

# AUDIT REPORT

Tennessee State Veterans' Homes Board

For the Year Ended  
June 30, 2012



STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY

Department of Audit  
Division of State Audit



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**COMPTROLLER OF THE TREASURY**  
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November 7, 2013

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, 2012. 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 resulted in no audit findings.

Sincerely,

Deborah V. Loveless, CPA  
Director

DVL/rrp  
13/035

State of Tennessee

# **A u d i t   H i g h l i g h t s**

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit  
**Tennessee State Veterans' Homes Board**  
For the Year Ended June 30, 2012

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## **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.

## **AUDIT FINDINGS**

The audit report contains no findings.

## **OPINION ON THE FINANCIAL STATEMENTS**

The opinion on the financial statements is unqualified.

**Audit Report**  
**Tennessee State Veterans' Homes Board**  
**For the Year Ended June 30, 2012**

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# Tennessee State Veterans' Homes Board For the Year Ended June 30, 2012

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## INTRODUCTION

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### POST-AUDIT AUTHORITY

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

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

### BACKGROUND

The Tennessee State Veterans' Homes Board was established in 1988 under the provisions of Title 58, Chapter 7, *Tennessee Code Annotated*. This statute authorizes the creation of public homes for veterans throughout the state to provide support and care for honorably discharged veterans who served in the United States armed forces. 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, and loans were made to the board. 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.

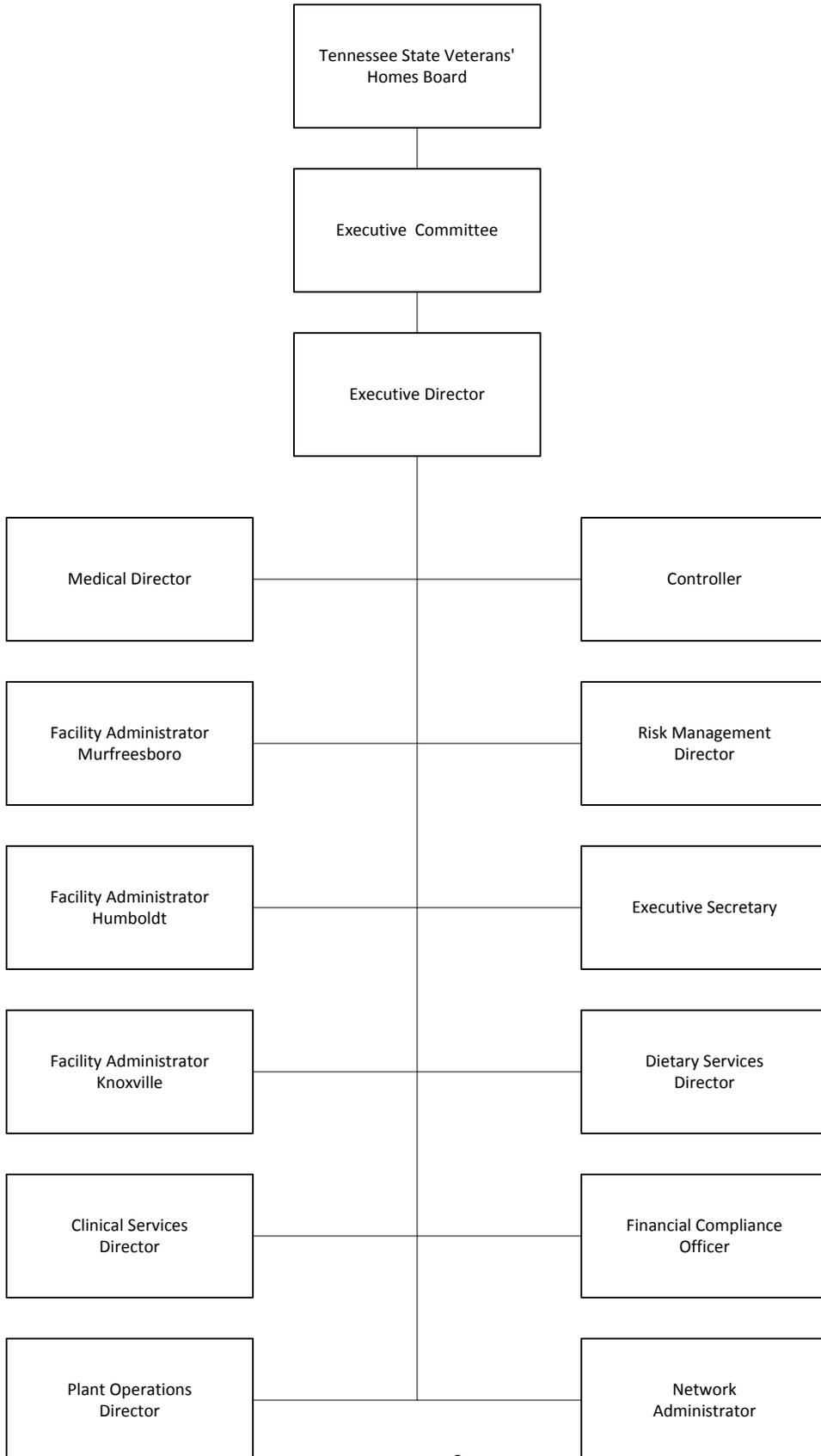
The executive committee is responsible for the oversight of the day-to-day management and operation of the state veterans' homes. The executive committee has the authority to employ an Executive Director, subject to review by the full board, and other employees; to incur expenses as may be necessary 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, which consists of the Executive Director, Controller, Network Administrator, and other executive staff. The Executive Director is responsible for the oversight of all the facilities, hires and supervises the executive staff, and employs the Facility Administrators to oversee the daily operations of each facility. The Facility 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



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## AUDIT SCOPE

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The audit was limited to the period July 1, 2011, through June 30, 2012, 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, 2012, and for comparative purposes, the year ended June 30, 2011. The Tennessee State Veterans' Homes Board has been included as a component unit in the *Tennessee Comprehensive Annual Financial Report*.

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## OBJECTIVES OF THE AUDIT

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The objectives of the audit were

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 FINDING

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Section 8-4-109, *Tennessee Code Annotated*, requires that each state department, agency, or institution report to the Comptroller of the Treasury the action taken to implement the recommendations in the prior audit report. The Tennessee State Veterans' Homes Board filed its report with the Department of Audit on February 1, 2013. A follow-up of all prior audit findings was conducted as part of the current audit. The current audit disclosed that the Tennessee State Veterans' Homes Board has corrected the previous audit finding concerning the board not obtaining contracts even though the board incurred more than \$5,000 in expenses.

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## OBSERVATIONS AND COMMENTS

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### 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 controls after the auditors have left the field.

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

### FRAUD CONSIDERATIONS

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

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

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## RESULTS OF THE AUDIT

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### AUDIT CONCLUSIONS

#### Internal Control

As part of the audit of the Tennessee State Veterans' Homes Board's financial statements for the year ended June 30, 2012, 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. 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***

October 11, 2013

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, 2012, and have issued our report thereon dated October 11, 2013. 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.

#### 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.

We noted certain matters that we reported to management of the Tennessee State Veterans' Homes Board in a separate letter.

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,



Deborah V. Loveless, CPA  
Director

DVL/trp



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**COMPTROLLER OF THE TREASURY**  
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**Independent Auditor's Report**

October 11, 2013

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, 2012, and June 30, 2011, 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.

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, 2012, and June 30, 2011, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 12 through 17, the schedule of pension funding progress on page 41, and the other postemployment benefits schedule of funding progress on page 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying financial information on pages 43 through 52 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information 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 October 11, 2013, 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

October 11, 2013  
Page Three

with generally accepted government auditing standards and should be considered in assessing the results of our audit.

Sincerely,

A handwritten signature in black ink that reads "Deborah V. Loveless". The signature is written in a cursive style with a large initial 'D'.

Deborah V. Loveless, CPA

Director

DVL/rtp

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

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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, 2012, and June 30, 2011, with comparative information presented for the fiscal year ended June 30, 2010. 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 basic financial statements, notes, and this discussion are the responsibility of management.

### **FINANCIAL HIGHLIGHTS**

#### Year Ended June 30, 2012

- ◆ The board's operating revenues decreased 1%, or \$395,627, from fiscal 2011 to fiscal 2012.
- ◆ The board's operating expenses were 5%, or \$1,757,384, more in fiscal 2012 than in fiscal 2011.
- ◆ The board's net assets increased 1%, or \$401,339, from June 30, 2011, to June 30, 2012.

#### 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 \$2,354,375, from June 30, 2010, to June 30, 2011.

### **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 basic financial statements and required supplementary information:

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

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

net assets may serve as a useful indicator of whether the financial position of the board is improving or deteriorating.

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, nonoperating 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 Postemployment 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		
	2012	2011	2010
Current assets and other assets	\$ 16,248,688.31	\$ 15,321,944.18	\$ 12,649,228.09
Capital assets at cost, less			
accumulated depreciation	<u>26,408,189.27</u>	<u>27,182,838.56</u>	<u>28,203,924.99</u>
Total assets	<u>42,656,877.58</u>	<u>42,504,782.74</u>	<u>40,853,153.08</u>
Long-term debt outstanding	5,109,407.50	5,565,536.60	5,897,986.60
Other liabilities	<u>2,519,182.27</u>	<u>2,312,297.06</u>	<u>2,682,592.32</u>
Total liabilities	<u>7,628,589.77</u>	<u>7,877,833.66</u>	<u>8,580,578.92</u>
Net assets:			
Invested in capital assets, net of			
related debt	21,298,781.77	21,617,301.96	22,267,119.70
Restricted	2,916,346.14	2,523,803.45	2,027,663.76
Unrestricted	<u>10,813,159.90</u>	<u>10,485,843.67</u>	<u>7,977,790.70</u>
Total net assets	\$ <u>35,028,287.81</u>	\$ <u>34,626,949.08</u>	\$ <u>32,272,574.16</u>

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

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2012 to 2011

The board's net assets at the end of fiscal 2012 totaled \$35,028,288. This compares to \$34,626,949 at the end of fiscal 2011. The unrestricted portion of the board's net assets (31%) may be used to meet the board's obligations as they come due. The largest portion of the board's net assets (61%) is invested in capital assets (e.g., land, buildings and equipment), less the related debt. The restricted portion of the board's net assets (8%) 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 reduction in long term debt.

2011 to 2010

The board's net assets at the end of fiscal 2011 totaled \$34,626,949. This compares to \$32,272,574 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 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.

### *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

	June 30		
	2012	2011	2010
<b>Operating revenue:</b>			
Resident service revenue	\$ <u>37,158,841.23</u>	\$ <u>37,554,468.68</u>	\$ <u>34,587,500.11</u>
Total operating revenue	<u>37,158,841.23</u>	<u>37,554,468.68</u>	<u>34,587,500.11</u>
<b>Operating expenses:</b>			
Administrative and general	4,843,458.16	4,571,540.33	4,370,194.61
Nursing services	16,731,682.54	16,032,949.26	16,082,389.55
Central services	1,071,373.36	1,012,927.71	903,789.00
Ancillary departments	3,373,212.97	3,213,153.53	3,017,712.63
Dietary	3,333,093.95	3,258,469.52	3,112,782.52
Activities	1,077,318.97	945,857.96	888,343.96
Social services	646,046.42	646,965.09	539,831.20
Environmental services	2,442,540.85	2,266,356.82	2,099,916.99
Plant operations and maintenance	1,936,201.41	1,834,255.99	1,657,567.98
Depreciation	<u>1,360,835.83</u>	<u>1,275,904.56</u>	<u>1,371,050.94</u>
Total operating expenses	<u>36,815,764.46</u>	<u>35,058,380.77</u>	<u>34,043,579.38</u>
Operating income	<u>343,076.77</u>	<u>2,496,087.91</u>	<u>543,920.73</u>
<b>Nonoperating revenues (expenses):</b>			
Grant revenue	-	-	264,444.27
Interest revenue	17,083.31	18,860.66	76,603.34
Miscellaneous revenue	135,289.87	106,784.88	56,639.50
Interest expense	(183,984.95)	(254,589.90)	(272,947.68)
Gain (loss) on extinguishment of debt	118,679.09	-	-
Loss on disposal of equipment	(19,805.36)	(3,168.63)	(20,943.06)
Miscellaneous expense	<u>(9,000.00)</u>	<u>(9,600.00)</u>	<u>(9,600.00)</u>
Total nonoperating revenues (expenses)	<u>58,261.96</u>	<u>(141,712.99)</u>	<u>94,196.37</u>
Increase in net assets	401,338.73	2,354,374.92	638,117.10
Net assets, July 1	34,626,949.08	32,272,574.16	31,880,652.51
Prior period adjustment	-	-	<u>(246,195.45)</u>
Net assets (restated), July 1	<u>34,626,949.08</u>	<u>32,272,574.16</u>	<u>31,634,457.06</u>
Net assets, June 30	\$ <u>35,028,287.81</u>	\$ <u>34,626,949.08</u>	\$ <u>32,272,574.16</u>

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

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2012 to 2011

In fiscal 2012, operating revenues decreased \$395,627, or 1%, primarily a result of Knox County's average daily census decreasing from 138 resident days in fiscal year 2011 to 137 resident days in fiscal year 2012, and Murfreesboro's Medicare patient mix decreasing from 12% in fiscal year 2011 to 10% in fiscal year 2012. Operating expenses increased \$1,757,384, or 5%. The increase was primarily a result of an increase in salaries and related expenses.

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.

**CAPITAL ASSETS**

At June 30, 2012, the board had \$26,408,189 invested in capital assets, net of accumulated depreciation of approximately \$11,543,979. Depreciation charges totaled \$1,360,836 for fiscal year 2012. 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 2011. At June 30, 2010, the board had \$28,203,925 in capital assets, net of accumulated depreciation of approximately \$9,024,794. Depreciation charges totaled \$1,371,051 for fiscal year 2010.

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		
	2012	2011	2010
Long-term debt	\$ 5,109,407.50	\$ 5,565,536.60	\$ 5,897,986.60

2012 to 2011

At June 30, 2012, the board had \$5,109,408 in debt outstanding, a decrease of \$456,129 from 2011. The decrease was due to the principal paid on the debt.

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

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2011 to 2010

At June 30, 2011, the board had \$5,565,537 in debt outstanding, a decrease of \$332,450 from 2010. The decrease was due to the principal paid on the debt.

Long-term debt consists of loans from the State of Tennessee which represent 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.
- ◆ Expansion costs for new homes.

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, 2012, and June 30, 2011**

	June 30, 2012	June 30, 2011
<b>Assets:</b>		
Current assets:		
Cash (Note 2)	\$ 8,060,308.62	\$ 8,578,278.65
Resident accounts receivable, net of allowance for doubtful accounts of \$946,539.85 at June 30, 2012, and \$639,889.50 at June 30, 2011 (Note 3)	3,402,630.20	3,058,374.27
Miscellaneous receivable	4,105.18	51,196.00
Due from primary government (Note 4)	1,480,390.73	666,465.24
Inventories	143,386.70	121,364.06
Prepaid items	48,169.30	56,958.87
Restricted cash (Notes 2 and 5)	503,395.47	559,367.11
Total current assets	13,642,386.20	13,092,004.20
Noncurrent assets:		
Restricted cash (Notes 2 and 5)	2,606,302.11	2,229,939.98
Capital assets (Note 6):		
Land and improvements	344,084.00	406,186.56
Infrastructure	1,788,921.50	1,691,378.94
Accumulated depreciation - infrastructure	(564,151.05)	(467,426.42)
Buildings and improvements	30,248,077.61	30,205,459.33
Accumulated depreciation - buildings and improvements	(7,593,096.79)	(6,781,068.47)
Furniture and equipment	5,561,698.03	5,104,407.98
Accumulated depreciation - furniture and equipment	(3,386,731.22)	(2,981,949.36)
Construction in progress	9,387.19	5,850.00
Total noncurrent assets	29,014,491.38	29,412,778.54
Total assets	42,656,877.58	42,504,782.74

**Tennessee State Veterans' Homes Board**  
**Statements of Net Assets**  
**June 30, 2012, and June 30, 2011**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>Liabilities:</b>		
Current liabilities:		
Accounts payable and accruals (Note 7)	1,321,151.31	1,234,186.59
Amounts held in custody for others	111,349.96	173,957.30
Current portion of long-term debt (Note 8)	331,465.10	337,450.00
Compensated absences (Note 8)	458,563.28	397,838.29
	<u>2,222,529.65</u>	<u>2,143,432.18</u>
Total current liabilities		
Noncurrent liabilities:		
Long-term debt outstanding, net (Note 8)	4,777,942.40	5,228,086.60
Compensated absences (Note 8)	332,063.08	288,089.80
Other postemployment benefits (Note 10)	296,054.64	218,225.08
	<u>5,406,060.12</u>	<u>5,734,401.48</u>
Total noncurrent liabilities		
Total liabilities	<u>7,628,589.77</u>	<u>7,877,833.66</u>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	21,298,781.77	21,617,301.96
Restricted for:		
Debt service	310,044.03	293,863.47
Repairs and replacements	2,108,525.22	1,747,409.25
Technology	497,776.89	482,530.73
Unrestricted	10,813,159.90	10,485,843.67
	<u>10,813,159.90</u>	<u>10,485,843.67</u>
Total net assets	<u>\$ 35,028,287.81</u>	<u>\$ 34,626,949.08</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, 2012, and June 30, 2011**

	For the Year Ended June 30, 2012	For the Year Ended June 30, 2011
<b>Operating revenue:</b>		
Resident service revenue plus contractual adjustments of \$1,496,781.88 for the year ended June 30, 2012, and \$3,460,613.73 for the year ended June 30, 2011, and less provision for bad debts of \$282,049.71 for the year ended June 30, 2012, and \$130,822.79 for the year ended June 30, 2011	\$ 37,158,841.23	\$ 37,554,468.68
Total operating revenue	37,158,841.23	37,554,468.68
<b>Operating expenses:</b>		
Administrative and general	4,843,458.16	4,571,540.33
Nursing services	16,731,682.54	16,032,949.26
Central services	1,071,373.36	1,012,927.71
Ancillary departments	3,373,212.97	3,213,153.53
Dietary	3,333,093.95	3,258,469.52
Activities	1,077,318.97	945,857.96
Social services	646,046.42	646,965.09
Environmental services	2,442,540.85	2,266,356.82
Plant operations and maintenance	1,936,201.41	1,834,255.99
Depreciation	1,360,835.83	1,275,904.56
Total operating expenses	36,815,764.46	35,058,380.77
Operating income	343,076.77	2,496,087.91
<b>Nonoperating revenues (expenses):</b>		
Interest revenue	17,083.31	18,860.66
Miscellaneous revenue	135,289.87	106,784.88
Interest expense	(183,984.95)	(254,589.90)
Gain on extinguishment of debt	118,679.09	-
Loss on disposal of equipment	(19,805.36)	(3,168.63)
Miscellaneous expense	(9,000.00)	(9,600.00)
Total nonoperating revenues (expenses)	58,261.96	(141,712.99)
Increase in net assets	401,338.73	2,354,374.92
Net assets, July 1	34,626,949.08	32,496,944.67
Prior period adjustment (Note 13)	-	(224,370.51)
Net assets (restated), July 1	34,626,949.08	32,272,574.16
Net assets, June 30	\$ 35,028,287.81	\$ 34,626,949.08

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, 2012, and June 30, 2011**

	Year Ended June 30, 2012	Year Ended June 30, 2011
<b>Cash flows from operating activities:</b>		
Receipts from residents and third party payors	\$ 36,051,915.73	\$ 37,935,151.62
Other miscellaneous receipts	127,296.38	1,564,213.66
Payments to service providers and vendors	(16,107,753.12)	(15,467,333.12)
Payments to employees	(19,142,959.26)	(18,529,459.20)
Other miscellaneous payments	(63,639.13)	(1,578,924.22)
Net cash provided by operating activities	<u>864,860.60</u>	<u>3,923,648.74</u>
<b>Cash flows from noncapital financing activities:</b>		
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>
<b>Cash flows from capital and related financing activities:</b>		
Capital grant received	-	46,213.38
Purchase of capital assets	(535,301.90)	(257,676.48)
Principal paid on loans from the State of Tennessee	(327,450.00)	(322,450.00)
Interest paid on loans from the State of Tennessee	<u>(206,771.55)</u>	<u>(260,563.04)</u>
Net cash used for capital and related financing activities	<u>(1,069,523.45)</u>	<u>(794,476.14)</u>
<b>Cash flows from investing activities:</b>		
Interest received	<u>17,083.31</u>	<u>18,860.66</u>
Net cash provided by investing activities	<u>17,083.31</u>	<u>18,860.66</u>
Net increase (decrease) in cash	(197,579.54)	3,138,033.26
Cash, July 1	<u>11,367,585.74</u>	<u>8,229,552.48</u>
Cash, June 30	<u>\$ 11,170,006.20</u>	<u>\$ 11,367,585.74</u>

**Tennessee State Veterans' Homes Board**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2012, and June 30, 2011**

	Year Ended June 30, 2012	Year Ended June 30, 2011
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ 343,076.77	\$ 2,496,087.91
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,360,835.83	1,275,904.56
Miscellaneous receipts	79,173.77	60,915.69
Trustees fees	(9,000.00)	(9,600.00)
(Increase) decrease in net resident accounts receivable	(344,255.93)	493,588.50
(Increase) decrease in miscellaneous receivable	47,090.82	(49,973.16)
Increase in due from primary government	(805,712.80)	(124,119.95)
(Increase) decrease in inventories	(22,022.64)	54,843.55
(Increase) decrease in prepaid items	8,789.57	(1,781.24)
Increase (decrease) in noncapital accounts payable and accruals	86,964.72	(280,318.25)
Decrease in amounts held in custody for others	(62,607.34)	(25,653.09)
Increase (decrease) in compensated absences	104,698.27	(39,171.14)
Increase in other postemployment benefits	77,829.56	72,925.36
Total adjustments	521,783.83	1,427,560.83
Net cash provided by operating activities	\$ 864,860.60	\$ 3,923,648.74
<b>Noncash capital activities</b>		
Contributed capital assets	\$ 68,841.00	\$ 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, 2012, and June 30, 2011**

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

**A. Reporting Entity**

The Tennessee State Veterans' Homes Board was established in 1988 under the provisions of Title 58, Chapter 7, *Tennessee Code Annotated*. This statute authorizes the creation of public homes for veterans throughout the state to provide support and care for honorably discharged veterans who served in the United States armed forces. At June 30, 2012, 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; 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](http://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, 2012, and June 30, 2011**

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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 the disclosure of contingent assets and liabilities at the date of the financial statements, as well as 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, 2012, and June 30, 2011**

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**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. 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 statements of net assets.

**H. Prior year reclassification**

Certain amounts presented in prior years' data have been reclassified for comparative purposes.

**NOTE 2. DEPOSITS AND INVESTMENTS**

At June 30, 2012, the carrying amount of the board's deposits was \$194,723.51, and the bank balance was \$264,679.02. 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, 2012, the board also had \$10,973,682.69 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, 2011, the board had \$10,772,517.96 deposited in the Local Government Investment Pool (LGIP) administered by the

**Tennessee State Veterans' Homes Board**  
**Notes to the Financial Statements (Cont.)**  
**June 30, 2012, and June 30, 2011**

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State Treasurer and \$1,600.00 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](http://www.treasury.tn.gov) or by calling (615) 741-2956.

**NOTE 3. ACCOUNTS RECEIVABLE**

Receivables at June 30, 2012, consist of the following:

Receivables from patients and their insurance	\$1,212,846.51
Receivable from Medicare	754,149.83
Receivable from U.S. Department of Veterans Affairs	2,382,173.71
Allowance for doubtful accounts	<u>(946,539.85)</u>
Net amount reported as resident accounts receivable	<u>\$3,402,630.20</u>

The net receivable amount of \$3,402,630.20 represents the accounts receivable amount that is expected to be collected within one year.

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

Receivables from patients and their insurance	\$ 983,304.67
Receivable from Medicare	1,003,886.00
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>\$3,058,374.27</u>

The net receivable amount of \$3,058,374.27 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, 2012, and June 30, 2011**

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**NOTE 4. DUE FROM (TO) PRIMARY GOVERNMENT**

	<u>June 30, 2012</u>
Department of Finance and Administration – Shared Services	\$ (2,552.13)
Department of Finance and Administration – Medicaid current services	1,776,806.94
Department of Finance and Administration – interest on loans	(84,546.78)
Department of Labor and Workforce Development – boiler inspection	(361.95)
Department of the Treasury – retirement contributions	(131,080.36)
Department of Health – bed tax	<u>(77,874.99)</u>
Total due from primary government	<u>\$1,480,390.73</u>
	<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 Finance and Administration – interest on loans	(92,759.47)
Department of Attorney General	(3,009.85)
Department of Labor and Workforce Development – boiler inspection	(375.00)
Department of the Treasury – retirement contributions	(116,910.06)
Department of Health – bed tax	<u>(77,874.99)</u>
Total due from primary government	<u>\$ 666,465.24</u>

**NOTE 5. RESTRICTED ASSETS**

The balances of the board's restricted asset accounts at June 30, 2012, are as follows:

Resident trust fund accounts	\$ 108,804.66
Debt service account	394,590.81
Repair and replacement account	2,108,525.22
Technology account	<u>497,776.89</u>
Total restricted assets	<u>\$3,109,697.58</u>

**Tennessee State Veterans' Homes Board**  
**Notes to the Financial Statements (Cont.)**  
**June 30, 2012, and June 30, 2011**

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>

**NOTE 6. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land and improvements	\$ 406,186.56	\$ -	\$(62,102.56)	\$ 344,084.00
Construction in progress	<u>5,850.00</u>	<u>3,537.19</u>	<u>-</u>	<u>9,387.19</u>
Total capital assets, not being depreciated	<u>412,036.56</u>	<u>3,537.19</u>	<u>(62,102.56)</u>	<u>353,471.19</u>
Capital assets, being depreciated:				
Infrastructure	1,691,378.94	97,542.56	-	1,788,921.50
Buildings and improvements	30,205,459.33	42,618.28	-	30,248,077.61
Furniture and equipment	<u>5,104,407.98</u>	<u>524,752.43</u>	<u>(67,462.38)</u>	<u>5,561,698.03</u>
Total depreciable capital assets	<u>37,001,246.25</u>	<u>664,913.27</u>	<u>(67,462.38)</u>	<u>37,598,697.14</u>

**Tennessee State Veterans' Homes Board**  
**Notes to the Financial Statements (Cont.)**  
**June 30, 2012, and June 30, 2011**

Less accumulated depreciation:				
Infrastructure	(467,426.42)	(96,724.63)	-	(564,151.05)
Buildings and improvements	(6,781,068.47)	(812,028.32)	-	(7,593,096.79)
Furniture and equipment	<u>(2,981,949.36)</u>	<u>(452,082.88)</u>	<u>47,301.02</u>	<u>(3,386,731.22)</u>
Total accumulated depreciation	<u>(10,230,444.25)</u>	<u>(1,360,835.83)</u>	<u>47,301.02</u>	<u>(11,543,979.06)</u>
 Total depreciable capital assets, net	 <u>26,770,802.00</u>	 <u>(695,922.56)</u>	 <u>(20,161.36)</u>	 <u>26,054,718.08</u>
 Net capital assets	 <u>\$27,182,838.56</u>	 <u>\$ (692,385.37)</u>	 <u>\$(82,263.92)</u>	 <u>\$26,408,189.27</u>

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</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>

**Tennessee State Veterans' Homes Board  
Notes to the Financial Statements (Cont.)  
June 30, 2012, and June 30, 2011**

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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>

**NOTE 7. ACCOUNTS PAYABLE AND ACCRUALS**

Payables at June 30, 2012, consist of the following:

Payables to suppliers	\$1,101,092.30
Accruals for salaries and benefits	<u>220,059.01</u>
Amount reported as accounts payable and accruals	<u>\$1,321,151.31</u>

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

Payables to suppliers	\$1,122,764.56
Accruals for salaries and benefits	<u>111,422.03</u>
Amount reported as accounts payable and accruals	<u>\$1,234,186.59</u>

**Tennessee State Veterans' Homes Board  
Notes to the Financial Statements (Cont.)  
June 30, 2012, and June 30, 2011**

**NOTE 8. LONG-TERM LIABILITIES**

Long-term liability activity for the year ended June 30, 2012, was as follows:

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2012</u>	<u>Amount due within 1 year</u>
Long-term debt outstanding:					
Loans	\$5,385,234.56	\$ 180,302.03	\$ (456,129.09)	\$5,109,407.50	\$331,465.10
Commercial paper	<u>180,302.03</u>	<u>-</u>	<u>(180,302.03)</u>	<u>-</u>	<u>-</u>
Subtotal	<u>5,565,536.59</u>	<u>180,302.03</u>	<u>(636,431.12)</u>	<u>5,109,407.50</u>	<u>331,465.10</u>
Compensated absences	<u>685,928.09</u>	<u>1,076,534.18</u>	<u>(971,835.91)</u>	<u>790,626.36</u>	<u>458,563.28</u>
Total long-term liabilities	<u>\$6,251,464.68</u>	<u>\$1,256,836.21</u>	<u>\$(1,608,267.03)</u>	<u>\$5,900,033.86</u>	<u>\$790,028.38</u>

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

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2011</u>	<u>Amount due within 1 year</u>
Long-term debt outstanding:					
Loans	\$5,717,684.57	\$ -	\$ (332,450.01)	\$5,385,234.56	\$337,450.00
Commercial paper	<u>180,302.03</u>	<u>-</u>	<u>-</u>	<u>180,302.03</u>	<u>-</u>
Subtotal	<u>5,897,986.60</u>	<u>-</u>	<u>(332,450.01)</u>	<u>5,565,536.59</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>\$6,623,085.83</u>	<u>\$741,832.33</u>	<u>\$(1,113,453.48)</u>	<u>\$6,251,464.68</u>	<u>\$735,288.29</u>

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

**Loans 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, 2012, was paid before June 30, 2012, and the \$10,000 due for the year ended June 30, 2011, was paid before June 30, 2011.

**Tennessee State Veterans' Homes Board**  
**Notes to the Financial Statements (Cont.)**  
**June 30, 2012, and June 30, 2011**

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Loans, with interest rates ranging from 2.0% to 5.125%, were issued by the State Funding Board, through the Division of State and Local Finance. The loans are due serially to 2032.

**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. A loan was made by the Division of State and Local Finance to retire the commercial paper before June 30, 2012.

Debt-service requirements to maturity of the loans at June 30, 2012, are as follows:

<u>For the Year(s)</u> <u>Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 341,465.10	\$ 215,593.45	\$ 557,058.55
2014	361,465.10	208,706.84	570,171.94
2015	366,465.10	190,750.79	557,215.89
2016	376,465.10	172,549.46	549,014.56
2017	388,417.93	154,487.13	542,905.06
2018 – 2022	1,649,091.04	510,518.03	2,159,609.07
2023 – 2027	1,367,658.65	171,852.02	1,539,510.67
2028 – 2032	<u>258,379.48</u>	<u>15,086.02</u>	<u>273,465.50</u>
	<u>\$5,109,407.50</u>	<u>\$1,639,543.74</u>	<u>\$6,748,951.24</u>

**NOTE 9. DEFINED BENEFIT PENSION PLAN**

**A. Plan Description**

Employees of Tennessee State Veterans' Homes Board are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits, as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with 5 years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of

**Tennessee State Veterans' Homes Board**  
**Notes to the Financial Statements (Cont.)**  
**June 30, 2012, and June 30, 2011**

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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/](http://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, 2012, and June 30, 2011, was 10.18% 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 \$1,538,442 for the year ended June 30, 2012, and \$1,461,293 for the year ended June 30, 2011, 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 the effects of inflation on salaries), (d) projected 3.5% annual increase in the

**Tennessee State Veterans' Homes Board  
Notes to the Financial Statements (Cont.)  
June 30, 2012, and June 30, 2011**

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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, 2011, which established contribution rates effective July 1, 2012.

**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, 2012	\$1,538,442	100%	-
June 30, 2011	\$1,461,293	100%	-
June 30, 2010	\$1,523,890	100%	-

**D. Funded Status and Funding Progress**

As of July 1, 2011, the most recent actuarial valuation date, the plan was 100.00% funded. The actuarial accrued liability for benefits was \$12.48 million, and the actuarial value of assets was \$12.48 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.00 million. The covered payroll (annual payroll of active employees covered by the plan) was \$12.69 million, and the ratio of the UAAL to the covered payroll was 0.00%.

The schedules of funding progress, presented as required supplementary information 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. OTHER POSTEMPLOYMENT BENEFITS**

**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. Benefits are established and amended by an insurance committee created by

**Tennessee State Veterans' Homes Board  
Notes to the Financial Statements (Cont.)  
June 30, 2012, and June 30, 2011**

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*Tennessee Code Annotated 8-27-207.* Prior to reaching the age of 65, all members 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](http://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 \$796,708.86, or approximately 24% of the total premiums. The employer contributed \$2,560,939.43, or approximately 76% of the total premiums.

Annual OPEB Cost and Net OPEB Obligation

Local Government Plan	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
ARC	\$105,000.00	\$121,000.00	\$117,000.00
Interest on the net OPEB obligation	8,729.00	6,538.49	3,261.58
Adjustment to the ARC	<u>(9,265.67)</u>	<u>(6,193.25)</u>	<u>(3,089.36)</u>
Annual OPEB cost:	104,463.33	121,345.24	117,172.22
Amount of contribution:	<u>(26,633.77)</u>	<u>(48,419.88)</u>	<u>(44,352.08)</u>
Increase in net OPEB obligation	77,829.56	72,925.36	72,820.14
Net OPEB obligation-			
beginning of year	<u>218,225.08</u>	<u>145,299.72</u>	<u>72,479.58</u>
Net OPEB obligation-end of year	<u>\$296,054.64</u>	<u>\$218,225.08</u>	<u>\$145,299.72</u>

**Tennessee State Veterans' Homes Board  
Notes to the Financial Statements (Cont.)  
June 30, 2012, and June 30, 2011**

Year End	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6/30/2012	Local Govt. Group	\$104,463.33	25.50%	\$296,054.64
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

**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, 2011, and July 1, 2010, was as follows:

	<b>Local Govt. Group Plan</b>	
	<u>7/1/2011</u>	<u>7/1/2010</u>
Actuarial valuation date		
Actuarial accrued liability (AAL)	\$273,000.00	\$330,000.00
Actuarial value of plan assets	<u>0.00</u>	<u>0.00</u>
Unfunded actuarial accrued liability (UAAL)	\$273,000.00	\$330,000.00
Actuarial value of assets as a % of the AAL	0.00%	0.00%
Covered payroll (active plan members)	\$19,983,068.03	\$19,514,010.70
UAAL as a percentage of covered payroll	1.37%	1.69%

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 required supplementary information 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, 2012, and June 30, 2011**

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In the July 1, 2011, actuarial valuation for the Local Government Plan, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 9.25% in fiscal year 2012. The rate will decrease to 8.75% in fiscal year 2013 and then be reduced by decrements to an ultimate rate of 5% by fiscal year 2021. Rates include a 2.5% 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. This leave is intended to provide continuation of pay for employees in the event of a serious illness or injury and is only authorized for extended leave that begins with a hospitalization or a physician's note. 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, 2012, or June 30, 2011. The dollar amount of unused extended disability benefits was \$1,926,850.31 at June 30, 2012, and 2,021,088.06 at June 30, 2011.

**NOTE 12. INSURANCE-RELATED ACTIVITIES**

**A. Risk Management Fund**

It is the policy of the state not to purchase commercial insurance for the risks associated with casualty losses for general liability, automobile liability, professional medical malpractice, and workers' compensation. The state's management believes it is more economical to manage these risks internally and set aside assets for claim settlement in its internal service fund, the Risk Management Fund. The state purchases commercial insurance for real property, builder's risk (for construction projects starting prior to July 1, 2012), and crime and fidelity coverage on the state's officials and employees. The contractor is responsible for acquiring builder's risk insurance for all construction projects after June 30, 2012; thus, builder's risk is no longer covered by the Risk Management Fund. For property coverage, the deductible for an individual state agency is the first \$25,000 of losses. The Risk Management Fund is responsible for property losses for the annual aggregate deductible of \$10 million for perils other than earthquakes and flood. Purchased insurance

**Tennessee State Veterans' Homes Board**  
**Notes to the Financial Statements (Cont.)**  
**June 30, 2012, and June 30, 2011**

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coverage is responsible for losses exceeding the \$10 million annual aggregate deductible. For earthquake and flood, there is a deductible of \$10 million per occurrence. The maximum insurance coverage is \$750 million per year for perils other than earthquake and flood. The maximum flood insurance coverage is \$50 million per occurrence, except there is only \$25 million of coverage in flood zones A and V. The maximum earthquake insurance coverage is \$50 million per occurrence. The amounts of settlements have not exceeded insurance coverage for each of the three past fiscal years.

The board participates in the State of Tennessee's Risk Management Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the board based on a percentage of the board's expected loss costs, which includes both experience and exposures. This charge considers recent trends in actual claims experienced of the state as a whole. An actuarial valuation is performed as of 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 the state's website at [www.tn.gov/finance/act/cafr.shtml](http://www.tn.gov/finance/act/cafr.shtml), or by calling (615) 741-2140. Since the board participates in the Risk Management Fund, it is subject to the liability limitations under the provisions of the Tennessee Claims Commission Act, *Tennessee Code Annotated*, Section 9-8-101 et seq. Liability for negligence of the board for bodily injury and property damage is limited to \$300,000 per person and \$1,000,000 per occurrence. The limits of liability under workers' compensation are set forth in *Tennessee Code Annotated*, Section 50-6-101 et seq. Claims are paid through the state's Risk Management Fund.

The buildings and contents are insured by the State of Tennessee. At June 30, 2012, the board had scheduled coverage of \$37,605,800 for the buildings and \$3,554,900 for the contents. At June 30, 2011, the board had scheduled coverage of \$37,605,800 for the buildings and \$3,554,900 for the contents.

**B. Employee Health Insurance**

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

**Tennessee State Veterans' Homes Board**  
**Notes to the Financial Statements (Cont.)**  
**June 30, 2012, and June 30, 2011**

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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.

**NOTE 13. PRIOR PERIOD ADJUSTMENT**

During the current year, it was determined that the long-term liability recorded in the prior year was understated. This error resulted from failure to properly classify bonds issued by the state as loans. A prior period adjustment was made to eliminate bond issuance costs of \$35,554.85, increase long-term liabilities by \$166,990.72, decrease interest expense by \$18,561.10, eliminate amortization of premiums and issuance costs of \$3,263.84, decrease net assets at July 1, 2011, by \$202,545.57, and decrease net assets at July 1, 2010, by \$224,370.51.

**NOTE 14. SUBSEQUENT EVENTS**

**Long-Term Borrowing**

On November 14, 2012, the state issued 2012 Series B general obligation bonds and made a loan to the Tennessee State Veterans' Homes Board in the amount of \$1,842,784.18. The interest rate on the bonds ranges from 2% to 5% and are due at varying amounts through October 2032.

**Tennessee State Veterans' Homes Board**  
**Notes to the Financial Statements (Cont.)**  
**June 30, 2012, and June 30, 2011**

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**New Facility**

The addition of a fourth facility in Montgomery County has been approved. Construction is expected to begin in calendar year 2013. A ground-breaking ceremony was held May 17, 2013.

**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]
7/01/11	\$12,481	\$12,481	\$0	100.00%	\$12,691	0.00%
7/01/09	\$7,462	\$7,462	\$0	100.00%	\$12,785	0.00%
7/01/07	\$4,930	\$4,930	\$0	100.00%	\$6,171	0.00%

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

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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]
7/01/11	\$0	\$273,000	\$273,000	0%	\$19,983,068	1.37%
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%

**Tennessee State Veterans' Homes Board  
Supplementary Information  
Supplementary Schedule of Net Assets  
June 30, 2012**

	<u>Murfreesboro</u>	<u>Humboldt</u>	<u>Knoxville</u>	<u>Executive Office</u>	<u>Totals</u>
<b>Assets:</b>					
Current assets:					
Cash	\$ 28,563.79	\$ 18,125.86	\$ 40,820.41	\$ 7,972,798.56	\$ 8,060,308.62
Resident accounts receivable, net of allowance for doubtful accounts of \$946,539.85	1,158,454.75	1,115,382.02	1,128,793.43	-	3,402,630.20
Miscellaneous receivable	1,458.38	1,344.50	-	1,302.30	4,105.18
Due from primary government	675,658.68	375,648.99	431,635.19	(2,552.13)	1,480,390.73
Inventories	60,734.26	39,327.84	43,324.60	-	143,386.70
Prepaid items	14,802.19	17,708.58	14,075.88	1,582.65	48,169.30
Restricted cash	243,716.25	247,277.23	12,401.99	-	503,395.47
<b>Total current assets</b>	<u>2,183,388.30</u>	<u>1,814,815.02</u>	<u>1,671,051.50</u>	<u>7,973,131.38</u>	<u>13,642,386.20</u>
Noncurrent assets:					
Restricted cash	736,505.26	768,997.89	603,022.07	497,776.89	2,606,302.11
Capital assets:					
Land and improvements	40,540.00	160,544.00	143,000.00	-	344,084.00
Infrastructure	209,929.56	569,031.18	1,009,960.76	-	1,788,921.50
Accumulated depreciation - infrastructure	(173,942.01)	(255,688.62)	(134,520.42)	-	(564,151.05)
Buildings and improvements	8,853,036.51	10,103,529.89	11,291,511.21	-	30,248,077.61
Accumulated depreciation - buildings and improvements	(2,832,417.25)	(3,225,221.07)	(1,535,458.47)	-	(7,593,096.79)
Furniture and equipment	1,861,926.24	1,927,164.53	1,652,393.78	120,213.48	5,561,698.03
Accumulated depreciation - furniture and equipment	(1,122,525.22)	(1,262,662.53)	(923,653.04)	(77,890.43)	(3,386,731.22)
Construction in progress	-	3,537.19	-	5,850.00	9,387.19
<b>Total noncurrent assets</b>	<u>7,573,053.09</u>	<u>8,789,232.46</u>	<u>12,106,255.89</u>	<u>545,949.94</u>	<u>29,014,491.38</u>
<b>Total assets</b>	<u>9,756,441.39</u>	<u>10,604,047.48</u>	<u>13,777,307.39</u>	<u>8,519,081.32</u>	<u>42,656,877.58</u>

**Tennessee State Veterans' Homes Board**  
**Supplementary Information**  
**Supplementary Schedule of Net Assets (Cont.)**  
**June 30, 2012**

	<u>Murfreesboro</u>	<u>Humboldt</u>	<u>Knoxville</u>	<u>Executive Office</u>	<u>Totals</u>
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable and accruals	419,229.98	405,487.45	459,055.28	37,378.60	1,321,151.31
Amounts held in custody for others	53,004.12	45,551.37	12,794.47	-	111,349.96
Current portion of long-term debt	168,214.10	163,251.00	-	-	331,465.10
Compensated absences	107,442.52	141,242.98	150,639.66	59,238.12	458,563.28
Total current liabilities	<u>747,890.72</u>	<u>755,532.80</u>	<u>622,489.41</u>	<u>96,616.72</u>	<u>2,222,529.65</u>
Noncurrent liabilities:					
Long-term debt outstanding, net	1,923,754.52	2,854,187.88	-	-	4,777,942.40
Compensated absences	77,803.21	102,279.40	109,083.89	42,896.58	332,063.08
Other postemployment benefits	92,619.15	100,007.16	87,207.34	16,220.99	296,054.64
Total noncurrent liabilities	<u>2,094,176.88</u>	<u>3,056,474.44</u>	<u>196,291.23</u>	<u>59,117.57</u>	<u>5,406,060.12</u>
Total liabilities	<u>2,842,067.60</u>	<u>3,812,007.24</u>	<u>818,780.64</u>	<u>155,734.29</u>	<u>7,628,589.77</u>
<b>Net assets:</b>					
Invested in capital assets, net of related debt	4,744,579.21	5,002,795.69	11,503,233.82	48,173.05	21,298,781.77
Restricted for:					
Debt service	160,735.14	149,308.89	-	-	310,044.03
Repairs and replacements	736,505.26	768,997.89	603,022.07	-	2,108,525.22
Technology	-	-	-	497,776.89	497,776.89
Unrestricted	1,272,554.18	870,937.77	852,270.86	7,817,397.09	10,813,159.90
Total net assets	<u>\$ 6,914,373.79</u>	<u>\$ 6,792,040.24</u>	<u>\$ 12,958,526.75</u>	<u>\$ 8,363,347.03</u>	<u>\$ 35,028,287.81</u>

**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>
<b>Assets:</b>					
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	1,125,979.33	1,049,521.38	882,873.56	-	3,058,374.27
Miscellaneous receivables	-	5,529.81	44,153.89	1,512.30	51,196.00
Due from primary government	294,471.26	176,602.00	200,203.74	(4,811.76)	666,465.24
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
<b>Total current assets</b>	<u>1,748,521.82</u>	<u>1,591,588.05</u>	<u>1,594,876.14</u>	<u>8,157,018.19</u>	<u>13,092,004.20</u>
Noncurrent assets:					
Restricted cash	608,766.68	686,267.65	452,374.92	482,530.73	2,229,939.98
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
<b>Total noncurrent assets</b>	<u>7,589,709.70</u>	<u>9,019,149.28</u>	<u>12,294,721.69</u>	<u>509,197.87</u>	<u>29,412,778.54</u>
<b>Total assets</b>	<u>9,338,231.52</u>	<u>10,610,737.33</u>	<u>13,889,597.83</u>	<u>8,666,216.06</u>	<u>42,504,782.74</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>
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable and accruals	318,065.65	409,938.27	447,149.40	59,033.27	1,234,186.59
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>651,941.44</u>	<u>792,021.40</u>	<u>592,229.58</u>	<u>107,239.76</u>	<u>2,143,432.18</u>
Noncurrent liabilities:					
Long-term debt outstanding, net	2,116,384.57	3,111,702.03	-	-	5,228,086.60
Compensated absences	64,086.48	99,100.29	89,994.88	34,908.15	288,089.80
Other postemployment benefits	73,268.00	69,313.87	63,083.91	12,559.30	218,225.08
Total noncurrent liabilities	<u>2,253,739.05</u>	<u>3,280,116.19</u>	<u>153,078.79</u>	<u>47,467.45</u>	<u>5,734,401.48</u>
Total liabilities	<u>2,905,680.49</u>	<u>4,072,137.59</u>	<u>745,308.37</u>	<u>154,707.21</u>	<u>7,877,833.66</u>
<b>Net assets:</b>					
Invested in capital assets, net of related debt	4,685,008.45	5,063,279.60	11,842,346.77	26,667.14	21,617,301.96
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	991,080.83	642,884.09	849,567.77	8,002,310.98	10,485,843.67
Total net assets	<u>\$ 6,432,551.03</u>	<u>\$ 6,538,599.74</u>	<u>\$ 13,144,289.46</u>	<u>\$ 8,511,508.85</u>	<u>\$ 34,626,949.08</u>

**Tennessee State Veterans' Homes Board**  
**Supplementary Information**  
**Supplementary Schedule of Revenues, Expenses, and Changes in Net Assets**  
**For the Year Ended June 30, 2012**

	<u>Murfreesboro</u>	<u>Humboldt</u>	<u>Knoxville</u>	<u>Executive Office</u>	<u>Totals</u>
<b>Operating revenue:</b>					
Resident service revenue plus contractual adjustments of \$1,496,781.88 and less provision for bad debts of \$282,049.71	\$ 12,289,779.54	\$ 12,313,031.92	\$ 12,556,029.77	\$ -	\$ 37,158,841.23
Total operating revenue	<u>12,289,779.54</u>	<u>12,313,031.92</u>	<u>12,556,029.77</u>	<u>-</u>	<u>37,158,841.23</u>
<b>Operating expenses:</b>					
Administrative and general	1,026,850.82	998,964.65	1,031,110.24	1,786,532.45	4,843,458.16
Nursing services	5,596,014.22	5,632,539.81	5,503,128.51	-	16,731,682.54
Central services	327,492.68	345,899.87	397,980.81	-	1,071,373.36
Ancillary departments	1,068,324.69	1,186,444.44	1,118,443.84	-	3,373,212.97
Dietary	1,062,362.93	1,058,318.76	1,212,412.26	-	3,333,093.95
Activities	444,759.07	309,243.55	323,316.35	-	1,077,318.97
Social services	268,388.92	198,443.75	179,213.75	-	646,046.42
Environmental services	806,938.18	836,402.94	799,199.73	-	2,442,540.85
Plant operations and maintenance	652,684.55	679,163.69	604,353.17	-	1,936,201.41
Depreciation	431,525.26	457,191.31	456,421.73	15,697.53	1,360,835.83
Total operating expenses	<u>11,685,341.32</u>	<u>11,702,612.77</u>	<u>11,625,580.39</u>	<u>1,802,229.98</u>	<u>36,815,764.46</u>
Operating income (loss)	<u>604,438.22</u>	<u>610,419.15</u>	<u>930,449.38</u>	<u>(1,802,229.98)</u>	<u>343,076.77</u>
<b>Nonoperating revenues (expenses):</b>					
Interest revenue	3,314.69	1,229.31	822.78	11,716.53	17,083.31
Miscellaneous revenue	78,452.83	22,066.50	34,770.54	-	135,289.87
Interest expense	(71,644.98)	(112,339.97)	-	-	(183,984.95)
Gain on extinguishment of debt	24,415.94	94,263.15	-	-	118,679.09
Loss on disposal of equipment	(13,417.60)	(4,854.83)	(1,532.93)	-	(19,805.36)
Miscellaneous expense	(2,400.00)	(2,400.00)	(2,400.00)	(1,800.00)	(9,000.00)
Intercompany transfers	(141,336.34)	(354,942.81)	(1,147,872.48)	1,644,151.63	-
Total nonoperating revenues (expenses)	<u>(122,615.46)</u>	<u>(356,978.65)</u>	<u>(1,116,212.09)</u>	<u>1,654,068.16</u>	<u>58,261.96</u>
Increase (decrease) in net assets	481,822.76	253,440.50	(185,762.71)	(148,161.82)	401,338.73
Net assets, July 1	<u>6,432,551.03</u>	<u>6,538,599.74</u>	<u>13,144,289.46</u>	<u>8,511,508.85</u>	<u>34,626,949.08</u>
Net assets, June 30	<u>\$ 6,914,373.79</u>	<u>\$ 6,792,040.24</u>	<u>\$ 12,958,526.75</u>	<u>\$ 8,363,347.03</u>	<u>\$ 35,028,287.81</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>
<b>Operating revenue:</b>					
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>
<b>Operating expenses:</b>					
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>
<b>Nonoperating revenues (expenses):</b>					
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	(107,875.04)	(146,714.86)	-	-	(254,589.90)
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>(1,831,688.12)</u>	<u>(1,052,968.78)</u>	<u>(1,294,895.83)</u>	<u>4,037,839.74</u>	<u>(141,712.99)</u>
Increase (decrease) in net assets	(138,795.64)	(193,784.90)	223,275.72	2,463,679.74	2,354,374.92
Net assets, July 1	6,552,225.17	6,975,876.65	12,921,013.74	6,047,829.11	32,496,944.67
Prior period adjustment	19,121.50	(243,492.01)	-	-	(224,370.51)
Net assets (restated), July 1	<u>6,571,346.67</u>	<u>6,732,384.64</u>	<u>12,921,013.74</u>	<u>6,047,829.11</u>	<u>32,272,574.16</u>
Net assets, June 30	\$ <u>6,432,551.03</u>	\$ <u>6,538,599.74</u>	\$ <u>13,144,289.46</u>	\$ <u>8,511,508.85</u>	\$ <u>34,626,949.08</u>

**Tennessee State Veterans' Homes Board  
Supplementary Information  
Supplementary Schedule of Cash Flows  
For the Year Ended June 30, 2012**

	Murfreesboro	Humboldt	Knoxville	Executive Office	Totals
<b>Cash flows from operating activities:</b>					
Receipts from residents and third party payors	\$ 11,868,997.08	\$ 12,091,875.27	\$ 12,091,043.38	\$ -	\$ 36,051,915.73
Other miscellaneous receipts	32,876.81	26,404.42	67,805.15	210.00	127,296.38
Payments to service providers and vendors	(5,002,101.62)	(5,261,731.50)	(5,271,448.12)	(572,471.88)	(16,107,753.12)
Payments to employees	(6,102,692.58)	(5,993,362.88)	(5,832,590.25)	(1,214,313.55)	(19,142,959.26)
Other miscellaneous payments	(13,463.75)	(41,931.60)	(8,243.78)	-	(63,639.13)
Net cash provided by (used for) operating activities	<u>783,615.94</u>	<u>821,253.71</u>	<u>1,046,566.38</u>	<u>(1,786,575.43)</u>	<u>864,860.60</u>
<b>Cash flows from noncapital financing activities</b>					
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>
<b>Cash flows from capital and related financing activities:</b>					
Purchase of capital assets	(238,748.00)	(149,399.08)	(109,951.38)	(37,203.44)	(535,301.90)
Principal paid on loans from the State of Tennessee	(169,550.00)	(157,900.00)	-	-	(327,450.00)
Interest paid on loans from the State of Tennessee	(87,415.59)	(119,355.96)	-	-	(206,771.55)
Net cash used for capital and related financing activities	<u>(495,713.59)</u>	<u>(426,655.04)</u>	<u>(109,951.38)</u>	<u>(37,203.44)</u>	<u>(1,069,523.45)</u>
<b>Cash flows from investing activities:</b>					
Interest received	3,314.69	1,229.31	822.78	11,716.53	17,083.31
Net cash provided by investing activities	<u>3,314.69</u>	<u>1,229.31</u>	<u>822.78</u>	<u>11,716.53</u>	<u>17,083.31</u>
Net increase (decrease) in cash	281,217.04	395,827.98	937,437.78	(1,812,062.34)	(197,579.54)
Cash, July 1	<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>
Cash, June 30	<u>\$ 5,761,485.96</u>	<u>\$ 4,060,391.01</u>	<u>\$ 7,482,799.24</u>	<u>\$ (6,134,670.01)</u>	<u>\$ 11,170,006.20</u>

**Tennessee State Veterans' Homes Board**  
**Supplementary Information**  
**Supplementary Schedule of Cash Flows (Cont.)**  
**For the Year Ended June 30, 2012**

	<u>Murfreesboro</u>	<u>Humboldt</u>	<u>Knoxville</u>	<u>Executive Office</u>	<u>Totals</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>					
Operating income (loss)	\$ 604,438.22	\$ 610,419.15	\$ 930,449.38	\$ (1,802,229.98)	\$ 343,076.77
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	431,525.26	457,191.31	456,421.73	15,697.53	1,360,835.83
Miscellaneous receipts	33,692.74	22,066.49	23,414.54	-	79,173.77
Trustees fees	(2,400.00)	(2,400.00)	(2,400.00)	(1,800.00)	(9,000.00)
Increase in net resident accounts receivable	(32,475.42)	(65,860.64)	(245,919.87)	-	(344,255.93)
(Increase) decrease in miscellaneous receivable	(1,458.38)	4,185.31	44,153.89	210.00	47,090.82
Increase in due from primary government	(379,990.73)	(192,030.99)	(231,431.45)	(2,259.63)	(805,712.80)
Increase in inventories	(6,375.33)	(348.62)	(15,298.69)	-	(22,022.64)
(Increase) decrease in prepaid items	(3,693.48)	(4,001.10)	13,704.58	2,779.57	8,789.57
Increase (decrease) in noncapital accounts payable and accruals	101,164.33	(4,450.82)	11,905.88	(21,654.67)	86,964.72
Decrease in amounts held in custody for others	(12,821.30)	(41,778.98)	(8,007.06)	-	(62,607.34)
Increase in compensated absences	32,658.88	7,569.31	45,450.02	19,020.06	104,698.27
Increase in other postemployment benefits	19,351.15	30,693.29	24,123.43	3,661.69	77,829.56
Total adjustments	<u>179,177.72</u>	<u>210,834.56</u>	<u>116,117.00</u>	<u>15,654.55</u>	<u>521,783.83</u>
Net cash provided by (used for) operating activities	\$ <u>783,615.94</u>	\$ <u>821,253.71</u>	\$ <u>1,046,566.38</u>	\$ <u>(1,786,575.43)</u>	\$ <u>864,860.60</u>
<b>Noncash capital activities</b>					
Contributed capital assets	\$ 59,690.00	\$ -	\$ 9,151.00	\$ -	\$ 68,841.00

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

	<u>Murfreesboro</u>	<u>Humboldt</u>	<u>Knoxville</u>	<u>Executive Office</u>	<u>Totals</u>
<b>Cash flows from operating activities:</b>					
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	<u>(747,632.42)</u>	<u>(684,847.31)</u>	<u>(146,444.49)</u>	<u>-</u>	<u>(1,578,924.22)</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>
<b>Cash flows from noncapital financing activities</b>					
Principal paid on loan from the State of Tennessee	<u>(10,000.00)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,000.00)</u>
Net cash used for noncapital financing activities	<u>(10,000.00)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,000.00)</u>
<b>Cash flows from capital and related financing activities:</b>					
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 loans from the State of Tennessee	(166,550.00)	(155,900.00)	-	-	(322,450.00)
Interest paid on loans from the State of Tennessee	<u>(110,671.35)</u>	<u>(149,891.69)</u>	<u>-</u>	<u>-</u>	<u>(260,563.04)</u>
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>
<b>Cash flows from investing activities:</b>					
Interest received	<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 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	<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>
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>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>					
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	205,297.58	359,889.80	(71,598.88)	-	493,588.50
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 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 postemployment 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>
<b>Noncash capital activities</b>					
Contributed capital assets	\$ -	\$ -	\$ 43,369.13	\$ -	\$ 43,369.13