87
Total noncurrent assets		
Total assets	42,633,097.06	40,891,971.77

Tennessee State Veterans' Homes Board
Statements of Net Assets
June 30, 2011, and June 30, 2010

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Liabilities:		
Current liabilities:		
Accounts payable and accruals (Note 7)	1,326,946.06	1,612,582.98
Amounts held in custody for others	173,957.30	199,610.39
Current portion of long-term debt (Note 8)	337,450.00	332,450.00
Compensated absences (Note 8)	<u>397,838.29</u>	<u>420,557.55</u>
Total current liabilities	<u>2,236,191.65</u>	<u>2,565,200.92</u>
Noncurrent liabilities:		
Long-term debt outstanding, net (Note 8)	5,061,095.88	5,379,984.78
Compensated absences (Note 8)	288,089.80	304,541.68
Other post-employment benefits (Notes 8 and 10)	<u>218,225.08</u>	<u>145,299.72</u>
Total noncurrent liabilities	<u>5,567,410.76</u>	<u>5,829,826.18</u>
Total liabilities	<u>7,803,602.41</u>	<u>8,395,027.10</u>
Net Assets:		
Invested in capital assets, net of related debt	21,784,292.68	22,491,490.21
Restricted for:		
Debt service	293,863.47	288,958.57
Repairs and replacements	1,747,409.25	1,416,977.49
Technology	482,530.73	321,727.70
Unrestricted	<u>10,521,398.52</u>	<u>7,977,790.70</u>
Total net assets	<u>\$ 34,829,494.65</u>	<u>\$ 32,496,944.67</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, 2011, and June 30, 2010

	For the Year Ended June 30, 2011	For the Year Ended June 30, 2010
Operating revenue:		
Resident service revenue plus contractual adjustments of \$3,460,613.73 for the year ended June 30, 2011, and \$2,554,721.52 for the year ended June 30, 2010, and less provision for bad debts of \$130,822.79 for the year ended June 30, 2011, and plus provision for bad debts of \$45,686.33 for the year ended June 30, 2010	\$ 37,554,468.68	\$ 34,587,500.11
Total operating revenue	37,554,468.68	34,587,500.11
Operating expenses:		
Administrative and general	4,571,540.33	4,370,194.61
Nursing services	16,032,949.26	16,082,389.55
Central services	1,012,927.71	903,789.00
Ancillary departments	3,213,153.53	3,017,712.63
Dietary	3,258,469.52	3,112,782.52
Activities	945,857.96	888,343.96
Social services	646,965.09	539,831.20
Environmental services	2,266,356.82	2,099,916.99
Plant operations and maintenance	1,834,255.99	1,657,567.98
Depreciation	1,275,904.56	1,371,050.94
Total operating expenses	35,058,380.77	34,043,579.38
Operating income	2,496,087.91	543,920.73
Nonoperating revenues (expenses):		
Grant revenue	-	264,444.27
Interest revenue	18,860.66	76,603.34
Miscellaneous revenue	106,784.88	56,639.50
Interest expense	(273,151.00)	(291,508.78)
Amortization of premiums and issuance costs	(3,263.84)	(3,263.84)
Loss on disposal of equipment	(3,168.63)	(20,943.06)
Miscellaneous expense	(9,600.00)	(9,600.00)
Total nonoperating revenues (expenses)	(163,537.93)	72,371.43
Increase in net assets	2,332,549.98	616,292.16
Net assets, July 1	32,496,944.67	31,880,652.51
Net assets, June 30	\$ 34,829,494.65	\$ 32,496,944.67

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, 2011, and June 30, 2010

	Year Ended June 30, 2011	Year Ended June 30, 2010
Cash flows from operating activities:		
Receipts from residents and third party payors	\$ 37,935,151.62	\$ 34,541,246.84
Other miscellaneous receipts	1,564,213.66	1,453,065.80
Payments to service providers and vendors	(15,467,333.12)	(14,739,198.75)
Payments to employees	(18,529,459.20)	(18,812,190.63)
Other miscellaneous payments	(1,578,924.22)	(1,567,052.98)
Net cash provided by operating activities	<u>3,923,648.74</u>	<u>875,870.28</u>
Cash flows from noncapital financing activities:		
Principal paid on loan from the State of Tennessee	<u>(10,000.00)</u>	<u>(10,000.00)</u>
Net cash used for noncapital financing activities	<u>(10,000.00)</u>	<u>(10,000.00)</u>
Cash flows from capital and related financing activities:		
Capital grant received	46,213.38	-
Purchase of capital assets	(257,676.48)	(204,079.18)
Principal paid on debt	(322,450.00)	(311,954.75)
Interest paid on debt	(260,563.04)	(273,861.79)
Net cash used for capital and related financing activities	<u>(794,476.14)</u>	<u>(789,895.72)</u>
Cash flows from investing activities:		
Interest received	<u>18,860.66</u>	<u>76,698.51</u>
Net cash provided by investing activities	<u>18,860.66</u>	<u>76,698.51</u>
Net increase in cash	3,138,033.26	152,673.07
Cash, July 1	<u>8,229,552.48</u>	<u>8,076,879.41</u>
Cash, June 30	<u>\$ 11,367,585.74</u>	<u>\$ 8,229,552.48</u>

Tennessee State Veterans' Homes Board
Statements of Cash Flows
For the Years Ended June 30, 2011, and June 30, 2010

	Year Ended June 30, 2011	Year Ended June 30, 2010
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 2,496,087.91	\$ 543,920.73
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,275,904.56	1,371,050.94
Miscellaneous receipts	60,915.69	4,722.43
Trustees fees	(9,600.00)	(9,600.00)
(Increase) decrease in net resident accounts receivable	436,447.09	(732,543.54)
Increase in miscellaneous receivable	(49,973.16)	-
Increase in due from primary government	(124,119.95)	(63,708.15)
Decrease in due from federal government	-	60,700.60
(Increase) decrease in Medicare cost settlement receivable	57,141.41	(11,183.41)
(Increase) decrease in inventories	54,843.55	(13,407.26)
(Increase) decrease in prepaid items	(1,781.24)	119.80
Decrease in noncapital accounts payable and accruals	(280,318.25)	(262,103.10)
Decrease in amounts held in custody for others	(25,653.09)	(32,015.80)
Decrease in Medicaid current financing	-	(77,570.30)
Increase (decrease) in compensated absences	(39,171.14)	24,667.20
Increase in other post-employment benefits	72,925.36	72,820.14
Total adjustments	1,427,560.83	331,949.55
Net cash provided by operating activities	\$ 3,923,648.74	\$ 875,870.28
Noncash capital activities		
Contributed capital assets	\$ 43,369.13	\$ -

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, 2011, and June 30, 2010

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, 2011, three facilities, located in Murfreesboro, Humboldt, and Knoxville, were operating. The 13-member board has an executive committee composed of 3 of its members. The executive committee has the authority to employ 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, *Tennessee Code Annotated* states that the Commissioner of Veterans' Affairs and the Commissioner of Finance and Administration shall serve on the board, and the remaining members of the board are appointed by the Governor. Its budget is approved by the state, and thus, the state may impose its will on the board. 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*. That report is available on the state's website at www.tn.gov/finance/act/cafr.shtml.

B. Presentation, Measurement Focus and Basis of Accounting

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) 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. The board also has 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.

The financial statements have been prepared using the accrual basis of accounting and the economic resources measurement focus. Revenues are

Tennessee State Veterans' Homes Board
Notes to the Financial Statements (Cont.)
June 30, 2011, and June 30, 2010

recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

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 forces. 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 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.

C. Cash

Cash is defined as cash on hand and demand deposits. In addition to petty cash and facility bank accounts, cash includes funds held with a trustee. The unrestricted portion of the trustee funds included funds available for use for board operations through the budget process.

D. Inventories

Medical, dietary, and housekeeping supplies are recorded as expenses when purchased. At year end, inventories of these items are determined by physical count and are valued at replacement cost. This valuation is not materially different from historical cost.

Tennessee State Veterans' Homes Board
Notes to the Financial Statements (Cont.)
June 30, 2011, and June 30, 2010

E. 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.

F. Capital Assets and Depreciation

Capital assets are defined as assets with a useful life of at least two years and with a single-item value of at least \$1,000 or are part of a group of similar items with a cumulative value of at least \$2,000. Capital assets are recorded at historical 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 these asset lives:

Infrastructure	8 to 40 years
Buildings and building improvements	5 to 40 years
Furniture and equipment	2 to 20 years

G. 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.

H. Compensated Absences

The board's employees accrue Paid Time Off (PTO) 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.

Tennessee State Veterans' Homes Board
Notes to the Financial Statements (Cont.)
June 30, 2011, and June 30, 2010

NOTE 2. DEPOSITS AND INVESTMENTS

At June 30, 2011, the carrying amount of the board's deposits was \$593,467.78, and the bank balance was \$798,876.63. At June 30, 2010, the carrying amount of the board's deposits was \$268,249.41, and the bank balance was \$1,122,913.46.

At June 30, 2011, the board also had \$10,772,517.96 deposited in the Local Government Investment Pool (LGIP) administered by the State Treasurer and \$1,600.00 of petty cash on hand. At June 30, 2010, the board had \$7,959,903.07 deposited in the Local Government Investment Pool (LGIP) administered by the State Treasurer and \$1,400.00 of petty cash on hand. The LGIP is part of the State Pooled Investment Fund. The fund is not rated by a nationally recognized statistical rating organization. The fund's investment policy and required risk disclosures are presented in the *State of Tennessee Treasurer's Report*. That report is available on the state's website at www.treasury.tn.gov or by calling (615) 741-2956.

NOTE 3. ACCOUNTS RECEIVABLE

Receivables at June 30, 2011, consist of the following:

Receivables from patients and their insurance	\$ 983,304.67
Receivable from Medicare	886,190.00
Receivable from U.S. Department of Veterans Affairs	1,711,073.10
Allowance for doubtful accounts	<u>(639,889.50)</u>
Net amount reported as resident accounts receivable	<u>\$2,940,678.27</u>

The net receivable amount of \$2,940,678.27 represents the accounts receivable amount that is expected to be collected within one year.

Receivables at June 30, 2010, consist of the following:

Receivables from patients and their insurance	\$1,072,127.49
Receivable from Medicare	910,336.31
Receivable from U.S. Department of Veterans Affairs	2,048,689.18
Allowance for doubtful accounts	<u>(652,804.78)</u>
Net amount reported as resident accounts receivable	<u>\$3,378,348.20</u>

The net receivable amount of \$3,378,348.20 represents the accounts receivable amount that is expected to be collected within one year.

**Tennessee State Veterans' Homes Board
Notes to the Financial Statements (Cont.)
June 30, 2011, and June 30, 2010**

NOTE 4. DUE FROM (TO) PRIMARY GOVERNMENT

	<u>June 30, 2011</u>
Department of Finance and Administration – Shared Services	\$ (4,811.76)
Department of Finance and Administration – Medicaid current services	962,206.37
Department of Attorney General	(3,009.85)
Department of Labor and Workforce Development – boiler inspection	(375.00)
Department of Treasury – retirement contributions	(116,910.06)
Department of Health – bed tax	<u>(77,874.99)</u>
Total due from primary government	<u>\$759,224.71</u>
	<u>June 30, 2010</u>
Department of Finance and Administration – State Building Commission	\$(46,213.38)
Department of Finance and Administration – Medicaid current services	843,637.75
Department of Attorney General	(5,027.09)
Department of Treasury – retirement contributions	(125,630.91)
Department of Health – bed tax	<u>(77,874.99)</u>
Total due from primary government	<u>\$588,891.38</u>

Tennessee State Veterans' Homes Board
Notes to the Financial Statements (Cont.)
June 30, 2011, and June 30, 2010

NOTE 5. RESTRICTED ASSETS

The balances of the board's restricted asset accounts at June 30, 2011, are as follows:

Resident trust fund accounts	\$ 172,743.79
Debt service account	386,622.94
Repair and replacement account	1,747,409.63
Technology account	<u>482,530.73</u>
Total restricted assets	<u>\$2,789,307.09</u>

The balances of the board's restricted asset accounts at June 30, 2010, are as follows:

Resident trust fund accounts	\$ 199,391.94
Debt service account	387,691.18
Repair and replacement account	1,417,003.51
Technology account	<u>321,727.70</u>
Total restricted assets	<u>\$2,325,814.33</u>

Tennessee State Veterans' Homes Board
Notes to the Financial Statements (Cont.)
June 30, 2011, and June 30, 2010

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011, was as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u>
Capital assets, not being depreciated:				
Land and improvements	\$ 406,186.56	\$ -	\$ -	\$ 406,186.56
Construction in progress	<u>-</u>	<u>5,850.00</u>	<u>-</u>	<u>5,850.00</u>
Total capital assets, not being depreciated	<u>\$ 406,186.56</u>	<u>5,850.00</u>	<u>-</u>	<u>412,036.56</u>
Capital assets, being depreciated:				
Infrastructure	1,691,378.94	-	-	1,691,378.94
Buildings and improvements	30,166,136.63	43,369.13	(4,046.43)	30,205,459.33
Furniture and equipment	<u>4,965,017.23</u>	<u>208,900.13</u>	<u>(69,509.38)</u>	<u>5,104,407.98</u>
Total depreciable capital assets	<u>36,822,532.80</u>	<u>252,269.26</u>	<u>(73,555.81)</u>	<u>37,001,246.25</u>
Less accumulated depreciation:				
Infrastructure	(425,718.07)	(41,708.35)	-	(467,426.42)
Buildings and improvements	(5,968,415.45)	(815,803.49)	3,150.47	(6,781,068.47)
Furniture and equipment	<u>(2,630,660.85)</u>	<u>(418,392.72)</u>	<u>67,104.21</u>	<u>(2,981,949.36)</u>
Total accumulated depreciation	<u>(9,024,794.37)</u>	<u>(1,275,904.56)</u>	<u>70,254.68</u>	<u>(10,230,444.25)</u>
Total depreciable capital assets, net	<u>27,797,738.43</u>	<u>(1,023,635.30)</u>	<u>(3,301.13)</u>	<u>26,770,802.00</u>
Net capital assets	<u>\$28,203,924.99</u>	<u>\$(1,017,785.30)</u>	<u>\$(3,301.13)</u>	<u>\$27,182,838.56</u>

Tennessee State Veterans' Homes Board
Notes to the Financial Statements (Cont.)
June 30, 2011, and June 30, 2010

Capital asset activity for the year ended June 30, 2010, was as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u>
Capital assets, not being depreciated:				
Land and improvements	\$ 406,186.56	\$ -	\$ -	\$ 406,186.56
Total capital assets, not being depreciated	<u>\$ 406,186.56</u>	<u>-</u>	<u>-</u>	<u>406,186.56</u>
Capital assets, being depreciated:				
Infrastructure	1,691,378.94	-	-	1,691,378.94
Buildings and improvements	30,106,190.97	59,945.66	-	30,166,136.63
Furniture and equipment	<u>4,936,185.85</u>	<u>156,884.60</u>	<u>(128,053.22)</u>	<u>4,965,017.23</u>
Total depreciable capital assets	<u>36,733,755.76</u>	<u>216,830.26</u>	<u>(128,053.22)</u>	<u>36,822,532.80</u>
Less accumulated depreciation:				
Infrastructure	(382,430.69)	(43,287.38)	-	(425,718.07)
Buildings and improvements	(5,151,647.64)	(816,767.81)	-	(5,968,415.45)
Furniture and equipment	<u>(2,197,352.78)</u>	<u>(510,995.75)</u>	<u>77,687.68</u>	<u>(2,630,660.85)</u>
Total accumulated depreciation	<u>(7,731,431.11)</u>	<u>(1,371,050.94)</u>	<u>77,687.68</u>	<u>(9,024,794.37)</u>
Total depreciable capital assets, net	<u>29,002,324.65</u>	<u>(1,154,220.68)</u>	<u>(50,365.54)</u>	<u>27,797,738.43</u>
Net capital assets	<u>\$29,408,511.21</u>	<u>\$(1,154,220.68)</u>	<u>\$(50,365.54)</u>	<u>\$28,203,924.99</u>

**Tennessee State Veterans' Homes Board
Notes to the Financial Statements (Cont.)
June 30, 2011, and June 30, 2010**

NOTE 7. ACCOUNTS PAYABLE AND ACCRUALS

Payables at June 30, 2011, consist of the following:

Payables to suppliers	\$1,122,764.56
Accruals for salaries and benefits	111,422.03
Accrued interest	<u>92,759.47</u>
Amount reported as accounts payable and accruals	<u>\$1,326,946.06</u>

Payables at June 30, 2010, consist of the following:

Payables to suppliers	\$1,423,822.19
Accruals for salaries and benefits	90,682.65
Accrued interest	<u>98,078.14</u>
Amount reported as accounts payable and accruals	<u>\$1,612,582.98</u>

NOTE 8. LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2011, was as follows:

	Balance <u>July 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2011</u>	Amount due <u>within 1 year</u>
Long-term debt outstanding:					
Loan	\$ 70,000.00	\$ -	\$ (10,000.00)	\$ 60,000.00	\$ 10,000.00
Bonds	5,462,132.75	-	(303,888.90)	5,158,243.85	327,450.00
Commercial paper	<u>180,302.03</u>	<u>-</u>	<u>-</u>	<u>180,302.03</u>	<u>-</u>
Subtotal	<u>5,712,434.78</u>	<u>-</u>	<u>(313,888.90)</u>	<u>5,398,545.88</u>	<u>337,450.00</u>
Compensated Absences	<u>725,099.23</u>	<u>741,832.33</u>	<u>(781,003.47)</u>	<u>685,928.09</u>	<u>397,838.29</u>
Total long-term liabilities	<u>\$6,437,534.01</u>	<u>\$741,832.33</u>	<u>\$(1,094,892.37)</u>	<u>\$6,084,473.97</u>	<u>\$735,288.29</u>

**Tennessee State Veterans' Homes Board
Notes to the Financial Statements (Cont.)
June 30, 2011, and June 30, 2010**

Long-term liability activity for the year ended June 30, 2010, was as follows:

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Amount due</u> <u>within 1 year</u>
Long-term debt outstanding:					
Loan	\$ 80,000.00	\$ -	\$ (10,000.00)	\$ 70,000.00	\$ 10,000.00
Bonds	5,745,621.40	9,905.00	(293,393.65)	5,462,132.75	322,450.00
Commercial paper	<u>127,690.17</u>	<u>62,516.86</u>	<u>(9,905.00)</u>	<u>180,302.03</u>	<u>-</u>
Subtotal	<u>5,953,311.57</u>	<u>72,421.86</u>	<u>(313,298.65)</u>	<u>5,712,434.78</u>	<u>332,450.00</u>
Compensated Absences	<u>700,432.03</u>	<u>873,277.54</u>	<u>(848,610.34)</u>	<u>725,099.23</u>	<u>420,557.55</u>
Total long-term liabilities	<u>\$6,653,743.60</u>	<u>\$945,699.40</u>	<u>\$(1,161,908.99)</u>	<u>\$6,437,534.01</u>	<u>\$753,007.55</u>

Long-term debt consists of a loan from the State of Tennessee and bonds and commercial paper issued by the State of Tennessee on behalf of the board.

Loan Payable

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. In accordance with *Public Act 1988*, Chapter 1037, Item 142, the \$10,000 due for the year ended June 30, 2011, was paid before June 30, 2011, and the \$10,000 due for the year ended June 30, 2010, was paid before June 30, 2010.

Bonds

Bonds, with interest rates ranging from 2.5% to 5.125%, were issued by the State Funding Board, through the Division of State and Local Finance. The bonds are due serially to 2030.

Commercial Paper

The State Funding Board, through the Division of State and Local Finance, issued commercial paper to finance the renovation of the Humboldt facility. Bonds will be issued by the Division of State and Local Finance to retire the commercial paper; however, this was not done by June 30, 2011. The board will be responsible for the debt service of these bonds once issued. Until then, no principal payments will be made on the commercial paper. The board is responsible for the interest on the

Tennessee State Veterans' Homes Board
Notes to the Financial Statements (Cont.)
June 30, 2011, and June 30, 2010

commercial paper. These amounts represent the commercial paper that has been expended on the construction projects through June 30, 2011.

Debt-service requirements to maturity of the loans and bonds payable at June 30, 2011, are as follows:

For the Year(s) Ended June 30	Principal	Interest	Total
2012	\$ 337,450.00	\$ 243,955.18	\$ 581,405.18
2013	342,450.00	227,571.43	570,021.43
2014	352,450.00	210,680.01	563,130.01
2015	357,450.00	193,174.74	550,624.74
2016	367,450.00	175,424.19	542,874.19
2017 – 2021	1,737,250.00	620,340.57	2,357,590.57
2022 – 2026	1,537,250.00	264,373.23	1,801,623.23
2027 – 2030	<u>353,484.56</u>	<u>22,632.00</u>	<u>376,116.56</u>
	<u>\$5,385,234.56</u>	<u>\$1,958,151.35</u>	<u>\$7,343,385.91</u>

The above debt principal is less than that presented on the accompanying financial statements by \$13,311.32 due to \$180,302.03 in commercial paper for which debt service requirements have not been established and due to \$91,004.84 of unamortized premium and \$257,995.55 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

Tennessee State Veterans' Homes Board
Notes to the Financial Statements (Cont.)
June 30, 2011, and June 30, 2010

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 *Tennessee Code Annotated*. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the Tennessee 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 is available online at www.treasury.tn.gov/tcrs/.

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, 2011, and June 30, 2010, was 10.18% and 10.57%, 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 \$1,461,293 for the year ended June 30, 2011, and \$1,523,890 for the year ended June 30, 2010, to TCRS was equal to the board's required and actual contributions. The required contribution was determined as part of the July 1, 2009, actuarial valuation 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 3.0% annual rate of inflation, (c) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to

**Tennessee State Veterans' Homes Board
Notes to the Financial Statements (Cont.)
June 30, 2011, and June 30, 2010**

the effects of inflation on salaries), (d) projected 3.5% annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5% 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 ten-year period. The unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009, was 11 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

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, 2011	\$1,461,293	100%	-
June 30, 2010	\$1,523,890	100%	-
June 30, 2009	\$1,382,483	100%	-

D. Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 90.97% funded. The actuarial accrued liability for benefits was \$8.20 million, and the actuarial value of assets was \$7.46 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.7 million. The covered payroll (annual payroll of active employees covered by the plan) was \$12.79 million, and the ratio of the UAAL to the covered payroll was 5.79%.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

NOTE 10. Postemployment Healthcare Plan

Plan Description

The Tennessee State Veterans' Homes Board participates in the state-administered Local Government Group Insurance Plan for healthcare benefits. For accounting purposes, the plan is an agent multiple-employer defined benefit OPEB plan.

Tennessee State Veterans' Homes Board
Notes to the Financial Statements (Cont.)
June 30, 2011, and June 30, 2010

Benefits are established and amended by an insurance committee created by *Tennessee Code Annotated 8-27-207*. In previous fiscal years, prior to reaching the age of 65 all members had the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. However, as of January 1, 2010, the insurance plan structure was changed and as a result all members now have the option of choosing between the standard or partnership preferred provider organization (PPO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare supplement plan that does not include pharmacy. The plan is reported in the State of Tennessee *Comprehensive Annual Financial Report (CAFR)*. The CAFR is available on the state's website at www.tn.gov/finance/act/cafr.shtml.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs of the plan are allocated to plan participants. The employers in the plan develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. Plan members receiving benefits contributed \$638,345.63, or approximately 21 percent of the total premiums. The employer contributed \$2,373,523.65, or approximately 79 percent of the total premiums.

Annual OPEB Cost and Net OPEB Obligation

Local Government Plan	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>June 30, 2009</u>
ARC	\$121,000.00	\$117,000.00	\$90,270.42
Interest on the net OPEB obligation	6,538.49	3,261.58	1,691.47
Adjustment to the ARC	<u>(6,193.25)</u>	<u>(3,089.36)</u>	<u>(1,646.30)</u>
Annual OPEB cost:	121,345.24	117,172.22	90,315.59
Amount of contribution:	<u>(48,419.88)</u>	<u>(44,352.07)</u>	<u>(55,424.24)</u>
Increase in net OPEB obligation	72,925.36	72,820.15	34,891.35
Net OPEB obligation- beginning of year	<u>145,299.72</u>	<u>72,479.58</u>	<u>37,588.23</u>
Net OPEB obligation- end of year	\$218,225.08	\$145,299.72	\$72,479.58

**Tennessee State Veterans' Homes Board
Notes to the Financial Statements (Cont.)
June 30, 2011, and June 30, 2010**

Year End	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6/30/2011	Local Govt. Group	\$121,345.24	39.90%	\$218,225.08
6/30/2010	Local Govt. Group	\$117,172.22	37.85%	\$145,299.72
6/30/2009	Local Govt. Group	\$90,315.59	61.37%	\$72,479.58

Funding Status and Funding Progress

The funded status of the Tennessee State Veterans' Homes Board portion of the Local Government Insurance Plan as of July 1, 2010, and July 1, 2009, was as follows:

	Local Govt. Group Plan	
	<u>7/1/2010</u>	<u>7/1/2009</u>
Actuarial valuation date		
Actuarial accrued liability (AAL)	\$330,000.00	\$306,000.00
Actuarial value of plan assets	<u>0.00</u>	<u>0.00</u>
Unfunded actuarial accrued liability (UAAL)	\$330,000.00	\$306,000.00
Actuarial value of assets as a % of the AAL	0.00%	0.00%
Covered payroll (active plan members)	\$19,514,010.70	\$18,812,319.25
UAAL as a percentage of covered payroll	1.69%	1.63%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Tennessee State Veterans' Homes Board
Notes to the Financial Statements (Cont.)
June 30, 2011, and June 30, 2010

In the July 1, 2010, actuarial valuation for the Local Government Plan, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 10% in fiscal year 2011. The rate will decrease to 9.5% in fiscal year 2012 and then be reduced by decrements to an ultimate rate of 5% by fiscal year 2021. Rates include a 3% inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payrolls on a closed basis over a 30-year period beginning with July 1, 2007.

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, 2011, or June 30, 2010. The dollar amount of unused extended disability benefits was \$2,021,088.06 at June 30, 2011.

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 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. Information regarding the determination of claims liability and the changes in balances of the claims liability is presented in the Tennessee *Comprehensive Annual Financial Report* (CAFR). The CAFR is available on

Tennessee State Veterans' Homes Board
Notes to the Financial Statements (Cont.)
June 30, 2011, and June 30, 2010

the state's website at www.tn.gov/finance/act/cafr.shtml, or by calling (615) 741-2140.

- B. The buildings and contents are insured by the State of Tennessee. At June 30, 2011, the board had scheduled coverage of \$37,605,800 for the buildings and \$3,554,900 for the contents. At June 30, 2010, the board had scheduled coverage of \$37,562,400 for the buildings and \$3,554,900 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 \$5 million. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.
- 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 BlueCross BlueShield of Tennessee, CIGNA, or United Healthcare Insurance. 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 BlueCross BlueShield of Tennessee, CIGNA, and United Healthcare.

Tennessee State Veterans' Homes Board
Notes to the Financial Statements (Cont.)
June 30, 2011, and June 30, 2010

NOTE 13. PRIOR-PERIOD RESTATEMENT

During the current year, it was determined that the OPEB liability recorded in the prior year was understated. This error resulted from failure to properly use the July 1, 2009, actuarial valuation report in fiscal year 2010. A prior-period restatement was made to increase other post-employment benefits, increase administrative and general operating expenses, and decrease unrestricted net assets by \$86,560.90.

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

(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]
7/01/09	\$7,462	\$8,202	\$740	90.97%	\$12,785	5.79%
7/01/07	\$4,930	\$5,397	\$467	91.35%	\$6,171	7.57%
7/01/05	\$3,456	\$3,456	\$0	100%	\$3,992	0%

UNAUDITED
Tennessee State Veterans' Homes Board
Required Supplementary Information
Other Post Employment Benefits Schedule of Funding Progress

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]
7/01/10	\$0	\$330,000	\$330,000	0%	\$19,514,011	1.69%
7/01/09	\$0	\$306,000	\$306,000	0%	\$18,812,319	1.63%
7/01/07	\$0	\$540,459	\$540,459	0%	\$17,139,440	3.15%

**Tennessee State Veterans' Homes Board
Supplementary Information
Supplementary Schedule of Net Assets
June 30, 2011**

	<u>Murfreesboro</u>	<u>Humboldt</u>	<u>Knoxville</u>	<u>Executive Office</u>	<u>Totals</u>
Assets:					
Current assets:					
Cash	\$ 17,266.59	\$ 14,163.82	\$ 390,892.81	\$ 8,155,955.43	\$ 8,578,278.65
Resident accounts receivable, net of allowance for doubtful accounts of \$639,889.50	1,043,006.33	1,028,030.38	869,641.56	-	2,940,678.27
Miscellaneous receivable	-	5,529.81	44,153.89	1,512.30	51,196.00
Medicare cost settlement receivable	82,973.00	21,491.00	13,232.00	-	117,696.00
Due from primary government	327,645.14	236,187.59	200,203.74	(4,811.76)	759,224.71
Due from federal government	-	-	-	-	-
Inventories	54,358.93	38,979.22	28,025.91	-	121,364.06
Prepaid items	11,108.71	13,707.48	27,780.46	4,362.22	56,958.87
Restricted cash	245,337.00	293,084.34	20,945.77	-	559,367.11
Total current assets	<u>1,781,695.70</u>	<u>1,651,173.64</u>	<u>1,594,876.14</u>	<u>8,157,018.19</u>	<u>13,184,763.67</u>
Noncurrent assets:					
Restricted cash	608,766.68	686,267.65	452,374.92	482,530.73	2,229,939.98
Unamortized bond issuance costs	10,534.88	25,019.97	-	-	35,554.85
Capital assets:					
Land and improvements	63,059.56	200,127.00	143,000.00	-	406,186.56
Infrastructure	154,270.00	529,448.18	1,007,660.76	-	1,691,378.94
Accumulated depreciation - infrastructure	(154,010.00)	(202,573.10)	(110,843.32)	-	(467,426.42)
Buildings and improvements	8,813,636.51	10,100,311.61	11,291,511.21	-	30,205,459.33
Accumulated depreciation - buildings and improvements	(2,570,345.48)	(2,955,952.73)	(1,254,770.26)	-	(6,781,068.47)
Furniture and equipment	1,665,164.11	1,812,930.67	1,543,303.16	83,010.04	5,104,407.98
Accumulated depreciation - furniture and equipment	(990,831.68)	(1,151,410.00)	(777,514.78)	(62,192.90)	(2,981,949.36)
Construction in progress	-	-	-	5,850.00	5,850.00
Total noncurrent assets	<u>7,600,244.58</u>	<u>9,044,169.25</u>	<u>12,294,721.69</u>	<u>509,197.87</u>	<u>29,448,333.39</u>
Total assets	<u>9,381,940.28</u>	<u>10,695,342.89</u>	<u>13,889,597.83</u>	<u>8,666,216.06</u>	<u>42,633,097.06</u>

Tennessee State Veterans' Homes Board
Supplementary Information
Supplementary Schedule of Net Assets (Cont.)
June 30, 2011

	<u>Murfreesboro</u>	<u>Humboldt</u>	<u>Knoxville</u>	<u>Executive Office</u>	<u>Totals</u>
Liabilities:					
Current liabilities:					
Accounts payable and accruals	351,239.53	469,523.86	447,149.40	59,033.27	1,326,946.06
Amounts held in custody for others	65,825.42	87,330.35	20,801.53	-	173,957.30
Current portion of long-term debt	179,550.00	157,900.00	-	-	337,450.00
Compensated absences	88,500.37	136,852.78	124,278.65	48,206.49	397,838.29
Total current liabilities	<u>685,115.32</u>	<u>851,606.99</u>	<u>592,229.58</u>	<u>107,239.76</u>	<u>2,236,191.65</u>
Noncurrent liabilities:					
Long-term debt outstanding, net	2,145,425.38	2,915,670.50	-	-	5,061,095.88
Compensated absences	64,086.48	99,100.29	89,994.88	34,908.15	288,089.80
Other post-employment benefits	73,268.00	69,313.87	63,083.91	12,559.30	218,225.08
Total noncurrent liabilities	<u>2,282,779.86</u>	<u>3,084,084.66</u>	<u>153,078.79</u>	<u>47,467.45</u>	<u>5,567,410.76</u>
Total liabilities	<u>2,967,895.18</u>	<u>3,935,691.65</u>	<u>745,308.37</u>	<u>154,707.21</u>	<u>7,803,602.41</u>
Net assets:					
Invested in capital assets, net of related debt	4,655,967.64	5,259,311.13	11,842,346.77	26,667.14	21,784,292.68
Restricted for:					
Debt Service	147,695.07	146,168.40	-	-	293,863.47
Repairs and replacements	608,766.68	686,267.65	452,374.92	-	1,747,409.25
Technology	-	-	-	482,530.73	482,530.73
Unrestricted	1,001,615.71	667,904.06	849,567.77	8,002,310.98	10,521,398.52
Total net assets	<u>\$ 6,414,045.10</u>	<u>\$ 6,759,651.24</u>	<u>\$ 13,144,289.46</u>	<u>\$ 8,511,508.85</u>	<u>\$ 34,829,494.65</u>

Tennessee State Veterans' Homes Board
Supplementary Information
Supplementary Schedule of Net Assets
June 30, 2010

	<u>Murfreesboro</u>	<u>Humboldt</u>	<u>Knoxville</u>	<u>Executive Office</u>	<u>Totals</u>
Assets:					
Current assets:					
Cash	\$ 17,752.61	\$ 31,337.48	\$ 21,135.32	\$ 5,833,512.74	\$ 5,903,738.15
Resident accounts receivable, net of allowance for doubtful accounts of \$652,804.78	1,217,345.66	1,416,027.02	743,752.68	1,222.84	3,378,348.20
Medicare cost settlement receivable	113,931.25	(6,615.84)	67,522.00	-	174,837.41
Due from primary government	317,252.72	117,618.14	154,020.52	-	588,891.38
Due from federal government	-	46,213.38	-	-	46,213.38
Inventories	77,844.80	40,294.13	58,068.68	-	176,207.61
Prepaid items	11,510.29	13,552.69	28,439.89	1,674.76	55,177.63
Restricted cash	301,884.59	262,894.91	22,328.43	1.21	587,109.14
Total current assets	<u>2,057,521.92</u>	<u>1,921,321.91</u>	<u>1,095,267.52</u>	<u>5,836,411.55</u>	<u>10,910,522.90</u>
Noncurrent assets:					
Restricted cash	508,448.85	606,906.47	301,622.17	321,727.70	1,738,705.19
Unamortized bond issuance costs	12,022.15	26,796.54	-	-	38,818.69
Capital assets:					
Land and improvements	63,059.56	200,127.00	143,000.00	-	406,186.56
Infrastructure	154,270.00	529,448.18	1,007,660.76	-	1,691,378.94
Accumulated depreciation - infrastructure	(149,434.57)	(189,040.58)	(87,242.92)	-	(425,718.07)
Buildings and improvements	8,813,636.51	10,104,358.04	11,248,142.08	-	30,166,136.63
Accumulated depreciation - buildings and improvements	(2,303,088.61)	(2,690,040.15)	(975,286.69)	-	(5,968,415.45)
Furniture and equipment	1,595,110.80	1,785,669.82	1,516,542.42	67,694.19	4,965,017.23
Accumulated depreciation - furniture and equipment	(872,358.59)	(1,065,384.39)	(637,026.80)	(55,891.07)	(2,630,660.85)
Total noncurrent assets	<u>7,821,666.10</u>	<u>9,308,840.93</u>	<u>12,517,411.02</u>	<u>333,530.82</u>	<u>29,981,448.87</u>
Total assets	<u>9,879,188.02</u>	<u>11,230,162.84</u>	<u>13,612,678.54</u>	<u>6,169,942.37</u>	<u>40,891,971.77</u>

Tennessee State Veterans' Homes Board
Supplementary Information
Supplementary Schedule of Net Assets (Cont.)
June 30, 2010

	<u>Murfreesboro</u>	<u>Humboldt</u>	<u>Knoxville</u>	<u>Executive Office</u>	<u>Totals</u>
Liabilities:					
Current liabilities:					
Accounts payable and accruals	456,449.61	701,774.65	430,500.39	23,858.33	1,612,582.98
Amounts held in custody for others	121,727.33	55,762.53	22,120.53	-	199,610.39
Current portion of long-term debt	176,550.00	155,900.00	-	-	332,450.00
Compensated absences	114,938.48	140,845.44	112,634.57	52,139.06	420,557.55
Total current liabilities	<u>869,665.42</u>	<u>1,054,282.62</u>	<u>565,255.49</u>	<u>75,997.39</u>	<u>2,565,200.92</u>
Noncurrent liabilities:					
Long-term debt outstanding, net	2,327,078.22	3,052,906.56	-	-	5,379,984.78
Compensated absences	83,231.32	101,991.53	81,562.96	37,755.87	304,541.68
Other post-employment benefits	46,987.89	45,105.48	44,846.35	8,360.00	145,299.72
Total noncurrent liabilities	<u>2,457,297.43</u>	<u>3,200,003.57</u>	<u>126,409.31</u>	<u>46,115.87</u>	<u>5,829,826.18</u>
Total liabilities	<u>3,326,962.85</u>	<u>4,254,286.19</u>	<u>691,664.80</u>	<u>122,113.26</u>	<u>8,395,027.10</u>
Net assets:					
Invested in capital assets, net of related debt	4,797,566.88	5,466,331.36	12,215,788.85	11,803.12	22,491,490.21
Restricted for:					
Debt Service	144,368.02	144,590.55	-	-	288,958.57
Repairs and replacements	508,448.85	606,906.47	301,622.17	-	1,416,977.49
Technology	-	-	-	321,727.70	321,727.70
Unrestricted	1,101,841.42	758,048.27	403,602.72	5,714,298.29	7,977,790.70
Total net assets	<u>\$ 6,552,225.17</u>	<u>\$ 6,975,876.65</u>	<u>\$ 12,921,013.74</u>	<u>\$ 6,047,829.11</u>	<u>\$ 32,496,944.67</u>

Tennessee State Veterans' Homes Board
Supplementary Information
Supplementary Schedule of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2011

	<u>Murfreesboro</u>	<u>Humboldt</u>	<u>Knoxville</u>	<u>Executive Office</u>	<u>Totals</u>
Operating revenue:					
Resident service revenue plus contractual adjustments of \$3,460,613.73 and less provision for bad debts of \$130,822.79	\$ 12,467,002.16	\$ 12,158,364.62	\$ 12,929,101.90	\$ -	\$ 37,554,468.68
Total operating revenue	<u>12,467,002.16</u>	<u>12,158,364.62</u>	<u>12,929,101.90</u>	<u>-</u>	<u>37,554,468.68</u>
Operating expenses:					
Administrative and general	1,024,611.65	954,528.73	1,025,436.82	1,566,963.13	4,571,540.33
Nursing services	5,189,978.75	5,540,719.77	5,302,250.74	-	16,032,949.26
Central services	341,299.42	332,174.41	339,453.88	-	1,012,927.71
Ancillary departments	870,990.33	1,117,390.20	1,224,773.00	-	3,213,153.53
Dietary	993,323.60	1,083,619.84	1,181,526.08	-	3,258,469.52
Activities	375,794.10	294,689.85	275,374.01	-	945,857.96
Social services	243,838.37	205,526.45	197,600.27	-	646,965.09
Environmental services	724,354.36	730,400.10	811,602.36	-	2,266,356.82
Plant operations and maintenance	600,047.56	634,112.29	600,096.14	-	1,834,255.99
Depreciation	409,871.54	406,019.10	452,817.05	7,196.87	1,275,904.56
Total operating expenses	<u>10,774,109.68</u>	<u>11,299,180.74</u>	<u>11,410,930.35</u>	<u>1,574,160.00</u>	<u>35,058,380.77</u>
Operating income (loss)	<u>1,692,892.48</u>	<u>859,183.88</u>	<u>1,518,171.55</u>	<u>(1,574,160.00)</u>	<u>2,496,087.91</u>
Nonoperating revenues (expenses):					
Interest revenue	1,533.54	1,749.55	978.24	14,599.33	18,860.66
Miscellaneous revenue	21,504.05	19,580.89	65,699.94	-	106,784.88
Interest expense	(105,772.20)	(167,378.80)	-	-	(273,151.00)
Amortization of premiums and issuance costs	(1,487.27)	(1,776.57)	-	-	(3,263.84)
Loss on disposal of equipment	66.25	(2,502.61)	(192.60)	(539.67)	(3,168.63)
Miscellaneous expense	(2,400.00)	(2,400.00)	(2,400.00)	(2,400.00)	(9,600.00)
Intercompany transfers	(1,744,516.92)	(922,681.75)	(1,358,981.41)	4,026,180.08	-
Total nonoperating revenues (expenses)	<u>(1,831,072.55)</u>	<u>(1,075,409.29)</u>	<u>(1,294,895.83)</u>	<u>4,037,839.74</u>	<u>(163,537.93)</u>
Increase (decrease) in net assets	(138,180.07)	(216,225.41)	223,275.72	2,463,679.74	2,332,549.98
Net assets, July 1	<u>6,552,225.17</u>	<u>6,975,876.65</u>	<u>12,921,013.74</u>	<u>6,047,829.11</u>	<u>32,496,944.67</u>
Net assets, June 30	<u>\$ 6,414,045.10</u>	<u>\$ 6,759,651.24</u>	<u>\$ 13,144,289.46</u>	<u>\$ 8,511,508.85</u>	<u>\$ 34,829,494.65</u>

Tennessee State Veterans' Homes Board
Supplementary Information
Supplementary Schedule of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2010

	<u>Murfreesboro</u>	<u>Humboldt</u>	<u>Knoxville</u>	<u>Executive Office</u>	<u>Totals</u>
Operating revenue:					
Resident service revenue plus contractual adjustments of \$2,554,721.52 and plus provision for bad debts of \$45,686.33	\$ 11,283,925.05	\$ 11,015,830.71	\$ 12,287,744.35	\$ -	\$ 34,587,500.11
Total operating revenue	<u>11,283,925.05</u>	<u>11,015,830.71</u>	<u>12,287,744.35</u>	<u>-</u>	<u>34,587,500.11</u>
Operating expenses:					
Administrative and general	996,308.15	1,019,544.96	926,039.29	1,428,302.21	4,370,194.61
Nursing services	5,200,320.78	5,560,876.28	5,321,192.49	-	16,082,389.55
Central services	268,792.74	297,482.56	337,513.70	-	903,789.00
Ancillary departments	931,693.29	961,120.83	1,124,898.51	-	3,017,712.63
Dietary	899,398.31	1,098,656.24	1,114,727.97	-	3,112,782.52
Activities	357,837.30	289,172.45	241,334.21	-	888,343.96
Social services	175,965.62	192,151.16	171,714.42	-	539,831.20
Environmental services	652,648.82	695,809.38	751,458.79	-	2,099,916.99
Plant operations and maintenance	508,891.12	617,007.92	531,668.94	-	1,657,567.98
Depreciation	421,836.29	422,237.33	518,504.58	8,472.74	1,371,050.94
Total operating expenses	<u>10,413,692.42</u>	<u>11,154,059.11</u>	<u>11,039,052.90</u>	<u>1,436,774.95</u>	<u>34,043,579.38</u>
Operating income (loss)	<u>870,232.63</u>	<u>(138,228.40)</u>	<u>1,248,691.45</u>	<u>(1,436,774.95)</u>	<u>543,920.73</u>
Nonoperating revenues (expenses):					
Grant revenue	129,920.38	83,812.28	50,711.61	-	264,444.27
Interest revenue	20,389.85	20,114.66	18,498.57	17,600.26	76,603.34
Miscellaneous revenue	17,031.94	17,807.69	21,799.87	-	56,639.50
Interest expense	(116,478.91)	(175,029.87)	-	-	(291,508.78)
Amortization of premiums and issuance costs	(1,487.27)	(1,776.57)	-	-	(3,263.84)
Loss on disposal of equipment	(1,061.96)	(16,934.06)	(2,947.04)	-	(20,943.06)
Miscellaneous expense	(2,400.00)	(2,400.00)	(2,400.00)	(2,400.00)	(9,600.00)
Intercompany transfers	(803,922.16)	102,194.60	(1,808,897.41)	2,510,624.97	-
Total nonoperating revenues (expenses)	<u>(758,008.13)</u>	<u>27,788.73</u>	<u>(1,723,234.40)</u>	<u>2,525,825.23</u>	<u>72,371.43</u>
Increase (decrease) in net assets	112,224.50	(110,439.67)	(474,542.95)	1,089,050.28	616,292.16
Net assets, July 1	<u>6,440,000.67</u>	<u>7,086,316.32</u>	<u>13,395,556.69</u>	<u>4,958,778.83</u>	<u>31,880,652.51</u>
Net assets, June 30	<u>\$ 6,552,225.17</u>	<u>\$ 6,975,876.65</u>	<u>\$ 12,921,013.74</u>	<u>\$ 6,047,829.11</u>	<u>\$ 32,496,944.67</u>

**Tennessee State Veterans' Homes Board
Supplementary Information
Supplementary Schedule of Cash Flows
For the Year Ended June 30, 2011**

	Murfreesboro	Humboldt	Knoxville	Executive Office	Totals
Cash flows from operating activities:					
Receipts from residents and third party payors	\$ 12,670,829.27	\$ 12,447,182.62	\$ 12,817,139.73	\$ -	\$ 37,935,151.62
Other miscellaneous receipts	713,234.56	730,466.15	120,802.41	(289.46)	1,564,213.66
Payments to service providers and vendors	(4,684,001.86)	(5,165,871.21)	(5,145,105.19)	(472,354.86)	(15,467,333.12)
Payments to employees	(5,789,403.93)	(5,942,201.98)	(5,735,563.27)	(1,062,290.02)	(18,529,459.20)
Other miscellaneous payments	(747,632.42)	(684,847.31)	(146,444.49)	-	(1,578,924.22)
Net cash provided by (used for) operating activities	<u>2,163,025.62</u>	<u>1,384,728.27</u>	<u>1,910,829.19</u>	<u>(1,534,934.34)</u>	<u>3,923,648.74</u>
Cash flows from noncapital financing activities					
Principal paid on loan from the State of Tennessee	(10,000.00)	-	-	-	(10,000.00)
Net cash used for noncapital financing activities	<u>(10,000.00)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,000.00)</u>
Cash flows from capital and related financing activities:					
Capital grant received	-	46,213.38	-	-	46,213.38
Purchase of capital assets	(92,182.43)	(112,545.05)	(36,198.44)	(16,750.56)	(257,676.48)
Principal paid on debt	(166,550.00)	(155,900.00)	-	-	(322,450.00)
Interest paid on debt	(110,671.35)	(149,891.69)	-	-	(260,563.04)
Net cash used for capital and related financing activities	<u>(369,403.78)</u>	<u>(372,123.36)</u>	<u>(36,198.44)</u>	<u>(16,750.56)</u>	<u>(794,476.14)</u>
Cash flows from investing activities:					
Interest received	1,533.54	1,749.55	978.24	14,599.33	18,860.66
Net cash provided by investing activities	<u>1,533.54</u>	<u>1,749.55</u>	<u>978.24</u>	<u>14,599.33</u>	<u>18,860.66</u>
Net increase (decrease) in cash	1,785,155.38	1,014,354.46	1,875,608.99	(1,537,085.57)	3,138,033.26
Cash, July 1	3,695,113.54	2,650,208.57	4,669,752.47	(2,785,522.10)	8,229,552.48
Cash, June 30	<u>\$ 5,480,268.92</u>	<u>\$ 3,664,563.03</u>	<u>\$ 6,545,361.46</u>	<u>\$ (4,322,607.67)</u>	<u>\$ 11,367,585.74</u>

Tennessee State Veterans' Homes Board
Supplementary Information
Supplementary Schedule of Cash Flows (Cont.)
For the Year Ended June 30, 2011

	<u>Murfreesboro</u>	<u>Humboldt</u>	<u>Knoxville</u>	<u>Executive Office</u>	<u>Totals</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	\$ 1,692,892.48	\$ 859,183.88	\$ 1,518,171.55	\$ (1,574,160.00)	\$ 2,496,087.91
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	409,871.54	406,019.10	452,817.05	7,196.87	1,275,904.56
Miscellaneous receipts	21,504.05	19,580.83	19,830.81	-	60,915.69
Trustees fees	(2,400.00)	(2,400.00)	(2,400.00)	(2,400.00)	(9,600.00)
(Increase) decrease in net resident accounts receivable	174,339.33	387,996.64	(125,888.88)	-	436,447.09
Increase in miscellaneous receivable	-	(5,529.81)	(44,153.89)	(289.46)	(49,973.16)
(Increase) decrease in due from primary government	(10,392.42)	(72,356.07)	(46,183.22)	4,811.76	(124,119.95)
(Increase) decrease in Medicare cost settlement receivable	30,958.25	(28,106.84)	54,290.00	-	57,141.41
Increase in inventories	23,485.87	1,314.91	30,042.77	-	54,843.55
(Increase) decrease in prepaid items	401.58	(154.79)	659.43	(2,687.46)	(1,781.24)
Increase (decrease) in noncapital accounts payable and accruals	(102,430.31)	(229,711.89)	16,649.01	35,174.94	(280,318.25)
Increase (decrease) in amounts held in custody for others	(55,901.91)	31,567.82	(1,319.00)	-	(25,653.09)
Increase (decrease) in compensated absences	(45,582.95)	(6,883.90)	20,076.00	(6,780.29)	(39,171.14)
Increase in other post-employment benefits	26,280.11	24,208.39	18,237.56	4,199.30	72,925.36
Total adjustments	<u>470,133.14</u>	<u>525,544.39</u>	<u>392,657.64</u>	<u>39,225.66</u>	<u>1,427,560.83</u>
Net cash provided by (used for) operating activities	\$ <u>2,163,025.62</u>	\$ <u>1,384,728.27</u>	\$ <u>1,910,829.19</u>	\$ <u>(1,534,934.34)</u>	\$ <u>3,923,648.74</u>
Noncash capital activities					
Contributed capital assets	\$ -	\$ -	\$ 43,369.13	\$ -	\$ 43,369.13

**Tennessee State Veterans' Homes Board
Supplementary Information
Supplementary Schedule of Cash Flows
For the Year Ended June 30, 2010**

	Murfreesboro	Humboldt	Knoxville	Executive Office	Totals
Cash flows from operating activities:					
Receipts from residents and third party payors	\$ 11,272,382.95	\$ 10,941,213.65	\$ 12,328,873.08	\$ (1,222.84)	\$ 34,541,246.84
Other miscellaneous receipts	560,776.50	783,094.65	161,111.72	(51,917.07)	1,453,065.80
Payments to service providers and vendors	(4,614,313.63)	(4,867,192.54)	(4,799,240.39)	(458,452.19)	(14,739,198.75)
Payments to employees	(5,741,779.34)	(6,155,312.20)	(5,864,510.95)	(1,050,588.14)	(18,812,190.63)
Other miscellaneous payments	(572,053.72)	(829,212.27)	(165,786.99)	-	(1,567,052.98)
Net cash provided by (used for) operating activities	<u>905,012.76</u>	<u>(127,408.71)</u>	<u>1,660,446.47</u>	<u>(1,562,180.24)</u>	<u>875,870.28</u>
Cash flows from noncapital financing activities					
Principal paid on loan from the State of Tennessee	(10,000.00)	-	-	-	(10,000.00)
Net cash used for noncapital financing activities	<u>(10,000.00)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,000.00)</u>
Cash flows from capital and related financing activities:					
Capital grant received	127,872.53	146,560.07	50,711.61	(325,144.21)	-
Purchase of capital assets	(91,572.60)	(98,984.98)	(3,005.48)	(10,516.12)	(204,079.18)
Principal paid on debt	(163,454.75)	(148,500.00)	-	-	(311,954.75)
Interest paid on debt	(117,323.02)	(156,538.77)	-	-	(273,861.79)
Net cash provided by (used for) capital and related financing activities	<u>(244,477.84)</u>	<u>(257,463.68)</u>	<u>47,706.13</u>	<u>(335,660.33)</u>	<u>(789,895.72)</u>
Cash flows from investing activities:					
Interest received	17,600.26	20,424.82	20,166.36	18,507.07	76,698.51
Net cash provided by investing activities	<u>17,600.26</u>	<u>20,424.82</u>	<u>20,166.36</u>	<u>18,507.07</u>	<u>76,698.51</u>
Net increase (decrease) in cash	668,135.18	(364,447.57)	1,728,318.96	(1,879,333.50)	152,673.07
Cash, July 1	3,026,978.36	3,014,656.14	2,941,433.51	(906,188.60)	8,076,879.41
Cash, June 30	<u>\$ 3,695,113.54</u>	<u>\$ 2,650,208.57</u>	<u>\$ 4,669,752.47</u>	<u>\$ (2,785,522.10)</u>	<u>\$ 8,229,552.48</u>

Tennessee State Veterans' Homes Board
Supplementary Information
Supplementary Schedule of Cash Flows (Cont.)
For the Year Ended June 30, 2010

	<u>Murfreesboro</u>	<u>Humboldt</u>	<u>Knoxville</u>	<u>Executive Office</u>	<u>Totals</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	\$ 870,232.63	\$ (138,228.40)	\$ 1,248,691.45	\$ (1,436,774.95)	\$ 543,920.73
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	421,836.29	422,237.33	518,504.58	8,472.74	1,371,050.94
Miscellaneous receipts	17,031.94	17,807.69	21,799.87	(51,917.07)	4,722.43
Trustees fees	(2,400.00)	(2,400.00)	(2,400.00)	(2,400.00)	(9,600.00)
(Increase) decrease in net resident accounts receivable	(223,449.77)	(508,235.96)	365.03	(1,222.84)	(732,543.54)
Increase in due from primary government	(32,186.89)	(4,075.09)	(27,235.48)	(210.69)	(63,708.15)
(Increase) decrease in due from federal government	(2,047.32)	62,747.92	-	-	60,700.60
(Increase) decrease in Medicare cost settlement receivable	21,942.75	45,491.84	(78,618.00)	-	(11,183.41)
Increase in inventories	(1,995.02)	(9,216.05)	(2,196.19)	-	(13,407.26)
(Increase) decrease in prepaid items	3,649.82	(2,583.32)	(1,009.75)	63.05	119.80
Increase (decrease) in noncapital accounts payable and accruals	(181,150.70)	19,025.61	(10,302.18)	(89,675.83)	(262,103.10)
Increase (decrease) in amounts held in custody for others	22,164.10	(61,737.95)	7,558.05	-	(32,015.80)
Decrease in Medicaid current financing	(26,338.68)	(27,049.04)	(24,182.58)	-	(77,570.30)
Increase (decrease) in compensated absences	(9,088.15)	34,670.11	(8,118.06)	7,203.30	24,667.20
Increase in other post-employment benefits	26,811.76	24,136.60	17,589.73	4,282.05	72,820.14
Total adjustments	<u>34,780.13</u>	<u>10,819.69</u>	<u>411,755.02</u>	<u>(125,405.29)</u>	<u>331,949.55</u>
Net cash provided by (used for) operating activities	\$ <u>905,012.76</u>	\$ <u>(127,408.71)</u>	\$ <u>1,660,446.47</u>	\$ <u>(1,562,180.24)</u>	\$ <u>875,870.28</u>
Noncash capital activities					
Contributed capital assets	\$ -	\$ -	\$ -	\$ -	\$ -