

**Comprehensive Annual Financial Report**

**For the Fiscal Year Ended June 30, 2020**



# Tennessee Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2020

BILL LEE, Governor



DEPARTMENT OF FINANCE AND ADMINISTRATION  
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STATE OF TENNESSEE  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE YEAR ENDED JUNE 30, 2020

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# INTRODUCTORY SECTION

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December 16, 2020

To the Citizens, Governor, and Members of the Legislature of the State of Tennessee

As part of its responsibility under Tennessee Code Annotated 4-3-1007 to maintain a system of general accounts embracing all the financial transactions of state government, the Department of Finance and Administration is pleased to submit to you the Comprehensive Annual Financial Report (CAFR) for the State of Tennessee's fiscal year ended June 30, 2020. Prepared in accordance with Generally Accepted Accounting Principles (GAAP) applicable to governments as prescribed by the Governmental Accounting Standards Board (GASB), the objective of this report is to present a clear picture of our government as a single comprehensive reporting entity.

Responsibility for both the accuracy of the data and the completeness and fairness of this report, including all disclosures, rests with the management of state government and this department. The data and information presented is believed to be accurate in all material respects, and, all disclosures that are necessary to enable the reader to obtain a thorough understanding of the state's financial activities have been included.

The aforementioned belief is based on a comprehensive framework of internal control that has been established by state government management to provide a reasonable basis for asserting Tennessee's financial statements are free of material misstatement. The concept of reasonable assurance recognizes that the cost of a system of internal and operational control should not exceed the benefits derived, and also recognizes that the evaluation of these factors necessarily requires estimates and judgements by management.

The State of Tennessee Comptroller of the Treasury, Department of Audit, considered by federal and state government to be independent auditors, has examined the accompanying financial statements, and issued an unmodified opinion. Their report is located at the front of the financial section of this report. We acknowledge the Department of Audit's staff for their many contributions to the preparation of this CAFR.

The audit of the financial statements of Tennessee is part of a broader, federally mandated Single Audit designed to meet the special needs of federal grantor agencies. The Single Audit Report for the state will be issued under separate cover and at a later date.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report in the financial section of this CAFR. Introducing the basic financial statements, MD&A furnishes an objective and easily readable analysis of the state's financial activities. This letter of transmittal is intended to complement the MD&A, and we therefore encourage you to read it in conjunction with this letter.

## State Profile



Tennessee is where memories are made, whether at an iconic American attraction like Graceland or Dollywood, through the soul-stirring impact of a once-in-a-lifetime live music event or basking in the state's glorious natural wonders and wondrous experiences.

Located in the upper south of the eastern United States, Tennessee became the 16th state of the union in 1796. In the year 2019, population was estimated at 6.8 million. The geography of Tennessee is unique. Its extreme breadth of 432 miles (695 km) stretches from the Appalachian Mountain boundary with North Carolina in the east to the Mississippi River borders with Missouri and Arkansas in the west; its narrow width, only 112 miles (180 km), separates its northern neighbors, Kentucky and Virginia, from Georgia, Alabama, and Mississippi, to the south.

Divided into three sections called the Grand Divisions, Tennesseans commonly refer to themselves as being from East, Middle, or West Tennessee. These divisions are legal as well as geographic and cultural, date back to the earliest period of European settlement, and, remain a key part of what makes Tennessee unique.

State government powers in Tennessee are by state constitution divided into three distinct branches, the legislative, the executive and the judicial. The legislative branch of government consists of a bicameral General Assembly with a Senate and House of Representatives. Members of the General Assembly, or Legislature, are elected by popular vote from districts across the state. The Legislature enacts laws, provides a forum for debate and secures financing for the operation of state government. In the case of the executive branch, the constitution places the "Supreme Executive Power" of the state with the governor. The governor and his executive branch agencies "execute" or administer laws, mandates and new programs created by the General Assembly by statute. The judicial branch, serves as a check on the powers of both the legislative and executive branches.

For financial reporting purposes, the state's reporting entity consists of (1) the primary government, (2) component unit organizations for which the primary government is financially accountable, and (3) other component unit organizations for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The funds and accounts of all agencies, boards, commissions, foundations, and authorities that have been identified as part of the primary government or a component unit have been included. Additional information about the state's reporting entity can be found in Note 1 to the financial statements.

The state and its component units provide a wide range of services and funding to the citizens of Tennessee, including among others, education, health and social, law, justice and public safety, recreation and resource development, regulation of business and professions, transportation, and general government services. The financial activities associated with these services are reflected in both summary and detail throughout this report.

Tennessee's constitution requires the state to maintain a balanced budget, and state legislation grants the governor the authority and duty to develop and submit a recommended budget to the General Assembly.

Preparation of the governor's annual budget for the State of Tennessee is the responsibility of the Commissioner of Finance and Administration, who is the state budget director. Within the Department of Finance and Administration, the Division of Budget is responsible for budget development using the modified accrual basis of accounting.

At the time the budget document is presented to the General Assembly, the appropriation process is initiated. The general appropriations act reflects the General Assembly's approval of the annual budget, and once passed and signed, the budget, in the form of the appropriations act, becomes the state's financial plan for the coming year. This act appropriates funds at the program level. No expenditures may be made, and no allotments increased, except pursuant to appropriations made by law. Budgetary control is maintained at the program level by the individual departments, acting in conjunction with the Department of Finance and Administration. Additional information regarding the state's budgetary process (including the governmental funds with an annual appropriated budget) can be found in the Notes to Required Supplementary Information within this report.

### **Information Useful in Assessing Tennessee's Economic Condition**

#### **Local economy** *(Prepared by The Boyd Center for Business and Economic Research at the University of Tennessee)*

The U.S. was rocked by the COVID-19 pandemic in early-2020, driving the national economy into a recession and ending the longest economic expansion on record, dating back to the 1850s. In early-March, the World Health Organization (WHO) declared COVID-19 a pandemic and states across the country issued stay-at-home orders and social distancing mandates, shutting down all non-essential activities in an effort to curb the spread of the virus. Forced shutdowns coupled with fear of contracting the virus led to a dramatic reduction in economic activity. In the second quarter of 2020, inflation-adjusted gross domestic product (real GDP) fell by a record-breaking 31.4 percent in the U.S., and more than 20 million jobs were lost nationwide between March and April. No state was spared from the economic fallout of the pandemic. In Tennessee, nearly 400 thousand jobs were lost between March and April and the state's unemployment rate shot up to 15.5 percent in April, representing an unprecedented 12.2 percentage point increase from the month prior. The economic downturn would have likely been even worse had it not been for timely Federal stimulus through the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and aggressive monetary policy, which provided enhanced unemployment insurance and funds to help keep many struggling households and business afloat through parts of 2020.

Expectations are that the trough of the recession occurred in April of 2020 and that the Tennessee economy will see positive growth going forward as we dig out of the low point from the spring. However, with a recent surge in new COVID-19 cases and no new fiscal stimulus in sight, the recovery could be one of fits and starts. The state has added 272.1 thousand jobs back to payrolls between May and October, but employment growth has slowed in recent months, and employment levels are still well below the pre-pandemic peak. The unemployment rate has also trended downwards, to a large degree, falling from the 15.5 percent peak of April to 6.5 percent in September, but then rose to 7.4 percent in October.

Due to the pandemic, real GDP in 2020 is projected to fall by 3.5 percent in Tennessee and 3.6 percent in the nation. Projections call for an acceleration of economic activity in 2021, with real GDP growing by 2.9 percent as states continue to open back up, and amid the hopes that an effective vaccine will be made available by mid-2021 which will help to jump-start the economic recovery. State GDP is projected to recover to pre-pandemic levels by the end of 2022, with progressively slower rates of growth thereafter as the economy normalizes.

Unemployment rates are projected to continue trending downwards as the economy recovers. The state unemployment rate is projected to hit 7.5 percent for the 2020 year as a whole (annual average) before falling to 5.2 percent in 2021. But long-term scarring from the pandemic will keep unemployment rates from reaching the record lows of 3.3 percent prior to the pandemic.

Nonfarm employment is projected to fall by 3.7 percent in 2020, representing a loss of 116 thousand workers between 2019 and 2020. The state will then see positive employment growth over the next two years, expanding by 2.2 percent in 2021 and 2.0 percent in 2022. However, nonfarm employment levels are projected to remain below pre-pandemic peak levels until the first quarter of 2023.

### Nonfarm Employment Growth Outlook



Sources: Bureau of Labor Statistics, IHS, and Boyd Center for Business & Economic Research

### Long-term financial planning and relevant financial policies

- Committed to controlling pension obligations, the state has met the full actuarially required contribution each year since 1972 and periodically revisits benefit provisions, including shifting to a hybrid plan as of July 1, 2014.

For employees hired after June 30, 2014, the traditional defined benefit (where financial risk was borne entirely by the employer) was replaced with a combination of a defined benefit and a defined contribution plan. This hybrid plan includes greater controls over employer costs and unfunded liabilities. For example, the statute governing the hybrid plan provides for a minimum employer contribution, and for employer contributions in excess of the actuarially determined contribution rate to be deposited into a stabilization reserve to help keep contribution rates stable.

- The state has the flexibility to adjust benefits and premium sharing provisions provided by insurance plans and to adjust the various other post-employment benefit (OPEB) plan options and operations on an annual basis.

To help ensure the fiscal integrity and sustainability of employee health insurance benefits for current, former and future employees, the state eliminated retiree insurance and the associated subsidies for state, higher education, local education and local government employees first hired, and elected officials first elected, after July 1, 2015.

In addition, beginning in fiscal year 2019, the state began advance-funding its largest OPEB obligation (i.e. the obligation to provide subsidized health benefits to pre age 65 employees and retirees of the primary government and its component units that commenced employment prior to July 1, 2015). An investment trust was opened on January 1, 2019, and an annually calculated actuarially determined contribution (utilizing a closed amortization over a twenty-year period for its unfunded actuarial accrued liability) has been fully funded since that time.

- In 1996, legislation was enacted that determined the allocation goal for a reserve for revenue fluctuations to be 5 percent of the estimated state tax revenues to be allocated to the general fund and education trust fund. This goal was increased to 8 percent effective July 1, 2013. The revenue fluctuation reserve, or the "rainy day fund", allows services to be maintained when revenue growth is slower than estimated in the budget. Amounts in the revenue fluctuation reserve may be utilized to offset state tax revenue shortfalls which may occur and for which funds are not otherwise available. Subject to specific provisions of the general appropriations bill, an amount not to exceed the greater of \$100 million or one-half (1/2) of the amount available in the reserve, may be used to meet expenditure requirements in excess of budgeted appropriation levels.

The revenue fluctuation reserve was \$1.2 billion on June 30, 2020, the highest level in state history.

- The revenue estimating process in Tennessee generally starts twelve months before a fiscal year begins. Revenue collections are tracked on a monthly basis, and this information, along with specific long-run forecasts of individual sectors of the economy, is used to form the basis for the next fiscal year's estimated revenue collections. Tennessee's process incorporates the "Good Practices in Revenue Estimating" endorsed by the National Association of State Budget Officers and the Federation of Tax Administrators. This requires using national and state economic forecasts, developing an official revenue estimate, monitoring and monthly reporting on revenue collections, and revising estimates when appropriate.

More information about the methodology used in the making of the estimates, along with monthly reports comparing estimates to actuals, can be found at <https://www.tn.gov/content/tn/finance/fa/fa-budget-information/fa-budget-rev.html>.

- The State Funding Board (composed of the Governor, the Commissioner of Finance and Administration, the Comptroller, the State Treasurer, and the Secretary of State) is charged with the establishment of policy guidelines for the investment of state funds. The State Treasurer is responsible for the management of the State Pooled Investment Fund (SPIF), which includes the state's cash, various dedicated reserves and trust funds of the state, and a local government investment pool), and, the Intermediate Term Investment Fund (ITIF), a longer term investment option.

The investment objective for the SPIF is to obtain the highest available return on investments consistent with the preservation of principal, while maintaining enough liquidity for state expenditures and other withdrawals from the state pooled investment fund.

The ITIF portfolio is intended to be a longer-term investment option to the SPIF and actively managed and designed to invest in longer-term instruments in order to benefit from the normal steepness of the yield curve.

- The state is authorized to issue general obligation tax revenue anticipation notes (TRANS) in anticipation of tax revenues in the then current fiscal year of the state. The state constitution prohibits, however, the issuance of debt for operating purposes maturing beyond the end of a fiscal year. Accordingly, any TRANS issued in a fiscal year must be repaid by the end of the same fiscal year. The state has not heretofore issued TRANS and has no current intent to do so.
- The state may issue general obligation bonds for one or more purposes authorized by the General Assembly of the state, however, the term of the bonds authorized and issued cannot exceed the expected life of the project being financed. Bond anticipation notes have been authorized to be issued for the purposes of all existing bond authorizations.
- The state's current practice is to annually budget for 5 percent of all authorized and unissued general obligation bonds to account for assumed principal redemption (on the basis of an assumed 20-year, level-principal issue), plus an amount for assumed interest currently at a rate of 6 percent annually.

Independent of the appropriation act process discussed earlier in this letter, pursuant to state law, there is a continuing appropriation of a sum sufficient for payment of debt service on outstanding bonds and other debt obligations from any funds held in the state treasury not otherwise legally restricted.

- Over the years, Tennessee has consistently maintained a relatively low debt burden. This has been accomplished using sound, prudent, and conservative debt management practices. Such practices include funding a portion of the state's capital program with surplus cash, cancellation of bond authorizations in lieu of issuing debt, creating and maintaining a "rainy day fund" to offset unanticipated revenue shortfalls, and the adoption of state statutes designed to control the issuance of excessive debt. The state continues to maintain a relative low debt burden, and access to the capital markets remains strong.
- Tennessee does not borrow money to fund transportation projects. Transportation initiatives instead follow a "pay-as-you-go" philosophy that utilizes bond authorizations as a cash management tool to accelerate projects in anticipation of expected revenues over a project's horizon. The bonds are authorized but remain unissued. (No general obligation bonds have been issued for these purposes since 1977.) The authorization allows the Tennessee Department of Transportation (TDOT) to obligate projects and get them started. Project costs are then paid throughout the year using TDOT's current cash flow. TDOT manages the project costs and has developed a model to project the cumulative cash requirement of multiple projects at different stages of construction and maintenance. The model projects TDOT's cash balance and indicates when additional bonds can be authorized or, if expected revenue failed to meet targets, whether the bonds must be sold to cover expenses.

The state's practice of using cash flow to finance road projects in lieu of issuing debt has been one of the key factors in Tennessee's ability to secure and retain very high bond ratings.

- The Tennessee Governmental Accountability Act of 2013 requires that a system of strategic planning, program performance measures and performance audits be used to measure the effectiveness and efficiency of governmental services. The information generated by the system is intended to inform the public and assist the General Assembly in making meaningful decisions about the allocation of scarce resources in meeting vital needs.
- Monthly financial data on revenues and expenditures is provided to the governor and agency heads. Significant variations from budget are required to be researched and commented upon by agency heads. The governor may affect spending reductions to offset unforeseen revenue shortfalls or unanticipated expenditure requirements for particular programs. These spending reductions can take the form of deferred equipment purchases, hiring freezes, and similar cutbacks. The governor may also call special sessions of the General Assembly at any time to address financial or other emergencies.
- All state departments and institutions of higher education must under Tennessee law perform an annual management assessment of risk. Implementation guidance requires that this assessment utilize enterprise risk management practices that align with the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) enterprise risk management (ERM) framework, and, incorporate the Standards for Internal Control in the Federal Government's (known as the Green Book) adaption of COSO's Internal Control – Integrated Framework (2013). The guidance emphasizes the need to integrate and coordinate risk management and strong and effective internal control into existing business activities and as an integral part of managing a state department or institution of higher education.

#### **Major (legislative/budget) initiatives**

Like many other states, Tennessee's 2020 legislative year was interrupted with COVID-19 which continues to devastate our country. The legislative session began in January with the introduction of a spending plan by the governor that laid out a bold vision for Tennessee. However, the governor and state lawmakers had to regroup in March, putting aside most of the proposed improvements due to the pandemic.

The first case of COVID-19 occurred on March 5, only two days after the state was ravaged by tornadoes. Shortly thereafter, the General Assembly passed a preliminary FY 2021 budget and paused this year's session until June 1 due to the pandemic. This budget shelved many of the originally proposed initiatives in order to preserve or increase funding for COVID-19 response, address the tornado disaster, and ensure critical state services continued.

When lawmakers reconvened in June, the state's revenue picture was grim and more difficult budget decisions had to be made. On June 19, a second FY 2021 budget was passed. Generally, this bare-bones budget does not fund new programs or initiatives and simply maps out a plan to keep the state budget balanced as Tennessee weathers the COVID-19 pandemic's economic fallout. The new budget continues the tradition which has made Tennessee among the best managed states in the nation, maintaining low taxes and preserving savings, while achieving efficiencies in operations and continuing essential services to Tennesseans.

The budget bill seeks to avoid harsh cuts that could cause interruptions in critical state services and provides authority to access certain reserve funds as needed, thereby allowing for a thoughtful review of business practices to identify efficiencies and creative delivery of vital services as well as the development of strategic plans to reduce the employee workforce.

Full funding is provided for,

- The Basic Education Program for K – 12 public schools
- Contributions to the state employee pension fund
- State payments for employee health insurance
- Debt service requirements

Reductions will be achieved in part through,

- Up to 12% reductions through greater efficiencies in all departments
- Reduction in new capital projects and funding for capital maintenance
- Authorizing bonds for existing capital projects previously funded with cash
- Elimination of vacant state employee positions

The budget also finalizes the elimination of the Hall Income Tax (a tax on investments and dividends that the state has gradually phased out since 2016) and continues and enhances tax relief through an expansion of the state’s annual sales tax holiday (including a sales tax holiday for the retail sale of food and drink by restaurants, who have been hit especially hard by the effects of the pandemic).

#### **Economic development incentives (grants, tax exemptions/credits and abatements)**

*(Prepared by Tennessee Departments of Revenue and Economic and Community Development)*

Tennessee’s incentives for companies expanding within the state or relocating to the state include a combination of tax credits, job training reimbursement grants and public infrastructure development around a project site. The amount and duration of the incentives depends on the type of company, number of jobs created, and the amount of capital invested. These incentive programs and tax credits are developed and administered by the Tennessee Department of Economic and Community Development (TNECD) and the Tennessee Department of Revenue (TDOR).

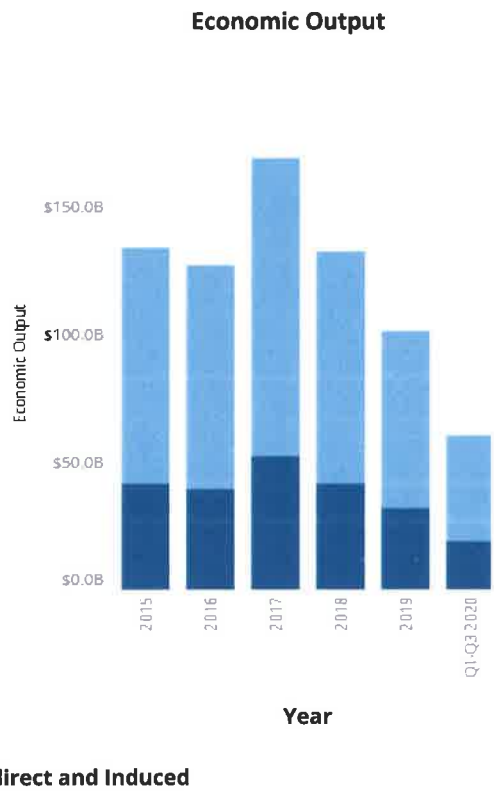
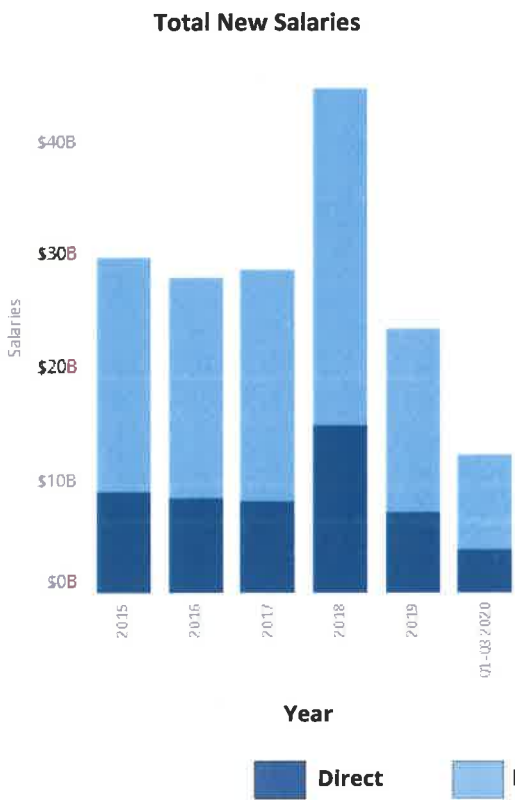
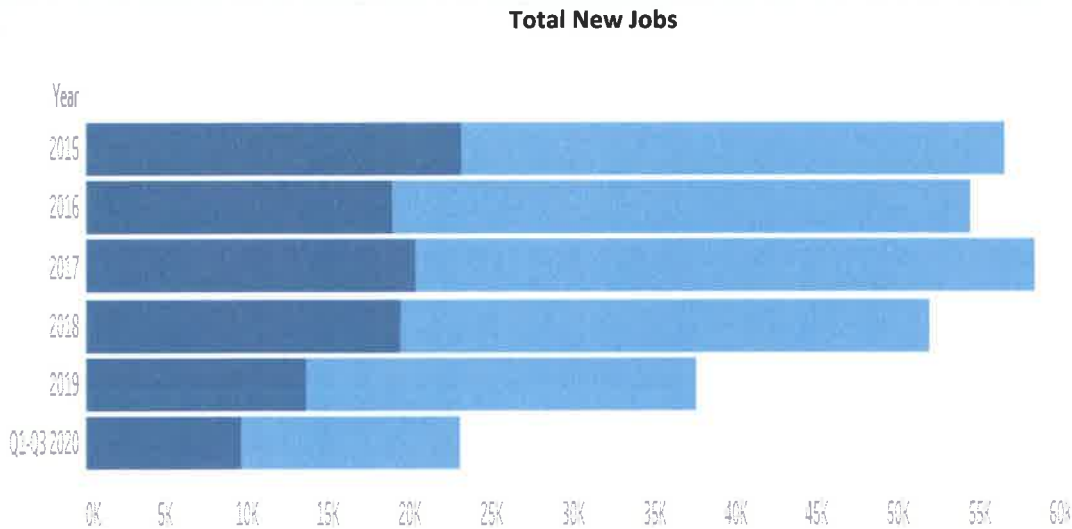
The vision (and the goal of Tennessee’s governor) is to improve the economic success of all Tennesseans by assisting in the creation of job opportunities throughout the state, and Tennessee’s job growth and economic development success speak to the effectiveness of state incentives in achieving this vision. Between 2015 and the third quarter of 2020, TNECD secured more than 115,600 new job commitments and \$25.6 billion in capital investment from companies locating or expanding across the state. Job creation is taking place across Tennessee with over 42,500 new job commitments in rural counties since the beginning of 2015.

One-way TNECD aims to support net new job creation and capital investment is through its FastTrack grant programs. FastTrack assists companies with relocation and training of new employees as well as helps communities develop public infrastructure to assist expanding or relocating companies. There are three FastTrack programs: FastTrack Job Training Assistance, FastTrack Infrastructure Development and the FastTrack Economic Development Fund.

During the first three quarters of 2020, TNECD located 48 projects that received a FastTrack grant commitment to expand or re-locate in Tennessee. The department forecasts that over the next ten years, these projects will increase Tennessee’s economic output by \$41.2 billion, as well as generate 23,070 new job opportunities and \$8.4 billion in new salaries across the state. These jobs include 9,627 directly created by the company expansion and recruitment activity as well as 13,443 indirect and induced jobs from across the supplier network and other industries as a result of expanded economic growth.



The state's investments in projects during the first three quarters of 2020 have a projected annual rate of return of 62.3 percent. The costs of incentives are projected to be returned to the state in 1.5 years as a result of additional revenues the projects will generate. (These return on investment figures take into consideration additional costs of providing state services as well as tax credits companies may be eligible for.)



The state is proactive in its analysis of its incentive packages and the economic benefits, and it operates in a fiscally responsible way when recruiting new business and supporting existing business growth. TNECD has developed a key performance indicator (KPI) transparency platform to provide current information measuring its strategic objectives. The platform features interactive dashboards for tracking economic data and strategic initiatives. Using a model built by an economic consulting firm, it forecasts the fiscal benefits each project will generate over a ten-year time period and measures this return relative to the state's investment in the form of grants and tax credits.

OpenECD <https://www.tn.gov/transparenttn/open-ecd.html> is designed to be a user-friendly site where the public can review these KPIs and find public information and documents pertaining to TNECD grants and incentives.

In summary, tax credits and incentives are a critical component of Tennessee's long-run economic growth, business-friendly environment, and strong record of job creation.

State law requires Tennessee's annual budget document to include a schedule of exemptions from state taxes. To the extent practicable, all exemptions from state taxes are to be identified, along with an estimate of the amount of revenue that would have been collected by the state in the ensuing fiscal year, if the exemptions were not to exist. Because the state does not collect the data necessary to estimate the amount of revenue lost for each of the tax exemptions found in the Tennessee Code Annotated, only those that can be estimated with a reasonable degree of accuracy are presented in the budget document. In addition, the estimates of revenue loss do not consider the impact of a change in a tax provision on taxpayer behavior that may impact other taxes (i.e. secondary or feedback effects). State budget publications can be found at <https://www.tn.gov/finance/fa/fa-budget-information/fa-budget-archive/fa-budget-publication-2020-2021.html>.

## **Awards and Acknowledgements**

### **Certificate of Achievement Award**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Tennessee for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2019. This was the fortieth year that the state has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

### **Acknowledgments**

The preparation of this report requires the collective efforts of literally hundreds of financial personnel throughout state government, including the dedicated staff of the Department of Finance and Administration, Division of Accounts, and, the department controllers, fiscal officers and staff at each state agency and component unit. These efforts have produced a report that we believe will serve as a helpful source of information for anyone having an interest in the financial operations of the state.

We express our sincere appreciation to these individuals; acknowledge the Governor and the members of the Legislature for their interest and support in planning and conducting the financial operations of the state in a responsible and progressive manner; and, reaffirm our commitment to continue Tennessee's legacy of quality financial management and maintain the highest standards of accountability in financial reporting.

Respectfully submitted,

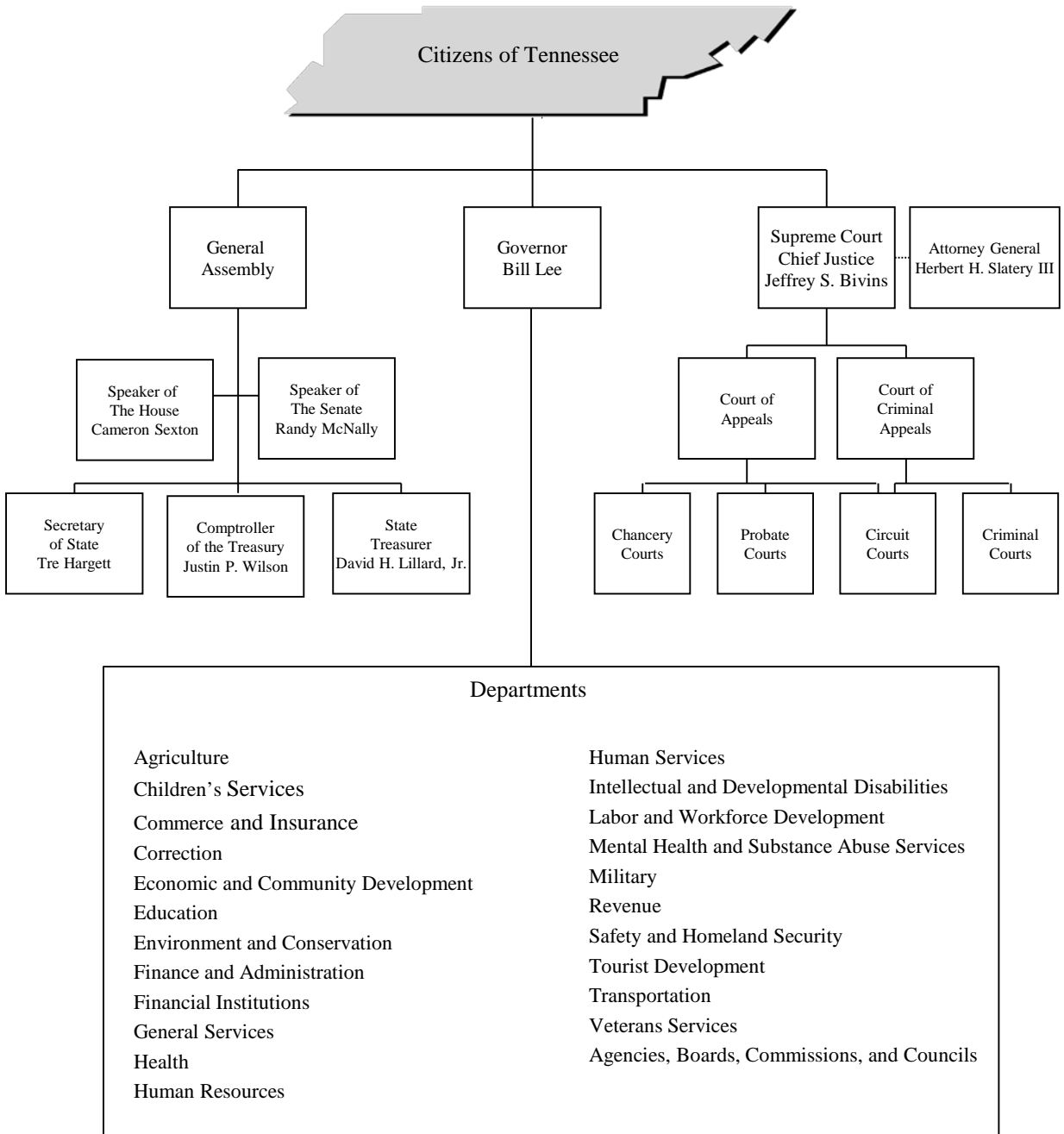
A handwritten signature in blue ink, appearing to read "Howard H. Eley". The signature is fluid and cursive, with a large, sweeping flourish at the end.

Howard H. Eley  
Commissioner

A handwritten signature in blue ink, appearing to read "Mikel J. Corricelli". The signature is cursive and somewhat stylized, with a small mark at the end.

Mikel J. Corricelli  
Chief of Accounts

STATE OF TENNESSEE  
 ORGANIZATION CHART  
 As of June 30, 2020





Government Finance Officers Association

Certificate of  
Achievement  
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in Financial  
Reporting

Presented to

**State of Tennessee**

For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

June 30, 2019

*Christopher P. Morrill*

Executive Director/CEO

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# FINANCIAL SECTION

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JUSTIN P. WILSON  
*Comptroller*

JASON E. MUMPOWER  
*Deputy Comptroller*

## **Independent Auditor's Report**

Members of the General Assembly  
The Honorable Bill Lee, Governor

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Tennessee, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

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

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

#### ***Auditor's Responsibility***

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. Tennessee statutes, in addition to audit responsibilities, entrust certain other responsibilities to the Comptroller of the Treasury. Those responsibilities include serving as a member of the board of directors of the Baccalaureate Education System Trust, Board of Claims, Board of Standards, Chairs of Excellence, Local Education Insurance Committee, Local Government Insurance Committee, State Building Commission, State Funding Board, State Insurance Committee, Tennessee Consolidated Retirement System, Tennessee Housing Development Agency, Tennessee Local Development Authority, Tennessee Student Assistance Corporation, and the Tennessee State School Bond Authority. We do not believe that the Comptroller's service in this capacity affected our ability to conduct an independent audit of the State of Tennessee.

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Tennessee as of June 30, 2020, and the

changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 5, the Tennessee Retiree Group Trust investment pool has investments valued at \$11.5 billion, whose fair values have been estimated by management in the absence of readily determinable fair values. These investments make up 0.1% of net position of the general fund, 21.4% of net position of pension and other employee benefit trust funds, 0.8% of net position of investment trust funds, and 2.5% of total assets of agency funds. In addition, the financial statements of the University of Tennessee, a discretely presented component unit, include investments valued at \$960.1 million (10.4% of total component unit net position), whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or the general partners. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information listed in the accompanying table of contents 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, which 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 our 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.

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Tennessee's basic financial statements. The supplementary information and supplementary schedules listed in the accompanying table of contents are presented for purposes of additional analysis and are 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit 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 basic financial statements or to the basic 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 as a whole. The introductory section and statistical section listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we will also issue our report dated December 16, 2020, on our consideration of the State of Tennessee'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 in the *Tennessee Single Audit Report*. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Tennessee's internal control over financial reporting and compliance.



Katherine J. Stickel, CPA, CGFM, Director  
Division of State Audit  
December 16, 2020



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# MANAGEMENT'S DISCUSSION AND ANALYSIS

Our management discussion and analysis (MD&A) of the State of Tennessee's (the state's) financial performance provides an overview of the state's financial activities for the year ended June 30, 2020. Please read it as a narrative introduction to the financial statements that follow. The information included here should be considered along with the transmittal letter which can be found on pages 2-12 of this report. MD&A includes a description of the basic financial statements for government, condensed financial information along with analyses of balances and financial position, descriptions of significant asset and debt activity, discussions of budgetary matters and significant issues affecting financial position.

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## FINANCIAL HIGHLIGHTS

### Government-wide

**Net Position**—The assets and deferred outflows of resources of the state exceeded its liabilities and deferred inflows of resources at June 30, 2020, by \$41.3 billion (net position). Of this amount, \$7.5 billion represents unrestricted net position, which may be used to meet the state's ongoing obligations to citizens and creditors while \$31.4 billion represents net investment in capital assets.

**Changes in Net Position**— The state's net position increased by \$2 billion. The increase was the result of a significant increase in operating grants and contributions as well as an increase in capital assets.

**Component units**—Component units reported total net position of \$9.2 billion, an increase of \$590 million.

### Fund Level

At June 30, 2020, the state's governmental funds reported combined ending fund balances of \$9.8 billion, an increase of \$1.2 billion (see discussion on page 24) compared to the prior year. Of the combined fund balance, approximately \$7.4 billion is spendable unrestricted (committed, assigned or unassigned) fund balance and is available for spending at the government's discretion or upon legislative approval; however, \$1.2 billion of this amount is set aside in a revenue fluctuation account (rainy day fund).

### Long-Term Debt

The state's total general obligation bonds and commercial paper debt decreased by \$146.3 million during the fiscal year to a total of \$2.1 billion. This change is primarily

due to a net decrease of \$116.4 million in outstanding commercial paper during the fiscal year. This was the result of using bond proceeds to redeem outstanding commercial paper combined with a decrease in commercial paper draws during the fiscal year.

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## USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The statement of net position and the statement of activities (on pages 31-33) provide information about the activities of the state as a whole (government-wide statements) and present a longer-term view of the state's finances. Fund financial statements start on page 36. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the state's operations in more detail than the government-wide statements by providing information about the state's most significant funds. The remaining statements provide financial information about activities for which the state acts solely as a trustee or agent for the benefit of those outside of the government.

### Reporting the State as a Whole

#### *The Statement of Net Position and the Statement of Activities*

Our analysis of the state as a whole begins on page 20. One of the most important questions asked about the state's finances is, "Is the state as a whole better off or worse off as a result of the year's activities?" The statement of net position and the statement of activities report information about the state as a whole and about its activities in a way that helps answer this question. These statements include all assets, liabilities, and deferred outflows/inflows using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These statements report financial information about the entire government except fiduciary activities. The statements distinguish between the primary government and its component units, and also distinguish between governmental activities and business-type activities of the primary government. The statement of net position displays all the state's financial and capital resources in the format of assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equal net position. The statement of activities reports the state's operations by function to arrive at net revenue (expense). The statement reports what type revenue (either program revenue or general revenue) funds the government operations. The state functions that are

identified on this statement correspond to the functions used for budgetary purposes:

- Governmental activities—general government; education; health and social services; law, justice and public safety; recreation and resources development; regulation of business and professions; transportation; intergovernmental revenue sharing; payments to fiduciary funds and interest on long-term debt.
- Business-type activities—employment security, insurance programs, loan programs and other.
- Component units—major discretely presented component units include the Tennessee Housing Development Agency, the Tennessee Education Lottery Corporation, the State University and Community College System, and the University of Tennessee. Although these and other smaller entities are legally separate, these “component units” are important because the state is financially accountable for them.

### Reporting the State’s Most Significant Funds

#### *Fund financial statements*

Our analysis of the state’s major funds begins on page 24. The fund financial statements begin on page 36 and provide detailed information about the most significant funds—not the state as a whole. Some funds are required to be established by state law and by bond covenants. However, the state establishes many other funds to help it control and manage money for particular purposes (like capital projects) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The state’s two kinds of funds, governmental and proprietary, use different accounting approaches.

- **Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government’s near-term financing requirements.
- **Proprietary Funds.** Proprietary funds report the government services that charge service fees to its

customers. Proprietary funds include enterprise funds (serving citizens) and internal service funds (serving state agencies). The enterprise funds are the same as the business-type activities reported in the government-wide statements, but provide more detail; whereas, the internal service funds are included in the governmental activities.

- **Notes to the financial statements.** Notes to the financial statements are also included and provide essential information to understand the financial statements. They are an integral part of the financial statements and focus on the primary government and its activities. Some information is provided for significant component units. The notes to the financial statements can be found on pages 52-129.

### The State as Trustee

#### *Reporting the State’s Fiduciary Responsibility*

Fiduciary funds are used to report resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the state cannot use these assets to finance its operations. Instead, the state is responsible for using the fiduciary assets for the fiduciary fund’s intended purposes.

### THE STATE AS A WHOLE

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#### **Government-wide Financial Analysis**

Net position may serve over time as a useful indicator of a government’s financial position. In the case of the state, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$41.3 billion as of June 30, 2020.

By far, the largest portion of the state’s net position (76 percent) reflects its net investment in capital assets (e.g., land, infrastructure, structures and improvements, machinery and equipment, construction in progress and software in development), less any related debt and deferred outflows of resources used to acquire those assets that is still outstanding. The state uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the state’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

State of Tennessee

An additional portion of the state's net position (6 percent) is restricted and represents resources that are subject to either external restrictions or legislative restrictions on how they may be used. The remaining balance is unrestricted net position (\$7.5 billion) and may be used to meet the state's ongoing obligations to citizens and creditors not funded by resources that are restricted. Primarily as a result of a significant increase in operating

grants and contributions, unrestricted net position increased by \$809.7 million (12 percent).

At the end of the current fiscal year, the state was able to report positive balances in all three categories of net position, for the government as a whole, and for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

State of Tennessee Net Position as of June 30 (Expressed in Thousands)						
	Governmental Activities		Business Type Activities		Total Primary Government	
	2020	2019*	2020	2019*	2020	2019*
Current and other assets	\$ 15,036,557	\$ 12,465,650	\$ 3,619,395	\$ 3,107,200	\$ 18,655,952	\$ 15,572,850
Capital assets	31,952,586	30,963,680	-	-	31,952,586	30,963,680
Total assets	<u>46,989,143</u>	<u>43,429,330</u>	<u>3,619,395</u>	<u>3,107,200</u>	<u>50,608,538</u>	<u>46,536,530</u>
Deferred outflows of resources	840,618	1,033,253	-	-	840,618	1,033,253
Current and other liabilities	4,192,651	2,502,281	539,872	101,876	4,732,523	2,604,157
Noncurrent liabilities	4,953,438	5,420,314	11,420	11,582	4,964,858	5,431,896
Total liabilities	<u>9,146,089</u>	<u>7,922,595</u>	<u>551,292</u>	<u>113,458</u>	<u>9,697,381</u>	<u>8,036,053</u>
Deferred inflows of resources	475,502	233,737	-	-	475,502	233,737
Net position:						
Net investment in capital assets	31,425,755	30,355,607	-	-	31,425,755	30,355,607
Restricted	2,307,203	2,210,725	-	-	2,307,203	2,210,725
Unrestricted	<u>4,475,212</u>	<u>3,739,918</u>	<u>3,068,103</u>	<u>2,993,742</u>	<u>7,543,315</u>	<u>6,733,660</u>
Total net position	<u>\$ 38,208,170</u>	<u>\$ 36,306,250</u>	<u>\$ 3,068,103</u>	<u>\$ 2,993,742</u>	<u>\$ 41,276,273</u>	<u>\$ 39,299,992</u>

\* The 2019 amounts presented here have not been restated for prior period adjustments. Complete information necessary to fully restate the 2019 amounts was not available. See Note 4.

State of Tennessee

State of Tennessee Changes in Net Position For the Fiscal Year Ended June 30 (Expressed in Thousands)						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2020</u>	<u>2019*</u>	<u>2020</u>	<u>2019*</u>	<u>2020</u>	<u>2019*</u>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 2,981,333	\$ 2,819,759	\$ 1,018,666	\$ 971,377	\$ 3,999,999	\$ 3,791,136
Operating grants and contributions	13,456,925	11,974,935	3,696,938	76,576	17,153,863	12,051,511
Capital grants and contributions	948,533	725,242	-	-	948,533	725,242
General revenues:						
Sales Taxes	9,624,865	9,351,611	-	-	9,624,865	9,351,611
Other taxes	7,279,932	7,104,702	-	-	7,279,932	7,104,702
Other	348,218	345,502	-	-	348,218	345,502
<b>Total revenues</b>	<b>34,639,806</b>	<b>32,321,751</b>	<b>4,715,604</b>	<b>1,047,953</b>	<b>39,355,410</b>	<b>33,369,704</b>
<b>Expenses:</b>						
General government	1,143,546	937,895	-	-	1,143,546	937,895
Education	8,898,197	8,576,479	-	-	8,898,197	8,576,479
Health and social services	16,603,681	15,168,397	-	-	16,603,681	15,168,397
Law, justice and public safety	2,127,958	1,848,904	-	-	2,127,958	1,848,904
Recreation and resources development	786,375	719,649	-	-	786,375	719,649
Regulation of business and professions	211,446	217,075	-	-	211,446	217,075
Transportation	1,507,127	1,474,457	-	-	1,507,127	1,474,457
Intergovernmental revenue sharing	1,407,229	1,388,848	-	-	1,407,229	1,388,848
Interest on long-term debt	58,733	62,928	-	-	58,733	62,928
Payments to fiduciary funds	-	-	-	-	-	-
Employment security	-	-	3,969,607	205,234	3,969,607	205,234
Insurance programs	-	-	677,269	672,422	677,269	672,422
Loan programs	-	-	1,842	1,613	1,842	1,613
Other	-	-	83	305	83	305
<b>Total expenses</b>	<b>32,744,292</b>	<b>30,394,632</b>	<b>4,648,801</b>	<b>879,574</b>	<b>37,393,093</b>	<b>31,274,206</b>
Increase in net position before contributions and transfers	1,895,514	1,927,119	66,803	168,379	1,962,317	2,095,498
Transfers	(7,558)	(18,521)	7,558	18,521	-	-
Contributions to permanent funds	143	145	-	-	143	145
Increase (decrease) in net position	1,888,099	1,908,743	74,361	186,900	1,962,460	2,095,643
<b>Net position, July 1</b>	<b>36,320,071</b>	<b>34,397,507</b>	<b>2,993,742</b>	<b>2,806,842</b>	<b>39,313,813</b>	<b>37,204,349</b>
<b>Net position, June 30</b>	<b>\$ 38,208,170</b>	<b>\$ 36,306,250</b>	<b>\$ 3,068,103</b>	<b>\$ 2,993,742</b>	<b>\$ 41,276,273</b>	<b>\$ 39,299,992</b>

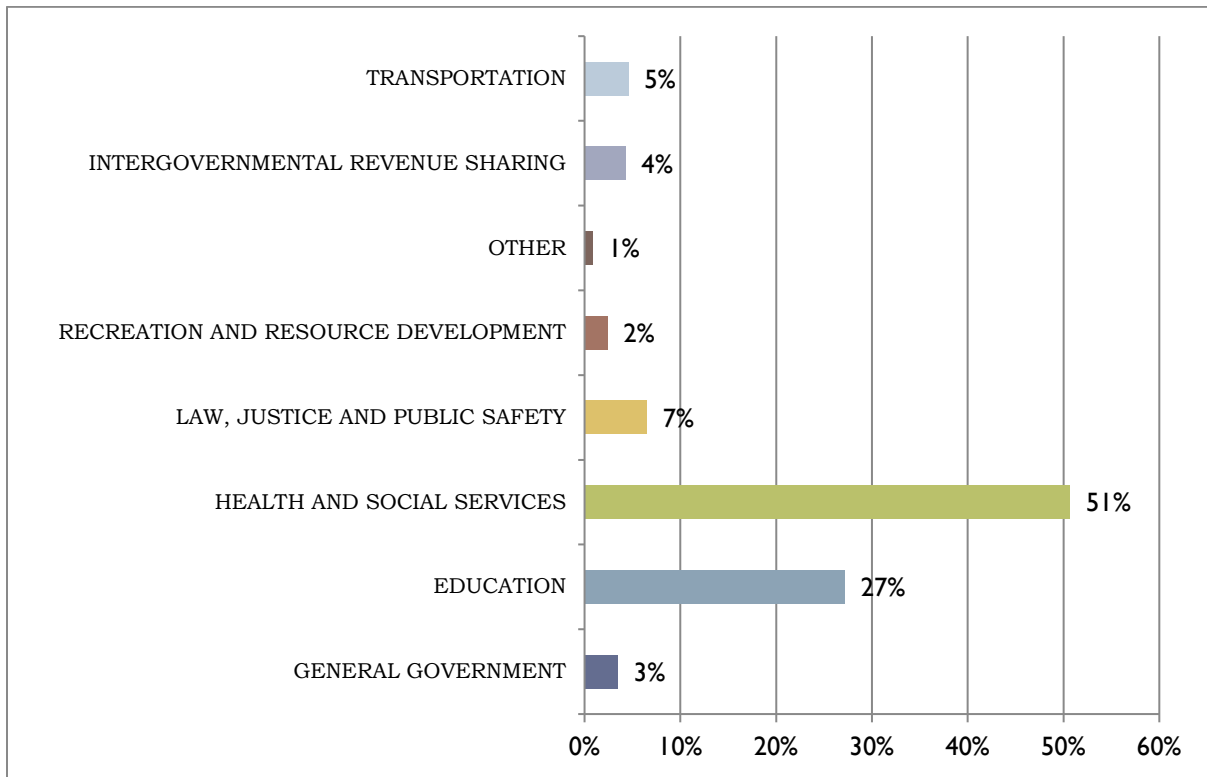
\* The 2019 amounts presented here have not been restated for prior period adjustments. Complete information necessary to fully restate the 2019 amounts was not available. See Note 4.

*Governmental activities.* Net position of the state’s governmental activities increased by \$1.9 billion (5 percent). This increase accounts for 96 percent of the total increase in net position of the primary government and is primarily the result of an increase in operating grants as well as the capitalization of \$414.1 million in expenses related to roadways and bridges and not recording depreciation expense for these assets.

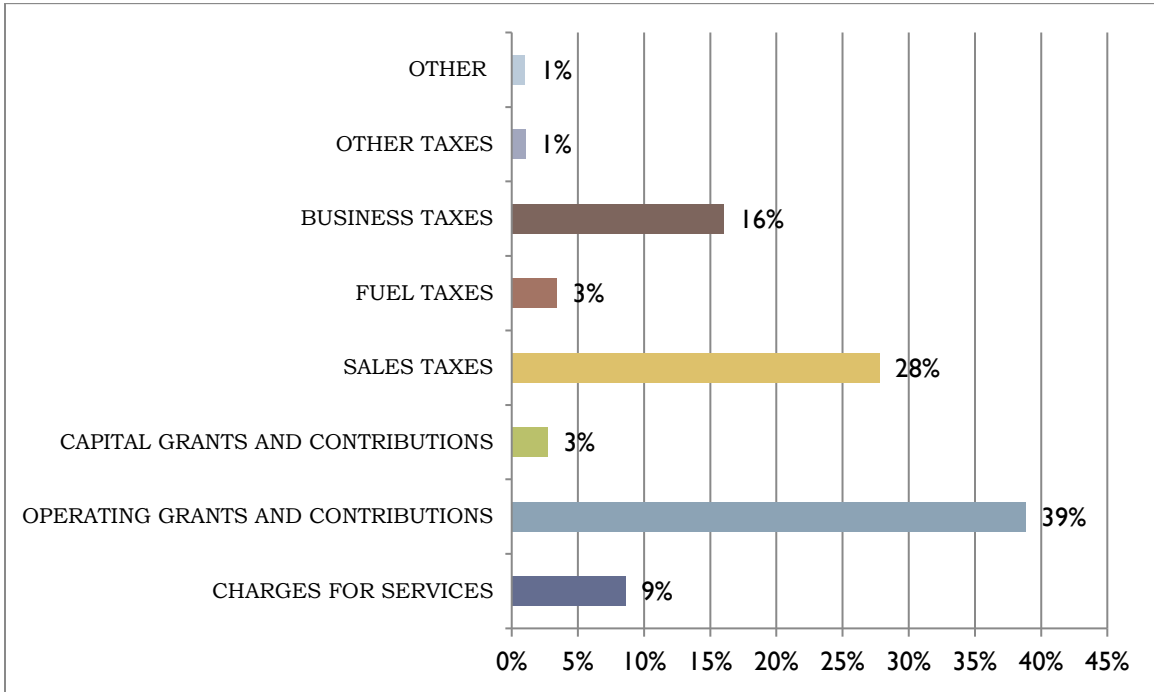
*Business-type activities.* Net position of the state’s business-type activities increased by \$74.4 million (2.5 percent). This is primarily the result of the Sewer Treatment Loan fund and Teacher Group Insurance fund experiencing an increase in net position of \$61.6 million. The Sewer Treatment Loan fund increase of \$22.6 million is not

considered to be significant and is generally due to an increase in clean water loan activity. The Teacher Group Insurance fund increase of \$39 million is considered to be significant and is primarily due to increased premium revenues received. Insurance premiums are set at a rate that estimates the future benefit payments based on prior claims cost. If claims do not rise to the estimated levels, higher than anticipated increases to fund balance will occur. The Nonmajor Enterprise funds’ activity resulted in a \$60.7 million increase in net position. When the increase to the Teacher Group Insurance fund is removed, the other Nonmajor Enterprise funds combined activity resulted in a \$21.7 million increase in net position.

**EXPENSES BY FUNCTION-GOVERNMENTAL ACTIVITIES**



**REVENUES BY SOURCE-GOVERNMENTAL ACTIVITIES**



**THE STATE'S FUNDS**

At June 30, 2020, governmental funds reported an increase in total revenues and in total expenditures. Details are in the following paragraphs. The revenue fluctuation account (rainy day fund), reported as unassigned fund balance, has been increased to \$1.2 billion or 5 percent of the general fund's expenditures.

The general fund reported a \$1.1 billion increase in fund balance. An increase in state business tax revenues (\$564 million) and revenues from federal financial assistance (\$1.6 billion) were key contributing factors to this increase.

The education fund reported an overall increase for inflows of \$167.1 million (2%) and an increase of outflows of \$182.1 million (2.2%). Most of the increase in outflows was due to the increased funding for the state's Basic Education Program (K-12 funding), for teacher compensation enhancements, growth and inflationary costs and increases for school safety grants in the local education agencies. This increase in outflows also lead to the increase in inflows of state appropriations transferred in from the general fund.

The overall fund balance increased in the education fund by \$91.2 million. The majority of fund balance is

restricted for student financial assistance. Of the \$977.8 million fund balance in the education fund, \$361.4 million is not available for future use because it is legally or contractually required to be maintained intact and \$519.6 million is legally restricted or committed for specific purposes. Refer to Note 14, Governmental Fund Balances on page 94, for additional information regarding those specific purposes.

The highway fund inflows increased by \$265.5 million and outflows increased \$197 million. Expenditures increased primarily as a result of additional spending on federally funded projects, largely for projects in the construction phase. The increase of spending on federally funded projects led to an increase in federal revenue.

The capital projects fund had a \$163.2 million decrease in fund balance. The majority of this decrease is due to an increase in transfers made from the capital projects fund to the general fund. Inflows to the fund increased by \$323.8 million, when compared to the previous year, outflows also increased by \$468.5 million. The increase in expenditures is due to a general increase in capital outlay for current projects while the increase in revenue is due to increased bond proceeds as well as appropriation transfers. Expenditures for capital projects are subject to

various conditions that affect construction progress. The restricted fund balance of \$31.6 million does not significantly affect the availability of fund resources for future use.

The total plan net position of the pension trust funds and other postemployment benefits trust are \$53.6 billion, an increase of approximately \$1.3 billion from the prior year. The increase was primarily the result of improvements in the financial markets; the pension trust funds incurred a net investment gain of \$2.5 billion.

The total plan net position of the OPEB trust funds are \$282.1 million, an increase of approximately \$68.4 million from the prior year. The increase was primarily the result of employers contributing funds in excess of the actuarially determined contribution rate for the fiscal year.

**General Fund Budgetary Highlights**

A significant variance occurred in the General fund between original and final budget amounts primarily due to increases in original budgeted amounts for the recognition of federal revenue to be received from the Coronavirus Aid, Relief, and Economic Security (CARES) act and Federal Emergency Management Agency (FEMA) disaster relief grants provided to the state for a major tornado outbreak across the state in March 2020.

As a result of the COVID-19 pandemic, federal revenue collections were below estimated levels (approx. 6%) primarily due to a decline in elective surgeries and other forms of non-emergency care that is funded with federal revenue under TennCare and the Department of Health programs.

In addition, due to positive economic growth the state was experiencing, prior to the downturn caused by the pandemic, federal revenue collections were also below estimates as a result of a decline in enrollment and participation in the Supplemental Nutrition Assistance Program (SNAP) and Temporary Assistance for Needy Families (TANF) programs at the Department of Human Services (DHS). Because these programs are significantly funded by federal revenue, DHS’s federal revenue saw a decrease of \$276 million in the (SNAP) and \$35 million in (TANF) program.

Human Services also collected less federal revenue than expected as a result of an unexpected drop in demand for services within the child support and disability programs as a result of the pandemic. Implementation was also delayed from the original timeline for the Enterprise System Management (ESM) program.

Economic and Community Development also shows a significant variance in collections as compared to federal revenue collected because of a multi-year community development federal program that did not spend expected amounts in the current year.

The Department of Environment and Conservation experienced \$55 million in savings from the onset of the pandemic in the last quarter of the fiscal year. Savings were from delays in construction on the water and wastewater projects and savings from parks and operations being shut down from travel restrictions (\$43M and \$12M respectfully).

Corrections had high employee vacancy and turnover of staff and lower occupancy rates in the prisons and the local jail population was lower than projected which also created a savings.

Actual expenditures in Agriculture, Children Services, Corrections, Finance and Administration, Human Services, Labor and Workforce Development, Economic and Community Development, and the Comptroller of Treasury program were significantly less than was projected in the final budget primarily due to unexpended reserved amounts and multi-year projects and state funds that were appropriated in the current year.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The state’s investment in capital assets at June 30, 2020, of \$34 billion, net of \$2.3 billion accumulated depreciation, consisted of the following:

Capital Assets-Primary Government (Expressed in Thousands)		
	Governmental Activities	
	2020	2019
Land	\$ 2,592,013	\$ 2,491,648
Infrastructure	25,252,859	24,838,797
Construction in progress	1,514,846	1,177,808
Structures and improvements	2,995,971	2,971,468
Machinery and equipment	1,833,995	1,588,292
Software in development	96,338	66,575
Subtotal	34,286,022	33,134,588
Accumulated depreciation	(2,333,436)	(2,170,908)
Total	\$ 31,952,586	\$ 30,963,680

More detail of the activity during the fiscal year is presented in Note 8A to the financial statements.



Capital assets, including those under construction, increased from fiscal year 2019 to 2020 by approximately 3.2 percent. The change was primarily due to increases of infrastructure (highways and bridges) and increases in construction in progress related to infrastructure projects. Infrastructure increased in total by \$414 million, the majority of which resulted from highway and bridge projects completed and capitalized. Construction in progress for highways and bridges increased by \$615.9 million and decreased (projects completed and capitalized) by \$423.3 million. Infrastructure right-of-way acreage increased the land classification by \$82 million. The change in machinery and equipment of \$246 million resulted largely from a \$208 million increase that resulted from system projects that were placed in operation and are now classified as equipment.

In accordance with generally accepted accounting principles, the state is eligible for and has adopted an alternative approach to depreciating its roadways and bridges. Under the modified approach, governments are permitted to expense the cost of preserving roadways and bridges rather than to record a periodic charge for depreciation expense. Under the depreciation method, preservation expenses are capitalized. The state is responsible for approximately 15,000 miles of roadway and 8,401 bridges. Differences between the amount estimated to be necessary for maintaining and preserving infrastructure assets at targeted condition levels and the actual amounts of expense incurred for that purpose during the fiscal period are the results of timing differences. The budgeting process and the fact that projects are started at different times during the year and take more than 12 months to complete, results in spending in one year amounts that were budgeted in a previous fiscal year(s).

The decision to use the modified approach was essentially made because the state has consistently maintained its infrastructure in what it considers to be a good condition. The most recent condition assessment, which is discussed in more detail in the Required Supplementary Information section (Page 132), indicated that bridges were rated at 10 points above the state’s established condition level, on a 100 point scale based on guidelines established by the Federal Highway Administration, and roadways were 0.44 points above the state’s benchmark level, on a 4.0 scale using the MQA method. Bridges are assessed biennially and roadways annually.

The state’s capital outlay budget for the fiscal year 2019-2020 reflects an \$86.2 million increase from the previous year. The capital outlay budget included funding for both capital outlay projects and capital maintenance projects. A significant portion of the budgeted amounts included \$223.5 million for higher education projects, \$115 million for economic development projects, \$24.6 million for correction facilities, and \$28 million for state parks.

**Debt Administration**

In accordance with the Constitution, the state has the authority to issue general obligation debt that is backed by the full faith and credit of the state. The Legislature authorizes a certain amount of debt each year and the State Funding Board has oversight responsibility to issue the debt for capital projects. Any improvement to real property, including the demolition of any building or structure located on real property in which the State of Tennessee or any of its departments, institutions, or agencies has an interest, other than Department of Transportation, highway and road improvements and demolition of structures in highway rights-of-way requires State Building Commission approval. The state issues commercial paper as a short-term financing mechanism for capital purposes and the commercial paper is typically redeemed with long-term bonds. The unissued balance by function (expressed in thousands) follows:

<b>Purpose</b>	<b>Unissued 6/30/20</b>
Highway	\$ 860,600
Higher Education	134,037
Economic and Community Development	115,000
General Government	302,066
<b>Total</b>	<b>\$ 1,411,703</b>

More detail of the activity during the fiscal year is presented in Note 12A to the financial statements.

The state’s outstanding general obligation debt consists of the following (expressed in thousands):

	<b>Governmental Activities</b>	
	<b>6/30/2020</b>	<b>6/30/2019</b>
Bonds, net	\$1,949,715	\$1,979,589
Commercial Paper	120,996	237,396
<b>Total</b>	<b>\$2,070,711</b>	<b>\$2,216,985</b>

Nearly three-fourths of the outstanding debt has been issued either for capital projects of two of the state’s major component units-University of Tennessee and State University and Community College System-or provided to local governments as capital grants; assets acquired with this debt belong to those entities. The state has not issued bonds to fund infrastructure since 1976; infrastructure has been funded on a pay-as-you-go basis. Additional information on long-term obligations is presented in Note 12A to the financial statements.

The state’s bonds are rated AAA, Aaa, and AAA by Fitch Ratings, Moody’s Investors Service, Inc., and Standard & Poor’s Ratings Services, respectively. Under current state statutes, the general obligation debt issuances are subject to a maximum allowable debt service limitation based on a percentage of tax revenues allocated to the general fund,

highway fund and debt service fund. As of June 30, 2020, the state’s maximum allowable debt service of \$1.4 billion was well above the maximum annual debt service of \$228 million, with a legal debt service margin of \$1.2 billion.

**FACTS, DECISIONS, OR CONDITIONS WITH EXPECTED FUTURE IMPACT**

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**Unemployment and Jobs Growth**

In October 2020, the state’s unemployment rate was 7.4 percent, a 4.0 percent increase from the October 2019 rate. 25,000 new jobs were created during October 2020, primarily in the leisure/hospitality and manufacturing sectors.

**Effects of Coronavirus**

On March 11, 2020, the World Health Organization officially declared Coronavirus (COVID-19), the disease caused by the novel coronavirus, a pandemic. The impact of the pandemic which had begun to be seen in late March 2020, will continue to significantly affect various parts of fiscal year 2021 operations and financial performance. Tennessee, like all state governments, will continue to face unprecedented challenges, and its agencies will remain under significant strain as they continue their work to safeguard citizens, manage the social and economic fallout of the COVID-19 response, and ensure the security of operations.

**Coronavirus Federal Aid**

On March 27, President Trump signed the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The largest relief package ever passed by the United States Congress, the CARES Act includes a broad array of provisions intended to support the nation’s healthcare system as well as provide direct relief to businesses, individuals, and state and local government.

Title V of the CARES Act established the Coronavirus Relief Fund (CRF). Under the fund, \$2.4 billion was allocated directly to the State of Tennessee and received in April 2020. The state has discretion in how these funds are used so long as they are for new or additional spending due to the COVID-19 public health emergency.

Approximately \$627 million of the CRF dollars received were spent by Tennessee during fiscal year 2020 and the remaining \$1.7 billion will be used during fiscal year 2021. The following chart provides an overview of obligations and/or expenditures at the time of this report:

Category	FY 2020	FY 2021	Total
Economic, community & individual relief programs		\$844,000,000	\$844,000,000
Unemployment insurance (1)	\$550,000,000	389,000,000	939,000,000
State operational costs	77,000,000	308,000,000	385,000,000
Pending allocation		195,000,000	195,000,000
Total	\$627,000,000	\$1,736,000,000	\$2,363,000,000

*(1) Tennessee is using more than a third of this federal funding to pay for jobless benefits for unemployed Tennesseans rather than to raise the payroll tax on employers.*

Other federal coronavirus aid for economic relief, COVID-19 response, health and social services, and education flowing directly through Tennessee state government include unemployment insurance program support; FEMA disaster response reimbursements; increased federal Medicaid match; K-12 emergency relief; and, dozens of other targeted programs. At the time of this report total amounts awarded were approximately \$4.9 billion for unemployment and \$2.4 billion for all others.

**REQUESTS FOR INFORMATION**

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This financial report is designed to provide a general overview of the State of Tennessee’s finances for all those with an interest in the state’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the Department of Finance and Administration, Division of Accounts, 312 Rosa Parks Avenue, Suite 2100, Nashville, TN 37243.

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# BASIC FINANCIAL STATEMENTS

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**STATE OF TENNESSEE**  
**Statement of Net Position**  
June 30, 2020  
(Expressed in Thousands)

	Primary Government			Total Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 10,183,049	\$ 988,337	\$ 11,171,386	\$ 2,605,113
Cash on deposit with fiscal agent	-	1,069,861	1,069,861	-
Investments	858,870	-	858,870	462,583
Receivables, net	3,309,407	607,616	3,917,023	329,860
Internal balances	(1,279)	1,279	-	-
Due from primary government	-	-	-	68,697
Due from component units	147,429	-	147,429	-
Inventories, at cost	56,961	-	56,961	10,722
Assets held for sale	65	-	65	-
Prepayments	12,274	-	12,274	22,718
Loans receivable, net	7,166	952,302	959,468	4,929,928
Net investment in capital leases	6,144	-	6,144	-
Fair value of derivatives	-	-	-	29
Other	-	-	-	30,759
Restricted assets:				
Cash and cash equivalents	34,000	-	34,000	749,306
Investments	393,741	-	393,741	2,219,259
Receivables, net	-	-	-	406,310
Net pension assets	28,730	-	28,730	23,636
Other	-	-	-	3,712
Capital assets:				
Land, at cost	2,592,013	-	2,592,013	276,949
Infrastructure	25,252,859	-	25,252,859	857,163
Structures and improvements, at cost	2,995,971	-	2,995,971	7,314,841
Machinery and equipment, at cost	1,833,995	-	1,833,995	1,239,284
Less-accumulated depreciation	(2,333,436)	-	(2,333,436)	(3,958,413)
Construction in progress	1,514,846	-	1,514,846	670,551
Software in development	96,338	-	96,338	-
Total assets	46,989,143	3,619,395	50,608,538	18,263,007
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>840,618</b>	<b>-</b>	<b>840,618</b>	<b>358,364</b>
<b>LIABILITIES</b>				
Accounts payable and other current liabilities	3,626,290	505,831	4,132,121	571,789
Due to primary government	-	-	-	147,429
Due to component units	68,065	30	68,095	-
Unearned revenue	495,917	34,011	529,928	160,851
Fair value of derivatives	-	-	-	-
Payable from restricted assets	1,777	-	1,777	-
Due to component units from restricted assets	602	-	602	-
Other	-	-	-	34,261
Noncurrent liabilities:				
Due within one year	380,004	-	380,004	364,832
Due in more than one year	4,573,434	11,420	4,584,854	7,826,616
Total liabilities	9,146,089	551,292	9,697,381	9,105,778
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>475,502</b>	<b>-</b>	<b>475,502</b>	<b>280,465</b>
<b>NET POSITION</b>				
Net investment in capital assets	31,425,755	-	31,425,755	4,542,004
Restricted for:				
Highway projects	728,218	-	728,218	-
Student financial assistance	190,622	-	190,622	-
Natural and wildlife resources	69,612	-	69,612	-
Capital projects	31,621	-	31,621	115,179
Single family bond programs	-	-	-	465,198
Regulatory activities	56,708	-	56,708	-
Pensions	28,730	-	28,730	23,636
Other	153,411	-	153,411	967,561
Permanent and endowment funds				
Expendable	511,691	-	511,691	95,218
Nonexpendable	536,590	-	536,590	1,375,050
Unrestricted	4,475,212	3,068,103	7,543,315	1,651,282
Total net position	\$ 38,208,170	\$ 3,068,103	\$ 41,276,273	\$ 9,235,128

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

**STATE OF TENNESSEE**  
**Statement of Activities**  
**For the Year Ended June 30, 2020**  
**(Expressed in Thousands)**

	<b>Program Revenues</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
Functions/Programs				
<b>Primary Government:</b>				
Governmental activities:				
General government	\$ 1,143,546	\$ 1,066,858	\$ 120,027	\$ 1,185
Education	8,898,197	70,672	1,610,607	-
Health and social services	16,603,681	1,248,321	10,994,441	324
Law, justice and public safety	2,127,958	153,575	305,073	3,581
Recreation and resources development	786,375	175,672	236,376	1,945
Regulation of business and professions	211,446	208,333	3,160	-
Transportation	1,507,127	57,902	187,241	941,498
Intergovernmental revenue sharing	1,407,229	-	-	-
Interest	58,733	-	-	-
Payments to fiduciary fund	-	-	-	-
Total governmental activities	<u>32,744,292</u>	<u>2,981,333</u>	<u>13,456,925</u>	<u>948,533</u>
Business-type activities:				
Employment security	3,969,607	286,104	3,674,590	-
Insurance programs	677,269	719,987	4,020	-
Loan programs	1,842	12,233	18,303	-
Other	83	342	25	-
Total business-type activities	<u>4,648,801</u>	<u>1,018,666</u>	<u>3,696,938</u>	<u>-</u>
Total primary government	<u>\$ 37,393,093</u>	<u>\$ 3,999,999</u>	<u>\$ 17,153,863</u>	<u>\$ 948,533</u>
<b>Component units:</b>				
Higher education institutions	\$ 5,310,667	\$ 1,818,709	\$ 1,871,047	\$ 394,987
Loan programs	692,966	236,284	370,927	-
Lottery programs	1,717,910	1,715,816	32	-
Other	66,534	56,113	10,583	1,965
Total component units	<u>\$ 7,788,077</u>	<u>\$ 3,826,922</u>	<u>\$ 2,252,589</u>	<u>\$ 396,952</u>
General revenues:				
Taxes:				
Sales and use				
Fuel				
Business				
Other				
Payments from primary government				
Grants and contributions not restricted to specific programs				
Unrestricted investment earnings				
Miscellaneous				
Contributions to permanent funds				
Transfers				
Total general revenues, contributions, and transfers				
Change in net position				
Net position, July 1, restated				
Net position, June 30				

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

**STATE OF TENNESSEE**  
**Statement of Activities**  
**For the Year Ended June 30, 2020**  
**(Expressed in Thousands)**

<b>Net (Expense) Revenue and Changes in Net Position</b>			
<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total Primary Government</b>	<b>Component Units</b>
\$ 44,524	\$ -	\$ 44,524	\$ -
(7,216,918)	-	(7,216,918)	-
(4,360,595)	-	(4,360,595)	-
(1,665,729)	-	(1,665,729)	-
(372,382)	-	(372,382)	-
47	-	47	-
(320,486)	-	(320,486)	-
(1,407,229)	-	(1,407,229)	-
(58,733)	-	(58,733)	-
-	-	-	-
<u>(15,357,501)</u>	<u>-</u>	<u>(15,357,501)</u>	<u>-</u>
-	(8,913)	(8,913)	-
-	46,738	46,738	-
-	28,694	28,694	-
-	284	284	-
-	<u>66,803</u>	<u>66,803</u>	<u>-</u>
<u>(15,357,501)</u>	<u>66,803</u>	<u>(15,290,698)</u>	<u>-</u>
-	-	-	(1,225,924)
-	-	-	(85,755)
-	-	-	(2,062)
-	-	-	2,127
-	-	-	<u>(1,311,614)</u>
9,624,865	-	9,624,865	-
1,189,072	-	1,189,072	-
5,546,908	-	5,546,908	-
543,952	-	543,952	-
-	-	-	1,677,508
-	-	-	76,133
108,918	-	108,918	94,757
239,300	-	239,300	6,704
143	-	143	46,529
(7,558)	7,558	-	-
<u>17,245,600</u>	<u>7,558</u>	<u>17,253,158</u>	<u>1,901,631</u>
1,888,099	74,361	1,962,460	590,017
<u>36,320,071</u>	<u>2,993,742</u>	<u>39,313,813</u>	<u>8,645,111</u>
<u>\$ 38,208,170</u>	<u>\$ 3,068,103</u>	<u>\$ 41,276,273</u>	<u>\$ 9,235,128</u>



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# GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

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**General Fund**—The general fund is maintained to account for all governmental financial resources and transactions not accounted for in another fund.

**Education Fund**—The education fund is maintained to account for revenues and expenditures associated with programs involving the Departments of Education and Higher Education including the activities of the Tennessee Promise Scholarship Endowment Fund. Funding for these programs is accomplished primarily from the dedicated sales and services taxes, federal monies received from the U. S. Department of Education, and net lottery proceeds.

**Highway Fund**—This fund is maintained to account for revenues and expenditures associated with programs of the Department of Transportation. Funding of these programs is accomplished primarily from dedicated highway user taxes and funds received from the various federal transportation agencies. All federal funds accruing to the highway fund are received on a reimbursement basis covering costs incurred.

It is the state's practice to appropriate matching dollars for jointly funded projects in the year of federal apportionment. This front-end state funding, together with multi-year disbursements on most projects, results in large cash balances in this fund. Effective July 1, 1986, the Department of Transportation began earning interest on certain unspent monies for a new highway construction program, while the general fund earns the interest on the other highway program monies.

**Capital Projects Fund**—The capital projects fund is maintained to account for the acquisition or construction of major governmental capital assets financed principally by long-term bonds.

**Nonmajor Governmental Funds**—Nonmajor governmental funds are presented by fund type in the supplementary section.

**STATE OF TENNESSEE**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2020**  
(Expressed in Thousands)

	<u>General</u>	<u>Education</u>	<u>Highway</u>	<u>Capital Projects</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 6,133,605	\$ 4,328	\$ 1,186,078	\$ 1,329,611
Investments	171,042	254,054	-	-
Receivables, net	2,358,516	687,621	288,553	6,656
Due from other funds	255,445	351	1	836
Due from component units	320	135,917	-	10,134
Inventories, at cost	21,969	110	32,648	-
Loans receivable, net	1,515	-	683	-
Prepayments and others	11,564	-	-	-
Restricted assets:				
Cash and cash equivalents	-	-	-	34,000
Investments	32,360	361,381	-	-
Total assets	<u>\$ 8,986,336</u>	<u>\$ 1,443,762</u>	<u>\$ 1,507,963</u>	<u>\$ 1,381,237</u>
<b>LIABILITIES</b>				
Accounts payable and accruals	2,948,178	134,251	287,053	53,601
Due to other funds	12,241	255,182	1,389	347
Due to component units	11,714	17,159	1,529	33,156
Payable from restricted assets	-	-	-	1,777
Due to component units from restricted assets	-	-	-	602
Unearned revenue	426,536	106	4,475	-
Total liabilities	<u>3,398,669</u>	<u>406,698</u>	<u>294,446</u>	<u>89,483</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>25,310</u>	<u>59,222</u>	<u>50,923</u>	<u>-</u>
<b>FUND BALANCES</b>				
<b>Nonspendable</b>				
Inventories	\$ 21,969	\$ 110	\$ 32,648	\$ -
Long term portion of accounts receivable	7,331	-	-	-
Permanent fund and endowment corpus	-	361,381	-	-
Prepayments	1,811	-	-	-
<b>Restricted</b>	102,123	486,870	712,575	31,621
<b>Committed</b>	487,351	32,747	239,025	-
<b>Assigned</b>	3,265,698	96,734	178,346	1,260,133
<b>Unassigned</b>	1,676,074	-	-	-
Total fund balances	<u>5,562,357</u>	<u>977,842</u>	<u>1,162,594</u>	<u>1,291,754</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,986,336</u>	<u>\$ 1,443,762</u>	<u>\$ 1,507,963</u>	<u>\$ 1,381,237</u>

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds.

Internal service funds are used by management to charge the costs of various internal operations to individual funds. The assets and liabilities of internal service funds are included in the governmental activities in the Statement of Net Position.

Resources and obligations related to pensions and other postemployment benefits are not available nor due and payable, respectively, in the current period and therefore are not reported in the funds.

Long-term liabilities, other than pension and other postemployment benefits and including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Net position of governmental activities

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

**STATE OF TENNESSEE**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2020**  
(Expressed in Thousands)

	<u>Nonmajor Governmental Funds</u>		<u>Total Governmental Funds</u>
\$	400,964	\$	9,054,586
	433,774		858,870
	37,002		3,378,348
	45		256,678
	935		147,306
	-		54,727
	4,968		7,166
	17		11,581
	-		34,000
	-		<u>393,741</u>
\$	<u>877,705</u>	\$	<u>14,197,003</u>
	54,474		3,477,557
	547		269,706
	4,415		67,973
	-		1,777
	-		602
	<u>19,413</u>		<u>450,530</u>
	<u>78,849</u>		<u>4,268,145</u>
	<u>5,678</u>		<u>141,133</u>
\$	-	\$	54,727
	-		7,331
	175,209		536,590
	-		1,811
	436,072		1,769,261
	164,469		923,592
	17,428		4,818,339
	-		<u>1,676,074</u>
	<u>793,178</u>		9,787,725
\$	<u>877,705</u>		
			31,212,904
			55,920
			1,305,233
			(1,840,400)
			<u>(2,313,212)</u>
\$			<u>38,208,170</u>

**STATE OF TENNESSEE**  
**Statement of Revenues, Expenditures and Changes in Fund**  
**Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

	<u>General</u>	<u>Education</u>	<u>Highway</u>	<u>Capital Projects</u>
<b>REVENUES</b>				
Taxes:				
Sales and use	\$ 3,988,573	\$ 5,497,767	\$ 65,250	-
Fuel	12,119	-	1,079,822	-
Business	5,329,704	268,983	5,701	-
Other	535,362	135	-	-
Licenses, fines, fees, and permits	498,601	2,327	304,139	-
Investment income	122,768	35,189	-	-
Federal	11,576,654	1,067,086	1,120,319	3,580
Departmental services	2,202,402	149,689	39,801	79,167
Other	228,257	438,814	10,117	-
Total revenues	<u>24,494,440</u>	<u>7,459,990</u>	<u>2,625,149</u>	<u>82,747</u>
<b>EXPENDITURES</b>				
General government	685,530	-	-	-
Education	-	8,548,617	-	-
Health and social services	17,354,738	-	-	-
Law, justice and public safety	2,065,884	-	-	-
Recreation and resources development	614,440	-	-	-
Regulation of business and professions	118,175	-	-	-
Transportation	-	-	2,208,900	-
Intergovernmental revenue sharing	1,000,870	-	406,359	-
Debt service:				
Principal	-	-	-	151,192
Interest	-	-	-	-
Debt issuance costs	-	-	-	-
Capital outlay	-	-	-	562,098
Total expenditures	<u>21,839,637</u>	<u>8,548,617</u>	<u>2,615,259</u>	<u>713,290</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,654,803</u>	<u>(1,088,627)</u>	<u>9,890</u>	<u>(630,543)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bonds and commercial paper issued	-	-	-	168,619
Bond premium	-	-	-	19,031
Insurance claims recoveries	808	-	291	-
Transfers in	206,031	1,219,848	88,407	455,578
Transfers out	<u>(1,728,110)</u>	<u>(40,007)</u>	<u>(2,705)</u>	<u>(175,847)</u>
Total other financing sources (uses)	<u>(1,521,271)</u>	<u>1,179,841</u>	<u>85,993</u>	<u>467,381</u>
Net change in fund balances	1,133,532	91,214	95,883	(163,162)
Fund balances, July 1	4,428,825	886,628	1,066,711	1,454,916
Fund balances, June 30	<u>\$ 5,562,357</u>	<u>\$ 977,842</u>	<u>\$ 1,162,594</u>	<u>\$ 1,291,754</u>

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

**STATE OF TENNESSEE**  
**Statement of Revenues, Expenditures and Changes in Fund**  
**Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 67,625	\$ 9,619,215
97,131	1,189,072
182,675	5,787,063
45,619	581,116
250,401	1,055,468
29,379	187,336
52,492	13,820,131
30,044	2,501,103
4	677,192
755,370	35,417,696
25,190	710,720
9,197	8,557,814
-	17,354,738
6,863	2,072,747
234,575	849,015
106,132	224,307
-	2,208,900
-	1,407,229
141,801	292,993
73,246	73,246
2,093	2,093
-	562,098
599,097	34,315,900
156,273	1,101,796
-	168,619
315	19,346
-	1,099
12,472	1,982,336
(115,964)	(2,062,633)
(103,177)	108,767
53,096	1,210,563
740,082	8,577,162
\$ 793,178	\$ 9,787,725

**STATE OF TENNESSEE**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances of**  
**Governmental Funds to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

Net change in fund balances - total governmental funds \$ 1,210,563

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year. 880,457

Net effect of revenues reported on the accrual basis in the Statement of Activities that do not provide current financial resources and thus are not reported as revenues in the funds until available. (253,606)

The issuance of long-term debt (e.g. bonds, commercial paper) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized over the life of the debt in the Statement of Activities. This amount is the net effect of these differences in treatment of long-term debt and related items. 105,027

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (59,373)

Internal service funds are used by management to charge the cost of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of internal service funds is reported with governmental activities. 5,031

Changes in net position of governmental activities \$ 1,888,099

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

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# PROPRIETARY FUNDS FINANCIAL STATEMENTS

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**Sewer Treatment Loan**—Created in 1987, this fund provides loans to local governments and utility districts for the construction of sewage treatment facilities. The initial sources of the monies are federal grants and state appropriations.

**Employment Security Fund**—This fund is maintained to account for the collection of unemployment insurance premiums from employers and the payment of unemployment benefits to eligible claimants. Funds are also received from the federal government for local office building construction, supplemental unemployment programs and work incentive payments. As required by law, all funds not necessary for

current benefit payments are placed on deposit with the U.S. Treasury. Interest earned from these monies is retained in the fund. Administrative and operational expenses incurred by the Department of Labor and Workforce Development are expenditures of the general fund.

**Nonmajor Enterprise Funds**—Nonmajor enterprise funds are presented in the supplementary section.

**Internal Service Funds**—Internal service funds are presented in the supplementary section.



**STATE OF TENNESSEE**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2020**  
**(Expressed in Thousands)**

	Business Type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Sewer Treatment Loan	Employment Security	Nonmajor Enterprise Funds	Total	
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 395,770	\$ 158,351	\$ 434,216	\$ 988,337	\$ 1,128,462
Cash on deposit with fiscal agent	-	1,069,861	-	1,069,861	-
Receivables:					
Accounts receivable	-	597,099	10,517	607,616	16,029
Loans receivable	59,626	-	19,338	78,964	-
Due from other funds	-	1,279	-	1,279	1,712
Due from component units	-	-	-	-	123
Inventories, at cost	-	-	-	-	2,234
Assets held for sale	-	-	-	-	65
Prepayments	-	-	-	-	1,008
Total current assets	455,396	1,826,590	464,071	2,746,057	1,149,633
Noncurrent assets:					
Loans receivable	698,810	-	174,528	873,338	-
Due from other funds	-	-	-	-	198
Net investment in capital leases	-	-	-	-	6,144
Restricted net pension assets	-	-	-	-	1,680
Capital assets:					
Land, at cost	-	-	-	-	63,172
Structures and improvements, at cost	-	-	-	-	688,591
Machinery and equipment, at cost	-	-	-	-	397,625
Less: Accumulated depreciation	-	-	-	-	(572,307)
Construction in progress	-	-	-	-	162,601
Total noncurrent assets	698,810	-	174,528	873,338	747,704
Total assets	1,154,206	1,826,590	638,599	3,619,395	1,897,337
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
	-	-	-	-	54,429
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable and accruals	128	454,886	50,817	505,831	118,086
Due to other funds	-	-	-	-	1,029
Due to component units	-	30	-	30	92
Lease obligations payable	-	-	-	-	422
Bond payable	-	-	-	-	13,299
Unearned revenue	-	33,874	137	34,011	45,387
Others	-	-	-	-	79,839
Total current liabilities	128	488,790	50,954	539,872	258,154
Noncurrent liabilities:					
Pension	-	-	-	-	61,495
Lease obligations payable	-	-	-	-	6,620
Commercial paper payable	-	-	-	-	15,063
Bonds payable	-	-	-	-	139,120
Others	7,833	-	3,587	11,420	144,451
Total noncurrent liabilities	7,833	-	3,587	11,420	366,749
Total liabilities	7,961	488,790	54,541	551,292	624,903
<b>DEFERRED INFLOWS OF RESOURCES</b>					
	-	-	-	-	21,630
<b>NET POSITION</b>					
Net investment in capital assets	-	-	-	-	567,717
Restricted for:					
Capital projects	-	-	-	-	6,001
Pensions	-	-	-	-	1,680
Unrestricted	1,146,245	1,337,800	584,058	3,068,103	729,835
Total net position	\$ 1,146,245	\$ 1,337,800	\$ 584,058	\$ 3,068,103	\$ 1,305,233

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

**STATE OF TENNESSEE**  
**Statement of Revenues, Expenses, and Changes in**  
**Net Position**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

	<b>Business Type Activities - Enterprise Funds</b>				<b>Governmental Activities- Internal Service Funds</b>
	<b>Sewer Treatment Loan</b>	<b>Employment Security</b>	<b>Nonmajor Enterprise Funds</b>	<b>Total</b>	
Operating revenues					
Charges for services	\$ 9,774	\$ -	\$ 2,803	\$ 12,577	\$ 659,749
Investment income	6,575	-	1,457	8,032	-
Premiums	-	286,104	719,985	1,006,089	768,453
Total operating revenues	<u>16,349</u>	<u>286,104</u>	<u>724,245</u>	<u>1,026,698</u>	<u>1,428,202</u>
Operating expenses					
Personal services	-	-	-	-	220,947
Contractual services	1,093	-	33,796	34,889	302,451
Materials and supplies	-	-	1	1	53,680
Rentals and insurance	-	-	-	-	69,125
Depreciation and amortization	-	-	-	-	48,093
Benefits	-	3,969,607	639,492	4,609,099	788,783
Other	-	-	4,812	4,812	17,484
Total operating expenses	<u>1,093</u>	<u>3,969,607</u>	<u>678,101</u>	<u>4,648,801</u>	<u>1,500,563</u>
Operating income (loss)	<u>15,256</u>	<u>(3,683,503)</u>	<u>46,144</u>	<u>(3,622,103)</u>	<u>(72,361)</u>
Nonoperating revenues (expenses)					
Grants	4,805	3,647,122	8,884	3,660,811	-
Insurance claims recoveries	-	-	-	-	313
Interest income	-	30,033	4,045	34,078	14,547
Interest expense	-	-	-	-	(6,272)
Other	(2,106)	(2,565)	(1,312)	(5,983)	-
Total nonoperating revenues (expenses)	<u>2,699</u>	<u>3,674,590</u>	<u>11,617</u>	<u>3,688,906</u>	<u>8,588</u>
Income (loss) before contributions and transfers	17,955	(8,913)	57,761	66,803	(63,773)
Capital contributions	-	-	-	-	1,184
Transfers in	4,616	-	3,822	8,438	72,761
Transfers out	-	-	(880)	(880)	(5,141)
Change in net position	22,571	(8,913)	60,703	74,361	5,031
Net position, July 1	<u>1,123,674</u>	<u>1,346,713</u>	<u>523,355</u>	<u>2,993,742</u>	<u>1,300,202</u>
Net position, June 30	<u>\$ 1,146,245</u>	<u>\$ 1,337,800</u>	<u>\$ 584,058</u>	<u>\$ 3,068,103</u>	<u>\$ 1,305,233</u>

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

**STATE OF TENNESSEE**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

	<u>Business Type Activities - Enterprise Funds</u>				<u>Governmental Activities- Internal Service Funds</u>
	<u>Sewer Treatment Loan</u>	<u>Employment Security</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers and users	\$ -	\$ 266,678	\$ 729,902	\$ 996,580	\$ 406,575
Receipts from interfund services provided	-	1,045	-	1,045	1,065,549
Payments to suppliers	-	-	(695,999)	(695,999)	(1,062,872)
Payments to employees	-	-	-	-	(212,011)
Payments for unemployment benefits	-	(3,616,414)	-	(3,616,414)	-
Payments for interfund services used	(1,093)	-	(1,479)	(2,572)	(169,979)
Net cash provided by (used for) operating activities	<u>(1,093)</u>	<u>(3,348,691)</u>	<u>32,424</u>	<u>(3,317,360)</u>	<u>27,262</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Operating grants received	4,805	3,272,677	8,884	3,286,366	-
Reimbursements	-	(2,565)	-	(2,565)	-
Negative cash balance implicitly financed	-	(1,818)	-	(1,818)	-
Transfers in	4,616	-	3,822	8,438	72,707
Transfers out	-	-	(880)	(880)	(49)
Net cash provided by (used for) noncapital financing activities	<u>9,421</u>	<u>3,268,294</u>	<u>11,826</u>	<u>3,289,541</u>	<u>72,658</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Purchase of capital assets	-	-	-	-	(183,194)
Bond and commercial paper proceeds	-	-	-	-	5,378
Proceeds from sale of capital assets	-	-	-	-	3,648
Insurance claims recoveries	-	-	-	-	313
Bond issuance cost	-	-	-	-	-
Principal payments	-	-	-	-	(24,200)
Interest paid	-	-	-	-	(7,497)
Net cash provided by (used for) capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(205,552)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Loans issued and other disbursements to borrowers	(126,047)	-	(19,584)	(145,631)	-
Collection of loan principal	48,209	-	22,624	70,833	-
Interest received	16,477	30,033	7,989	54,499	14,547
Net cash provided by (used for) investing activities	<u>(61,361)</u>	<u>30,033</u>	<u>11,029</u>	<u>(20,299)</u>	<u>14,547</u>
Net increase (decrease) in cash and cash equivalents	(53,033)	(50,364)	55,279	(48,118)	(91,085)
Cash and cash equivalents, July 1	<u>448,803</u>	<u>1,278,576</u>	<u>378,937</u>	<u>2,106,316</u>	<u>1,219,547</u>
Cash and cash equivalents, June 30	<u>\$ 395,770</u>	<u>\$ 1,228,212</u>	<u>\$ 434,216</u>	<u>\$ 2,058,198</u>	<u>\$ 1,128,462</u>

(continued on next page)

**STATE OF TENNESSEE**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

(continued from previous page)

	<u>Business Type Activities - Enterprise Funds</u>				<u>Governmental</u>
	<u>Sewer</u>	<u>Employment</u>	<u>Nonmajor</u>	<u>Total</u>	<u>Activities-</u>
	<u>Treatment</u>	<u>Security</u>	<u>Enterprise</u>		<u>Internal</u>
	<u>Loan</u>		<u>Funds</u>		<u>Service Funds</u>
<b>Reconciliation of operating income to net cash provided by (used for) operating activities</b>					
Operating income (loss)	\$ 15,256	\$ (3,683,503)	\$ 46,144	\$ (3,622,103)	\$ (72,361)
Adjustment to reconcile operating income (loss) to net cash from operating activities:					
Depreciation and amortization	-	-	-	-	48,093
Loss on disposal of capital assets	-	-	-	-	(10)
Bond issuance costs	-	-	-	-	-
Impairment loss	-	-	-	-	10,068
Interest income	(9,774)	-	(2,429)	(12,203)	-
Investment income	(6,575)	-	(1,457)	(8,032)	-
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:					
(Increase) decrease in receivables	-	(126,384)	(1,916)	(128,300)	(2,383)
(Increase) decrease in due from other funds	-	(1,058)	-	(1,058)	(716)
(Increase) decrease in due from component units	-	-	-	-	(110)
(Increase) decrease in inventories	-	-	-	-	1,022
(Increases) decreases in assets held for sale	-	-	-	-	(65)
(Increase) decrease in prepaids	-	-	-	-	(911)
(Increase) decrease in net pension assets	-	-	-	-	(1,235)
(Increase) decrease in deferred outflows of resources	-	-	-	-	3,419
Increase (decrease) in accounts payable	-	445,538	(7,889)	437,649	27,170
Increase (decrease) in due to other funds	-	-	-	-	(425)
Increase (decrease) in due to component units	-	30	-	30	(205)
Increase (decrease) in deferred inflows of resources	-	-	-	-	15,109
Increase (decrease) in unearned revenue	-	16,686	(29)	16,657	802
Total adjustments	<u>(16,349)</u>	<u>334,812</u>	<u>(13,720)</u>	<u>304,743</u>	<u>99,623</u>
Net cash provided by (used for) operating activities	<u>\$ (1,093)</u>	<u>\$ (3,348,691)</u>	<u>\$ 32,424</u>	<u>\$ (3,317,360)</u>	<u>\$ 27,262</u>
Schedule of noncash investing, capital, and financing activities					
Contributions of capital assets	\$ -	\$ -	\$ -	\$ -	1,184
Assets acquired by transfer	-	-	-	-	54
Capital assets disposed of by transfer	-	-	-	-	(5,091)
Amortization of bond premium	-	-	-	-	2,023
Amortization of bond discount	-	-	-	-	(1,005)
Total noncash capital and related financing activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,835)</u>

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

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# FIDUCIARY FUNDS FINANCIAL STATEMENTS

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**Pension (and other Employee Benefit) Trust Funds**—These funds are presented individually in the supplementary section.

**Investment Trust Funds**—These funds are presented individually in the supplementary section.

**Private-Purpose Trust Funds**—These funds are presented individually in the supplementary section.

**Agency Funds**—These funds are presented individually in the supplementary section.

**STATE OF TENNESSEE**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2020**  
**(Expressed in Thousands)**

	<b>Pension and Other Employee Benefit Trust Funds</b>	<b>Investment Trust Funds</b>	<b>Private-Purpose Trust Funds</b>	<b>Agency Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 55,912	\$ 1,499,423	\$ 52,195	\$ 530,943
Cash collateral on loaned securities	1,761,911	-	-	-
Receivables:				
Account	-	-	-	1,927
Taxes	-	-	69	523,344
Interest and dividends	-	18	-	-
Due from other governments	55,153	2,634	-	-
Other	31,781	-	-	-
Due from other funds	10,864	-	-	4
Due from component units	12,585	-	-	-
Investments, at fair value:				
Government bonds	-	8,013	408	-
Corporate bonds	-	-	1	-
Mutual funds	254,638	-	202,973	4,409
TRGT pooled funds	53,232,946	126,850	-	139,088
Investments, at amortized cost:				
Short-term investments	-	2,614,569	-	-
Capital assets, at cost:				
Machinery and equipment	37,139	-	-	-
Less - accumulated depreciation	(23,960)	-	-	-
Total assets	55,428,969	4,251,507	255,646	1,199,715
<b>LIABILITIES</b>				
Accounts payable and accruals	34,055	-	2,430	935,015
Securities lending collateral	1,761,911	-	-	-
Amount held in custody for others	-	-	-	264,700
Total liabilities	1,795,966	-	2,430	1,199,715
<b>NET POSITION</b>				
Restricted for				
Pensions	53,349,554	-	-	
Other postemployment benefits	282,149	-	-	
Employees' flexible benefits	1,300	-	-	
Individuals, organizations and other governments	-	-	253,216	
Amounts held in trust for				
Pool participants	-	4,251,507	-	
Total net position	\$ 53,633,003	\$ 4,251,507	\$ 253,216	

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

**STATE OF TENNESSEE**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

	<u>Pension and Other Employee Benefit Trust Funds</u>	<u>Investment Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
<b>ADDITIONS</b>			
Contributions:			
Members	\$ 385,980	\$ -	-
Employers	1,268,016	-	-
Federal	-	-	7,872
Private	-	-	39,208
State	-	-	122
Other	1,406	-	19,951
Total contributions	<u>1,655,402</u>	<u>-</u>	<u>67,153</u>
Investment income:			
Net increase/(decrease) in fair value of investments	2,583,266	-	8,607
Interest and dividends	6,613	59,629	853
Securities lending income	56,794	-	-
Total investment income	<u>2,646,673</u>	<u>59,629</u>	<u>9,460</u>
Less: Investment expenses	(61,495)	(1,537)	-
Securities lending expense	(46,158)	-	-
Net investment income	<u>2,539,020</u>	<u>58,092</u>	<u>9,460</u>
Capital share transactions:			
Shares sold	-	5,716,413	-
Less: Shares redeemed	-	(4,807,999)	-
Net capital share transactions	<u>-</u>	<u>908,414</u>	<u>-</u>
Total additions	<u>4,194,422</u>	<u>966,506</u>	<u>76,613</u>
<b>DEDUCTIONS</b>			
Annuity benefits	2,752,435	-	-
Other postemployment benefits	80,140	-	-
Death benefits	4,719	-	-
Other	5,381	-	40,314
Refunds	44,754	-	4,027
Administrative expenses	23,252	-	1,412
Total deductions	<u>2,910,681</u>	<u>-</u>	<u>45,753</u>
Change in net position	1,283,741	966,506	30,860
Net position, July 1	<u>52,349,262</u>	<u>3,285,001</u>	<u>222,356</u>
Net position, June 30	<u>\$ 53,633,003</u>	<u>\$ 4,251,507</u>	<u>\$ 253,216</u>

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



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## Notes to the Financial Statements

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# NOTE 1

## Summary of Significant Accounting Policies

### A. Financial Reporting Entity

As required by generally accepted accounting principles, these financial statements present the primary government (the state) and its component units, entities for which the state is considered to be financially accountable. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the primary government.

#### Blended Component Units

The State of Tennessee Postemployment Benefits Trust (OPEB Trust)—The OPEB Trust was established for the purpose of prefunding other postemployment healthcare benefits accrued by employees of the state and certain component units. The trustees consist of the Commissioner of Finance and Administration, the Chair of the Finance, Ways and Means Committee of the Senate, the Chair of the Finance, Ways and Means Committee of the House of Representatives and the chair of the consolidated retirement board. Investment policies are set by the Trustees and implemented by the state treasurer. The OPEB trust is legally separate but provides services almost exclusively to the state, therefore, is reported with the primary government's other employee benefit trust fund.

The Tennessee School for the Blind, Tennessee School for the Deaf, and West Tennessee School for the Deaf were established to provide education and training to blind and deaf students in Tennessee. Although established as separate legal entities with pertinent corporate powers, their budgets are approved by the state and their facilities are owned and/or financed by the state. Furthermore, the schools' expenses and obligations are primarily paid from the state's appropriations. Therefore, these schools are reported in the primary government's Education Trust Fund, a major special revenue fund.

The Financial Literacy Commission was established to implement educational programs to include, but are not limited to, financial literacy education programs for elementary school students and their parents, and the promotion of financial literacy in college savings. Although established as a separate legal entity with pertinent corporate powers, the commission's governing board consists solely of state officials and their appointees. Furthermore, the state can also impose its will on the commission whose funding is derived from state appropriation. Therefore, the commission is

reported in the primary government's General Fund, a major governmental fund.

#### Discretely Presented Component Units

1. **Tennessee Student Assistance Corporation (TSAC)** (Governmental Fund Type) is responsible for administering federal and state student financial assistance programs. The majority of the board is either appointed by the governor or are state officials. TSAC's budget is approved by the state.
2. **Tennessee Community Services Agency (TCSA)** (Governmental Fund Type) provides coordination of funds and programs for the care of the citizens of the state. The board of the agency is appointed by the governor and the plan of operation and budget must be approved by the state.
3. **Tennessee Housing Development Agency (THDA)** (Proprietary Fund Type) is responsible for making loans and mortgages to qualified sponsors, builders, developers and purchasers of low and moderate income family dwellings. The board of the agency consists of state officials, appointees of the governor, and appointees of the Speakers of the House and Senate. The agency budget is approved by the state.
4. **Tennessee Education Lottery Corporation (TELC)** (Proprietary Fund Type) is responsible for the operation of a state lottery with net proceeds to be given to the state to be used for education programs and purposes in accordance with the Constitution of Tennessee. The corporation is governed by a board of directors composed of seven directors appointed by the governor.
5. **State University and Community College System** (Proprietary Fund Type) includes six state universities, thirteen community colleges and twenty-seven colleges of applied technology. Each of the universities is governed by an independent board appointed by the governor. The board of the community colleges and technical colleges is comprised of state officials and appointees by the governor. The state provides substantial funding to these entities.
6. **University of Tennessee Board of Trustees (UT)** (Proprietary Fund Type) is responsible for the operation of the University of Tennessee, located primarily on four campuses across the state. The Board is appointed by the governor and the state provides a substantial amount of the funding.
7. **Tennessee Local Development Authority (TLDA)** (Proprietary Fund Type) provides financing assistance to local governments through the issuance of bonds and notes. In addition, the Authority assists non-profit

corporations in the construction of mental health, developmental disabilities, or alcohol and drug facilities. The majority of the board consists of state officials. Any deficiency in the statutory reserve will be included in the governor’s recommended budget submitted to the General Assembly for consideration.

8. **Tennessee Veterans’ Homes Board** (Proprietary Fund Type) is responsible for the operation of nursing homes for honorably discharged veterans of the United States armed forces. The Board is appointed by the governor and its budget is approved by the state. In addition, the issuance of bonds must be approved by the State Funding Board.

9. **Tennessee State School Bond Authority (TSSBA)** (Proprietary Fund Type) finances projects for the University of Tennessee, State University and Community College System, and the Tennessee Student Assistance Corporation. The Authority also finances improvement projects for qualifying K-12 schools in the state in conjunction with a federal government program.

The board of the Authority consists primarily of state officials. The state can also impose its will on the Authority.

10. **Tennessee Certified Cotton Growers’ Organization** (Proprietary Fund Type) was formed to aid in the eradication of the boll weevil. The majority of the board is appointed by the Commissioner of the Department of Agriculture. The state can also impose its will on the organization.

11. **The Access Tennessee (AccessTN)** (Proprietary Fund Type) health insurance pool was established to offer health insurance coverage to eligible citizens of the state who are considered uninsurable because of health conditions. The board of the insurance pool consists of state officials, appointees of the Speakers of House and Senate, and appointees of the Commissioner of Finance and Administration. The funding plan and plan of operation of the insurance pool are approved by the state.

Complete financial statements for each of the individual component units may be obtained at the following addresses:

<b>Tennessee Housing Development Agency</b> Andrew Jackson Building, 3rd floor 502 Deaderick Street Nashville, TN 37243	<b>Tennessee Local Development Authority</b> Cordell Hull Building 425 Fifth Avenue North Nashville, TN 37243
<b>Tennessee State Veterans’ Homes Board</b> 345 Compton Road Murfreesboro, TN 37130	<b>Tennessee State School Bond Authority</b> Cordell Hull Building 425 Fifth Avenue North Nashville, TN 37243
<b>University of Tennessee</b> Office of the Treasurer 301 Andy Holt Tower Knoxville, TN 37996-0100	<b>State University and Community College System</b> 1 Bridgestone Park Nashville, TN 37214
<b>Tennessee Education Lottery Corporation</b> One Century Place 23 Century Boulevard, Suite 200 Nashville, TN 37214	All others may be obtained at the following: <b>Finance &amp; Administration, Division of Accounts</b> 21st Floor William R. Snodgrass Tennessee Tower 312 Rosa L. Parks Avenue Nashville, TN 37243

**Fiduciary Component Units**

**The Tennessee Consolidated Retirement System (TCRS)** (pension plans) – TCRS administers pension funds for various public employee retirement systems and plans of the State and its political subdivisions. TCRS is an independent state agency subject to legislative and executive department budgetary examination and comment. The Tennessee Consolidated Retirement System Board, a twenty-member board, is established by statute to administer the systems and plans, and to serve as investment trustees of the funds. The board consists of eighteen voting members and two non-voting

members. Of the eighteen voting members, seven are ex-officio members from the state’s various agencies, four are selected by the Speaker of the Senate and the Speaker of the House of Representatives, and two are appointed by the Governor. Because of the State’s trustee responsibilities for these systems and plans, Generally Accepted Accounting Principles (GAAP) requires them to be reported as pension trust funds of the primary government rather than discrete component units.

## B. Related Organizations

The state's officials are also responsible for appointing the members of the boards of other organizations, but the state's accountability for these organizations do not extend beyond making appointments. The state appoints the board members of the Beech River Watershed Development Authority, Carroll County Watershed Authority, Tennessee Insurance Guaranty Association, Tennessee Life and Health Insurance Guaranty Association, Local Neighborhood Development Corporations, Tennessee Holocaust Commission, Inc., Tennessee Automobile Insurance Plan, and the Doe Mountain Recreation Authority.

## C. Jointly Governed Organizations

1. **The Southern Regional Education Compact** has 16 member states. Tennessee paid \$208,508 for 2020 membership dues.

2. **The Compact for Education** has 49 member states, plus Puerto Rico, the Virgin Islands, American Samoa, and the District of Columbia. Tennessee paid \$77,300 for 2020 membership dues.

3. **The Interstate Mining Compact** has 24 member states. Tennessee paid \$17,494 for 2020 membership dues.

4. **The Southern States Nuclear Compact** (also known as the Southern States Energy Compact) has 16 member states, plus Puerto Rico and the Virgin Islands. Tennessee paid \$34,267 for 2020 membership dues.

5. **The Southeast Interstate Low Level Radioactive Waste Compact** has 6 member states.

6. **The Interstate Insurance Product Regulation Commission** is comprised of 45 member states and Puerto Rico.

7. **The Interstate Compact for Juveniles** is comprised of 50 states, plus the District of Columbia and the Virgin Islands. Tennessee paid \$22,000 for 2020 membership dues.

8. **The Interstate Compact for Supervision of Adult Offenders** is comprised of all 50 states, plus the District of Columbia, Puerto Rico, and the Virgin Islands. Tennessee paid \$36,674 for 2020 membership dues.

9. **The Interstate Compact on Educational Opportunities for Military Children** is comprised of all 50 states, plus the District of Columbia. Tennessee paid \$13,303 for 2020 membership dues.

10. **The Nurse Licensure Compact** is comprised of 32 states.

11. **The Physical Therapy Licensure Compact** is comprised of 28 states.

12. **The Interstate Commission of Emergency Medical Services Personnel Practice** is comprised of 19 states.

13. **The Interstate Medical Licensure Compact** is comprised of 29 states, plus the District of Columbia and Guam.

## D. Joint Ventures

The state is a participant in a joint venture, the Tennessee-Tombigbee Waterway Development Compact, with the states of Alabama, Kentucky and Mississippi. The purpose of this compact is to promote the development of a navigable waterway connecting the Tennessee and Tombigbee Rivers and provide a nine foot navigable channel. The fiscal year end of the Tennessee-Tombigbee Waterway is December 31. Financial statements for the Tennessee-Tombigbee Waterway may be obtained at: P.O. Drawer 671, Columbus, MS 39703.

Presented below is summary financial data for this joint venture (expressed in thousands):

<b>Tennessee-Tombigbee Waterway Development Compact</b>		
	2019	2018
Current assets	\$ 474	\$ 523
Capital assets, less depreciation	286	297
<b>Total assets</b>	<b>760</b>	<b>820</b>
Total liabilities	97	129
Net position	663	691
<b>Total liabilities and net position</b>	<b>\$ 760</b>	<b>\$ 820</b>
Revenues	\$ 318	\$ 326
Expenses	346	333
Excess of revenues over expenses	(28)	(7)
Beginning net position	691	698
<b>Ending net position</b>	<b>\$ 663</b>	<b>\$ 691</b>

## E. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

## F. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements except for agency funds which have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Earned

revenues are recognized when they become measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are typically recorded only when payment is due. General capital asset acquisitions are reported as expenditures and issuance of long-term debt is reported as an other financing source in governmental funds.

Principal revenue sources considered susceptible to accrual include taxes, federal funds, local funds and investment income. The state generally considers taxes, and similarly measurable fees and fines, available if collected within 60 days after fiscal year-end. Grants and similar items are recognized as revenue when all eligibility requirements imposed by the provider have been met, and the amount is received during the current period or within 6 months after fiscal year-end. The state uses this same 6 month availability period for most other measurable revenues, with the exception of the tobacco and similar litigation settlement proceeds, which are generally considered to be available if collection is expected within 12 months after fiscal year-end. Licenses, permits, and other similar miscellaneous revenue items are considered measurable and available only when cash is received.

The state reports the following major governmental funds:

- **General Fund.** This is the state's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- **Education Fund.** This fund accounts for financial transactions and balances associated with K-12 and higher education programs including the activities of the Tennessee Promise Scholarship Endowment Fund. Funding for these programs is accomplished primarily from dedicated sales and services taxes, federal monies received from the U.S. Department of Education, and net lottery proceeds.
- **Highway Fund.** The Highway fund accounts for financial transactions and balances associated with programs of the Department of Transportation. Funding for these programs is accomplished primarily from dedicated highway user taxes and fees and funds received from the various federal transportation agencies.

- **Capital Projects Fund.** This fund accounts for financial transactions and balances associated with the acquisition or construction of major governmental capital assets. These capital assets are financed principally with long-term bonds.

The state reports the following major proprietary funds:

- **Sewer Treatment Loan Fund.** This fund accounts for loans made to local governments and utility districts for the construction of sewage treatment facilities.
- **Employment Security Fund.** This fund accounts for the collection of unemployment insurance premiums from employers and the payment of unemployment benefits to eligible claimants.

Additionally, the state reports the following fund types:

- **Internal Service Funds.** These account for services provided to other departments or agencies of the state, or to other governments, on a cost reimbursement basis. Internal service fund services include the provision of information technology, facilities management, fleet services, risk management, employee health insurance, accounting services, and purchasing services. Other services include human resource management, printing, postal, products produced by Department of Correction inmates, warehousing of supplies, and records management
- **Fiduciary Funds.** These funds are used to account for resources legally held in trust. Fiduciary activities include the following funds:
  1. **Pension and Other Employee Benefit Trust Funds** – account for activities and balances of the defined benefit pension plans administered by the Tennessee Consolidated Retirement System, the employee flexible benefits plan, and the State of Tennessee Postemployment Benefit Trust.
  2. **Investment Trust Funds** – account for deposits belonging to entities outside of the state’s financial reporting entity.
  3. **Private Purpose Trust Funds** – account for contributions made to 1) *College Savings Plans* – funds created under Section 529 of the Internal Revenue Code; 2) *Children in State Custody* – funds held from various sources to benefit children in state custody; 3) *Oak Ridge Monitoring* – a trust funded by the federal government for the purpose of monitoring the Oak Ridge

landfill for radioactive leakage; 4) *TNInvestco* – accounts for proceeds held and used to carry out the provisions of the Tennessee Small Business Investment Company Credit Act; 5) *Insurance Receiverships* – account for the distribution of assets to claimants as ordered by the court, and 6) *Other* small funds.

4. **The Agency Funds** – account for assets the state holds on behalf of others, including state-shared taxes held for various local governments, assets in postemployment benefit plans that are not equivalent to a qualified trust held for retirees, and refundable and other receipts held for others. Agency funds are custodial in nature and do not involve measurement of operations.

As a general rule, the effect of internal activity, interdepartmental revenues and expenditures (both direct and indirect expenditures), has been eliminated from the government-wide financial statements. An exception is that interfund services provided and used between functions have not been eliminated.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. Investment income of certain proprietary funds is classified as operating revenue because those transactions are a part of the funds’ principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the state’s policy to use restricted resources first, then unrestricted resources as they are needed.

### G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

**Deposits and Investments**—The state’s cash and cash equivalents includes demand accounts, petty cash and

monies in cash management pools. The liquidity of the cash management pools is sufficient to cover any withdrawal request by a participant. This classification also includes short-term investments with a maturity date within three months of the date acquired by the state. These short-term investments, which are not part of the State Cash Pool, are stated at fair value. The State Cash Pool is part of the State Pooled Investment Fund (SPIF), an external investment pool. Investments in the State Cash Pool are measured at amortized cost. Collateral, as required by law, is pledged by the various banks and government securities dealers to guarantee state funds placed with them. It is the state's policy to include cash management pools as cash.

Investments not in the State Cash Pool are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair values. Investment income consists of realized and unrealized appreciation or depreciation in the fair value of investments. Interest income is recognized when earned. Securities and security transactions are recorded in the financial statements on trade-date basis.

**Receivables and Payables**—All outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

All receivables are shown net of an allowance for uncollectibles. Receivables in the state's governmental and fiduciary funds primarily consist of taxes, interest, departmental services and federal revenues.

**Inventories and Prepaid Items**—Inventories of materials and supplies are determined by physical count and are valued at cost, principally using the first-in/first-out (FIFO) method. The weighted average cost method is used for the Highway Fund (a special revenue fund) and Strategic Technology Solutions, Postal Services, Warehousing and Distribution, and General Services Printing (internal service funds). The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**Restricted Assets**—Proceeds of the state's general obligation bonds and commercial paper program that

remain unspent at year end are classified as restricted cash on the statement of net position. The commercial paper program provides short-term financing for the state's capital projects. Tennessee Promise Scholarship Endowment Fund (reported in the Education fund) has restricted assets in an endowment trust agreement. Contributions to the State Hybrid Stabilization Reserve Trust (reported in the general fund) are reported as restricted investments. The state also has a restricted net pension asset because pension plan net position is greater than total pension liability.

Component units that issue revenue bonds – Tennessee Housing Development Agency, Tennessee State School Bond Authority, and Tennessee Local Development Authority – report restricted cash to 1) satisfy bond covenant requirements, 2) reflect unspent bond, commercial paper, or note proceeds, and 3) reflect resources set aside to meet future debt service payments. In addition to restricted cash, Tennessee Housing Development Agency and Tennessee State School Bond Authority also report restricted investments for the same purposes previously mentioned. In addition, Tennessee Housing Development Agency also reports restricted receivables for the same purposes mentioned. The State University and Community College System and the University of Tennessee report restricted cash, investments, and receivables for those that come with certain restrictions from donors, lenders, or grantors. The State University and Community College System also reports other restricted assets for the same purpose mentioned above. Tennessee Education Lottery Corporation has restricted cash to cover losses incurred as a result of the nonfeasance, malfeasance, or misfeasance of the retailers. Tennessee Veterans' Homes Board reports restricted cash in relation to loan agreements for those belonging to the homes' residents.

Tennessee Student Assistance Corporation, Tennessee Community Services Agency, Tennessee Housing Development Agency, State University and Community College System, University of Tennessee, and Tennessee Veterans' Homes Board have net pension assets because pension plan net position is greater than their total pension liability.

**Capital Assets**—Capital assets, which include land, buildings and building improvements, machinery and equipment (e.g., furniture and fixtures, vehicles, works of art and historical treasures), infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) and intangibles (e.g., internally generated computer software, patents, trademarks, copyrights, and easements), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, with the exception of infrastructure, land and internally generated intangibles,



are defined by the state as assets with an initial individual cost of \$5,000 or more and an estimated useful life of three years or more. Infrastructure assets and land are capitalized regardless of cost or useful life. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Internally generated intangibles are capitalized if the total estimated project costs are \$1 million or more, and have an estimated useful life of three years or more. Capitalized assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Capitalized assets, except for land and infrastructure, are depreciated over their useful lives.

The state holds certain assets such as works of art, historical documents, and artifacts that have not been capitalized or depreciated because the collections are protected and preserved for exhibition, education, or research and are considered to have inexhaustible useful lives.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

The state has elected to apply the modified approach to accounting for infrastructure—roadways and bridges. The modified approach is an alternative to depreciation that may be applied to infrastructure capital assets that meet certain requirements. Under the modified approach, depreciation expense is not recorded for these assets. Instead, costs for both maintenance and preservation of these assets should be expensed in the period incurred. Additions and improvements are capitalized.

Land, construction in progress, software in development, and intangibles with indefinite useful lives are not depreciated. The other property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	40 - 50
Building Improvements	20 - 50
Machinery and Equipment	3 - 20

**Deferred Outflows/Inflows**—Deferred outflows of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The primary government has three items that qualify for reporting in this category. The first is the result of four pension related factors. The first factor is

contributions made subsequent to the measurement date, the second factor is the difference between the actual and expected economic and demographic factors that were less favorable than anticipated, the third is the net effect from changes in actuarial assumptions, and the fourth factor is the change in proportionate share of net pension liabilities and assets. The second item is refunding of debt. The third item is related to the estimate of the state’s other postemployment benefit (OPEB) liabilities. In the governmental activities column of the government-wide statement of net position, the state reported \$23.8 million for refunding of debt, \$319.5 million for employer contributions made after the measurement date, \$47.1 million for differences between expected and actual experience, \$71.9 million for changes in actuarial assumptions, \$5.2 million for the changes in proportionate shares, and \$373 million for various factors related to the estimate of the state’s OPEB liabilities.

Deferred inflows of resources represent an acquisition of net position that applies to a future period, and so will not be recognized as an inflow of resources (revenue) until that time. The primary government has four items that qualify for reporting in this category. The first item is the result of three pension related factors. The first factor is the difference between the actual and expected economic and demographic factors that were more favorable than anticipated, the second factor is the change in proportionate share of net pension liabilities and assets, and the third factor is investment returns were more than projected. In the governmental activities column of the government-wide statement of net position, the state reported \$148.2 million for these three pension related factors mentioned.

The other three items are related to debt refunding, capital lease activities, and the estimate of the state’s OPEB liabilities in which the state reported \$1.3 million, \$247 thousand, and \$325.7 million, respectively, in its governmental activities column of the government-wide statement of net position. In addition, the state has one item which arises only under modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds reported unavailable revenues from various taxes (\$67.2 million), federal grants (\$64.2 million), and other sources (\$9.8 million) as deferred inflows of resources.

**Compensated Absences**—It is the state’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the state’s policy is to pay this only if the employee is sick or upon death.

**Long-term Liabilities**—In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the unamortized bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Pensions**—For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the state’s participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the state’s fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value. For the year ended June 30, 2020, the state reported \$988.9 million of net pension liability, \$28.7 million of net pension asset, \$443.7 million of deferred outflows of resources, \$148.2 million of deferred inflows of resources, and \$403.9 million of pension expenses.

**Postemployment Benefits Other Than Pension (OPEB)**—For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State of Tennessee Postemployment Benefits Trust (OPEB Trust), that services the Employee Group OPEB Plan (EGOP), and additions to/deductions from the OPEB Trust fiduciary net position have been determined on the same basis as they are reported by the OPEB Trust. For this purpose, the OPEB Trust recognizes benefit payments when due and payable in accordance with benefit terms. Investments are reported at fair

value. This trust meets the criteria in paragraph 4 of GASB Statement No. 75.

**Net Position**—Consists of the following three components:

- **Net Investment in Capital Assets** - consists of capital assets (including restricted capital assets), net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or commercial paper, and leases that are attributable to the acquisition, construction, or improvement of those assets. Unspent debt proceeds at year end are not included in this calculation.
- **Restricted net position** - consists of net position in which constraints are placed on the use of net position either by external entities, such as creditors (debt covenants), grantors, contributors, and laws or regulations of other governments; or by constitutional provisions or enabling legislation of the state. Restrictions imposed by enabling legislation could be changed by future legislative action. Of the \$2.3 billion restricted by the primary government, \$375 million was by enabling legislation.
- **Unrestricted Net Position** - consists of net position that does not meet the definition of “restricted net position” or “net investment in capital assets.”

**Fund Balance**—In the governmental fund financial statements, fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned.

- **Nonspendable Fund Balance** - represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- **Restricted Fund Balance** - represents amounts where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
- **Committed Fund Balance** - represents amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority. The General Assembly is the highest level of decision-making authority for the state that can, by adoption of legislation prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the legislation remains in place until the

same action is taken (i.e., adoption of other legislation) to remove or revise the limitation.

- **Assigned Fund Balance** - represents amounts that are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. Generally, the assignment is expressed by the General Assembly in the annual General Appropriations Act.
- **Unassigned Fund Balance** - represents the residual amount for the general fund not included in the four categories described above. Also, any deficit fund balances within the other governmental fund types are reported as unassigned.

When both restricted and unrestricted resources are available for use, it is the state's policy to use restricted resources first, then unrestricted resources. Of the unrestricted resources, the state considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts.

**Fiscal Year End**—The fiscal year end of the primary government and component units is June 30, except for the Agricultural Promotion Boards, a special revenue fund; which has a December 31 year end. Also, the Certified Cotton Growers' Organization, a component unit, has a December 31 year end.

**Comparative Data/Reclassifications**—Comparative total data for the prior year has not been presented.

## NOTE 2

### Reconciliation of Government-wide and Fund Financial Statements

#### A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes a reconciliation between *fund balance—total governmental funds* and *net position—governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains, “Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.”

The details of this \$2.3 billion difference are as follows (expressed in thousands):

Bonds payable	\$ (1,578,402)
Plus: premium on bonds issued (to be amortized as interest expense)	(218,894)
Net deferred outflows/inflows of resources for bond refundings (to be amortized as interest expense)	19,935
Commercial paper payable	(105,933)
Accrued interest payable	(27,491)
Capital leases payable	(7,740)
Claims and judgments	(34,823)
Compensated absences	(304,789)
Pollution remediation	(54,494)
Other long-term liabilities and accounts payable	(581)
Net adjustment to reduce fund balance—total governmental funds to arrive at net position—governmental activities	<u>\$ (2,313,212)</u>

#### B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances—total governmental funds and changes in net positions of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense.”

The details of this \$880.5 million difference are as follows (expressed in thousands):

Capital outlay	\$ 1,077,515
Depreciation expense	<u>(197,058)</u>
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 880,457</u>

Another element of that reconciliation states that “The issuance of long-term debt (e.g., bonds, commercial paper) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net positions. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.” The details of this \$105 million difference are as follows (expressed in thousands):

Debt issued or incurred:	
Issuance of general obligation bonds	\$ (123,760)
Issuance of commercial paper	(44,859)
Bond premium capitalized	(19,347)
Debt reduced:	
General obligation debt	141,801
Commercial paper redeemed	151,192
<hr/>	
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 105,027</u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$59.3 million difference are as follows (expressed in thousands):

Pension	\$ (72,109)
Compensated absences	(26,244)
Claims and judgments	(744)
Accrued interest	1,154
Capital lease	1,237
Other postemployment benefits	29,930
Pollution remediation	1,865
Pledged tax credits	5,909
Loss on disposal of capital assets	(12,327)
Impairment loss	(1,403)
Amortization of bond premiums	20,402
Amortization of deferred outflows/inflows of resources	(7,043)
<hr/>	
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (59,373)</u>

## NOTE 3

### Deficit Fund Equity

The records management fund, an internal service fund, has a total net position deficit of \$106 thousand. This deficit was caused primarily as a result of the reporting of other postemployment benefits at the fund level in accordance with GASBS 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and as a result of the reporting of pensions at the fund level in accordance with GASBS 68, *Accounting and Financial Reporting for Pensions*.

## NOTE 4

### Accounting Changes

#### Prior Period Adjustments and Reclassifications

##### Primary Government

- In the previous year, at the government-wide level, a long-term governmental fund liability was overstated by \$14 million. This correction of an error was related to a collateralized borrowing in the recreation and resource development function.
- In the previous year, nonmonetary transactions totaling \$150.3 million were omitted in the health and social services and recreation and resource development program revenues and expenses in the Statement of Activities and in the general fund’s revenues and expenditures in the Statement of Revenues, Expenditures and Changes in Fund Balance. This omission had a zero effect on the ending balances of net position and fund balance as well as a net effect of zero on changes in net position and fund balance.

##### Component Units

- The State University and Community College System (SUCCS) and its foundations recorded prior-period adjustments for a net increase to net position of \$1 million for unrecorded capital outlays, unrecorded accumulated depreciation, an unrecorded land gift, and other immaterial increases and decreases at various institutions.

The following schedule enumerates adjustments for the fiscal year ended June 30, 2020, (expressed in thousands):

	6/30/19 Net Position as Reported	Adjustments to Net Position	6/30/19 Net Position as Restated
Government-wide statements:			
Primary government			
Governmental activities	\$ 36,306,250	\$ 13,821	\$ 36,320,071
Total primary government	<u>\$ 36,306,250</u>	<u>\$ 13,821</u>	<u>\$ 36,320,071</u>
Component Units			
SUCCS	3,969,798	1,022	3,970,820
Total component units	<u>\$ 3,969,798</u>	<u>\$ 1,022</u>	<u>\$ 3,970,820</u>

# NOTE 5

## Deposits and Investments

### A. Primary Government

The state's cash includes deposits in demand accounts, petty cash and monies in cash management pools. State statutes provide that funds in the state treasury be invested by the State Treasurer. The State Pooled Investment Fund (SPIF) is established by Tennessee Code Annotated, Section 9-4-603 "for the purpose of receiving and investing any money in the custody of any officer or officers of the state unless prohibited by statute to be invested." Participants in the SPIF include the general fund of the state and any department or agency of the state which are required by court order, contract, state or federal law, or federal regulation to receive interest on invested funds, and which are authorized by the State Treasurer to participate in the SPIF. In addition, funds in the State of Tennessee Local Government Investment Pool (LGIP) investment trust fund are consolidated with the SPIF for investment purposes only. The primary oversight responsibility for the investment and operations of the SPIF rests with the Funding Board of the State of Tennessee (Funding Board).

The State Pooled Investment Fund is authorized by statute to invest funds in accordance with policy guidelines approved by the Funding Board. The current resolution of the Funding Board gives the Treasurer approval to invest in U.S. Direct Obligations, U.S. Agency Securities, U.S. Instrumentality Securities, repurchase or reverse repurchase agreements, collateralized certificates of deposit in authorized state depositories, prime commercial paper, prime bankers' acceptances and securities lending agreements. Investments in derivatives type securities and investments of high risk are prohibited. There are no limitations or restrictions on participant withdrawals with

the exception of a 24-hour notice for withdrawals exceeding \$5 million.

The Intermediate Term Investment Fund (ITIF) is authorized by statute to invest funds in the investment instruments specified under statutes for the SPIF. The ITIF is intended to offer longer term investment vehicle and higher returns for participants who did not need access to funds immediately.

In addition to the funds in the State Pooled Investment Fund, the Tennessee Retiree Group Trust (TRGT), an investment trust fund, was adopted for the purpose of pooling funds solely for investment purposes including those assets of the Tennessee Consolidated Retirement System (TCRS) and other exempt pension and similar trusts. TRGT may also invest its funds in SPIF. The College Savings Plans, a private-purpose trust consisting of the Baccalaureate Education System Trust (BEST) and the Tennessee Stars College Savings 529 Program (TNStars); the Achieving a Better Life Experience (ABLE TN) fund, reported as part of Other private purpose trust funds; the Tennessee Promise Scholarship Endowment Fund, a part of the Education Fund, a special revenue fund; the Chairs of Excellence (COE) Trust, a permanent fund; and the State of Tennessee Postemployment Benefits Trust, an other postemployment benefit trust fund, are authorized by statutes to invest in long-term investments, including bonds, debentures, preferred stock and common stock, real estate and other good and solvent securities subject to the approval of the applicable boards of trustees.

The Insurance Receiverships Fund, a private purpose trust fund, and the State Funds Investment Portfolios, which include investments selected and managed by the Tennessee Wildlife Resources Agency (TWRA) and the Department of Economic and Community Development (ECD), do not have specific investment policies that restrict their investments.

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As of June 30, 2020, the state's investments for all funds were as follows (expressed in thousands):

POOLED INVESTMENT AND OTHER FUNDS INVESTMENTS

Credit Quality Rating	SPIF	TRGT	ITIF	State Funds Investment Portfolios	Education Fund	COE	College Savings Plans	Insurance Receiverships Fund	Other private purpose trust funds	Employee Group OPEB Trust	Total
AAA	\$ 58,150	\$ 562,777			\$ 67	\$ 2,313					\$ 623,307
AA		362,720			90	3,089					365,899
A		1,397,227			97	3,327					1,400,651
BBB		3,323,951			359	12,390					3,336,700
BB		503,917			16	557					504,490
B		111,449									111,449
CCC		56,004									56,004
CC		1,324									1,324
C		535									535
NR	10,278,690	4,292,267			1,513	52,152	\$ 77,813	\$ 409	\$ 6,193		14,709,037
A1 (Commercial paper)	249,987										249,987
	10,586,827	10,612,171			2,142	73,828	77,813	409	6,193		21,359,383
Government agencies and obligations <sup>1</sup>	4,341,724	5,070,366	\$ 8,013	\$ 245,536	1,973	68,020					9,735,632
Total debt investments	14,928,551	15,682,537	8,013	245,536	4,115	141,848	77,813	409	6,193		31,095,015
<b>Non Fixed Income Assets</b>											
Equity		26,147,808			611,320	217,432					26,976,560
Equity mutual funds							110,233	182	8,552	\$ 254,638	373,605
Preferred stock		81,741									81,741
Real estate		4,273,552									4,273,552
Private equities		4,042,987									4,042,987
Strategic lending		3,222,722									3,222,722
Derivatives (not rated)		417									417
Certificate of deposit classified as short term	421,735										421,735
Short-term investment fund at custodian		(6,204)									(6,204)
Less: short term	(4,694,598)	(855,862)									(5,550,460)
Total investments	\$ 10,655,688	\$ 52,589,698	\$ 8,013	\$ 245,536	\$ 615,435	\$ 359,280	\$ 188,046	\$ 591	\$ 14,745	\$ 254,638	\$ 64,931,670
Net noninvestment assets		955,183									
Pool's net position <sup>2</sup>		\$ 53,544,881									

1. Includes obligations of the US government or obligations explicitly guaranteed by the US government

2. This amount is the net position of TRGT whose audited financial reports can be obtained at [www.treasury.tn.gov](http://www.treasury.tn.gov) or calling (615) 741-2956.

**Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit quality ratings for the state's investments in debt securities as of June 30, 2020, are included in the previous schedule. Securities are rated using Standard and Poor's and/or Moody's and are presented above using the Standard and Poor's rating scale. State statutes provide a process for financial institutions desiring to act as state depositories to be approved by the State Treasurer. Statutes also provide for the Commissioner of Financial Institutions to advise, on a timely basis, the Treasurer and the Commissioner of Finance and Administration of the condition of each state bank and state chartered savings and loan association, including his recommendations regarding its condition and safety as a state depository. Similar provisions apply to federally chartered banks and savings and loan associations designated as state depositories. This process ensures that institutions whose financial status is uncertain are monitored for collateral sufficiency. All certificates of deposit are required by policy to be placed directly with state depositories. All repurchase agreements are done with primary dealers in government securities which have executed a master repurchase agreement with the state.

The SPIF's investment policy requires a first tier quality criteria for the purchase of obligations of instrumentalities that are not fully guaranteed by the United States government. Prime banker's acceptances must be of first tier quality, the security or issuer shall have an investment grade credit rating, and the security shall be eligible for purchase by the Federal Reserve system. Commercial paper should be of first tier quality, but the security shall have an investment grade credit rating by at least two Nationally Recognized Statistical Rating Organizations and the issuer shall be approved in writing by the Chief Investment Officer. For securities lending agreements, the underlying collateral is limited to first tier U.S. Direct Obligation Securities, U.S. Agency Securities, or U.S. Instrumentality Securities.

The SPIF is not registered with the Securities and Exchange Commission (SEC) as an investment company. The State of Tennessee has not obtained a credit quality rating for the SPIF from a nationally recognized credit ratings agency. The SPIF is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by GASB for external investment pools that elect to measure investments at amortized cost. The funds are limited to high quality obligations with regulated maximum and average maturities, the effect of which is to minimize both market and credit risk. The State Funding Board has elected for the SPIF to use amortized cost accounting measures to report investments and to transact with participants at a Stable Net Asset Value. Additionally, the State had not

obtained or provided any legally binding guarantees to support the value of participant shares during the fiscal year.

The TRGT, pursuant to Tennessee Code Annotated (TCA) Title 8, Chapters 34-37, the TCRS Board and the State Treasurer as the Custodian are authorized to invest the TRGT funds in the same manner as the funds of TCRS. TCRS' investment policy specifies that bond issues subject for purchase are investment grade bonds rated by one of the Nationally Recognized Statistical Rating Organizations (NRSROs). There is no requirement to divest an asset if it is downgraded after purchase. For short-term investments, the TCRS' investment policy provides for the purchase of only the highest quality debt issues. Commercial paper should be rated in the highest tier by all rating agencies which rate the paper, with a minimum of two ratings required. Commercial paper cannot be purchased if a rating agency has the commercial paper on a negative credit watch. The investment policy also requires preparation of a credit analysis report on the corporation prior to purchasing commercial paper.

The COE Trust's investment policy states that the majority of investments should be placed in high quality debt securities to produce adequate income with minimal risk. In addition, for short-term investments, the investment policy states that only the highest quality short-term debt issues should be purchased.

The College Savings Plans' investment policy states that the trust may acquire securities which are rated within the four highest grades at the time of acquisition by any of the recognized rating agencies. In addition, the policy requires that only the highest quality short-term debt issues, including commercial paper with ratings of A1 or P1, may be purchased. The policy further states that index funds may be utilized as an alternative to selecting individual securities.

The Education Fund's state statute authorizes the trustees to adopt an investment policy for the trust in accordance with the laws, policies and guidelines that govern investments by the Tennessee Consolidated Retirement System. The trustees may issue other directions further limiting such investments. The policy also allows assets to be invested in shares of publicly traded investment companies, including Unit Investment Trusts (UIT's), Exchange Traded Funds (ETF's) and open-end and closed-end mutual funds. In addition, it permits investment in publicly traded foreign securities that are the same kinds, classes and investment grades otherwise eligible for investment, and in non-investment grade, fixed income securities, including but not limited to, high yield bonds.

The ITIF is authorized by statute to invest funds in the investment instruments specified under statutes for the SPIF in accordance with the policy guidelines for the ITIF as approved by the Funding Board. The current policy of the Funding Board for the ITIF gives the Treasurer approval to invest funds in bonds, notes, and treasury bills of the United States or other obligations guaranteed as to principal and interest by the United States or any of its agencies, obligations guaranteed as to principal and interest by the federal home loan mortgage corporation, federal national mortgage association, student loan marketing association and other United States government-sponsored corporations, prime commercial paper, prime bankers' acceptances, and repurchase agreements for obligations of the United States or its agencies. State Fund Investment Portfolios is authorized to invest in obligations guaranteed by the US government including bonds, notes, and US treasury bills. Insurance Receiverships Fund has no investment policy limiting investment choice based on ratings issued by nationally recognized statistical rating agencies. ABLE TN, reported as part of Other private purpose trust funds, provides participants a wide range of investment products with investment risk profiles ranging from conservative to aggressive. The investment products made available to program participants were selected based on a number of factors including fees, investment performance, investment strategy, and credit ratings. Program participants select investment options that suit their individual investment needs.

**Concentration of Credit Risk**

A concentration of investments in any one single issuer of debt securities presents a greater risk for loss in the event the issuer fails on its obligations. An objective stated in the SPIF's investment policy is that the investment portfolio will be diversified to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions. Acquisitions are monitored by policy to assure that no more than five percent (5%) of the pool, at the date of acquisition, is invested in a single issuer of securities. Additionally, no issuer of a demand feature or guarantee will exceed ten percent (10%) at the date of acquisition. These limits shall not apply to U.S. Government Securities. In addition, the SPIF's investment policy limits the book value of prime banker's acceptances to \$25 million issued by any one issuer. Prime commercial paper investments are limited to \$250 million issued by any one issuer.

The TRGT is authorized to invest in securities in accordance with the investment policy of the TCRS. The TCRS' investment policy limits the maximum amount of securities in cash equivalents issued by any one issuer to \$200 million, excluding those securities with the express or implied backing of the United States government.

There are no other specific investment policies that limit the investments of the TCRS, the COE Trust, the College Savings Plans, the Education Fund or other State funds in any one issuer.

As of June 30, 2020, SPIF, COE, Intermediate Term Investment Fund, and State Funds Investment Portfolios separately held investments in certain organizations representing five percent (5%) or more of its total investments, excluding those organizations whose issues are explicitly guaranteed by the United States government, and investments in mutual funds, external investment pools, and other pooled investments (expressed in thousands):

<b>State Pooled Investment Fund (SPIF)</b>		
Issuer Organization	Carry Value	Percentage
Federal Home Loan Bank	\$ 3,755,630	25.16
Federal Home Loan Mortgage Corp	1,139,786	7.63
International Bank for Recon & Dev	1,302,824	8.73
Federal Farm Credit Banks	3,613,771	24.21

<b>Chairs of Excellence (COE) without Academic Scholars</b>		
Issuer Organization	Fair Value	Percentage
Federal National Mortgage Association	\$27,019	7.52
Federal Home Loan Mortgage Corporation	22,819	6.35

<b>Intermediate Term Investment Fund (ITIF)</b>		
Issuer Organization	Fair Value	Percentage
Federal Farm Credit Banks	\$ 8,013	100.00

<b>State Funds Investment Portfolios</b>		
Issuer Organization	Fair Value	Percentage
Federal National Mortgage Association	\$ 24,259	9.88

**Interest Rate Risk**

Interest rate risk is the risk that future changes in prevailing market rates of interest will have an adverse effect on the fair value of debt investments. The fair values of securities with long terms to maturity may be highly sensitive to interest rate changes. The SPIF's investment policy with respect to maturity states that the weighted average maturity of the pool shall not exceed sixty (60) days calculated using Maturity Shortening Features for securities with a variable or floating interest rate. The weighted average life of the SPIF cannot exceed one hundred twenty (120) days calculated using Stated Maturity and without using Maturity Shortening Features. No security or investment may be purchased with a remaining maturity of greater than three hundred ninety-seven (397) calendar days. At June 30, 2020, the weighted average maturity of the pool was forty-nine (49) days and the weighted average life of the pool was eighty-one (81) days. It is the intent of the Funding Board that the fair value of the SPIF not deviate more than one-half



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percent (0.5%) from amortized cost. If it does, actions may include, but not be limited to, selling securities whose fair value substantially deviates from amortized cost, and investing in securities with ninety (90) days or less to maturity.

As of June 30, 2020, the combined SPIF portfolio and other state cash deposits and investments had the following weighted average maturities (expressed in thousands):

<b>State Pooled Investment Fund Weighted Average Maturity</b>		
Deposit/Investment Type	Carry Value	Weighted Average Maturity (Months)
U.S. Government Agencies	\$ 10,336,840	1.70
U.S. Government Treasuries	4,341,724	2.10
Commercial paper	249,987	0.46

The ITIF's investment policy with respect to maturity states that the dollar weighted average maturity of the Fund shall not exceed three (3) years, and that no security will be bought with a remaining life of over five (5) years. The maximum time period from the date of acquisition to maturity of government or agency securities may not exceed five (5) years. Prime commercial paper, including asset-backed commercial paper, shall not have a maturity that exceeds two hundred seventy (270) days. Individual repurchase agreement transactions shall not have a maturity that exceeds ninety (90) days. Prime banker's acceptances must have an original maturity of not more than two hundred seventy (270) days to be eligible for purchase, with the intent to hold to maturity, however, they may be traded in the secondary market to maintain liquidity.

As of June 30, 2020, the Intermediate Term Investment Fund had the following weighted average maturities (expressed in thousands):

<b>Intermediate Term Investment Fund Weighted Average Maturity</b>		
Deposit/Investment Type	Fair Value	Weighted Average Maturity (Years)
U.S. Government Agencies	\$ 8,013	2.59

The TRGT is authorized to invest in securities in a manner consistent with the investment policy of the TCRS. TCRS' investment policy does not specifically address limits on investment maturities.

<b>Tennessee Retiree Group Trust Debt Investments June 30, 2020 (expressed in thousands)</b>		
Investment Type	Fair Value	Effective Duration (Years)
<b>Debt Investments:</b>		
<b>Government Fixed Income</b>		
Government Agencies	\$ 173,464	5.59
Government Bonds	4,059,124	16.44
Government Inflation Indexed	29,688	7.40
Government Mortgage-Backed	3,700,230	2.39
Government Asset-Backed	113,167	6.24
Municipal Bonds	68,927	16.42
<b>Corporate Fixed Income</b>		
Commercial Mortgage Backed	494,796	1.62
Asset Backed Securities	827,948	0.85
Corporate Bonds	5,353,127	10.77
<b>Short Term</b>		
Short Term Bills and Notes	862,066	0.00
<b>Total Debt Investments</b>	<u>\$ 15,682,537</u>	

The investment policy for the COE Trust states that the maturity of its debt securities may range from short-term instruments, including investments in the State Pooled Investment Fund, to long-term bonds, with consideration of liquidity needs. However, the policy does not specifically address limits on investment maturities. The fixed income portfolio is benchmarked against the Barclays Aggregate Index and tends to have a duration within a range around that index.

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<b>Chairs of Excellence Debt Investments Excluding Academic Scholars June 30, 2020 (expressed in thousands)</b>		
Investment Type	Fair Value	Effective Duration (Years)
<b>Debt Investments</b>		
<b>U.S. Government</b>		
U.S. Government Treasuries	\$ 23,486	12.40
U.S. TIPS	40,945	8.08
U.S. Agencies	2,025	6.21
Government Mortgage-Backed	50,085	1.82
Government Asset-Backed	3,421	6.30
Municipal Bonds	1,443	0.63
<b>Corporate Fixed Income</b>		
Corporate Mortgage-Backed	1,043	3.84
Corporate Bonds	17,790	8.20
Corporate Asset-Backed	1,610	1.14
<b>Total Debt Investments</b>	<b><u>\$141,848</u></b>	

The investment policy of the Education Fund authorizes the trustees to adopt an investment policy for the trust in accordance with the laws, policies, and guidelines that govern investments by the TCRS. The TCRS investment policy does not specifically address limits on investment maturity.

<b>Education Fund Debt Investments June 30, 2020 (expressed in thousands)</b>		
Investment Type	Fair Value	Effective Duration (Years)
<b>Debt Investments</b>		
<b>U.S. Government</b>		
U.S. Government Treasuries	\$ 681	12.40
U.S. TIPS	1,188	8.08
U.S. Agencies	59	6.21
Government Mortgage-Backed	1,453	1.82
Government Asset-Backed	99	6.30
Municipal Bonds	42	0.63
<b>Corporate Fixed Income</b>		
Corporate Mortgage-Backed	30	3.84
Corporate Bonds	516	8.20
Corporate Asset-Backed	47	1.14
<b>Total Debt Investments</b>	<b><u>\$ 4,115</u></b>	

The investment policy for College Savings Plans states that bonds generally will be purchased and held to maturity, but when necessary, the portfolio will be actively managed in times of volatile interest rate swings to shorten the average maturity and protect principal value.

<b>College Savings Plans Debt Investments June 30, 2020 (expressed in thousands)</b>		
Fund Name Blended	Fair Value	Effective Duration (Years)
Vanguard Wellington Admiral	\$ 16,376	8.04
<b>Fixed Income</b>		
Vanguard Total Bond Market Index I	29,992	6.45
Vanguard Short-Term Corporate Bond Index Fund	5,084	2.82
Vanguard Total International Bond Index Fund	9,800	8.43
Vanguard Short-Term Inflation Protected Securities Index Fund	4,942	2.63
Vanguard High-Yield Corporate Fund	186	3.89
Western Asset Core Plus Bond Fund	278	7.02
Vanguard Total Bond Market Index Fund	11,155	6.41
<b>Total Debt Investments</b>	<b><u>\$ 77,813</u></b>	

Insurance Receiverships Fund has no investment policy limiting its investment choice based on maturity of the assets.

<b>Insurance Receiverships Fund June 30, 2020 (expressed in thousands)</b>		
Investment Type	Fair Value	Effective Duration (Years)
Corporate bonds	\$ 1	0.99
Government bonds	408	6.54

The State Funds Investment Portfolio has no investment policy limiting their investment choice based on maturity of the assets.

<b>State Funds Investment Portfolio June 30, 2020 (expressed in thousands)</b>		
Investment Type	Fair Value	Effective Duration (Years)
U.S. Government	\$ 122,979	7.85
Government Mortgage-Backed	122,557	26.60

ABLE TN, reported as part of Other private purpose trust funds, provides investment products for participants to select. Participants select investment products that best suit their investment needs. The program has no specific investment policy limiting its investment choices based on interest rate risk.

<b>Other private purpose trusts</b>		
<b>June 30, 2020(expressed in thousands)</b>		
Fund Name Blended	Fair Value	Effective Duration (Years)
Vanguard Wellington Admiral	\$ 4,247	8.04
<b>Fixed Income</b>		
Vanguard Total Bond Market Index I	1,445	6.45
Vanguard Short-Term Corporate Bond Index Fund	46	2.82
Vanguard Total International Bond Index Fund	55	8.43
Vanguard Short-Term Inflation Protected Securities Index Fund	365	2.63
Vanguard High-Yield Corporate Fund	25	3.89
Western Asset Core Plus Bond Fund	10	7.02
Total Debt Investments	<u>\$ 6,193</u>	

**Foreign Currency Risk**

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The TRGT is authorized to invest in securities in accordance with the investment policy of the TCRS. The TCRS' investment policy limits the asset allocation for international investments to twenty-five percent of total assets. The TRGT's exposure to foreign currency risk at June 30, 2020, was as follows (expressed in thousands):

Currency	Total		
	Fair Value	Equity	Cash
Australian Dollar	\$ 385,387	\$ 384,799	\$ 588
British Pound Sterling	1,315,628	1,314,384	1,244
Canadian Dollar	1,025,804	1,025,217	587
Danish Krone	335,283	335,283	
Euro Currency	2,371,978	2,370,639	1,339
Hong Kong Dollar	226,177	226,029	148
Japanese Yen	1,645,786	1,638,389	7,397
New Israeli Shekel	9,622	9,617	5
New Zealand Dollar	5,516	5,516	
Norwegian Krone	35,329	35,329	
Singapore Dollar	85,788	84,655	1,133
Swedish Krona	205,980	205,980	
Swiss Franc	673,861	673,860	1
Total	<u>\$ 8,322,139</u>	<u>\$ 8,309,697</u>	<u>\$ 12,442</u>

**Derivatives**

The TRGT may buy or sell fixed income and equity index futures contracts for the purposes of making asset allocation changes in an efficient and cost effective manner and to improve liquidity. Gains (losses) on equity index futures hedge losses (gains) produced by any deviation from the TRGT's target equity allocation. The gains and losses resulting from daily fluctuations in the fair value of the outstanding futures contract are settled daily, on the following day, and a receivable or payable is established for any unsettled gain or loss as of the financial statement date. As of June 30, 2020, the TRGT was under contract for fixed income and equity index futures and the resulting receivable is reflected in the financial statements at fair value.

The TRGT is authorized to invest in To Be Announced (TBA) mortgage backed securities similar to the foreign currency forward contracts. The TRGT enters into an agreement to purchase pools of mortgage backed securities prior to the actual security being identified. The TRGT will roll this agreement prior to settlement date to avoid taking delivery of the security. Any unrealized gain on TBA mortgage backed securities has been reflected in the financial statements as an investment. Any unrealized loss on TBA mortgage backed securities has been included in the payable established for mortgages. The notional amounts of these agreements have been included in the financial statements as a receivable and a payable.

The TRGT invests in the derivatives to adjust its exposure to mortgage coupon risk and to replicate the return on mortgage backed securities portfolios without actually purchasing the security.

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The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2020, classified by type, and the changes in fair values of such

derivative instruments for the year ended as reported in the financial statements are as follows (expressed in thousands):

	Changes in Fair Value		Fair Value at June 30, 2020		
	Currency	Financial Statement Classification	Amount	Financial Statement Classification	Notional Amount
Foreign Currency Forward Contracts					
	HKD		(21)		\$ 2,377
	GBP				2,530
		Investment Income	\$ (21)	Derivative Instruments Payable	\$ (21)
Future Contracts		Investment Income	\$ 7,604	Derivative Instruments Receivable	\$ 6,079 \$ 2,032,769
TBA Mortgage-Backed Securities		Investment Income	\$ 417	Derivative Instruments	\$ 417 \$ 125,693

**Custodial Credit Risk**

Custodial Credit Risk for deposits is the risk that in the event of a bank failure, the TRGT's deposits may not be returned to TRGT. The TRGT does not have an explicit policy with regards to Custodial Credit Risk for deposits. As of June 30, 2020, the TRGT had uninsured and uncollateralized cash deposits of \$12.4 million in foreign currency held by our master custodian, State Street, in State Street's name. These deposits were used for investments pending settlement.

The Insurance Receivership fund does not have an explicit policy with regards to Custodial Credit Risk for deposits. As of June 30, 2020, the Insurance Receivership fund had uninsured and uncollateralized cash deposits of \$51 thousand at various institutions.

**Securities Lending**

The TRGT is authorized to invest in securities in accordance with the investment policy of the TCRS. TCRS is authorized to invest in securities lending investments by Tennessee Code Annotated (TCA) 8-37-104(a)(6) with the terms established in the investment policy whereby TRGT loans securities to brokers and dealers (borrower) and in turn, TRGT receives cash or securities as collateral. TRGT pays the borrower interest on the collateral received and invests the collateral with the goal of earning a higher yield than the interest rate paid to the borrower. Loans are limited to no more than thirty percent (30%) of the market value of the total assets in the TRGT portfolio and provided further that such loans are secured by collateral.

Securities received as collateral hereunder shall have a market value equal to at least one hundred two percent (102%) of the market value of the loaned domestic security or one hundred five percent (105%) of any

foreign security. Cash received as collateral shall equal at least one hundred percent (100%) of the market value of the loaned securities and may be invested by or on behalf of the TRGT in any instrument the TRGT may be directly invested.

The TRGT securities lending program is managed by a third party lending agent, Deutsche Bank AG. The TRGT may loan any debt or equity securities which is owned by TRGT. TRGT's securities lending agent manages the average maturities of securities on loan against the average maturities of securities on collateral invested. The maturity gap has a limit of 33 days. This is monitored by investment staff on a periodic basis to ensure compliance. At June 30, 2020 the TRGT had the following securities on loan and received the cash collateral (expressed in thousands) as shown below:

Securities on Loan	Fair Value of Securities on Loan	Cash/Non Cash Collateral Received
Fixed	\$ 707,555	\$ 725,040
Equity	1,021,898	1,047,150
<b>Total</b>	<b>\$ 1,729,453</b>	<b>\$ 1,772,190</b>

The TRGT has the ability to sell the collateral securities only in the case of a borrower default.

**B. Component Units**

The various component units are generally governed by the same state statutes as the state's policies described above.

**1. University of Tennessee**

The University is authorized by statute to invest funds in accordance with the University's investment policies. Funds, other than endowment, annuity, and life income

funds, can be invested in equity securities and various other securities given prudent diversification.

**Credit Risk**

The University has no investment policy limiting its investment choice based on ratings issued by nationally recognized statistical rating agencies. The University's securities are rated by Moody's. As of June 30, 2020, the University's investments were rated as follows (expressed in thousands):

Rated Debt Instruments	Fair Value	Credit Quality Rating			
		US Treasury/ Agency	P-1*	Aaa	Aa1
U.S. Treasuries	\$ 281	\$ 281			
U.S. Treasuries (in pool)	52,585	52,585			
U.S. Agencies	21				\$ 21
U.S. Agencies (in pool)	1,017,201			\$105,031	576,625
Commercial Paper (in pool)	243,820		\$243,820		
Corporate Bonds	248				
Mutual Funds – Bonds	57,056				
Money Market Mutual Funds	3				
<b>Total</b>	<b>\$ 1,371,215</b>	<b>\$ 52,866</b>	<b>\$ 243,820</b>	<b>\$ 105,031</b>	<b>\$ 576,646</b>
(Continued)					
Rated Debt Instruments		Credit Quality Rating			
	Aa2	A2	Baa1	Baa2	Baa3
U.S. Treasuries					
U.S. Treasuries (in pool)					
U.S. Agencies					
U.S. Agencies (in pool)					
Commercial Paper (in pool)					
Corporate Bonds			\$ 27	\$ 80	\$ 61
Mutual Funds – Bonds	\$ 50,961	\$ 2,043		532	
Money Market Mutual Funds					
<b>Total</b>	<b>\$ 50,961</b>	<b>\$ 2,043</b>	<b>\$ 27</b>	<b>\$ 612</b>	<b>\$ 61</b>
(Continued)					
Rated Debt Instruments		Credit Quality Rating			
	Ba2	B2	Unrated		
U.S. Treasuries					
U.S. Treasuries (in pool)					
U.S. Agencies					
U.S. Agencies (in pool)			\$ 335,545		
Commercial Paper (in pool)					
Corporate Bonds			80		
Mutual Funds – Bonds	\$ 526	\$ 2,708	286		
Money Market Mutual Fund			3		
<b>Total</b>	<b>\$ 526</b>	<b>\$ 2,708</b>	<b>\$ 335,914</b>		

\*Short-term ratings from Moody's

**Interest Rate Risk**

The University does not have a formal policy that addresses interest rate risk. As of June 30, 2020, the University had the following debt investments and maturities (expressed in thousands):

Investment Type	Fair Value	Investment Maturities (in years)			
		Less Than 1	1 to 5	6 to 10	More Than 10
U.S. Treasuries	\$ 281				\$ 281
U.S. Treasuries (in pool)	52,585	\$ 18,311	\$ 34,274		
U.S. Agencies	21			\$ 21	
U.S. Agencies (in pool)	1,017,201	184,083	781,608	27,790	23,720
Commercial Paper (in pool)	243,820	243,820			
Corporate Bonds	248		107		141
Bond Mutual Funds	57,059	3	851	54,621	1,584
	<u>\$ 1,371,215</u>	<u>\$ 446,217</u>	<u>\$ 816,840</u>	<u>\$ 82,432</u>	<u>\$ 25,726</u>

University foundations' investments in the amount of \$203.131 million are not included in these disclosures because the foundations utilize private-sector accounting standards.

**Foreign Currency Risk**

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of a deposit or investment. The university has \$3.393 million invested in foreign corporate equities at June 30, 2020.

**Alternative Investments**

In its Consolidated Investment Pool, as part of its endowment assets, the University has investments in one hundred twenty limited partnerships, limited companies, trusts, corporations, and limited liability corporations. At June 30, 2020, the estimated fair value of these assets is \$500.137 million. These investments are not readily marketable, therefore, the estimated fair value is subject to uncertainty and may differ from the value that would have been used had a ready market existed; such differences could be material. The University's investment policy permits investment in various asset classes, such as these alternative investments, to ensure portfolio diversity. The fair values were estimated by the general partner of each limited partnership or manager of each corporate entity using various valuation techniques.

**2. State University and Community College System**

**Credit Risk**

The System is authorized by statute to invest funds in accordance with the State University and Community College System's investment policies. Under the current policy, funds other than endowments may be invested only in obligations of the United States or its agencies which are backed by the full faith and credit of the United States, repurchase agreements for United States securities, certificates of deposit in banks and savings and loan associations, banker's acceptances, commercial paper, money market mutual funds and the State of Tennessee Local Government Investment Pool. The policy requires that investments of endowments in equity securities be limited to funds from private gifts or other sources external to the System and that endowment investments be prudently diversified. The System has no formal investment policy that limits its investment choices based on ratings issued by rating agencies. As of June 30, 2020, debt investments of the System and its foundations (that utilize governmental accounting standards) were rated by Standard and Poor's as follows (expressed in thousands):

State of Tennessee

Rated Debt Instruments	Fair Value	U.S. Treasury <sup>1</sup> / Agency	Credit Quality Rating								
			AAA	AA	A	BBB	BB	B	CCC	CC	Not Rated
U.S. Treasuries	\$ 99,748	\$ 99,748									
U.S. Agencies	161,269	79		\$ 161,190							
Corporate Bonds	21,748		\$ 1,386	2,654	\$ 9,499	\$ 8,209					
Mutual Funds—Bonds	75,906		2,023	471	2,089	9,179	\$ 524	\$ 79	\$ 50	\$ 2	\$ 61,489
Other	688										688
<b>Total Debt Instruments</b>	<b>\$ 359,359</b>	<b>\$ 99,827</b>	<b>\$ 3,409</b>	<b>\$ 164,315</b>	<b>\$ 11,588</b>	<b>\$ 17,388</b>	<b>\$ 524</b>	<b>\$ 79</b>	<b>\$ 50</b>	<b>\$ 2</b>	<b>\$ 62,177</b>

1. Includes obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government.

**Interest Rate Risk**

The System does not have a formal investment policy that limits investment maturities as a means of managing its exposure to interest rate risk. As of June 30, 2020, debt investments and maturities of the system and its foundations (that utilize governmental accounting standards) follow (expressed in thousands):

Investment Type	Fair Value	Investment Maturities (in years)				
		Less Than 1	1 to 5	6 to 10	10	More Than 10 Undetermined
U.S. Treasuries	\$ 99,748	\$ 7,398	\$ 81,471	\$ 10,879		
U.S. Agencies	161,269	21,129	129,469	9,986	\$ 685	
Corporate Bonds	21,748	565	13,863	6,244	1,076	
Mutual Funds—Bonds	75,906	166	4,151	10,311	1,294	\$ 59,984
Other	688		210		478	
<b>Total Debt Investments</b>	<b>\$ 359,359</b>	<b>\$ 29,258</b>	<b>\$ 229,164</b>	<b>\$ 37,420</b>	<b>\$ 3,533</b>	<b>\$ 59,984</b>

The investments of certain foundations of the System are not included in these disclosures because these foundations utilize private-sector accounting standards. These foundations reported investments at fair value in the amount of \$327.708 million.

**3. Tennessee Housing Development Agency (THDA)**

The Agency is authorized to establish policies for its funds to meet the requirements of bond resolutions and state statute. Funds are invested similarly to state policies.

The Agency's investment policy states that its portfolios will be diversified in order to reduce the risk of loss

resulting from over concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. The Agency may invest 100 percent of its portfolio in U.S. government securities due to the absence of credit risk. A minimum of five percent of the fair market value of total investments must mature within five years. No more than 50 percent of the daily fair market value of the combined portfolios can be invested in maturities greater than 15 years without approval of the Bond Finance Committee.

**Credit Risk**

The Agency's investments as of June 30, 2020, were rated by Standard and Poor's and/or Moody's as follows (expressed in thousands):

State of Tennessee

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Rated Debt Instruments	Fair Value	Credit Quality Rating		
		U.S. Treasury <sup>1</sup> / Agency	AA	Not Rated <sup>2</sup>
U.S. Agency Coupon	\$ 101,363		\$ 101,363	
U.S. Treasury Coupon	6,569	\$ 6,569		
U.S. Agency Discount	213,816			213,816
<b>Total Debt Instruments</b>	<b>\$ 321,748</b>	<b>\$ 6,569</b>	<b>\$ 101,363</b>	<b>\$ 213,816</b>
<p>1. Includes obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government.</p> <p>2. Includes securities that are implicitly guaranteed by the U.S. government, but are not rated by S&amp;P or Moody's.</p>				



**Concentration of Credit Risk**

At June 30, 2020, more than 5 percent of the Agency's investments are invested in the following single issuers (expressed in thousands):

Issuer	Fair Value	Percentage
Federal Home Loan Bank	\$ 232,422	72.24
Federal Home Loan Mortgage Corporation	80,010	24.87

**Interest Rate Risk**

As of June 30, 2020, the Agency had the following debt investments and effective duration (expressed in thousands):

Investment Type	Fair Value	Effective Duration (Years)
U.S. Agency Coupon	\$ 101,363	0.537
U.S. Treasury Coupon	6,569	2.851
U.S. Agency Discount	213,816	0.218
Total	<u>\$ 321,748</u>	

## NOTE 6

### Fair Value Measurements

#### A. Primary Government

The fair value of assets held at June 30, 2020, represents the price that would be received were the asset to be sold or the liability transferred in an orderly transaction between market participants. Assets held are categorized for fair value measurement within the fair value hierarchy established by Generally Accepted Accounting Principles (GAAP). The hierarchy is based on the valuation inputs used to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

State of Tennessee

<b>Investments Measured at Fair Value (expressed in thousands)</b>						
Fund	Investment Aggregation	GAAP	GAAP	GAAP	NAV	Total Investments
		Hierarchy Level 1	Hierarchy Level 2	Hierarchy Level 3		
Tennessee Retiree Group Trust	Government Agencies		\$ 173,464			\$ 173,464
	Government Bonds	\$ 3,983,634	75,490			4,059,124
	Government Inflation Indexed	29,688				29,688
	Government Mortgage Backed		3,697,391	\$ 2,839		3,700,230
	Government Asset Backed		113,167			113,167
	Municipal Bonds		67,896	1,031		68,927
	Commercial Mortgage Backed		333,729	161,067		494,796
	Corporate Asset Backed Securities		261,844	566,104		827,948
	Corporate Bonds		5,353,119	8		5,353,127
	Corporate Equities	26,111,228		36,580		26,147,808
	Preferred Stocks	66,578		15,163		81,741
	Limited Partnership Units			700,514	\$ 6,565,195	7,265,709
	Real Estate			3,027,251	1,246,301	4,273,552
	Derivatives		417			417
Education Fund	Mutual Funds	611,320				611,320
	Government Agencies		59			59
	Government Asset Backed		99			99
	Government Bonds	624	57			681
	Government Mortgage Backed		1,453			1,453
	Index Linked Government Bonds	1,188				1,188
	Municipals		14	28		42
	Collateralized Mortgage Obligations		30			30
	Corporate Asset Backed		47			47
	Corporate Bonds		516			516
Chairs of Excellence	Exchange Traded Funds	217,432				217,432
	Government Agencies		2,025			2,025
	Government Asset Backed		3,421			3,421
	Government Bonds	21,514	1,972			23,486
	Government Mortgage Backed		50,085			50,085
	Index Linked Government Bonds	40,945				40,945
	Municipals		489	954		1,443
	Collateralized Mortgage Obligations		1,043			1,043
	Corporate Asset Backed		1,610			1,610
	Corporate Bonds		17,790			17,790
Employee Group OPEB Trust	Mutual Funds	254,638				254,638
College Savings Plans	Mutual Funds	188,046				188,046
Other private purpose trust funds	Mutual Funds	14,745				14,745
Intermediate Term Investment Fund	Agency Securities		8,013			8,013
Insurance	Mutual Funds	182				182
Receiverships	Government Issues	408				408
	Corporate Bonds		1			1
State Fund Investment Portfolios	Agency Securities		122,557			122,557
	Government Issues	122,979				122,979
<b>Total Investments</b>		<b>\$ 31,665,149</b>	<b>\$ 10,287,798</b>	<b>\$ 4,511,539</b>	<b>\$ 7,811,496</b>	<b>\$ 54,275,982</b>

**Level 1**—Unadjusted quoted prices for identical assets or liabilities in active markets that can be accessed at the measurement date.

**Level 2**—Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; assets or liabilities that have a bid-ask spread price in an inactive dealer market, brokered market and principal-to-principal market; and Level 1 assets or liabilities that are adjusted.

**Level 3**—Valuations derived from valuation techniques in which significant inputs are unobservable.

Investments where fair value is measured using the Net Asset Value (NAV) per share have no readily determinable fair value and have been determined to be calculated consistent with FASB principles for investment companies.

Where inputs used in the measurement of fair value fall into different levels of the hierarchy, fair value of the instrument in its entirety are categorized based on the lowest level input that is significant to the valuation. This assessment requires professional judgement and as such management developed a fair value committee that worked in conjunction with our custodian and investment professionals to make these valuations. All assets held were valued individually and aggregated into classes so to be represented in the table above.

Short-term securities generally include investments in money market-type securities reported at cost plus accrued interest.

Equity and equity derivative securities classified in Level 1 are valued using last reported sales prices quoted in active markets that can be accessed at the measurement date. Equity and equity derivative securities classified in Level 2 are securities whose values are derived daily from associated traded securities. Equity securities classified in

Level 3 are valued with last trade data having limited trading volume.

US Treasury Bill, Bonds, Notes and Futures classified in Level 1 are valued using last reported sales prices quoted in active markets that can be accessed at the measurement date. Debt and debt derivative securities classified in Level 2 are valued using a bid-ask spread price from multiple independent brokers, dealers, or market principals, which are known to be actively involved in the market. Level 3 debt securities are valued using proprietary information, a single pricing source, or other unobservable inputs related to similar assets or liabilities.

Real estate investments classified in Level 3 are valued using the last valuations provided by external investment advisors or independent external appraisers. Generally, all direct real estate investments are appraised by a qualified independent appraiser(s) with the professional designation of Member of the Appraisal Institute (“MAI”), or its equivalent, every three (3) years beginning from the acquisition date of the property. The appraisals are performed using generally accepted valuation approaches applicable to the property type.

Investments in private mutual funds, traditional private equity funds, strategic lending funds and real estate funds that report using GAAP, the fair value, as well as the unfunded commitments, was determined using the prior quarter’s NAV, as reported by the fund managers, plus the current cash flows. These assets were then categorized by investment strategy. In instances where the fund investment reported using non-GAAP standards, the investment was valued using the same method, but was classified in Level 3.

The following table sets forth the additional disclosures of the TRGT’s investments, which are stated at fair value based on the NAV (expressed in thousands), as a practical expedient, reported by the investment managers or general partners:

Investments measured at NAV	Strategy	Number of Funds	NAV	Remaining Life	Redemption Terms	Redemption Restrictions
Limited Partnership	Traditional private equity and strategic lending	127	\$ 6,565,195	Various	N/A	Various transfer and sale restrictions
Real Estate	Real estate commingled investments	26	1,246,301	N/A	N/A	Various transfer and sale restrictions

**Traditional Private Equity and Strategic Lending:**  
The private equity asset class is categorized into two component portfolios: traditional and strategic lending. Generally speaking, the types of private equity strategies

include: venture capital, buyout, natural resource, secondaries, special situations, tactical, structured credit, and high yield debt. The majority of these investments have an approximate life of 10 years or greater and are

considered illiquid. During the life of the partnerships, distributions are received as underlying partnership investments are realized. Transfer or sales of the partnership interest are restricted over the life of the partnership. The TRGT has no plans to liquidate any of these investments.

**Real Estate Commingled Investments:** The real estate asset class is comprised of two different investment types: direct investments and commingled investments. A commingled investment is a pooled investment vehicle comprised of real estate investments

that is overseen by an external investment manager or general partner. Generally speaking, the commingled real estate investment strategies include: office, retail, industrial, multi-family, and diversified. The majority of these investments have an approximate life of 10 years or greater and are considered illiquid. During the life of the pooled investment vehicle, distributions are received as underlying investments are realized. Transfer or sales of the interest are restricted over the life of the investment. The TRGT has no plans to liquidate any of these investments.

**B. Component Units**

***University of Tennessee***

The university categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The university has the following recurring fair value measurements as of June 30, 2020 (expressed in thousands):

	6/30/2020	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments and other assets by fair value level				
Debt securities				
U.S. Treasuries	\$ 64,111	\$ 11,526	\$ 52,585	
U.S. Agencies	1,017,222		1,017,222	
Corporate bonds	248		248	
Corporate commercial paper	243,820			\$ 243,820
Total debt securities	1,325,401	11,526	1,070,055	243,820
Corporate stock				
Domestic	22,460	22,384		76
International	3,393	3,393		
Total equity securities	25,853	25,777		76
Pooled investment vehicles (ETFs; Open-end funds with published and non-published values)				
Equity	52,484	52,484		
Bonds	27,897	27,897		
Total pooled investment vehicles	80,381	80,381		
Real estate gifts	2,921			2,921
Assets held by others	6,631			6,631
Other assets	11,105		11,097	8
Private capital investments				
Private equities	127,044			127,044
Private credit/debit	60,047			60,047
Private real assets	114,846			114,846
Private, other	6,499			6,499
Total private capital investments	308,436			308,436
Investments measured at the Net Asset Value (NAV)				
Pooled investment vehicles (other open-end funds)	476,360			
Limited partnerships	94,347			
Hedge funds, long/short equity	81,772			
Hedge funds, credit	11,416			
Hedge funds, diversified	82,119			
Total investments measured at NAV	746,014			
Total investments and cash equivalents	\$ 2,506,742			

**Debt securities**—The fair value of the majority of the debt securities category at June 30, 2020, was determined based on Level 2 and Level 3 inputs. The fair value of U.S. Treasury and Agency securities, as well as corporate bonds was based on Level 2 inputs. Commercial paper

holdings were valued using Level 3 inputs. The university utilizes third-party pricing services and guidance provided by custodians and trading counterparties for fair value estimates of these investments. In addition, it takes into account the nature

of the securities, trading activity, and availability of comparable securities in the marketplace.

**Corporate stock**—This category is comprised of common stock and preferred stock, the majority of which are based on Level 1 inputs. This includes both domestic and international holdings. Two preferred stocks totaling \$75,760 were valued using Level 3 inputs.

**Pooled investment vehicles**—These investment categories include exchange-traded funds (ETFs), exchange-traded closed-end funds, and two categories of open-end funds, those with published values and other commingled vehicles that do not produce public, published values. These investments for which reliable values are available are categorized as Level 1. Assets for which no published values exist are measured at net asset value per share (or its equivalent), which is a fair value measurement provided on a recurring basis. Pooled investment vehicles implement a variety of strategies that are primarily net long or long-only and invest in a variety of markets, including the global equity markets; sovereign debt, corporate bonds, and structured credits; and finally, real estate.

**Real estate gifts**—Level 3 inputs were utilized for the fair value calculations of this investment category. It contains direct real estate holdings of \$2.921 million, the valuation of which is determined by periodic appraisals.

**Assets held by others**—This category consists of separately invested portfolios of \$6.631 million. These are managed externally for the benefit of the university, and pricing is provided by third parties.

**Net asset value (NAV) investments general redemption terms**

The table below provides a summary of the liquidity terms and conditions of those investments with value measured using net asset value (expressed in thousands):

Hedge Funds	NAV	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Open-end funds	\$476,360		daily, monthly, semi-annually	1 day- 45 days
Hedge funds, long/short equity	81,772		monthly, annually	5 days- 90 days
Hedge funds, credit	11,416		annually	120 days
Hedge funds, diversified*	82,119		monthly, semi-annually	30 days- 90 days
Limited partnerships	94,347	14,939	none, monthly, quarterly	30 days- 90 days

\*At fiscal year-end, \$10,948,529.00 of NAV investments were still within the initial lock-up period of three years, with two years and three months remaining. An additional \$14,409,624.88 remained within an initial two-year lockup, with the following availability: \$6,551,145.32 available in nine months, \$4,677,625.01 available in twelve months, and \$3,180,854.56 available within eighteen months.

**Other assets**—This asset is a single annuity valued at \$8.362 thousand and is priced by the sponsoring entity.

**Private capital investments**—The fair value of the private capital category at June 30, 2020, was determined based on Level 3 inputs. These investments center on three primary categories, private equity which invests in private companies; private credit/debt which lends directly to companies or invests in distressed debt; and real assets which invests in inflation-hedging strategies and assets. Valuation methods such as the income method and/or multiple analysis are examples of those commonly utilized by managers to determine the fair value of these assets and are typically unobservable to the university. The university’s private capital investments have \$206.150 million of unfunded commitments at June 30, 2020.

**Hedge funds**—Like certain pooled investment vehicles, hedge funds are measured at net asset value per share (or its equivalent), provided to investors on a recurring basis. These holdings are divided into three sub-categories. The first is long/short equity, a strategy that typically invests in common stock by both buying shares and selling shares short. These strategies work across the global equity markets. The second category, entitled credit, focuses almost exclusively on fixed income instruments, which can include various types of bonds, derivatives, and loans. These strategies also invest in multiple jurisdictions around the world. The final category, diversified, is comprised of strategies that often overlap in approach and frequently employ more than one strategy within a single vehicle.

State of Tennessee

***State University and Community College System***

The system categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The system has the following recurring fair value measurements as of June 30, 2020 (expressed in thousands):

	6/30/2020	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
U.S. Treasuries	\$ 99,748	\$ 96,176	\$ 3,572	
U.S. Agencies	161,269	66,569	94,700	
Corporate bonds	21,748	14,245	7,503	
Mutual bond funds	40,354	39,923	431	
Other	688		688	
Total debt securities	<u>323,807</u>	<u>216,913</u>	<u>106,894</u>	
Equity securities				
Corporate stock	11,230	11,230		
Mutual equity funds	37,361	37,361		
Real estate	4,520			\$ 4,520
Equity REITs	1,007	1,007		
Other	11,155	8,111		3,044
Total equity securities	<u>65,273</u>	<u>57,709</u>		<u>7,564</u>
Investments measured at the Net Asset Value (NAV)				
Mutual bond funds	35,552			
Mutual equity funds	99,094			
Equity REITs	78			
Private equities	6,529			
Hedge funds	12,073			
Natural resources	927			
Other	311			
Total investments measured at NAV	<u>154,564</u>			
FASB foundations' investments at fair value	269,985	196,289	31,819	41,877
FASB foundations' investments at NAV	<u>57,723</u>			
Total FASB foundations' investments	<u>327,708</u>			
Total investments and cash equivalents	<u>\$ 871,352</u>			

Assets classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Assets classified in Level 2 of the fair value hierarchy are valued at amounts provided by commercial pricing services which based their valuations on the bid-ask spread price in an active market (U.S. agencies) and Wall Street Journal quotes and statements from investment companies (CMO). Assets classified in Level 3 are valued based on modeling techniques that are unobservable to the system.

The valuation method for assets and liabilities measured at the net asset value per share (or its equivalent) is presented on the following table (expressed in thousands):

State of Tennessee

Investments measured at NAV	NAV	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Mutual bond funds	\$ 35,552		Daily, monthly	5 business days
Mutual equity funds	99,094		Daily, monthly	5 business days
Equity REITs	78		Daily	1 business day
Private equities	6,529	\$ 1,214	not applicable	not applicable
Hedge funds	12,073		Daily to quarterly	1- 91 calendar days
Natural resources	927	1,477	not applicable	not applicable
Other	311	1,435	not applicable	not applicable

The assets of the multi-strategy equity fund are allocated among strategies in proportions that Commonfund Asset Management Company considers beneficial for a fully diversified public equity portion of an educational endowment. There are currently no redemption restrictions on the multi-strategy equity funds, although they could be put in place in extraordinary circumstances, such as any period during which the New York Stock Exchange is closed other than customary weekend or holiday closings, or during which trading thereon is restricted or there exists any emergency affecting the

practicability of disposal of portfolio securities of the fund or the practicability of determining net asset value. It is not probable that the system will sell an investment for an amount different from the NAV per share.

**Tennessee Housing Development Agency**

The agency categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The agency has the following recurring fair value measurements as of June 30, 2020 (expressed in thousands):

	6/30/2020	Fair Value Measurements Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments by fair value level			
Debt securities			
Government agencies	\$ 101,363		\$ 101,363
Government bonds	6,569	\$ 6,569	
Short term bills and notes	213,816		213,816
Total debt securities	\$ 321,748	\$ 6,569	\$ 315,179

Assets classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for identical assets of those securities. Assets classified in Level 2 of the fair value hierarchy are valued using prices quoted in active markets for similar assets of those securities.



# NOTE 7

## Receivables

Receivables at June 30, 2020, for the state's individual major funds and nonmajor and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, consist of the following (expressed in thousands):

### Primary Government

	<b>Accounts including Due From Other Governments</b>	<b>Taxes and Certain Other Licenses, Fees, and Permits</b>	<b>Other</b>	<b>Total Receivables</b>	<b>Allowance for Uncollectibles</b>	<b>Net Total Receivables</b>
Governmental activities:						
General	\$ 811,313	\$ 1,672,060		\$ 2,483,373	\$ (124,857)	\$ 2,358,516
Education	90,439	634,803		725,242	(37,621)	687,621
Highway	191,382	96,658	786	288,826	(273)	288,553
Capital projects	6,656			6,656		6,656
Nonmajor governmental funds	11,522	24,508	1,422	37,452	(450)	37,002
Internal service funds	15,764		782	16,546	(517)	16,029
Total-governmental activities	<u>\$ 1,127,076</u>	<u>\$ 2,428,029</u>	<u>\$ 2,990</u>	<u>\$ 3,558,095</u>	<u>\$ (163,718)</u>	<u>\$ 3,394,377</u>
Amounts not expected to be collected within one year		<u>\$ 10,571</u>				<u>\$ 10,571</u>
Business-type activities:						
Employment security	\$ 861,901	\$ 73,729	\$ 5,059	\$ 940,689	\$ (343,590)	\$ 597,099
Nonmajor enterprise funds	10,865			10,865	(348)	10,517
Total-business-type activities	<u>\$ 872,766</u>	<u>\$ 73,729</u>	<u>\$ 5,059</u>	<u>\$ 951,554</u>	<u>\$ (343,938)</u>	<u>\$ 607,616</u>

# NOTE 8

## Capital Assets

### A. Primary Government

Capital asset activity for the year ended June 30, 2020, was as follows (expressed in thousands):

	Beginning			Ending
	Balance	Increases	Decreases	Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,491,648	\$ 100,525	\$ (160)	\$ 2,592,013
Infrastructure	24,838,797	423,342	(9,280)	25,252,859
Construction in progress	1,177,808	804,143	(467,105)	1,514,846
Software in development	66,575	245,362	(215,599)	96,338
Capital assets, being depreciated:				
Structures and improvements	2,971,468	52,277	(27,774)	2,995,971
Machinery and equipment	1,588,292	327,964	(82,261)	1,833,995
Total capital assets	33,134,588	1,953,613	(802,179)	34,286,022
Less accumulated depreciation for:				
Structures and improvements	(1,294,938)	(67,222)	15,173	(1,346,987)
Machinery and equipment	(875,970)	(177,578)	67,099	(986,449)
Total accumulated depreciation	(2,170,908)	(244,800)	82,272	(2,333,436)
Governmental activities capital assets, net	\$ 30,963,680	\$ 1,708,813	\$ (719,907)	\$ 31,952,586

Depreciation expense was charged to functions/programs of the primary government as follows (expressed in thousands):

Governmental activities:	
General government	\$ 15,958
Education	1,751
Health and social services	91,800
Law, justice and public safety	42,999
Recreation and resource development	12,299
Regulation of business and professions	1,177
Transportation	30,942
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	47,874
Total depreciation expense – governmental activities	\$ 244,800

**Highway Construction Commitments**— At June 30, 2020, the Department of Transportation had contractual commitments of approximately \$843.9 million for construction of various highway projects. Funding of these future expenditures is expected to be provided from federal grants (\$808.9 million) and general obligation bond proceeds (\$35 million).

**B. Discretely Presented Component Units**

Capital asset activity for the year ended June 30, 2020, for the discretely presented component units was as follows (expressed in thousands):

	<b>Beginning</b>			<b>Ending</b>
	<b>Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance</b>
<b>Component Units:</b>				
<b>Capital assets, not being depreciated:</b>				
Art and collections	\$ 12,654	\$ 35	\$ (25)	\$ 12,664
Land	259,050	4,050	(260)	262,840
Construction in progress	491,394	494,570	(315,413)	670,551
<b>Capital assets, being depreciated:</b>				
Infrastructure	790,011	72,126	(5,983)	856,154
Structures and improvements	6,903,076	288,437	(21,037)	7,170,476
Machinery and equipment	1,165,251	106,013	(57,644)	1,213,620
<b>Total capital assets</b>	<b>9,621,436</b>	<b>965,231</b>	<b>(400,362)</b>	<b>10,186,305</b>
<b>Less accumulated depreciation for:</b>				
Infrastructure	(375,093)	(35,047)	2,028	(408,112)
Structures and improvements	(2,485,406)	(155,374)	11,365	(2,629,415)
Machinery and equipment	(791,695)	(82,562)	51,475	(822,782)
<b>Total accumulated depreciation</b>	<b>(3,652,194)</b>	<b>(272,983)</b>	<b>64,868</b>	<b>(3,860,309)</b>
<b>Component Units capital assets, net</b>	<b>\$ 5,969,242</b>	<b>\$ 692,248</b>	<b>\$ (335,494)</b>	<b>\$ 6,325,996</b>

The University of Tennessee foundations and certain State University and Community College System foundations utilize FASB standards; therefore, only the June 30, 2020, balances are available as follows (expressed in thousands):

	<b>Ending Balance</b>
<b>Capital assets, not being depreciated:</b>	
Art and collections	\$ 794
Land	14,109
<b>Total capital assets, not being depreciated</b>	<b>14,903</b>
<b>Capital assets, being depreciated:</b>	
Infrastructure	1,009
Structures and improvements	144,365
Machinery and equipment	12,206
<b>Total capital assets being depreciated</b>	<b>157,580</b>
<b>Less: total accumulated depreciation</b>	<b>(98,104)</b>
<b>Total capital assets, being depreciated, net</b>	<b>59,476</b>
<b>Total capital assets, net</b>	<b>\$ 74,379</b>

# NOTE 9

## Interfund Balances, Payables and Receivables

### A. Interfund Balances

Interfund balances at June 30, 2020, for the state's individual major funds, nonmajor funds, internal service funds, and fiduciary funds in the aggregate consist of the following (expressed in thousands):

	Due From						Total
	General	Education	Highway	Capital Projects	Nonmajor Governmental Funds	Internal Service Funds	
General		\$ 254,625	\$ 393	\$ 347	\$ 69	\$ 11	\$255,445
Education	\$ 350					1	351
Highway						1	1
Capital projects	514	147			51	124	836
<b>D</b> Nonmajor							
<b>U</b> governmental							
<b>E</b> funds					45		45
Employment							
<b>T</b> security	1,279						1,279
<b>O</b> Internal service							
funds	1,808	2			30	70	1,910
Fiduciary funds	8,290	408	996		352	822	10,868
<b>Total</b>	<b>\$ 12,241</b>	<b>\$ 255,182</b>	<b>\$ 1,389</b>	<b>\$ 347</b>	<b>\$ 547</b>	<b>\$ 1,029</b>	<b>\$270,735</b>

The \$254.6 million due to the general fund from the education fund resulted from a time lag between the dates the payments to local education agencies occurred and taxes are received in the education fund.

### B. Component Units Payables

Component units' accounts payable to the primary government at June 30, 2020, consisted of the following (expressed in thousands):

	Payable From Component Units					
	Tennessee Housing Development Agency	Tennessee Education Lottery	State University and Community College System	University of Tennessee	Nonmajor Component Units	Total
<b>PRIMARY GOVERNMENT:</b>						
<b>P</b> General			\$ 313	\$ 2	\$ 5	\$ 320
<b>A</b> Education		\$ 135,868	49			135,917
<b>Y</b> Capital Projects			8,999	1,135		10,134
<b>A</b> Nonmajor governmental						
<b>B</b> funds				935		935
<b>L</b> Internal service funds			122	1		123
<b>E</b> Fiduciary funds	\$ 79		6,186	6,093	227	12,585
<b>T</b>						
<b>O</b>						
<b>Total</b>	<b>\$ 79</b>	<b>\$ 135,868</b>	<b>\$ 15,669</b>	<b>\$ 8,166</b>	<b>\$ 232</b>	<b>\$ 160,014</b>

**C. Component Units Receivables**

Component units' accounts receivable from the primary government at June 30, 2020 consisted of the following (expressed in thousands):

Receivable to COMPONENT UNITS:	Receivable From PRIMARY GOVERNMENT								Total
	General	Education	Highway	Capital Projects	Employment Security	Nonmajor Governmental Funds	Internal Service Funds		
State University and Community College System	\$ 5,694	\$ 12,890	\$ 795	\$ 1,373	\$ 30	\$ 1,022	\$ 56		\$ 21,860
University of Tennessee	4,604	4,269	734	32,385		3,393	36		45,421
Nonmajor component units	1,416								1,416
<b>Total</b>	<b>\$ 11,714</b>	<b>\$ 17,159</b>	<b>\$ 1,529</b>	<b>\$ 33,758</b>	<b>\$ 30</b>	<b>\$ 4,415</b>	<b>\$ 92</b>		<b>\$ 68,697</b>

**NOTE 10**

**Interfund Transfers**

Transfers between the various primary government funds for fiscal year ended June 30, 2020, are as follows (expressed in thousands):

Transfers Out	Transfers In									Total
	General	Education	Highway	Capital Projects	Nonmajor Governmental Funds	Sewer Treatment	Nonmajor Enterprise Funds	Internal Service Funds	Private Purpose Trust Funds	
General		\$ 1,219,848	\$ 12,807	\$ 406,709	\$ 12,472	\$ 4,616	\$ 3,822	\$ 67,714	\$ 122	\$ 1,728,110
Education				40,000				7		40,007
Highway	\$ 2,705									2,705
Capital Projects	171,147							4,700		175,847
Nonmajor Governmental Funds	31,250		75,600	8,869				245		115,964
Nonmajor Enterprise Funds	880									880
Internal Service Funds	49							95		144
<b>Total</b>	<b>\$ 206,031</b>	<b>\$ 1,219,848</b>	<b>\$ 88,407</b>	<b>\$ 455,578</b>	<b>\$ 12,472</b>	<b>\$ 4,616</b>	<b>\$ 3,822</b>	<b>\$ 72,761</b>	<b>\$ 122</b>	<b>\$ 2,063,657</b>

Transfers are generally used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, (3) use unrestricted resources from the general fund to finance various programs accounted for in other funds in accordance with statute or budgetary authorizations, and (4) move capital assets from one full accrual fund to another full accrual fund.

In the fiscal year ended June 30, 2020, the general fund transferred \$1.7 billion to other funds in accordance with statute or budgetary authorizations for the following purposes: \$1.2 billion to subsidize the activities of the education fund, \$419.7 million for capital outlay expenditures, \$6.1 million for highway expenditures, \$14.1 million for OPEB expenditures in various funds,

\$51.7 million to provide appropriations to internal service funds, \$3.7 million for debt service payments, and, \$15.3 million to provide appropriations to finance various programs in other funds.

The highway fund received a transfer from the debt service fund for \$75 million to cancel authorized and unissued highway bonds. These authorizations were originally recorded in the highway fund to fund a portion of their budget.

The strategic technology solutions fund, an internal service fund, transferred \$4.8 million for the book value of equipment to the full accrual ledger and the Facilities Revolving fund, an internal service fund, transferred \$226 thousand to the full accrual ledger for the book value of equipment. These transfers caused this schedule to not match the fund level statements.

# NOTE 11

## Leases

### A. Lease Obligations

**Operating lease obligations** — The state has entered into various operating leases for land, buildings and equipment. Most leases contain termination clauses providing for cancellation after 30, 60 or 90 days' written notice to lessors. In addition, most leases contain appropriation clauses indicating that continuation of the lease is subject to funding by the legislature. It is expected that in the normal course of business most of these leases will be replaced by similar leases. The state has also entered into various operating leases, which have non-cancelable lease terms. Below is a schedule of future minimum lease payments under these leases (expressed in thousands).

For the Year(s) Ended June 30	Noncancelable Operating Leases
2021	\$ 17,856
2022	16,659
2023	14,390
2024	14,762
2025	10,826
2026-2028	12,172
Total minimum payments required	\$ 86,665

Expenditures for rent under leases for the year ended June 30, 2020, amounted to \$86.6 million.

**Capital lease obligations** — The state leases office buildings and equipment that in substance are purchases and are reported as capital lease obligations. These leases are recorded as assets and liabilities at either the lower of fair value or the present value of the future minimum lease payments in the government-wide and proprietary fund statements. For capital leases reported in governmental funds, both the principal and interest portions of capital lease payments are recorded as expenditures of the applicable governmental function. The office building leases expire over the next 9 years. The effective interest rates for these leases range from 0.63 percent to 32.12 percent. Most of these leases contain at least one of the following options: (a) the state can, during the term of the lease or any period of extension or holdover, purchase the property or (b) the state can, at the end of the initial lease term, renew its lease or (c) terminate the lease for convenience at any time after the fifth year. The following is an analysis of the leased property under capital leases (expressed in thousands).

		Governmental Activities
Assets:		
Land		\$ 158
Buildings	\$ 37,821	
Less: accumulated depreciation	(10,524)	27,297
		\$ 27,455

At June 30, 2020, minimum annual lease payments are as follows (expressed in thousands):

For the Year(s) Ended June 30	Principal	Interest	Executory Costs	Governmental Activities Lease Obligation Payable
2021	\$ 1,641	\$ 1,128	\$ 831	\$ 3,600
2022	1,694	1,104	852	3,650
2023	1,776	1,065	873	3,714
2024	1,839	1,013	895	3,747
2025	1,961	941	918	3,820
2026-2029	5,871	2,190	3,701	11,762
Total	\$ 14,782	\$ 7,441	\$ 8,070	\$ 30,293
Less - interest				(7,441)
Less - executory costs				(8,070)
Present value of net minimum lease payments				\$ 14,782

### B. Lease Receivables

**Capital lease receivable** — The state, as lessor, entered into a lease agreement with the Nashville/Davidson County Metropolitan Government (lessee) for the Post-Mortem Facility. The lease term is 20 years beginning July 15, 2001, with an option to renew the lease for an unlimited period of time for a nominal amount. The state is subsidizing a part of the cost of this building.

The state, as lessor, entered into a lease agreement with the Shelby County Government (lessee) for the Regional Forensic Center facility. The lease term is 20 years beginning July 1, 2012. The state shall transfer all of its rights, title and interest in and to the facility to Shelby county for a nominal amount upon the end of the lease term. The state is subsidizing a part of the cost of this building.

Minimum future lease payments to be received as of June 30, 2020 (expressed in thousands):

State of Tennessee

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<b>Year Ended June 30</b>	<b>Total</b>
2021	\$ 643
2022	411
2023	403
2024	397
2025	391
2026-2030	1,837
2031-2033	994
<b>Total minimum future lease payments</b>	<b>\$ 5,076</b>
<b>Net investment in direct financing leases at June 30:</b>	
Minimum lease payments receivable	\$ 5,076
Less: executory costs	(816)
Plus: unamortized loss on leases	2,666
<b>Net investment in direct financing lease</b>	<b>\$ 6,926</b>

# NOTE 12

## Long-Term Liabilities

### A. General Obligation Bonds

Bonds Payable at June 30, 2020, are shown below (expressed in thousands):

<b>Governmental activities:</b>	<b>Amount</b>
General obligation bonds, 1.79% to 5%, due in generally decreasing amounts of principal and interest from \$117.1 million in 2021 to \$6.6 million in 2040	\$ 984,684
General obligation refunding bonds, 2009 Series B, 3.25% to 5%, principal and interest due in amounts from \$7.9 million in 2021 to \$7.5 million in 2022	14,775
General obligation refunding bonds, 2009 Series D, 4.52% to 4.67%, principal and interest due in amounts from \$2.7 million in 2021 to \$2.7 million in 2022	5,011
General obligation refunding bonds, 2011 Series B, 3% to 5%, principal and interest due in amounts from \$7.9 million in 2021 to \$187.8 thousand in 2026	21,620
General obligation refunding bonds, 2011 Series C, 3.18% to 3.53%, principal and interest due in amounts from \$2.1 million in 2021 to \$1.2 million in 2024	6,165
General obligation refunding bonds, 2012 Series A, 2.50% to 5%, principal and interest due in amounts from \$57.4 million in 2021 to \$7.3 million in 2028	308,905
General obligation refunding bonds, 2014 Series B, 5%, principal and interest due in amounts from \$4 million in 2021 to \$11.5 million in 2030	79,160
General obligation refunding bonds, 2015 Series B, 3% to 5%, principal and interest due in amounts from \$11.6 million in 2021 to \$14.3 million in 2029	79,860
General obligation refunding bonds, 2016 Series B, 5%, principal and interest due in amounts from \$6.1 million in 2021 to \$9.6 million in 2032	122,105
General obligation refunding bonds, 2016 Series C, 1.3% to 2.67%, principal and interest due in amounts from \$3.3 million in 2021 to \$2.5 million in 2032	60,455
General obligation refunding bonds, 2018 Series B, 4%, principal and interest due in amounts from \$8.1 million in 2021 to \$7.1 million in 2024	28,215
<b>Total bonds outstanding</b>	<b>1,710,955</b>
Plus unamortized bond premium	238,760
<b>Total bonds payable</b>	<b>\$ 1,949,715</b>

The official statements for the above bond series contains language that allows the state to call certain bonds for repayment prior to the final maturity.

General obligation bonds issued during the year ended June 30, 2020:  
 September 2019 Bond Series 2019A in the amount of \$100.1 million  
 Bond Series 2019B in the amount of \$28 million

The September 2019, bond series 2019A, general obligation bond issuance in the amount of \$100.1 million represents tax-exempt bonds maturing serially through 2040 at a 5 percent interest rate. The bonds were sold at a premium of \$20.2 million. Proceeds of the bond issue and premium were used to redeem commercial paper.

The September 2019, bond series 2019B, general obligation bond issuance in the amount of \$28 million represents taxable bonds maturing serially through 2040 at interest rates ranging from 1.8 percent to 2.9 percent.

Proceeds of the bond issue and premium were used to redeem commercial paper.

#### **Prior-Year Defeasance of Debt**

In current and prior years, the state defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on old bonds. Accordingly, the assets held in non-state administered trust accounts and the liability for the defeased bonds are not included in the state's financial statements. The entirety of these



trust account assets are covered under trust agreements where the substitution of essentially risk-free monetary assets with monetary assets that are not essentially risk free is not strictly prohibited. On June 30, 2020, \$114.9 million of bonds outstanding are considered defeased.

**B. General Obligation Commercial Paper**

Governmental activities commercial paper payable at June 30, 2020, is shown below (expressed in thousands):

	Commercial Paper
General obligation commercial paper, interest rates ranging from .69% to 1.8% for tax exempt and .78% to 2.57% for taxable, varying maturities	\$120,996

In March 2000, the state instituted a general obligation commercial paper program to provide interim or short-term financing of various authorized capital projects. Commercial paper may be issued as federally taxable or tax exempt and constitute bond anticipation notes. The commercial paper is sold at par as interest-bearing obligations in minimum denominations of \$100 thousand and integral multiples of one thousand in excess of such amount, with interest payable at maturity. The commercial paper has varying maturities of not more than 270 days from their respective dates of issuance. Interest rates vary depending on the market. The amount of principal outstanding may not exceed \$350 million.

The state has entered into a Standby Commercial Paper Purchase Agreement with the Tennessee Consolidated Retirement System under which TCRS is obligated to purchase newly issued commercial paper issued to pay the principal of other commercial paper. The Program expires and the Standby Purchase Agreement terminates on July 1, 2021. At June 30, 2020, \$120.9 million of commercial paper was outstanding (\$80.1 million tax exempt and \$40.9 million federally taxable). This left an unused commercial paper capacity of \$229.1 million. Commercial paper payable under this Program qualifies for reporting as a non-current liability because provisions in the Commercial Paper Resolution permit refinancing the paper on a long-term basis.

**C. Pledged Revenues/Collateralized Borrowing**

The state has entered into agreements under the Tennessee Small Business Investment Company Credit Act involving future gross premium taxes (or under certain conditions, other taxes imposed upon an insurance company by the state) that qualify for classification as collateralized borrowings. The proceeds of the borrowings are used to create a pool of venture capital funds for investment in early and mid-stage

companies in Tennessee, and are being received in exchange for future vested credits against gross premium taxes owed. These credits are intended to represent a payment of taxes, have a limited life of 25 years, and are recorded as a reduction of the liability reported in the statement of net position when used.

The total amount of tax credits to be taken to reduce the liability for the use of the aforementioned tax credits is \$7.9 million as of June 30, 2020. For the current year, gross premium tax revenue totaled \$1.03 billion and credits of \$5.9 million were used to reduce the liability for the borrowing. Gross premium taxes have averaged approximately \$942.3 million per year over the last five years.

General obligation bonds and commercial paper constitute direct general obligations of the state for the payment of principal and interest on which there is also pledged the full faith and credit of the state; and a charge and lien upon all fees, taxes and other revenues and funds allocated to the state’s general fund, debt service fund and highway fund and, if necessary, upon the first fees, taxes, revenues and funds thereafter received and allocated to such funds, unless such fees, taxes, revenues and funds are legally restricted for other purposes. The charge and lien on fees, taxes and other revenues in favor of the bonds is subject to a specific pledge of “Special Taxes” in favor of state general obligation bonds issued prior to July 1, 2013. “Special Taxes” consist of the annual proceeds of a tax of five cents per gallon upon gasoline; the annual proceeds of special tax of one cent per gallon upon petroleum products; one-half of the annual proceeds of motor vehicle registration fees now or hereafter required to be pledged the full faith and credit of the state; and the annual proceeds of the franchise taxes imposed by the franchise tax law of the state. The final maturity of general obligation bonds issued prior to July 1, 2013 is October 1, 2032. Thereafter, or upon the earlier retirement of all general obligation bonds issued prior to July 1, 2013, this pledge of “Special Taxes” will expire. For fiscal year 2020, \$1.4 billion or 65 percent of the above revenue streams were pledged for the payment of principal and interest on all general obligation bonds issued prior to July 1, 2013.

**D. Other Debt**

Per Tennessee Code Annotated (TCA) 7-51-210, the estate of any emergency responder who is killed in the line of duty shall be entitled to receive a two-hundred-fifty-thousand-dollar annuity, with the estate receiving an annual installment of \$50,000 for five years. The emergency responder must have been current in any required training and physical exams at the time the death occurred for the estate to receive the payment. Payment shall be made from the general fund after receipt by the

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department of Finance and Administration of a certified death certificate, letters testamentary or letters of administration for the estate of the deceased from a probate court, and an affidavit from the decedent's employer or volunteer unit that the decedent was killed in the line of duty. For the purposes of this annuity, "emergency responder" means a firefighter, volunteer rescue squad worker, or law enforcement officer.

Debt service requirements to maturity for all emergency first responder annuities at June 30, 2020, are as follows (expressed in thousands):

**E. Debt Service Requirements to Maturity**

Debt Service requirements to maturity for all general obligation bonds payable at June 30, 2020, are as follows (expressed in thousands):

For the Year(s) Ended June 30	Emergency First Responder Annuity		Total Requirements
	Principal	Interest	
2021	\$ 500	\$ -	\$ 500
2022	500	-	500
2023	400	-	400
2024	300	-	300
	<u>\$ 1,700</u>	<u>\$ -</u>	<u>\$ 1,700</u>

For the Year(s) Ended June 30	General Obligation Bonds		Total Requirements
	Principal	Interest	
2021	\$ 155,410	\$ 72,716	\$ 228,126
2022	155,710	65,504	221,214
2023	147,750	58,461	206,211
2024	145,095	52,238	197,333
2025	137,941	46,488	184,429
2026-2030	594,742	150,273	745,015
2031-2035	287,250	51,365	338,615
2036-2040	87,057	7,180	94,237
	<u>\$ 1,710,955</u>	<u>\$ 504,225</u>	<u>\$ 2,215,180</u>

**F. General Obligation Bonds Authorized and Unissued**

A summary of general obligation bonds authorized and unissued at June 30, 2020, is shown below (expressed in thousands). It is anticipated that a significant amount of these bonds will not be issued but will be canceled because of sufficient fund balances.

Debt service requirements to maturity for commercial paper payable at June 30, 2020, is as follows (expressed in thousands):

Purpose	Unissued			Unissued 06/30/20
	07/01/19	Authorized	Canceled	
Highway	\$ 840,700	\$ 124,000	\$ 104,100	\$ 860,600
Higher Education	198,488	54,611	119,062	134,037
Economic and Community Development	-	115,000	-	115,000
General government	287,787	52,085	37,806	302,066
Totals	<u>\$1,326,975</u>	<u>\$345,696</u>	<u>\$ 260,968</u>	<u>\$1,411,703</u>

For the Year(s) Ended June 30	Commercial Paper Payable		Total Requirements
	Principal	Interest	
2021	\$ 120,996	\$ 324	\$ 121,320

**G. Changes in Long-Term Liabilities**

A summary of changes in long-term obligations for the year ended June 30, 2020 follows (expressed in thousands):

	Beginning			Ending		Amounts
	Balance	Additions	Reductions	Balance		Due Within
						One Year
<b>Governmental activities</b>						
Bonds and commercial paper	\$ 2,216,985	\$ 188,315	\$ (334,589)	\$ 2,070,711	\$	155,410
Capital leases	16,359		(1,577)	14,782		1,641
Compensated absences	296,558	183,320	(154,790)	325,088		106,169
Emergency responder	700	1,500	(500)	1,700		500
<b>Governmental activities</b>						
Long-term debt	<u>\$ 2,530,602</u>	<u>\$ 373,135</u>	<u>\$ (491,456)</u>	<u>\$ 2,412,281</u>	<u>\$</u>	<u>263,720</u>
<b>Other long-term liabilities</b>						
Pension				988,950		
Other postemployment benefits				1,272,523		34,093
Pollution remediation				54,493		2,352
Unstructured claims and judgements				224,925		79,839
Gross premium taxes				266		
Total other long-term liabilities				<u>\$ 2,541,157</u>	<u>\$</u>	<u>116,284</u>
<b>Total governmental activities</b>						
Total long-term governmental liabilities				<u>\$ 4,953,438</u>	<u>\$</u>	<u>380,004</u>
<b>Business-type activities</b>						
Deposits payable				<u>\$ 11,420</u>		

\*Please see Note II for additional information related to capital leases.

Governmental activities include all governmental funds and internal service funds. Typically, agencies accounted for in the general fund, internal service funds, and special revenue funds liquidate compensated absences, OPEB and pension obligations. Claims and judgments are obligations of the highway fund (special revenue fund), risk management fund (internal service fund) and the general fund. Typically, pollution remediation is liquidated from the general fund and highway fund.

# NOTE 13

## Payables

Payables as of June 30, 2020, were as follows (expressed in thousands):

	Vendors	Salaries and Benefits	Accrued Interest	Due To Other Governments	Other	Total Payables
<b>Governmental activities:</b>						
General	\$ 667,798	\$ 103,718	\$ 25	\$ 1,896,077	\$ 288,875	\$ 2,956,493
Education	30,388	5,489		98,780		134,657
Highway	145,793	10,627		131,628		288,048
Capital projects	54,797			581		55,378
Nonmajor governmental funds	19,261	2,753	27,508	32,772		82,294
Internal service funds	100,392	7,650	2,234	851	70	111,197
<b>Total—governmental activities</b>	<b>\$ 1,018,429</b>	<b>\$ 130,237</b>	<b>\$ 29,767</b>	<b>\$ 2,160,689</b>	<b>\$ 288,945</b>	<b>\$ 3,628,067</b>
<b>Business-type activities:</b>						
Employment security	\$ 1,944			\$ 10,220	\$ 442,722	\$ 454,886
Sewer treatment loan			\$ 128			128
Nonmajor enterprise funds	50,431		58	328		50,817
<b>Total—business-type activities</b>	<b>\$ 52,375</b>		<b>\$ 186</b>	<b>\$ 10,548</b>	<b>\$ 442,722</b>	<b>\$ 505,831</b>

## NOTE 14

## Governmental Fund Balances

Balances as of June 30, 2020, were as follows (expressed in thousands):

	Restricted Purposes	Committed Purposes	Assigned Purposes
<b>General Fund</b>			
General operations:			
Legislature			\$ 56,254
Constitutional offices	\$ 503	\$ 22,235	66,777
Administrative services		50,688	1,758,439
Children's services			5,617
Public health	31,430	138,042	604,437
Human services	8,223	3,962	62,926
Business and industry development	1,796	579	509,019
Judicial	16,593	8,574	10,934
Natural resources	170	31,356	20,708
Public safety	167	45,443	113,867
Agriculture		762	39,223
Employment and business regulation	10,575	173,887	849
Other	32,666	11,823	16,648
<b>Total general fund</b>	<b>\$ 102,123</b>	<b>\$ 487,351</b>	<b>\$ 3,265,698</b>
<b>Education Fund</b>			
After school program	\$ 40,506		
Lottery for education	190,622		
Energy efficient school initiative	1,093		
TN Promise Scholarship Endowment Fund	253,038		
Other	1,611	\$ 32,747	\$ 96,734
<b>Total education fund</b>	<b>\$ 486,870</b>	<b>\$ 32,747</b>	<b>\$ 96,734</b>
<b>Highway Fund</b>			
State matching	\$ 712,575		
Railway, aeronautics, and waterway program		\$ 162,649	
State aid		72,798	
Future highway projects			\$ 112,559
Railroad inspection		3,578	
Aeronautics Economic Development			41,789
Other			23,998
<b>Total highway fund</b>	<b>\$ 712,575</b>	<b>\$ 239,025</b>	<b>\$ 178,346</b>
<b>Capital Projects Fund</b>			
<b>Total capital projects fund</b>	<b>\$ 31,621</b>		<b>\$ 1,260,133</b>
<b>Nonmajor Governmental Funds</b>			
Debt service			\$ 17,428
Chairs of excellence	\$ 257,587		
Criminal injuries		\$ 6,175	
Wildlife resources	63,629	15,709	
Underground storage tanks	53,340	58	
Enhanced emergency 911	44,963	5,506	
Environmental protection		36,146	
Solid and hazardous waste	51	8,003	
Parks acquisition		56,170	
Other	16,502	36,702	
<b>Total nonmajor governmental funds</b>	<b>\$ 436,072</b>	<b>\$ 164,469</b>	<b>\$ 17,428</b>

## Budget Stabilization Accounts

The state maintains two stabilization accounts: (1) the General Fund's Reserve for Revenue Fluctuations ("Rainy Day") and (2) the Education Fund's General Shortfall Reserve (Lottery for Education Account).

**(1) General Fund's Reserve for Revenue Fluctuations.** In accordance with *Tennessee Code Annotated* (TCA) 9-4-211, the state established a reserve account in the General Fund known as the "Reserve for Revenue Fluctuations." Beginning in fiscal year 1999, at least 10 percent of the estimated growth in state tax revenues to be allocated to the General and Education funds must be allocated to this account. Once the amount equals 8 percent of the estimated state tax revenues allocated to the General Fund and Education Fund, the following must be allocated to the account:

The lesser of:

- (a) At least 10 percent (10%) of the estimated growth in state tax revenues to be allocated to the General Fund and Education Fund.
- (b) An amount to maintain the account at eight percent (8%) of the estimated tax revenues allocated to the General Fund and Education Fund.

Amounts available in the revenue fluctuation reserve may be used by the Commissioner of Finance and Administration to offset shortfalls in state tax revenues which may occur and for which funds are not otherwise available. Upon determining that it is likely that amounts in the revenue fluctuation reserve will be required to be utilized to meet a shortfall of state tax revenue, the Commissioner shall report this determination immediately to the Chairs of the Finance, Ways, and

Means Committees of the Senate and the House of Representatives. Subject to specific provisions of the general appropriations bill, an amount not to exceed the greater of one hundred million dollars (\$100,000,000) or one half (1/2) of the amount available in the reserve may be used by the Commissioner to meet expenditure requirements in excess of budgeted appropriation levels. The General Fund's Reserve for Revenue Fluctuations is reported as unassigned fund balance and has a balance of \$1.2 million as of June 30, 2020.

**(2) Education Fund's General Shortfall Reserve Account.** In accordance with *Tennessee Code Annotated* (TCA) 4-51-111, the state transferred one hundred million dollars (\$100,000,000) from the Lottery for Education Account to the General Shortfall Reserve Account. The resources of this account may be used when the net lottery proceeds are not sufficient to meet the amount appropriated for educational programs and other purposes consistent with Article XI, Section 5 of the Constitution of Tennessee. In the event this account is drawn upon in any fiscal year, the account shall be brought back to its prior level in subsequent fiscal years.

In addition to the \$100 million mentioned, the State Funding Board may recommend appropriation of funds to the account if it is deemed to have an inadequate balance. Likewise, the State Funding Board may recommend appropriation of funds from the account if adequate funds are deemed to be available in the account and if such funds are needed for educational programs and other authorized purposes, provided that the appropriation of funds from the account would not bring its balance below \$100 million. As of June 30, 2020, this account has a balance of \$100 million and is reported as restricted fund balance in the Education Fund.

# NOTE 15

## Component Units

### A. Component Units – Condensed Financial Statements

Below are the condensed financial statements of the component units for the State of Tennessee as of June 30, 2020 (expressed in thousands):

<b>Condensed Statement of Net Position</b>						
<b>Component Units</b>						
	Tennessee Housing Development Agency	Tennessee Education Lottery	State University and Community College System	University of Tennessee	Nonmajor Component Units	Total Component Units
<b>Assets</b>						
Cash, investments, and other assets	\$ 3,351,365	\$ 248,815	\$ 1,335,774	\$ 1,256,254	\$ 345,085	\$ 6,537,293
Due from primary government			21,860	45,421	1,416	68,697
Due from other component units					1,854,419	1,854,419
Restricted assets	188,668	214	1,093,345	1,806,266	313,730	3,402,223
Capital assets, net	5,181	2,102	3,384,937	2,962,434	45,721	6,400,375
<b>Total assets</b>	<b>3,545,214</b>	<b>251,131</b>	<b>5,835,916</b>	<b>6,070,375</b>	<b>2,560,371</b>	<b>18,263,007</b>
Deferred outflows	4,513		177,756	139,719	36,376	358,364
<b>Liabilities</b>						
Accounts payable and other current liabilities	83,092	112,744	258,476	260,816	26,684	741,812
Due to primary government	79	135,868	15,669	8,166	232	160,014
Due to other component units			776,623	1,077,796		1,854,419
Long-term liabilities	2,928,250	2,893	513,085	533,187	2,372,118	6,349,533
<b>Total liabilities</b>	<b>3,011,421</b>	<b>251,505</b>	<b>1,563,853</b>	<b>1,879,965</b>	<b>2,399,034</b>	<b>9,105,778</b>
Deferred inflows	2,939		135,152	137,431	4,943	280,465
<b>Net position</b>						
Net investment in capital assets	5,181	2,102	2,625,756	1,866,635	42,330	4,542,004
Restricted	491,638	25	844,803	1,678,607	26,769	3,041,842
Unrestricted	38,548	(2,501)	844,108	647,456	123,671	1,651,282
<b>Total net position</b>	<b>\$ 535,367</b>	<b>\$ (374)</b>	<b>\$ 4,314,667</b>	<b>\$ 4,192,698</b>	<b>\$ 192,770</b>	<b>\$ 9,235,128</b>

State of Tennessee

Condensed Statement of Activities						
Component Units						
	Tennessee Housing Development Agency	Tennessee Education Lottery	State University and Community College System	University of Tennessee	Nonmajor Component Units	Total
Expenses	\$ 480,920	\$ 1,717,910	\$ 2,851,175	\$ 2,459,492	\$ 278,580	\$ 7,788,077
Program Revenues						
Charges for services	147,138	1,715,816	977,711	840,998	145,259	3,826,922
Operating grants and contributions	342,486	32	969,714	901,333	39,024	2,252,589
Capital grants and contributions			225,064	169,923	1,965	396,952
Total program revenues	489,624	1,715,848	2,172,489	1,912,254	186,248	6,476,463
Net program revenues (expense)	8,704	(2,062)	(678,686)	(547,238)	(92,332)	(1,311,614)
General Revenues						
Payments from primary government	311		913,090	657,901	106,206	1,677,508
Unrestricted grants and contributions			66,371		9,762	76,133
Unrestricted investment earnings	272	1,647	31,190	60,789	859	94,757
Miscellaneous			1,643	5,061		6,704
Total general revenues	583	1,647	1,012,294	723,751	116,827	1,855,102
Contributions to permanent funds			10,239	36,290		46,529
Change in net position	9,287	(415)	343,847	212,803	24,495	590,017
Net Position- July 1, restated	526,080	41	3,970,820	3,979,895	168,275	8,645,111
Net Position - June 30	\$ 535,367	\$ (374)	\$ 4,314,667	\$ 4,192,698	\$ 192,770	\$ 9,235,128

Significant transactions between the major component units—State University and Community College System, University of Tennessee (UT) and the Tennessee Education Lottery Corporation (TELC)—and the primary government consist of the following:

- State appropriations from the education fund in the amount of \$939 million were made to the State University and Community College System and \$657 million to UT.
- Capital project expenditures in the amount of \$281.9 million were made for the State University and Community College System and \$146.9 million to UT in the form of expenditures in the capital projects fund for projects at these school systems.
- The State University and Community College System paid the primary government \$67.3 million to reimburse the state for projects that were not a part of the capital appropriations.

- The TELC generated net lottery proceeds of \$420.6 million for the state's Lottery for Education Account.

The most significant transaction among component units is that in which the Tennessee State School Bond Authority, a nonmajor component unit, makes loans to the University of Tennessee and the State University and Community College System to finance certain capital projects. At June 30, 2020 the Authority's loan receivable (expressed in thousands) consisted of:

	Current	Noncurrent
State University and Community College System	\$ 39,492	\$ 733,063
University of Tennessee	38,563	1,031,990
Total	\$ 78,055	\$ 1,765,053



**B. Major Component Units – Long-Term Debt**

**Tennessee Housing Development Agency (THDA)**  
Bonds Payable at June 30, 2020, is shown below (expressed in thousands):

Homeownership program revenue bonds, housing finance program bonds, and residential finance program bonds, various series, .25% to 5%, due in amounts of principal and interest ranging from \$145.6 million in 2021 to \$3.4 million in 2051	\$ 2,816,040
Plus unamortized bond premium	64,799
Less unamortized bond discount	(28)
<b>Total bonds payable</b>	<b>\$ 2,880,811</b>

The revenue bonds listed above are not obligations of the state. They are secured by pledges from the facilities to which they relate and by certain other revenues, fees, and assets of the THDA.

Bond sales during the year ended June 30, 2020, included the following issues:

- September 2019—Residential Finance program bonds of \$150 million
- December 2019— Residential Finance program bonds of \$200 million
- March 2020—Residential Finance program bonds of \$200 million
- May 2020—Residential Finance program bonds of \$108.5 million

**Redemption of Bonds and Notes**

During the year ended June 30, 2020, bonds were retired at par before maturity in the Homeownership Program in the amount of \$34,715,000, in the Housing Finance Program in the amount of \$24,975,000, and in the Residential Finance Program in the amount of \$150,780,000. The respective carrying values of the bonds were \$35,130,720, \$25,345,472, and \$156,494,345. This resulted in revenue to the Homeownership Program of \$415,720, to the Housing Finance Program of \$370,472, and to the Residential Finance Program of \$5,714,345.

On June 27, 2019, the agency issued \$200,000,000 in Residential Finance Program Bonds, Issue 2019-2. On July 1, 2019, the agency used \$7,520,000 of these bonds to refund bonds previously issued in the Housing Finance Program (this amount consists of \$7,520,000 early redemption). The carrying amount of these bonds was \$7,520,000. The refunding reduced the agency’s debt service by \$801,953 over the next 20.5 years, and the

agency realized an economic gain (the difference between the present values of the old and new debt service payments) of \$543,000.

On September 30, 2019, the agency issued \$150,000,000 in Residential Finance Program Bonds, Issue 2019-3.

On December 11, 2019, the agency issued \$200,000,000 in Residential Finance Program Bonds, Issue 2019-4. On January 1, 2020, the agency used \$31,850,000 of these bonds to refund bonds previously issued in the Housing Finance Program (this amount consists of \$31,850,000 early redemption). The carrying amount of these bonds was \$31,850,000. The refunding reduced the agency’s debt service by \$1,694,804 over the next 20 years, and the agency realized an economic gain (the difference between the present values of the old and new debt service payments) of \$3,533,187.

On March 25, 2020, the agency issued \$200,000,000 in Residential Finance Program Bonds, Issue 2020-1.

On May 28, 2020, the agency issued \$108,500,000 in Residential Finance Program Bonds, Issue 2020-2. On June 1, 2020, the agency used \$36,390,000 of these bonds to refund bonds previously issued in the Homeownership Program (this amount consists of \$36,390,000 early redemption) and the agency used \$65,510,000 of these bonds to refund bonds previously issued in the Housing Finance Program (this amount consists of \$65,510,000 early redemption). The carrying amount of these bonds was \$101,999,244. On July 1, 2020 the Agency will use \$6,600,000 to refund bonds in the Housing Finance Program. The refunding increased the agency’s debt service by \$305,924 over the next 20-20.5 years, and the agency realized an economic gain (the difference between the present values of the old and new debt service payments) of \$6,460,552. Some of these bonds were defeased May 28, 2020 and the bond holders will be paid July 1, 2020 or January 1, 2021 per the certificate of defeasement.

Debt Service requirements to maturity for revenue bonds payable at June 30, 2020, are as follows (expressed in thousands):

State of Tennessee

For the Year(s) Ended June 30	Revenue Bonds		Total Requirements
	Principal	Interest	
2021	\$ 55,185	\$ 90,488	\$ 145,673
2022	88,695	91,121	179,816
2023	90,945	89,200	180,145
2024	93,095	87,064	180,159
2025	95,235	84,725	179,960
2026-2030	497,450	383,186	880,636
2031-2035	523,720	302,773	826,493
2036-2040	556,455	209,057	765,512
2041-2045	476,090	111,988	588,078
2046-2050	335,820	30,822	366,642
2051	3,350	61	3,411
	<u>\$ 2,816,040</u>	<u>\$ 1,480,485</u>	<u>\$ 4,296,525</u>

The agency’s bond resolutions govern the outstanding bonds payable for all bond programs in the amount of \$2,816,040 (expressed in thousands). The bond resolutions contain a provision that in an event of default, the trustee can declare all bonds due and payable and can sell program loans and investment securities for payments to bondholders.

The outstanding bonds payable of \$2,816,040 (expressed in thousands) are secured by a pledge of all assets in each of the respective bond resolutions.

The agency has a line of credit in the amount of \$75,000,000. The unused portion as of June 30, 2020, is \$73,084,661.

**C. Nonmajor Component Units – Long-Term Debt**

**Tennessee Local Development Authority (TLDA)**

Bonds Payable at June 30, 2020, is shown below (expressed in thousands):

Revenue bonds, 4% to 4.375%, due in generally decreasing amounts of principal and interest from \$348 thousand in 2021 to \$21 thousand in 2029	\$ 1,535
Plus unamortized bond premium	16
Less unamortized bond discount	(8)
<b>Total bonds payable</b>	<u><u>\$ 1,543</u></u>

The revenue bonds listed above are not obligations of the state. They are secured by pledges of resources from the facilities to which they relate and by certain other revenues, fees, and assets of TLDA.

Debt Service requirements to maturity for TLDA’s revenue bonds payable at June 30, 2020, are as follows (expressed in thousands):

For the Year(s) Ended June 30	Revenue Bonds		Total Requirements
	Principal	Interest	
2021	\$ 285	\$ 63	\$ 348
2022	220	52	272
2023	230	43	273
2024	240	34	274
2025	245	24	269
2026-2029	315	18	333
	<u>\$ 1,535</u>	<u>\$ 234</u>	<u>\$ 1,769</u>

**Tennessee State School Bond Authority (TSSBA)**

Bonds and Revolving Credit Facility Payable at June 30, 2020, are shown below (expressed in thousands):

Revenue bonds, various Series, 0% to 5%, due in decreasing amounts of principal and interest from \$151.1 million in 2021 to \$4.9 million in 2049	\$ 2,051,020
Plus unamortized bond premium	237,462
Less unamortized bond discount	(41)
<b>Total bonds payable</b>	<u><u>\$ 2,288,441</u></u>
Revolving credit facility, interest rates ranging from 2.1% to 3.1%, varying maturities	<u><u>\$ 74,481</u></u>

The revenue bonds and credit facility listed above are not obligations of the state. They are secured by pledge of resources from the facilities to which they relate and by certain other revenues, fees, and assets of the TSSBA.

Bond sales during the year ended June 30, 2020, included the following issues:

- September 2019— 2019 Series A Bonds of \$146.9 million
- September 2019— 2019 Series B Bonds of \$60.3 million

On September 18, 2019, the Authority issued the 2019 Series A Bonds (“2019A”) and the 2019 Series B Bonds (Federally Taxable) (“2019B”). The 2019A tax-exempt bond proceeds in the amount of \$146,915,000 were sold with an original issue premium of \$39,604,972. The 2019B taxable bond proceeds in the amount of \$60,255,000 were sold with an original issue premium of \$338,141. The 2019A and 2019B bonds were issued to prepay \$146,318,221 of the principal amount of the revolving credit loans outstanding. The balance of the proceeds of the 2019A and 2019B bonds will be used to pay for construction costs of certain projects and various costs of issuance.

Debt Service requirements to maturity for TSSBA’s revenue and direct placement bonds payable at June 30, 2020, are as follows (expressed in thousands):

State of Tennessee

For the Year(s) Ended June 30	Revenue Bonds		Direct Placement Bonds		Total Requirements
	Principal	Interest	Principal	Interest	
2021	\$ 78,055	\$ 42,955	\$ 30,145	\$ -	\$ 151,155
2022	78,960	99,929	-	-	178,889
2023	80,505	66,292	-	-	146,797
2024	77,645	62,873	-	-	140,518
2025	79,385	59,434	-	-	138,819
2026-2030	768,285	243,945	-	-	1,012,230
2031-2035	302,145	165,640	-	-	467,785
2036-2040	282,545	97,693	-	-	380,238
2041-2045	212,285	37,952	-	-	250,237
2046-2049	61,065	5,165	-	-	66,230
	<u>\$ 2,020,875</u>	<u>\$ 881,878</u>	<u>\$ 30,145</u>	<u>\$ -</u>	<u>\$ 2,932,898</u>

**Revolving Credit Facility Program**

The Tennessee State School Bond Authority issues short-term debt to finance certain capital projects for the State of Tennessee's higher education institutions. On March 20, 2014, the Authority entered into a Revolving Credit Agreement (RCA) with Wells Fargo Bank, National Association, and U.S. Bank, National Association. The Revolving Credit Agreement permits loans (the revolving credit facility) to be made from time to time (and prepayments and reborrowings) in an aggregate principal amount outstanding at any time not to exceed \$300,000,000. The Revolving Credit Agreement was amended on March 20, 2017, with an expiration date of March 20, 2020. The Revolving Credit Agreement was further amended on April 25, 2018, with an expiration date of March 18, 2021. The revolving credit facility may be issued as tax-exempt or as taxable loans. At the program's inception, the revolving credit facility refinanced certain outstanding commercial paper proceeds that the Authority had previously issued to finance capital projects. At June 30, 2020, \$51,367,265 of tax-exempt revolving credit facility and \$23,113,425 of taxable revolving credit facility loans were outstanding.

**Events of Default**

Debt under the Higher Education Facilities Programs is secured by a payment from the annual financing charges by the Tennessee Board of Regents and the Board of Trustees of the University of Tennessee (the "Boards"). In the event the Authority has been notified that one of the Boards has insufficient funds to make a full payment, the Assistant Secretary to the Authority will notify the Commissioner of Finance and Administration that the Board has failed to pay and request the Commissioner to intercept sufficient available appropriations. The Commissioner will, within one business day, notify his accounting staff to withhold the Legislative appropriations as may be required to make the Board whole with respect to the unpaid annual financing charges.

Debt under the Qualified Zone Academy Bond Program is secured by an annual payment by each borrower. A borrower is a Local Government Unit. In the event a borrower has failed to pay a loan repayment in full, the

Assistant Secretary to the Authority will notify the Commissioner of Finance and Administration that the borrower has failed to pay and request the Commissioner to intercept sufficient available state-shared taxes to the borrower. The Commissioner will, within three business days, notify the borrower of the failure to pay. If the borrower fails to remit the full amount within 10 days of the notice the Commissioner will notify his accounting staff to withhold the state-shared taxes as may be required to make the Board whole with respect to the unpaid annual financing charges.

Debt under the Qualified School Construction Bond Program is secured by a monthly payment from each borrower. A borrower is a Local Government Unit. In the event a borrower has failed to pay a loan repayment in full, the Assistant Secretary to the Authority will notify the Commissioner of Finance and Administration that the borrower has failed to pay and request the Commissioner to intercept sufficient available state-shared taxes to the borrower. The Commissioner will notify the Division of Accounts, to withhold the state-shared taxes due and payable to the Local Government Unit starting with the payment due to the Local Government Unit on the 20th day of the current month in the amount of the unpaid loan payment to the Authority. The Division of Accounts will deposit such available state-shared tax, as soon as they are available, with the representatives of the TSSBA and prior to releasing any remaining funds to the Local Government Unit. The Division of Accounts will continue such monthly deposits to the Authority's account until notified by the Commissioner of Finance and Administration that the Local Government Unit is current on all of its obligations to the TSSBA. The TSSBA will use the proceeds of the state shared tax intercept to timely fund debt service and sinking fund payments due on the Bond Debt Service Payment Dates and to fully fund the Local Government Unit's portion of the Sinking Fund.

If the Authority should default in the payment of the principal, sinking fund installments, or interest the bond resolutions contain a provision that the Trustee may proceed, (1) by suit, action or proceeding at law or in equity in any court of competent jurisdiction, enforce all rights of the Bondowners, including the right to require the Authority to enforce the Agreements and collect the Annual Financing Charges and Legislative Appropriations payable thereunder, or to carry out any other covenant or agreement with Bondowners under the Resolution and to perform its duties under the Act, the Agreements and the Resolution; (2) bring suit upon the Bonds; (3) by action or suit, require the Authority to account as if it were the trustee of an express trust for the Owners of the Bonds; (4) by action or suit, enjoy any acts or things which may be unlawful or in violation of the rights of the Owners of the Bonds; or (5) in

State of Tennessee

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accordance with the provisions of the Act, declare all Bonds due and payable, and if all defaults shall be made good, then, with the written consent of the Owners of not less than twenty-five percentum (25%) in principal

amount of the Outstanding Bonds, to annul such declaration and consequences, but no such annulment shall extend to or effect any subsequent default or impair or exhaust any right or power consequent thereon.

## D. Component Units – Changes in Long-Term Liabilities

A summary of changes in long-term obligations for the year ended June 30, 2020, follows (expressed in thousands):

<b>Changes in Long-term Liabilities</b>					
	Beginning			Ending	
	Balance	Additions	Reductions	Balance	Amounts Due Within One Year
<b>Revenue bonds, notes, and loans payable:</b>					
University of Tennessee (UT)	\$ 1,088,460	\$ 39,026	\$ (56,933)	\$ 1,070,553	\$ 38,563
State University and Community College System (SUCCS)	775,565	191,812	(186,283)	781,094	40,155
Tennessee Housing Development Agency (THDA)	2,628,317	679,914	(427,420)	2,880,811	76,775
Nonmajor component units	2,279,902	420,472	(362,663)	2,337,711	78,719
Nonmajor component units-direct borrowings	30,145			30,145	30,145
Long-term debt	<u>\$ 6,802,389</u>	<u>\$ 1,331,224</u>	<u>\$ (1,033,299)</u>	<u>\$ 7,100,314</u>	<u>\$ 264,357</u>
<b>Other long-term liabilities:</b>					
<b>Compensated absences:</b>					
UT	83,295	57,852	(49,853)	91,294	49,853
SUCCS	74,652	49,028	(39,118)	84,562	18,586
THDA	1,500	1,345	(1,160)	1,685	827
Tennessee Education Lottery Corporation (TELC)	688	746	(689)	745	745
Nonmajor component units	1,568	1,947	(1,683)	1,832	1,000
<b>Due to grantors, unearned revenue, annuities payable, prizes annuities payable:</b>					
UT	46,724	53,678	(72,237)	28,165	
SUCCS	22,410	11,751	(4,250)	29,911	
TELC	2,486		(338)	2,148	134
<b>Escrow deposits and arbitrage rebate payable:</b>					
THDA	39,567	55,153	(56,907)	37,813	25,539
<b>Pension:</b>					
UT				178,241	
SUCCS				236,874	
THDA				6,288	
Nonmajor component units				1,811	
<b>Other postemployment benefits:</b>					
UT				155,507	
SUCCS				152,006	
THDA				1,653	
Nonmajor component units				619	
Component units long-term liabilities	<u>\$ 7,075,279</u>	<u>\$ 1,562,724</u>	<u>\$ (1,259,534)</u>	<u>\$ 8,111,468</u>	<u>\$ 361,041</u>

The Tennessee State School Bond Authority, a nonmajor component unit, issues revenue bonds to make loans to higher education institutions in the state. The nonmajor component units' bonds payable includes the indebtedness on which the University of Tennessee and the State University and Community College System's loans payable are based.

of Tennessee foundations' long-term liabilities amounted to \$79.980 million (\$3.791 million due within one year).

The University of Tennessee component units are not included in the above schedule. At year end, University

## E. Endowments – Component Units

If a donor has not provided specific instructions to the University of Tennessee and State University and Community College System institutions, state law (TCA 35-10-204) permits each institution to authorize for expenditure the net appreciation (realized and unrealized) of the investments of endowment funds. When administering its power to spend net appreciation, the institution is required to consider the institution's long-term and short-term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends, and general economic conditions. Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established.

The University of Tennessee chooses to spend only a portion of the investment income (including changes in the value of investments) each year. Under the spending plan established by the University, 4.5 percent of a seven-year moving average of the fair value of endowment investments has been authorized for expenditure. In fiscal year 2016, the University began transitioning to a seven-year moving average, by adding one year's value to the moving average calculation. This transition was complete in fiscal year 2019. The remaining amount after distributions, if any, is retained to be used in future years when the amount computed using the spending plan exceeds the investment income. At June 30, 2020, net appreciation of \$76.025 million is available to be spent, of which \$74.221 million is restricted to specific purposes.

While some State University and Community College System institutions/foundations spend all investment income, others choose to spend only a portion of the investment income (including changes in the value of investments) each year. Under the various spending plans established by each institution/foundation, different percentages and/or amounts have been authorized for expenditure. The remaining amounts, if any, are retained to be used in future years when the amounts computed using the spending plans exceed the investment income. At June 30, 2020, net appreciation of \$19.193 million is available to be spent, of which \$18.842 million is restricted to specific purposes.

# NOTE 16

## Risk Management

### A. Teacher Group Insurance

The Teacher Group Insurance Fund, a public entity risk pool, was established in January 1986 to provide a program of health insurance coverage for the teachers and other education system employees of the political subdivisions of the state. In accordance with Tennessee Code Annotated 8-27-302, all local education agencies are eligible to participate. Fund members at June 30, 2020, included 120 local education agencies and one education cooperative, with 51,266 active teachers and support personnel enrolled in one of four health care options: premier preferred provider organization plan (PPO), standard preferred provider organization plan (PPO), limited preferred provider organization plan (PPO), or the consumer driven health plan with health savings account (CDHP/HSA). The state does not retain any risk for losses by this fund.

The Teacher Group Insurance Fund assumes responsibility for: determining plan benefits and eligibility, establishing premiums sufficient to fund plan obligations, recording and reporting financial transactions accurately, reporting enrollment to vendors, processing of claims submitted for services provided to plan participants, communicating with plan participants, and complying with appropriate state and federal laws and regulations. Plan participants are required to: pay premiums on time, file claims for services received, report changes in eligibility of themselves or their dependents, and ensure that only eligible expenses are paid by the plan. Individuals who cancel coverage may be required to demonstrate a qualifying event to rejoin the plan. Employers must wait twenty-four months before rejoining the plan should the employer elect to withdraw from the plan.

The Teacher Group Insurance Fund establishes claims liabilities for self-insured options based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. Teachers and providers have 13 months to file medical claims. The process used to compute claims liabilities does not necessarily result in an exact amount. Claims liabilities are recomputed periodically using actuarial and statistical techniques to produce current estimates. Adjustments to claims liabilities are charged or credited to expense in the period in which they are made. The Teacher Group Insurance Fund considers investment income in determining if a premium deficiency exists.

The Teacher Group Insurance Fund issues separate financial statements that may be obtained by writing the Department of Finance and Administration, Division of Accounts, 312 Rosa L. Parks Avenue, 21st Floor William R. Snodgrass Tennessee Tower, Nashville, TN 37243-0298 or by calling (615) 532-5823.

As discussed above, the Teacher Group Insurance Fund establishes a liability for both reported and unreported expenses. The following represents changes in those aggregate liabilities during the past two years (expressed in thousands):

	2020	2019
Unpaid claims at beginning of year	\$ 32,504	\$ 32,948
Incurring claims:		
Provision for insured events of the current year	549,424	534,001
Increase (decrease) in provision for insured events of prior years	(662)	(1,978)
Total incurred claims expenses	548,762	532,023
Payments:		
Claims attributable to insured events of the current year	518,780	501,567
Claims attributable to insured events of prior years	31,616	30,900
Total payments	550,396	532,467
Total unpaid claims at end of year	<u>\$ 30,870</u>	<u>\$ 32,504</u>

## B. Local Government Group Insurance

The Local Government Group Insurance Fund, a public entity risk pool, was established in July 1991 to provide a program of health insurance coverage for employees of local governments and quasi-governmental organizations that were established for the primary purpose of providing services for or on the behalf of state and local governments. In accordance with Tennessee Code Annotated 8-27-401 and 8-27-702, all local governments and quasi-governmental organizations described above are eligible to participate. Fund members at June 30, 2020, included 71 counties, 187 municipalities and 121 quasi-governmental organizations, with 16,913 active employees maintaining coverage through one of four options: premier preferred provider organization plan (PPO), standard preferred provider organization plan (PPO), limited preferred provider organization plan (PPO), or the consumer driven health plan with health savings account (CDHP/HSA). The state does not retain any risk for losses by this fund.

The Local Government Group Insurance Fund assumes responsibility for: determining plan benefits and eligibility, establishing premiums sufficient to fund plan obligations, recording and reporting financial transactions

insured events, which includes estimates of both future payments of losses and related claim adjustment accurately, reporting enrollment to vendors, the processing of claims submitted for services provided to plan participants, communicating with plan participants, and complying with appropriate state and federal laws and regulations. Plan participants are required to: pay premiums on time, file claims for services received, report changes in eligibility of themselves or their dependents, and ensure that only eligible expenses are paid by the plan. Individuals who cancel coverage may be required to demonstrate a qualifying event to rejoin the plan. Employers must wait twenty-four months before rejoining the plan should the employer elect to withdraw from the plan.

The Local Government Group Insurance Fund establishes claims liabilities for self-insured options based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. Employees and providers have 13 months to file medical claims. The process used to compute claims liabilities does not necessarily result in an exact amount. Claims liabilities are recomputed periodically using actuarial and statistical techniques to produce current estimates. Adjustments to claims liabilities are charged or credited to expense in the period in which they are made. The Local Government Group Insurance Fund considers investment income in determining if a premium deficiency exists.

The Local Government Group Insurance Fund issues separate financial statements that may be obtained by writing the Department of Finance and Administration, Division of Accounts, 312 Rosa L. Parks Avenue, 21st Floor William R. Snodgrass Tennessee Tower, Nashville, TN 37243-0298 or by calling (615) 532-5823.

As discussed, the Local Government Group Insurance Fund establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represents changes in those aggregate liabilities during the past two years (expressed in thousands):

## State of Tennessee

	2020	2019
Unpaid claims at beginning of year	\$ 9,941	\$ 7,490
Included claims:		
Provision for insured events of the current year	155,903	146,466
Increase (decrease) in provision for insured events of prior years	(1,595)	1,764
<b>Total incurred claims expenses</b>	<b>154,308</b>	<b>148,230</b>
Payments:		
Claims attributable to insured events of the current year	147,505	136,596
Claims attributable to insured events of prior years	8,308	9,183
<b>Total payments</b>	<b>155,813</b>	<b>145,779</b>
<b>Total unpaid claims at end of year</b>	<b>\$ 8,436</b>	<b>\$ 9,941</b>

### C. 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, medical malpractice liability and workers' compensation. By statute, the maximum liability for general liability, automobile liability, and medical malpractice liability is \$300 thousand per person and \$1 million per occurrence. 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 (RMF). The state purchases commercial insurance for real property, crime and fidelity coverage on the state's officials and employees, and cyber liability coverage. For property coverage, the deductible for an individual state agency is the first \$25 thousand of losses. The RMF is responsible for property losses for the annual aggregate deductible of \$7.5 million for perils other than earthquake and flood. Purchased insurance coverage is responsible for losses exceeding the \$7.5 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. Settled claims resulting from these risks have not exceeded maximum commercial insurance coverage in any of the past three fiscal years. All agencies and authorities of the state participate in the RMF, except for the Dairy Promotion Board and the Certified Cotton Growers' Organization. The Tennessee Education Lottery Corporation participates in the RMF for general liability purposes but is responsible for its own worker's compensation coverage.

The RMF liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are reevaluated annually to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. The present value of the casualty liability as actuarially determined was \$135.02 million (discounted at 1.0 percent) at June 30, 2020 and \$133.69 million (discounted at 1.5 percent) at June 30, 2019. The accrued liability for incurred property losses was \$12.71 million at June 30, 2020 and \$10.89 million at June 30, 2019. The changes in the balances of the claims liabilities during fiscal years 2019 and 2020 were as follows (expressed in thousands):

	2019-2020	2018-2019
Beginning of Fiscal Year Liability	\$ 144,905	\$ 141,230
Current Year Claims and Changes in Estimates	82,608	32,329
Claim Payments	(35,710)	(28,654)
<b>Balance at Fiscal Year-End</b>	<b>\$ 191,803</b>	<b>\$ 144,905</b>

The RMF held \$231 million in cash at June 30, 2020 and \$186 million in cash at June 30, 2019 that is designated for payment of these claims.

The RMF allocates the cost of providing claims servicing and claims payment by charging a premium to each agency based on a percentage of each organization's expected loss costs which include both experience and exposures. This charge considers recent trends in actual claims experience of the state as a whole.

### D. Employee Group Insurance

The Employee Group Insurance Fund, an entity other than a pool, was established in 1979 to provide a program of health insurance coverage for the employees of the state with the risk retained by the state; therefore, it is accounted for as an Internal Service Fund. In accordance with Tennessee Code Annotated 8-27-202 and 8-27-204, all state employees and certain former employees with work related injuries are eligible to participate. Fund members at June 30, 2020, included 63,094 active employees enrolled in one of three options: premier preferred provider organization plan (PPO), standard preferred provider organization plan (PPO), or the consumer driven health plan with health savings account (CDHP/HSA).



The Employee Group Insurance Fund establishes claims liabilities for self-insured options based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. Employees and providers have 13 months to file medical claims. The process used to compute claims liabilities does not necessarily result in an exact amount. Claims liabilities are recomputed periodically using actuarial and statistical techniques to produce current estimates. Adjustments to claims liabilities are charged or credited to expense in the period in which they are made. The Employee Group Insurance Fund considers investment income in determining if a premium deficiency exists.

As discussed, the Employee Group Insurance Fund establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represents changes in those aggregate liabilities during the past two years (expressed in thousands):

	2020	2019
Unpaid claims at beginning of year	\$ 54,367	\$ 46,409
Incurred claims:		
Provision for insured events of the current year	825,694	787,454
Increase (decrease) in provision for insured events of prior years	(5,968)	6,476
Total incurred claims expenses	819,726	793,930
Payments:		
Claims attributable to insured events of the current year	778,402	734,530
Claims attributable to insured events of prior years	48,105	51,442
Total payments	826,507	785,972
Total unpaid claims at end of year	\$ 47,586	\$ 54,367

### E. CoverKids

The CoverKids program was launched in 2007 as part of the federally funded Children’s Health Insurance Program (CHIP) and provides healthcare to children and maternity coverage for pregnant women. In accordance with Tennessee Code Annotated 71-3-1103, the CoverKids program serves eligible uninsured children who are not eligible for health care services under any part of Tennessee’s Medicaid program. Emphasis is placed on preventive care and the services most needed by children, including vaccinations, physician visits, and hospitalization in addition to vision and dental benefits.

Enrollment in the CoverKids program totaled 40,813 at June 30, 2020.

As part of the federally funded CHIP program, CoverKids receives the majority of funding from the Federal Government at an approximately 92/8 ratio match. There are no monthly premiums and the program has no deductibles. Members pay affordable co-pays for services. CoverKids members use the CoverKids Provider Network administered by BlueCare. The following represents changes in those aggregate liabilities during the past two years (expressed in thousands):

	2020	2019
Unpaid claims at beginning of year	\$ 5,224	\$ 7,971
Incurred claims:		
Provision for insured events of the current year	97,385	109,777
Increase (decrease) in provision for insured events of prior years	1,620	11
Total incurred claims expenses	99,005	109,788
Payments:		
Claims attributable to insured events of the current year	92,199	104,423
Claims attributable to insured events of prior years	6,857	8,112
Total payments	99,056	112,535
Total unpaid claims at end of year	\$ 5,173	\$ 5,224

## NOTE 17

### Other Postemployment Benefits (OPEB)

For the year ended June 30, 2020, primary government employers reported \$1.3 billion of net OPEB liability, \$231.1 million of deferred outflows of resources related to OPEB, \$321.6 million of deferred inflows of resources related to OPEB, (\$96.8) million of OPEB expense and \$137.8 million of deferred outflows of benefits paid subsequent to the measurement date. Component unit employers reported \$309.7 million of net OPEB liability, \$39.9 million of deferred outflows of resources related to OPEB, \$162.6 million of deferred inflows of resources related to OPEB, \$15.8 million of OPEB expense, and \$49.3 million of deferred outflows of benefits paid subsequent to the measurement date. These totals are aggregated for all OPEB plans the above employers participate in.

**A. Closed Employee Group OPEB Plan**

*1. General information about the OPEB plan*

**Plan description**—Employees of the state and of certain discretely presented component units, who were hired prior to July 1, 2015, and choose coverage, are provided with pre-65 retiree health insurance benefits through the closed Employee Group OPEB Plan (EGOP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015. The component units participating in the plan are the Tennessee Student Assistance Corporation, the Tennessee Housing Development Agency, the University of Tennessee, and the institutions that make up the State University and Community College System. The State of Tennessee Postemployment Benefits Trust (OPEB Trust) was established to accumulate resources to pay retire benefits for EGOP participants. The OPEB Trust prepares a stand-alone financial report that can be found at <https://www.tn.gov/finance/rd-doa/opeb22121/>

**Benefits provided**—The EGOP is offered to provide health insurance coverage to eligible retired and disabled participants and is the only postemployment benefit provided to eligible pre-65 participants. Benefits are established and amended by an insurance committee created by Tennessee Code Annotated (TCA) 8-27-201. All retirees and disabled employees of the primary government and certain component units, who are eligible and choose coverage, and who have not yet reached the age of 65 are enrolled in this plan. All members have the option of choosing between the premier preferred provider organization (PPO) plan, standard PPO plan or the wellness healthsavings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members receive the same plan benefits, as active employees, at a blended premium rate that considers the cost of active and retired employees. This creates an implicit subsidy for the retirees. The retirees cost is then directly subsidized, by the employers, based on years of service. Therefore, retirees with 30 years of service are subsidized 80 percent; 20 but less than 30 years, 70 percent; and less than 20 years, 60 percent.

**Employees covered by benefit terms**—At July 1, 2019, the following employees were covered by the benefit terms of the EGOP:

	Primary Government	Component Units
Inactive employees currently receiving benefit payments	5,394	2,074
Inactive employees entitled to but not yet receiving benefit payments	70	22
Active employees eligible for benefit payments	28,531	20,937
	<u>33,995</u>	<u>23,033</u>

**Contributions**—Annually, an insurance committee, created in accordance with Tennessee Code Annotated (TCA) 8-27-201, establishes the required contributions to the plan by member employees through the premiums established to approximate claims cost for the year. Pre-age 65 retired members of the EGOP pay a premium based on a blended rate that considers the cost of active and retired employees as well as their individual years of service. These payments are made to the OPEB Trust. Employers currently contribute to the OPEB Trust based on an actuarially determined contribution (ADC) rate calculated in a manner to meet the funding goals of the state. During the fiscal year ended June 30, 2020, the total ADC for primary government and component unit employers was \$95.7 million and \$49.7 million respectively. The OPEB Trust recognized contributions of \$103.7 million from the primary government and \$49.3 million from the component units during the reporting period. The state general assembly has the authority to change the contribution requirements of the employers participating in the EGOP.

*2. Net OPEB Liability*

The primary government and component unit employers EGOP related net OPEB liabilities of \$642.5 million and \$309.7 million, respectively, was measured as of June 30, 2019, and was determined by an actuarial valuation as of June 30, 2019.

**Actuarial assumptions**—The total OPEB liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

<b>Inflation</b>	2.20 percent
<b>Salary increases</b>	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
<b>Healthcare cost trend rates</b>	6.03 percent for 2020, decreasing annually to an ultimate rate of 4.50 percent for 2029 and later years
<b>Retiree's share of benefit-related costs</b>	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this valuation a weighted average has been used with weights derived from the current distribution of members among plans offered.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2019, valuations were the same as those employed in the July 1, 2017, Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012-June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for pre-retirement mortality and the RP-2014 Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2 percent load for males and a negative 3 percent load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10 percent load.

**Long-term expected rate of return**—The long-term expected rate of return of 6 percent on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. TCA 8-27-802 establishes the responsibility of the trustees to adopt written investment policies authorizing how assets in the OPEB Trust may be invested and reinvested by the State Treasurer. The treasurer may invest trust assets in any security or investment in which the Tennessee Consolidated Retirement System (TCRS) is permitted to invest, provided that investments by the OPEB Trust shall be governed by the investment policies and guidelines adopted by the trustees. Any changes to the investment policy will be the responsibility of the established trustees. The OPEB Trust investment policy target asset allocation and allocation range for each major asset class is summarized in the following table:

Asset Class	Allocation Range		Target Allocation
	Minimum	Maximum	
Equities	25%	80%	53%
Fixed income and short-term securities	20%	50%	25%
Real estate	0%	20%	10%
Private equity and strategic lending	0%	20%	7%
Cash and cash equivalents	0%	25%	5%
			100%

The best-estimates of geometric real rates of return for each major asset class included in the OPEB Trust target asset allocation are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
U.S. equity	4.75%
Developed market international equity	5.63%
Emerging market international equity	5.95%
Private equity and strategic lending	4.60%
U.S. fixed income	0.63%
Real estate	4.28%

**Discount rate**—The discount rate used to measure the total OPEB liability was 6 percent. This represents an increase of 2.38 percent over the 3.62 percent used at the prior measurement date. The projection of cash flows used to determine the single discount rate assumed that employer contributions will be made at rates equal to the ADC rates pursuant to an actuarial valuation in accordance with the state’s funding goals. Inactive plan members are assumed to contribute their share of the premium rate for the coverage option in which they are enrolled. Based on those assumptions, the OPEB Trust fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Trust investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The change in discount rate used is due to the transition of the EGOP from a pay-as-you-go arrangement to a prefunding arrangement through a qualified trust.

Changes in the Net OPEB Liability (expressed in thousands):

EGOP- Primary government	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a)-(b)
Balances at June 30, 2018	\$ 912,629	\$ -	\$ 912,629
Changes for the year:			
Service cost	44,521	-	44,521
Interest	34,324	-	34,324
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(14,447)	-	(14,447)
Change in assumptions	(149,693)	-	(149,693)
Contributions from employer	-	260,984	(260,984)
OPEB plan net investment income	-	3,487	(3,487)
Changes in proportion and differences between contributions and proportionate share of contributions	20,618	(59,031)	79,649
Benefit payments	(61,238)	(61,238)	-
Net changes	(125,915)	144,202	(270,117)
Balances at June 30, 2019	\$ 786,714	\$ 144,202	\$ 642,512
<b>EGOP- Component units</b>			
EGOP- Component units	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a)-(b)
Balances at June 30, 2018	\$ 472,609	\$ -	\$ 472,609
Changes for the year:			
Service cost	21,458	-	21,458
Interest	16,543	-	16,543
Differences between expected and actual experience	(6,963)	-	(6,963)
Change in assumptions	(72,147)	-	(72,147)
Contributions from employer	-	40,502	(40,502)
OPEB plan net investment income	-	1,681	(1,681)
Changes in proportion and differences between contributions and proportionate share of contributions	(20,618)	59,031	(79,649)
Benefit payments	(31,713)	(31,713)	-
Net changes	(93,440)	69,501	(162,941)
Balances at June 30, 2019	\$ 379,169	\$ 69,501	\$ 309,668

**Changes in assumptions**—The discount rate was changed from 3.62 percent as of the beginning of the measurement period to 6 percent as of June 30, 2019. This change in assumption decreased the total OPEB liability. Other minor changes in assumptions were made, however, the impact on the net OPEB liability was considered to be insignificant.

**Sensitivity of the net OPEB liability to changes in the discount rate**—The following presents the primary government and component unit employers net OPEB

liability related to the EGOP, as well as what the net OPEB liability would be if calculated using a discount rate that is 1-percentage-point lower (5 percent) or 1-percentage-point higher (7 percent) than the current discount rate (expressed in thousands):

	1% Decrease (5%)	Discount Rate (6%)	1% Increase (7%)
Primary government	\$ 700,235	\$ 642,512	\$ 589,823
Component units	335,473	309,668	285,693

**Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate**—The following presents the primary government and component unit employers net OPEB liability related to the EGOP, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (5.03 percent decreasing to 3.50 percent) or 1-percentage-point higher (7.03 percent decreasing to 5.50 percent) than the current healthcare cost trend rate (expressed in thousands):

	Healthcare Cost		
	1% Decrease (5.03% decreasing to 3.50%)	Trend Rates (6.03% decreasing to 4.50%)	1% Increase (7.03% decreasing to 5.50%)
Primary government	\$ 575,984	\$ 642,512	\$ 719,595
Component units	277,393	309,668	346,794

**OPEB plan fiduciary net position**— Detailed information about the State of Tennessee Postemployment Benefits Trust fiduciary net position is available in the separately issued financial report. This trust was established to accumulate the assets used to pay benefits for participants in the EGOP.

3. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

**OPEB expense**—For the fiscal year ended June 30, 2020, the primary government recognized OPEB expense of \$55.3 million. Component unit employers recognized OPEB expense of \$15.8 million.

**Deferred outflows of resources and deferred inflows of resources**— For the fiscal year ended June 30, 2020, the primary government and component unit employers reported deferred outflows of resources and deferred inflows of resources related to OPEB paid by the EGOP from the following sources (expressed in thousands):

EGOP- Primary government	Deferred	Deferred
	Outflows of Resources	Inflows of Resources
Differences between actual and expected experience	\$ -	\$ 40,911
Changes of assumptions	35,116	153,475
Difference between project and actual earnings on plan investments	472	-
Changes in proportion and differences between contributions and proportionate share of contributions	68,879	22,846
Contributions subsequent to the measurement date	103,683	-
<b>Total</b>	<b>\$ 208,150</b>	<b>\$ 217,232</b>
EGOP- Component units	Deferred	Deferred
	Outflows of Resources	Inflows of Resources
Differences between actual and expected experience	\$ -	\$ 19,718
Changes of assumptions	16,925	73,970
Difference between project and actual earnings on plan investments	227	-
Changes in proportion and differences between contributions and proportionate share of contributions	22,846	68,879
Contributions subsequent to the measurement date	49,339	-
<b>Total</b>	<b>\$ 89,337</b>	<b>\$ 162,567</b>

The amounts shown above for “contributions subsequent to the measurement date” for the primary government and component units will be recognized as a reduction to net OPEB liability in the following measurement period.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB paid by the EGOP will be recognized in OPEB expense as follows (expressed in thousands):

<b>EGOP- Primary government</b>	
For the year ended June 30:	
2021	\$ (19,480)
2022	(19,480)
2023	(19,480)
2024	(19,480)
2025	(19,598)
Thereafter	(15,247)
<b>EGOP- Component units</b>	
For the year ended June 30:	
2021	\$ (20,285)
2022	(20,285)
2023	(20,285)
2024	(20,285)
2025	(20,342)
Thereafter	(21,087)

In the tables above, for the primary government and component units, positive amounts will increase OPEB expense while negative amounts will decrease OPEB expense.

## B. Closed Tennessee OPEB Plan

### 1. General information about the OPEB plan

**Plan description**—Employees of the state and of certain discretely presented component units, who were hired prior to July 1, 2015, are provided with post-65 retiree health insurance benefits through the closed Tennessee OPEB Plan (TNP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be a multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions. However, for accounting purposes, this plan will be treated as a single-employer plan. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015. The component units participating in the plan are the Tennessee Student Assistance Corporation, the Tennessee Housing Development Agency, the University of Tennessee, and the institutions that make up the State University and Community College System. The state is responsible for the liability related to both primary government and component unit retirees. This plan also serves eligible post-65 retirees of local education agencies and local governments. The state is a governmental nonemployer contributing entity for eligible post-65 retirees of local education agencies.

**Benefits provided**—The state offers the TNP to help fill most of the coverage gaps created by Medicare and is the only postemployment benefit provided to eligible post-65 retired and disabled employees of participating

employers. This plan does not include pharmacy. In accordance with Tennessee Code Annotated (TCA) 8-27-209, benefits are established and amended by cooperation of insurance committees created by TCAs 8-27-201, 8-27-301, and 8-27-701. Retirees and disabled employees of the state, component units, local education agencies, and certain local governments who have reached the age of 65, are Medicare eligible, and also receive a benefit from the Tennessee Consolidated Retirement System may participate in this plan. All plan members receive the same plan benefits at the same premium rates. Many retirees receive direct subsidies toward their premium cost; however, participating employers determine their own policy in this regard. The state contributes to the premiums of state and component unit retirees, as well as, to the premiums of eligible retirees of local education agencies based on years of service. Therefore, retirees with 30 years of service receive \$50 per month; 20 but less than 30 years, \$37.50; and 15 but less than 20 years, \$25. This plan is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

**Employees covered by benefit terms**—At July 1, 2019, the following employees of the state and certain component units were covered by the benefit terms of the TNP:

	Primary Government	Component Units
Inactive employees currently receiving benefit payments	10,269	6,646
Inactive employees entitled to but not yet receiving benefit payments	6,376	3,437
Active employees	28,711	21,018
	<u>45,356</u>	<u>31,101</u>

In accordance with TCA 8-27-209, the state insurance committees established by TCAs 8-27-201, 8-27-301, and 8-27-701 determine the required payments to the plan by member employers and employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own developed policies. During the current reporting period, the State of Tennessee paid \$4.7 million and \$2.5 million to the TNP for OPEB benefits as they came due for primary government and component unit employees, respectively.

### 2. Total OPEB Liability

The state's total OPEB liabilities of \$107 million and \$68 million, related to benefits offered to primary government and component unit employees, respectively,

was measured as of June 30, 2019, and was determined by an actuarial valuation as of July 1, 2019.

**Actuarial assumptions**—The total OPEB liability in the July 1, 2019, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

<b>Inflation</b>	2.20 percent
<b>Salary increases</b>	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
<b>Healthcare cost trend rates</b>	The premium subsidies provided to retirees in the Tennessee Plan are assumed to remain unchanged for the entire projection; therefore, trend rates are not applicable.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2019, valuations were the same as those employed in the July 1, 2017, Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012-June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for pre-retirement mortality and the RP-2014 Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2 percent load for males and a negative 3 percent load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10 percent load.

**Discount rate**—The discount rate used to measure the total OPEB liability was 3.51 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Bond Buyer 20-Year Municipal GO AA index.

**Changes in the Total OPEB Liability (expressed in thousands):**

<b>TNP Primary government</b>		Total OPEB Liability (a)
Balances at June 30, 2018		\$ 104,043
Changes for the year:		
Service cost		1,480
Interest		3,792
Changes of benefit terms		-
Differences between expected and actual experience		(870)
Change in assumptions		1,843
Changes in proportion and differences between contributions and proportionate share of contributions		1,591
Benefit payments		(4,833)
Net changes		3,003
Balances at June 30, 2019		\$ 107,046
<b>TNP Component units</b>		Total OPEB Liability (a)
Balances at June 30, 2018		\$ 68,821
Changes for the year:		
Service cost		940
Interest		2,409
Changes of benefit terms		-
Differences between expected and actual experience		(553)
Change in assumptions		1,171
Changes in proportion and differences between contributions and proportionate share of contributions		(1,591)
Benefit payments		(3,197)
Net changes		(821)
Balances at June 30, 2019		\$ 68,000

**Changes in assumptions**—The discount rate was changed from 3.62 percent as of the beginning of the measurement period to 3.51 percent as of June 30, 2019. This change in assumption increased the total OPEB liability.

**Sensitivity of the total OPEB liability to changes in the discount rate**—The following presents the state’s total OPEB liability for primary government and component unit retirees participating in the TNP, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.51 percent) or 1-percentage-point higher (4.51

percent) than the current discount rate (expressed in thousands):

	1% Decrease (2.51%)	Discount Rate (3.51%)	1% Increase (4.51%)
Primary government	\$ 121,405	\$ 107,046	\$ 95,102
Component units	76,748	68,000	60,678

**3. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

**OPEB expense**—For the fiscal year ended June 30, 2020, the state recognized OPEB expense of \$3.2 million and \$2.6 million, for the primary government and component unit retirees, respectively.

**Deferred outflows of resources and deferred inflows of resources**—For the fiscal year ended June 30, 2020, the state reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the TNP from the following sources (expressed in thousands):

<b>TNP Primary government</b>	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ -	\$ 2,990
Changes of assumptions	1,564	5,681
Changes in proportion and differences between contributions and proportionate share of contributions	1,482	2,625
Payments subsequent to the measurement date	4,721	-
<b>Total</b>	<b>\$ 7,767</b>	<b>\$ 11,296</b>
<b>TNP Component units</b>	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ -	\$ 1,899
Changes of assumptions	993	3,608
Changes in proportion and differences between contributions and proportionate share of contributions	2,625	1,482
Payments subsequent to the measurement date	2,485	-
<b>Total</b>	<b>\$ 6,103</b>	<b>\$ 6,989</b>

The amounts shown above for “payments subsequent to the measurement date” for the primary government and

component units will be recognized as a reduction to total OPEB liability in the following measurement period.

Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows (expressed in thousands):

<b>TNP Primary government</b>	
For the year ended June 30:	
2021	\$ (2,046)
2022	(2,046)
2023	(2,046)
2024	(2,046)
2025	(313)
Thereafter	247
<b>TNP Component units</b>	
For the year ended June 30:	
2021	\$ (778)
2022	(778)
2023	(778)
2024	(778)
2025	(156)
Thereafter	(103)

In the tables above, for the primary government and component units, positive amounts will increase OPEB expense while negative amounts will decrease OPEB expense.

**C. Special Funding Situation**

The state is in a special funding situation and reports a liability, deferred outflows of resources, deferred inflows of resources, and expense related to its statutory requirement to contribute to the closed Teacher Group OPEB Plan (TGOP) and TNP for eligible retired and disabled teachers employed by local education agencies.

**1. General information about the OPEB plan**

**Plan description**—The Tennessee Department of Finance and Administration administers the closed TGOP as well as the closed TNP. Both plans are considered to be multiple-employer defined benefit plans that are used to provide postemployment benefits other than pensions. However, for accounting purposes, these plans will be treated as single-employer plans. All eligible pre-65 retired teachers and disability participants of local



education agencies, who choose coverage, participate in the TGOP. All eligible post-65 retired teachers and disability participants of local education agencies, who choose coverage, participate in the TNP. The TNP also includes eligible retirees of the primary government, certain component units of the state, and certain local governmental entities. These plans are closed to the employees of all participating employers that were hired on or after July 1, 2015.

**Benefits provided**—The state offers the TGOP to provide health insurance coverage to eligible pre-65 retired teachers and disabled participants of local education agencies. The TNP is offered to help fill most of the coverage gaps created by Medicare for eligible post-65 retired teachers and disabled participants of local education agencies. This insurance coverage is the only postemployment benefit provided to retirees. The TNP does not include pharmacy. An insurance committee created in accordance with Tennessee Code Annotated (TCA) 8-27-301 establishes and amends the benefit terms of the TGOP. All members have the option of choosing between the premier preferred provider organization (PPO), standard PPO, limited PPO, or the wellness healthsavings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members of the TGOP receive the same plan benefits as active employees at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Individual employers may also provide a direct subsidy, according to their own policies and TCA. The state, as a governmental nonemployer contributing entity, provides a direct subsidy for eligible retirees’ premiums, based on years of service. Therefore, retirees with 30 or more years of service will receive 45 percent; 20 but less than 30 years, 35 percent; and less than 20 years, 20 percent of the scheduled premium. In accordance with TCA 8-27-209, benefits of the TNP are established and amended by cooperation of insurance committees created by TCAs 8-27-201, 8-27-301, and 8-27-701. Retirees and disabled employees of the state, component units, local education agencies, and certain local governments who have reached the age of 65, are Medicare eligible, and also receive a benefit from the Tennessee Consolidated Retirement System may participate in this plan. All plan members receive the same plan benefits at the same premium rates. Many retirees receive direct subsidies toward their premium cost; however, participating employers determine their own policy in this regard. The state, as a governmental nonemployer contributing entity, contributes to the premiums of eligible retirees of local education agencies based on years of service. Therefore, retirees with 30 years of service receive \$50 per month; 20 but less than 30 years, \$37.50; and 15 but less than 20 years, \$25. The TGOP and TNP are funded on a pay-as-you-go basis and there are no assets accumulating in a

trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

An insurance committee, created in accordance with TCA 8-27-301, establishes the required payments to the TGOP by member employers and employees through the blended premiums established for active and retired employees. For the TNP, insurance committees, created in accordance with TCAs 8-27-201, 8-27-301, and 8-27-701, cooperate to establish the required payments to the plan by member employers and employees through the premiums established for retired members. Claims liabilities of the plans are periodically computed using actuarial and statistical techniques to establish premium rates. For the fiscal year ended June 30, 2020, the state paid \$15.4 million and \$11.5 million to the TGOP and TNP, respectively, for OPEB benefits as they came due.

**Actuarial assumptions**—The total OPEB liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

<b>Inflation</b>	2.20 percent
<b>Salary increases</b>	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
<b>Healthcare cost trend rates</b>	Health trend for the TGOP is 6.03 percent in 2020, decreasing annually over a 10 year period to an ultimate rate of 4.50 percent. As it relates to the TNP, the premium subsidies provided to retirees in the Tennessee Plan are assumed to remain unchanged for the entire projection, therefore trend rates are not applicable.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2019, valuations were the same as those employed in the July 1, 2017, Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012-June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for pre-retirement mortality and the RP-2014 Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2

percent load for males and a negative 3 percent load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10 percent load.

**Discount rate**—The discount rate used to measure the total OPEB liability was 3.51 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Bond Buyer 20-Year Municipal GO AA index.

**Sensitivity of proportionate share of collective total OPEB liability to changes in the discount rate**—The following presents the state’s proportionate share of the collective total OPEB liability for the special funding situations related to the TGOP and TNP, as well as what the share of the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.51 percent) or 1-percentage-point higher (4.51 percent) than the current discount rate (expressed in thousands):

	1% Decrease (2.51%)	Discount Rate (3.51%)	1% Increase (4.51%)
Share of collective total OPEB liability- TGOP	\$ 250,085	\$ 232,297	\$ 215,461
Share of collective total OPEB liability- TNP	258,975	222,668	193,264

**Sensitivity of proportionate share of collective total OPEB liability to changes in the healthcare cost trend rate**—The following presents the state’s proportionate share of the collective total OPEB liability for the special funding situations related to the TGOP, as well as, what the share of the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (5.03 percent decreasing to 3.50 percent) or 1-percentage-point higher (7.03 percent decreasing to 5.50 percent) than the current healthcare cost trend. Premium subsidies in the TNP are projected to remain unchanged, and consequently, trend rates are not applicable (expressed in thousands):

	Healthcare Cost		
	1% Decrease (5.03% decreasing to 3.50%)	Trend Rates (6.03% decreasing to 4.50%)	1% Increase (7.03% decreasing to 5.50%)
Share of collective total OPEB liability- TGOP	\$ 207,056	\$ 232,297	\$ 262,087

2. Total OPEB Liability

At June 30, 2020, the state reported a liability of \$232.3 million and \$222.7 million for its proportionate shares of the collective total OPEB liability from special funding situations related to the TGOP and TNP, respectively.

The total OPEB liabilities were measured as of June 30, 2019, by an actuarial valuation dated July 1, 2019. The state’s portion of the collective total OPEB liability was based on a projection of the state’s long-term share of contributions to the OPEB plan relative to the projected share of benefit payments of all participating employers, actuarially determined. At June 30, 2019, the state’s proportion of the collective total Local Education Agency employer liabilities for the TGOP and TNP was 28.32 percent and 72.68 percent, respectively. This resulted in a change in proportion from the prior measurement date of 1.83 percent and (1.83) percent to the TGOP and TNP, respectively.

**Changes in assumptions**—The discount rate was changed from 3.62 percent as of the beginning of the measurement period to 3.51 percent as of June 30, 2019. This change in assumption increased the total OPEB liability.

3. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

**OPEB expense**— For the year ended June 30, 2020, the state recognized OPEB expense of \$17.9 million and \$17.9 million in the TGOP and TNP, respectively, related to special funding situations. At June 30, 2020, the state reported deferred outflows of resources and deferred inflows of resources related to OPEB, as a result of special funding situations, from the following sources (expressed in thousands):

TGOP	Deferred	Deferred
	Outflows of Resources	Inflows of Resources
Differences between actual and expected experience	\$ 10,228	\$ 21,512
Changes of assumptions	6,022	23,921
Changes in proportion and differences between benefits paid and proportionate share of benefits paid	13,155	12,722
Payments subsequent to the measurement date	15,358	-
<b>Total</b>	<b>\$ 44,763</b>	<b>\$ 58,155</b>
<b>TNP</b>		
	Deferred	Deferred
	Outflows of Resources	Inflows of Resources
Differences between actual and expected experience	\$ 7,705	\$ 8,481
Changes of assumptions	7,685	21,850
Changes in proportion and differences between benefits paid and proportionate share of benefits paid	79,287	1,665
Payments subsequent to the measurement date	11,528	-
<b>Total</b>	<b>\$ 106,205</b>	<b>\$ 31,996</b>

The amounts shown above for “payments subsequent to the measurement date” will be recognized as a reduction to total OPEB liability in the following measurement period.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (expressed in thousands):

<b>TGOP</b>		
For the year ended June 30:		
2021		\$ (3,658)
2022		(3,658)
2023		(3,658)
2024		(3,658)
2025		(3,657)
Thereafter		(10,461)
<b>TNP</b>		
For the year ended June 30:		
2021		\$ 10,711
2022		10,710
2023		10,710
2024		10,743
2025		10,861
Thereafter		8,946

In the tables above, positive amounts will increase OPEB expense while negative amounts will decrease OPEB expense.

#### D. State of Tennessee Postemployment Benefits Trust

The State of Tennessee Postemployment Benefits Trust (OPEB Trust) was established for the purpose of pre-funding OPEB accrued by employees of the state and certain component units. While the trustees have the discretion to also establish a trust for the purpose of pre-funding OPEB accrued by authorized employees of local education agencies, at this time, the OPEB Trust is limited to eligible pre-65 retirees that participate in the EGOP. Please refer to note 17A for the EGOP plan description, plan membership, benefits provided, authority for required contributions, and any actuarial assumptions not listed in sections that follow. Actuarial procedures were used to roll forward the total OPEB liability, as determined in the employer reporting valuation, to the OPEB plan’s fiscal year end.

Management of the underlying plan being served by the OPEB Trust is vested in the insurance committee

established in TCA 8-27-201. The trustees of the OPEB Trust were established in TCA 8-27-801 to be the four trustees designated in TCA 8-27-205(f). These designated individuals include the Commissioner of Finance and Administration, the Chair of the Finance, Ways and Means Committee of the Senate, the Chair of the Finance, Ways and Means Committee of the House of Representatives and the chair of the consolidated retirement board. The trustees are responsible for the establishment of any trust for the purpose of pre-funding OPEB, as well as for the adoption of an investment policy authorizing how assets in the OPEB Trust may be invested. The investment of OPEB Trust assets is administered by the state treasurer.

**Rate of return**—For the year ended June 30, 2020, the annual money-weighted rate of return on investments was (.95) percent. The money-weighted rate of return expresses investment performance, net of OPEB plan investment expense, adjusted for the changing amounts actually invested.

**Net OPEB liability**—The components of the net OPEB liability for the OPEB Trust at June 30, 2020, were as follows (expressed in thousands):

Total OPEB liability	\$	1,173,618
Plan fiduciary net position		(282,150)
Net OPEB liability	\$	891,468
Plan fiduciary net position as a percentage of the total OPEB liability		24.04%

**Discount rate**—The discount rate used to measure the total OPEB liability was 6%.

**Sensitivity of net OPEB liability to changes in the discount rate**— The following presents the net OPEB liability of the OPEB Trust, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5 percent) or 1-percentage-point higher (7 percent) than the current discount rate.

	1% Decrease (5%)	Discount Rate (6%)	1% Increase (7%)
Net OPEB Liability	\$ 974,129	\$ 891,468	\$ 815,382

**Sensitivity of net OPEB liability to changes in the healthcare cost trend rate**— The following presents the net OPEB liability of the OPEB Trust, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (5.03 percent decreasing to 3.50 percent) or

1-percentage-point higher (7.03 percent decreasing to 5.50 percent) than the current healthcare cost trend rate.

	1% Decrease (5.03% decreasing to 3.50%)	Healthcare Cost Trend Rates (6.03% decreasing to 4.50%)	1% Increase (7.03% decreasing to 5.50%)
Net OPEB Liability	\$ 783,370	\$ 891,468	\$ 1,016,454

## NOTE 18

### Pension plans

#### A. Tennessee Consolidated Retirement System (TCRS)

TCRS is a public employee retirement system comprised of defined benefit pension plans covering Tennessee state employees, employees of the state's higher education systems, teachers, and employees of political subdivisions in Tennessee. The TCRS was established in 1972 by a statutory enactment of the Tennessee General Assembly. The provisions of the TCRS are codified in Tennessee Code Annotated Title 8, chapters 34-37. In accordance with Tennessee Code Annotated Title 8, Chapter 34, Section 202, all funds invested, securities, cash, and other property of the TCRS are held in trust and can be expended only for the purposes of the trust. Although the assets for all pension plans within the TCRS are commingled for investment purposes, the assets of each separate plan may legally be used only for the payment of benefits to the members of that plan and for its administration, in accordance with the terms of the plan.

The Tennessee Department of Treasury, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at <https://treasury.tn.gov/>.

#### B. Defined Benefit Plan

##### Closed State and Higher Education Employee Pension Plan

###### 1. General information about the pension plan

**Plan description**—Employees of the state and four of its discretely presented component units becoming members of TCRS before July 1, 2014, are provided with pensions through the Closed State and Higher Education Employee Pension Plan. This plan is one of several comprising the TCRS administered Public Employee Retirement Plan, an agent, multiple-employer defined benefit pension plan. The Closed State and Higher Education Employee Pension Plan stopped accepting

new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. The four discretely presented component units are the Tennessee Student Assistance Corporation, the Tennessee Housing Development Agency, the State University and Community College System, and the University of Tennessee.

**Benefits provided**—Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Closed State and Higher Education Employee Pension Plan are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined using the following formula:

Average of Member's Highest Compensation for 5 Consecutive Years (up to the Social Security Integration Level)	X	1.50%	X	Years of Service Credit	X	105%
<b>PLUS</b>						
Average of Member's Highest Compensation for 5 Consecutive Years (over the Social Security Integration Level)	X	1.75%	X	Years of Service Credit	X	105%

A reduced early retirement benefit is available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to July 2 of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

**Employees covered by benefit terms**—At the measurement date of June 30, 2019, the following employees of the state and the four component units mentioned above were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	59,220
Inactive employees entitled to but not yet receiving benefits	37,647
Active employees	<u>37,679</u>
	<u>134,546</u>

**Contributions**—Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees are non-contributory, except for a small group of public safety officers and judges. The state makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2020, employer contributions by the state were \$305.9 million based on an average rate of 20.18 percent of covered payroll. For the year ended June 30, 2020, employer contributions by the four previously mentioned component units were \$129.3 million based on an average rate of 19.66 percent of covered payroll.

By law, employer contributions are required to be paid. The employer’s actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

2. Net Pension Liability (Asset)

The net pension liability (asset) of the state, as well as that of the four previously mentioned component units, was measured as of June 30, 2019, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

**Actuarial assumptions**—The total pension liability as of June 30, 2019, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

<b>Inflation</b>	2.5 percent
<b>Salary increases</b>	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
<b>Investment rate of return</b>	7.25 percent, net of pension plan investment expenses, including inflation
<b>Cost-of-living adjustment</b>	2.25 percent

Mortality rates were developed by the actuary using the results of the actuarial experience study performed for the period July 1, 2012, through June 30, 2016, and were adjusted for expected future improvement in life expectancy. Mortality assumptions utilize the RP-2014 industry standard base table adjusted for TCRS

experience, with mortality improvement projected 6 years beyond each actuarial valuation date.

The actuarial assumptions used in the June 30, 2019, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016, actuarial experience study. This return was selected from a range of values developed using historical market returns and future capital market projection. The future capital market projections were produced using a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the future capital market projection by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return	Target Allocation
U.S. equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	1%
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a comparison of historical market returns and future capital market projections.

**Discount rate**—The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the state will be made at the actuarially determined contribution rate pursuant to

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an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members and to cover

administrative expenses. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in Net Pension Liability (Asset) (expressed in thousands):**

<b>Primary Government</b>	Total Pension	Plan Fiduciary	Net Pension
	Liability	Net Position	Liability (Asset)
	(a)	(b)	(a)-(b)
Balance at 6/30/18	\$ 11,573,130	\$ 10,446,133	\$ 1,126,997
Effects of change in proportion	44,042	39,753	4,289
Adjusted balance at 6/30/2018	11,617,172	10,485,886	1,131,286
Changes for the year:			
Service cost	123,186		123,186
Interest	826,911		826,911
Differences between expected and actual experience	(20,846)		(20,846)
Contributions-employer		303,640	(303,640)
Contributions-employees		605	(605)
Net investment income		768,050	(768,050)
Benefit payments, including refunds of employee contributions	(669,385)	(669,385)	
Administrative expense		(2,395)	2,395
Other		1,686	(1,686)
Net changes	\$ 259,866	\$ 402,201	\$ (142,335)
Balance at 6/30/19	\$ 11,877,038	\$ 10,888,087	\$ 988,951

<b>Component Units</b>	Total Pension	Plan Fiduciary	Net Pension
	Liability	Net Position	Liability (Asset)
	(a)	(b)	(a)-(b)
Balance at 6/30/18	\$ 5,015,537	\$ 4,527,118	\$ 488,419
Effects of change in proportion	(44,042)	(39,753)	(4,289)
Adjusted balance at 6/30/2018	4,971,495	4,487,365	484,130
Changes for the year:			
Service cost	52,717		52,717
Interest	353,871		353,871
Differences between expected and actual experience	(8,921)		(8,921)
Contributions-employer		129,941	(129,941)
Contributions-employees		259	(259)
Net investment income		328,682	(328,682)
Benefit payments, including refunds of employee contributions	(286,459)	(286,459)	
Administrative expense		(1,025)	1,025
Other		725	(725)
Net changes	\$ 111,208	\$ 172,123	\$ (60,915)
Balance at 6/30/19	\$ 5,082,703	\$ 4,659,488	\$ 423,215

**Sensitivity of the net pension liability to changes in the discount rate**—The following presents the net pension liability of the State of Tennessee and the four mentioned component units calculated using the discount rate of 7.25 percent, as well as, what the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.25 percent) or 1 percentage-point higher (8.25 percent) than the current rate (expressed in thousands):

**Primary Government**

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net pension liability (asset)	\$ 2,386,583	\$ 988,951	\$ (148,037)

**Component Units**

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net pension liability (asset)	\$ 1,021,323	\$ 423,215	\$ (63,351)

3. Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

**Pension expense**—For the year ended June 30, 2020, the state and the four mentioned component units recognized pension expense of \$394.4 million and \$171.2 million, respectively.

**Deferred outflows of resources and deferred inflows of resources**—For the year ended June 30, 2020, the state and its four component units mentioned reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

<b>Primary Government</b>	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 46,494	\$ 15,634
Assumption changes	\$ 71,139	
Net difference between projected and actual earnings on pension plan investments		\$ 130,077
Effects of change in proportion	\$ 4,446	\$ 256
Contributions subsequent to the measurement date of June 30, 2019	\$ 305,873	

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2019,” will be recognized as a reduction to net pension liability in the following measurement period.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (expressed in thousands):

Year Ended June 30:	
2021	\$ 94,813
2022	(85,054)
2023	(29,431)
2024	(4,216)
	\$ (23,888)

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

<b>Component Units</b>	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 19,897	\$ 6,691
Assumption changes	\$ 30,443	
Net difference between projected and actual earnings on pension plan investments		\$ 55,666
Effects of change in proportion	\$ 256	\$ 4,446
Contributions subsequent to the measurement date of June 30, 2019	\$ 129,304	

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2019,” will be recognized as a reduction to net pension liability in the following measurement period.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (expressed in thousands):

Year Ended June 30:	
2021	\$ 36,911
2022	(37,467)
2023	(13,846)
2024	(1,805)
	\$ (16,207)

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

4. Payable to the Pension Plan

At June 30, 2020, the state reported a payable of \$10.2 million and the four mentioned component units reported a payable of \$10.4 million for the outstanding amount of contributions to the pension plan required at year ended June 30, 2020.

**State and Higher Education Employee Retirement Plan**

1. General information about the pension plan

**Plan description**—Employees of the state and four of its discretely presented component units becoming members of TCRS after June 30, 2014, are provided with pensions through the State and Higher Education Employee Retirement Plan. This plan is one of several comprising the TCRS administered Public Employee Retirement Plan, an agent, multiple-employer defined benefit pension plan. The four discretely presented component units are the Tennessee Student Assistance Corporation, the Tennessee Housing Development Agency, the State University and Community College System, and the University of Tennessee.

**Benefits provided**—Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the State and Higher Education Employee Retirement Plan are eligible to retire at age 65 with 5 years of service credit or pursuant to the rule of 90, in which the member’s age and years of service credit total 90. Members are entitled to receive unreduced service retirement benefits, which are determined by multiplying the member’s highest five consecutive year average compensation by 1.0 percent multiplied by the member’s years of service credit. A reduced early retirement benefit is available at age 60 with 5 years of service credit or pursuant to the rule of 80 in which member’s age and years of service credit total 80. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit, but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Members and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to July 2 of the previous year. The COLA is based on the change in the consumer price index (CPI)

during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

**Employees covered by benefit terms**—At the measurement date of June 30, 2019, the following employees of the state and the four component units mentioned above were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	16
Inactive employees entitled to but not yet receiving benefits	12,882
Active employees	22,279
	35,177

**Contributions**—Contributions for state and higher education employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of their salary. Employers make contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the State and Higher Education Employee Retirement Plan are required to be paid. Employer contributions by the state for the year ended June 30, 2020, to the State and Higher Education Employee Retirement Plan were \$13.6 million, which is 1.82 percent of covered payroll. Employer contributions by the four previously mentioned component units were \$6.2 million, which is 1.73 percent of covered payroll.

The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as, an amortized portion of any unfunded liability.

2. Net Pension Liability (Asset)

The net pension asset of the state, as well as that of the four previously mentioned component units, was measured as of June 30, 2019, and the total pension liability used to calculate net pension asset was determined by an actuarial valuation as of that date.

**Actuarial assumptions**—The total pension liability as of June 30, 2019, was determined using the following actuarial assumptions, applied to all periods included in the measurement:



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<b>Inflation</b>	2.5 percent
<b>Salary increases</b>	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
<b>Investment rate of return</b>	7.25 percent, net of pension plan investment expenses, including inflation
<b>Cost-of-living adjustment</b>	2.25 percent

Mortality rates were developed by the actuary using the results of the actuarial experience study performed for the period July 1, 2012, through June 30, 2016, and were adjusted for expected future improvement in life expectancy. Mortality assumptions utilize the RP-2014 industry standard base table adjusted for TCRS experience, with mortality improvement projected 6 years beyond each actuarial valuation date.

The actuarial assumptions used in the June 30, 2019, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016, actuarial experience study. This return was selected from a range of values developed using historical market returns and future capital market projection. The future capital market projections were produced using a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the future capital market projection by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return	Target Allocation
U.S. equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	1%
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a comparison of historical market returns and future capital market projections.

**Discount rate**—The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the state will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members and to cover administrative expenses. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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**Changes in Net Pension Liability (Asset) (expressed in thousands):**

<b>Primary Government</b>	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at 6/30/18	\$ 84,554	\$ 111,941	\$ (27,387)
Effects of change in proportion	(2,058)	(2,724)	666
Adjusted balance at 6/30/2018	82,496	109,217	(26,721)
Changes for the year:			
Service cost	40,124		40,124
Interest	8,807		8,807
Differences between expected and actual experience	(645)		(645)
Contributions-employer		10,786	(10,786)
Contributions-employees		31,242	(31,242)
Net investment income		9,563	(9,563)
Benefit payments, including refunds of employee contributions	(2,290)	(2,290)	
Administrative expense		(1,296)	1,296
Net changes	\$ 45,996	\$ 48,005	\$ (2,009)
Balance at 6/30/19	\$ 128,492	\$ 157,222	\$ (28,730)

<b>Component Units</b>	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at 6/30/18	\$ 34,548	\$ 45,737	\$ (11,189)
Effects of change in proportion	2,058	2,724	(666)
Adjusted balance at 6/30/2018	36,606	48,461	(11,855)
Changes for the year:			
Service cost	17,804		17,804
Interest	3,908		3,908
Differences between expected and actual experience	(286)		(286)
Contributions-employer		4,786	(4,786)
Contributions-employees		13,863	(13,863)
Net investment income		4,243	(4,243)
Benefit payments, including refunds of employee contributions	(1,016)	(1,016)	
Administrative expense		(573)	573
Net changes	\$ 20,410	\$ 21,303	\$ (893)
Balance at 6/30/19	\$ 57,016	\$ 69,764	\$ (12,748)

**Sensitivity of the net pension asset to changes in the discount rate**—The following presents the net pension asset of the State of Tennessee and the four previously mentioned component units calculated using the discount rate of 7.25 percent, as well as, what the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage-point lower

(6.25 percent) or 1 percentage-point higher (8.25 percent) than the current rate (expressed in thousands):

**Primary Government**

	Current		
	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Net pension liability (asset)	\$ 4,706	\$ (28,730)	\$ (53,883)

**Component Units**

	Current		
	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Net pension liability (asset)	\$ 2,088	\$ (12,748)	\$ (23,909)

*3. Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

**Pension expense**—For the year ended June 30, 2020, the state and the four previously mentioned component units recognized pension expense of \$9.5 million and \$4.1 million, respectively.

**Deferred outflows of resources and deferred inflows of resources**—For the year ended June 30, 2020, the state and its four component units mentioned reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

<b>Primary Government</b>	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 641	\$ 932
Assumption changes	\$ 794	
Net difference between projected and actual earnings on pension plan investments		\$ 1,187
Effects of change in proportion	\$ 778	\$ 110
Contributions subsequent to the measurement date of June 30, 2019	\$ 13,579	

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2019,” will be recognized as an increase to net pension asset in the following measurement period.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (expressed in thousands):

Year Ended June 30:		
2021	\$	(239)
2022		(388)
2023		(77)
2024		94
2025		234
Thereafter		360
	\$	(16)

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

<b>Component Units</b>	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 284	\$ 414
Assumption changes	\$ 352	
Net difference between projected and actual earnings on pension plan investments		\$ 527
Effects of change in proportion	\$ 110	\$ 778
Contributions subsequent to the measurement date of June 30, 2019	\$ 6,224	

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2019,” will be recognized as an increase to net pension asset in the following measurement period.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows (expressed in thousands):

Year Ended June 30:		
2021	\$	(229)
2022		(295)
2023		(157)
2024		(81)
2025		(19)
Thereafter		(192)
	\$	(973)

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

4. Payable to the Pension Plan

At June 30, 2020, the state reported a payable of \$510 thousand and the four previously mentioned component units reported a payable of \$547 thousand for the outstanding amount of contributions to the pension plan required at year ended June 30, 2020.

**C. Defined Contribution Plan**

**Optional Retirement Plan (ORP)** – The ORP, administered by the Tennessee Department of Treasury, is a defined contribution plan. The ORP was established by state statute in Title 8, Chapter 25, Part 2 of the TCA. This statute also sets out the plan provisions. The plan provisions are amended by the Tennessee General Assembly. The ORP was designed to provide benefits at retirement to faculty and staff of the State University and Community College System institutions and the University of Tennessee system who are exempt from the overtime provision of the Fair Labor Standards Act and who waive membership in the TCRS. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. For employees employed prior to July 1, 2014, plan members are noncontributory. The State of Tennessee institutions of higher education contribute 10 percent of the employee’s base salary up to the social security wage base and 11 percent above the social security wage base. For employees hired after June 30, 2014, plan members will contribute 5 percent to the ORP, and the State of Tennessee institutions of higher education will contribute 9 percent of the employee’s base salary. The required contributions made by the State of Tennessee institutions of higher education to the ORP were \$99.5 million for the year ended June 30, 2020.

Members are immediately 100 percent vested in the employer contributions made pursuant to the ORP. The Tennessee Department of Treasury has selected three investment vendors who offer a variety of investment products in which members are responsible for selecting how the contributions are invested. Each member makes the decision when to reallocate future contributions or when to transfer funds from one investment product to another. Funds are held by the investment vendor in the name of the member, not in the name of the State of Tennessee. The state has no discretion over these funds other than to make the initial contributions. Accordingly, the state is not acting in a trustee capacity nor does it have a fiduciary responsibility for the funds held by the investment vendors.

**Internal Revenue Code (IRC) Section 401(k) and 457 Plans** – The state offers its employees two deferred compensation plans, one established pursuant to IRC Section 457 and the other pursuant to IRC Section

401(k). All costs of administering and funding these programs are the responsibility of plan participants. The Deferred Compensation program is part of the Tennessee Department of Treasury. The Treasurer’s Office administers this supplemental retirement savings program along with a chosen record-keeper, who is currently Empower.

The Section 401(k) and Section 457 plan assets remain the property of the contributing employees; therefore, they are not presented in the accompanying financial statements. Employees will vest immediately to both the employee and the employer match. IRC Sections 401(k) and 457 establish participation, contribution and withdrawal provisions for the plans. There is no employer matching for employees who participate in the 457 plan. For the fiscal year ended June 30, 2020, employees of the state and four of its discretely presented component units that participated in the 401(k) plan were eligible for a state matching contribution of up to \$50 per month. The funding of this match is subject to state appropriations each year. In addition, pursuant to Public Chapter No. 259 of Public Acts of 2013, state employees hired after June 30, 2014, are automatically enrolled to contribute 2 percent of salary to the state’s 401(k) plan with the employer contributing an additional 5 percent to the plan. Employees may opt out of the 2 percent auto enrollment. Such contribution rates may only be amended by the Tennessee General Assembly. There are certain automatic cost controls and unfunded liability controls in the defined benefit plan where the employees participate that may impact the non-matching 5 percent employer contribution to the 401(k) plan. The four discretely presented component units are the Tennessee Student Assistance Corporation, the Tennessee Housing Development Agency, the State University and Community College System, and the University of Tennessee.

For fiscal year ended June 30, 2020, a total of \$235.9 million was contributed to Section 401(k) plan by the state, its four discretely presented component units, and employees. The state and the four mentioned component units recognized pension expenses of \$88.5 million for its contributions to the Section 401(k) plans. At June 30, 2020, the state reported a related liability of \$2.2 million.

**NOTE 19**

**External Investment Pools**

**A. State Pooled Investment Fund**

The State Pooled Investment Fund (SPIF) is an external investment pool sponsored by the State of Tennessee.

The external portion of SPIF is the Local Government Investment Pool (LGIP) and is reported as a separate investment trust fund. The internal portion, consisting of funds belonging to the state and its component units, has been included in the various funds and component units.

### B. Intermediate Term Investment Fund

The Intermediate Term Investment Fund (ITIF) is an external investment pool sponsored by the State of Tennessee. All funds in the ITIF at June 30, 2020, consist of funds belonging to entities outside of the state's financial reporting entity, and have been included as a separate investment trust fund.

### C. Tennessee Retiree Group Trust

The Tennessee Retiree Group Trust (TRGT) is an external investment pool sponsored by the State of Tennessee. The external portion of the TRGT is the External Retirement Investment Fund (ERIF) which is reported as a separate investment trust fund. The internal portion, consisting of funds belonging to the state, has been included in the various funds.

A copy of the SPIF, ITIF, and TRGT report can be obtained at <https://treasury.tn.gov/> or by calling (615) 741-2956.

## NOTE 20

### Contingencies

#### A. Litigation

The state is involved in various pending litigation matters in which it is contesting vigorously. Some of these cases could include claims, which normally recur in governmental operations and may result in future losses to the state or have a future budgetary programmatic impact. Those unfavorable outcomes, which could result in future programmatic costs, will be addressed in future budgets. Other potential losses resulting from unfavorable verdicts in legal proceedings are estimated to cost the state approximately \$130.6 million. This would have a .339% impact on the budget.

#### B. Tobacco settlement

In November 1998, Tennessee joined 45 other states, the District of Columbia and five territories in a settlement agreement against the nation's largest tobacco manufacturers, to seek redress against the tobacco companies for violations of state consumer and antitrust laws. The Master Settlement Agreement (MSA) includes base payments to all states and territories through 2025,

and continues in perpetuity. Tennessee's share of the base payments was originally projected at \$4.8 billion through the year 2025. Since the agreement is complex, the annual payments have, and will continue to be, subject to a number of adjustments including inflation, volume and non-participating manufacturers (NPM). Some of these adjustments, such as the inflation adjustment, result in the State receiving higher payments. Other factors, such as volume adjustment and the market share adjustment can work to reduce annual payments. Third party lawsuits may also affect future payments. The net effect of potential adjustments, and therefore the amount that Tennessee will actually receive each year from this settlement, remains uncertain.

One of the adjustments built into the agreement, the NPM adjustment, can potentially reduce state MSA revenues for years in which participating manufacturers (PM) lose market share to the NPMs because of the MSA, and has been the subject of several years of hearings and review. The PMs and states previously settled NPM adjustments through 2002; and, in March 2013, Tennessee and 23 other states resolved the NPM adjustments disputes for 2003-2014 in a settlement with the PMs. This multi-year settlement, initially administered under an agreed upon Term Sheet, was finalized in October 2017 and included sales year 2015. In 2018, Tennessee and thirty-five other states reached an agreement to extend the NPM adjustment settlement through sales years 2016 and 2017. In 2020, Tennessee and 35 other states reached another settlement to resolve arbitrations for years 2018-2022.

#### C. Pollution Remediation Obligations

The state has recognized a liability for its pollution remediation obligations based on guidance in GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. A pollution remediation obligation is a liability to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments, site cleanups, and postremediation monitoring. The recognition of a pollution remediation obligation is required when any of the following obligating events occur:

- The state is compelled to take remediation action because of imminent danger to the public;
- The state is in violation of pollution related permit or license;
- The state is identified as a responsible party or potentially responsible party by a regulator;

- The state is named or has evidence that it will be named in a lawsuit; or
- The state commences or legally obligates itself to commence pollution remediation activities.

The pollution remediation obligation is an estimate and this estimate is subject to change resulting from price increases or decreases, changes in technology, or changes in legal or regulatory requirements. In addition, recoveries from other responsible parties can reduce the state's obligation. Several agencies within state government have programs to investigate and oversee remediation activities. These program personnel have the expertise to estimate the remediation obligations based on prior experience with similar remediation activities. These obligations are measured at current value using the expected cash flow technique. In addition, historical data is used in the estimation process for common sites with which the state has experience.

The state's pollution remediation obligations are primarily from chemical, fuel, and asbestos contamination. These obligations are the result of violations of various federal and state environmental laws.

During the fiscal year, the state spent \$3.8 million for remediation activities and had an expected recovery of \$127 thousand from responsible parties. At June 30, 2020, the state had a pollution remediation obligation of \$54.5 million and an estimated potential recovery of \$4.8 million from other responsible parties.

#### **D. Federal Grants**

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The state receives significant financial assistance from the federal government in the form of grants and entitlements. The receipt of federal grants is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations. Substantially, all federal grants are subject to either federal single audits or financial and compliance audits by grantor agencies or their representatives.

Questioned costs as a result of these audits may become disallowances after the appropriate review of federal agencies. Material disallowances are recognized as fund liabilities when the loss becomes probable and reasonably estimable.

## **Note 21**

### **Tax Abatements**

The State of Tennessee provides tax abatements through five programs subject to the requirements of GASB Statement No. 77: the Manufacturing and Industrial

Machinery Program, the Job Creation Program, the Community Investment Program, the Development Opportunity Program and the Warehouse or Distribution Facility and Qualified Data Programs.

#### **A. Manufacturing and Industrial Machinery Program**

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This program provides reductions in franchise and excise taxes to improve productivity and encourage investment in manufacturing and machinery among certain Tennessee businesses. The program is established under TCA 67-4-2009 and TCA 67-4-2109. Abatements may be granted to taxpayers who make qualified capital investments. Abatements are obtained through a business plan filed before the investment is made. The abatement is administered as a credit on a business' franchise and excise tax return. The amount of the abatement for industrial machinery is calculated using between 3% and 10% of the purchase price of the qualified machinery. The renewable energy manufacturing tax credit is based on how much more the taxpayer pays for electricity than the maximum certified rate. Recapture provisions provide that, if the required purchase amount of equipment is not met during the investment period, the taxpayer shall be subject to an assessment equal to the amount of the credit taken for which the taxpayer failed to qualify plus interest.

#### **B. Job Creation Program**

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This program provides reductions in franchise and excise taxes to encourage companies to create and retain jobs. The program is established under TCA 67-4-2109. Abatements may be granted to businesses agreeing to create and retain a certain number of jobs. Abatements are obtained through a business plan filed before the investment is made. The abatement is administered as a credit on a business' franchise and excise tax return. The amount of the abatement is calculated using the size of investment, number of jobs created, and project location.

#### **C. Community Investment Program**

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This program provides reductions in franchise and excise taxes to encourage the issuance of qualified loans or investments to low-income housing entities. The program is established under TCA 67-4-2109. Abatements may be granted to financial institutions providing low-interest loans to non-profit organizations and government agencies that agree to build and renovate low-income housing. Abatements are obtained through a certification from THDA before making the loans. The abatement is administered as a credit on a business' franchise and excise tax return. The amount of the abatement is calculated using either (1) the percentage of the loan or long-term investment made or (2)

percentage annually of the unpaid principal balance of the loan made.

#### D. Development Opportunity Program

This program provides for credits on franchise and excise taxes for investments contributing to small and rural development and brownfield development opportunities. The programs are established under TCA 67-4-2009 and TCA 67-4-2109. The amount of the small and rural development abatement is calculated using 10% of the financial institution's contribution to the rural or small business opportunity fund. The amount of the brownfield development credit is based on the location and amount of the investment. Abatements are obtained through a business plan filed before the contribution is made. Recapture provisions for the small and rural development program provide that, if at the close of the tenth year of the period during which the credit is allowed, the taxpayer or its assignee has received repayment, or retains any right to repayment, the department is entitled to recapture the credit allowed by increasing the franchise or excise tax liability given to the financial institution. The following table shows the amount of taxes abated by the state during the fiscal year ended June 30, 2020:

<b>Tax Abatement Program</b>	<b>Amount of Taxes Abated (in thousands)</b>
Manufacturing and Industrial Machinery Program	\$58,727
Job Creation Program	115,636
Community Investment Program	46,577
Development Opportunity Program	3,200

#### E. Warehouse or Distribution Facility and Qualified Data Center Programs

These programs provide for sales or use tax exemptions on purchases of material handling and racking systems equipment to encourage investments in qualified warehouses or distribution centers and purchases of computers, computer networks, software, systems and peripheral hardware devices to encourage investments in qualified data centers.

The warehouse or distribution program is established under TCA 67-6-102(46), and for applications received by October 1, 2019, TCA 67-6-318. Abatements may be granted to taxpayers who make capital investments in the building, construction or renovation of qualified warehouses or distribution centers. Abatements are obtained through an application and business plan that includes an estimate of the qualified investments. Approved applicants will receive a certificate of exemption that may be presented to vendors at the time of purchase of eligible equipment or building materials. Recapture provisions provide that, if the required

investment is not made within the stipulated period; the taxpayer shall be subject to assessment for any tax, penalty or interest that would otherwise have been due.

The qualified data center program is established under TCA 67-6-102(79). Abatements may be granted to taxpayers who make capital investments in a qualified data center. Abatements are obtained through an application and business plan that includes an estimate of the qualified investments. Approved applicants will receive a certificate of exemption that may be presented to vendors at the time of purchase of eligible equipment and/or software.

Since the tax returns filed with the state do not require the exempt sales or purchases to be reported by category, the amount of exempt purchases made by qualified warehouse or distribution centers or qualified data centers is only available in the books and records of the vendors and their customers. Thus, the estimate of the gross dollar amount, on an accrual basis, by which the state's tax revenues were reduced by these exemptions, is not available. However, based on the applications received and approved during the fiscal year, the estimated equipment purchase amounts total \$931 million.

## Note 22

### Impairments and Insurance Recoveries

On March 3, 2020, tornados caused destruction across several counties in Middle Tennessee. Various state-owned capital assets, including buildings, vehicles, and other equipment, were damaged. As a result, the State reported net impairment losses of \$11.5 million, after insurance recoveries of \$1.2 million. Accordingly, general government program expenses include an impairment loss of \$10.1 million and law, justice and public safety program expenses include an impairment loss of \$1.4 million.

During the fiscal year ended June 30, 2020, a total impairment loss of \$5.7 million was included in the following functions due to software development stoppages; \$4.3 million in the health and social services function, \$729 thousand in the law, justice and public safety function, and \$661 thousand in the recreation and resource development function.

# Note 23

## Subsequent Events

### A. Primary government

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Subsequent to June 30, the state issued \$55 million in tax-exempt general obligation commercial paper.

### B. Component units

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Subsequent to June 30, the Tennessee Housing Development Agency had the following revenue bond issuances: 2020-3 in July 2020 in the amount of \$145 million, and 2020-4 in October 2020 in the amount of \$145 million.

Subsequent to June 30, the Tennessee State School Bond Authority has issued \$10 million in revolving credit facility.



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# REQUIRED SUPPLEMENTARY INFORMATION

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## Infrastructure Assets Reported Using the Modified Approach

### A. Roadways

#### Measurement Scale

The state uses a condition assessment method called the Maintenance Quality Assurance (MQA) program. The MQA program consists of 62 roadway characteristics and each characteristic is grouped into one of six elements. The elements are: mainline pavement, roadway shoulder, roadside, drainage, traffic, and ramps. The MQA provides a condition assessment, in the form of a Level-of-Service (LOS) grade, for roadway assets by evaluating roadway segments. Each segment measures a 0.10 of a mile (528 feet) and is randomly selected each fiscal year. The LOS grade for each individual characteristic is given an “A” or 4.0 through “F” or 0.0 with 4.0 being a perfect grade. The grade is calculated by dividing the total deficiency by the total inventory for each characteristic. This results in a score for each element. Each element score is then multiplied by a weighted element score and the six weighted scores are summed to the overall score.

#### Established Condition Level

The state intends to maintain roadways so that the reported condition level each year does not fall below 2.846 for MQA.

#### Assessed Conditions

The following table presents the MQA of all rated segments.

For the Period Ended	Maintenance Quality Assurance
06/30/20	3.289
06/30/19	3.006
06/30/18	3.187

#### Estimated and Actual Costs to Maintain

The following table presents the state’s estimate of spending to preserve and maintain the roadways at or above, the “Established Condition Level” cited above, and the actual amount spent (in thousands):

For the Period Ended	Estimated	Actual
06/30/20	\$ 481,703	\$ 660,630
06/30/19	450,813	633,360
06/30/18	447,013	543,913
06/30/17	440,913	419,788
06/30/16	418,114	419,630

\* Actual and estimated maintenance/preservation expenses are determined using the accrual basis of accounting.

### B. Bridges

#### Measurement Scale

The state maintains information on its 8,401 bridges in compliance with the National Bridge Inventory (NBI) guidelines established by the Federal Highway Administration. Bridges are inspected at least once every two years and the results are coded on a 0 to 9 scale (with 9 being the most desirable). A bridge coded 4 or less for its deck, superstructure, or substructure, or coded 2 or less for its structural evaluation or waterway adequacy, is classified as “structurally deficient.” A structurally deficient bridge is inadequate to carry legal loads, whether caused by structural deterioration, obsolete design standards, or an insufficient waterway opening. A bridge coded 3 or less for its structural evaluation, deck geometry, vertical or horizontal underclearance, water adequacy, or approach roadway alignment is classified as “functionally obsolete.” A functionally obsolete bridge cannot properly accommodate the current traffic.

#### Established Condition Level

The state intends to maintain bridges so that 75 percent or more of the total deck area is not classified as structurally deficient or functionally obsolete.

#### Assessed Conditions

The following table presents the percentage of deck area whose condition assessment did not meet the criteria of structurally deficient or functionally obsolete according to the NBI.

For the Two-Year Period Ended	Percentage of Deck Area Not Structurally Deficient or Functionally Obsolete
06/30/20	85%
06/30/18	85%
06/30/16	85%

#### Estimated and Actual Costs to Maintain

The following table presents the state’s estimate of spending to preserve and maintain the bridges at or above, the “Established Condition Level” cited above, and the actual amount spent (in thousands):

For the Period Ended	Estimated	Actual
06/30/20	\$ 50,525	\$ 85,505
06/30/19	44,330	46,978
06/30/18	41,610	57,541
06/30/17	41,610	52,468
06/30/16	37,945	52,098

\* Actual and estimated maintenance/preservation expenses are determined using the accrual basis of accounting.

## Other Postemployment Benefits Information

### A. Schedule of Changes in the Net OPEB Liability and Related Ratios

State of Tennessee Other Postemployment Benefits Schedule of Changes in the Net OPEB Liability and Related Ratios (expressed in thousands)			
<b>CLOSED EMPLOYEE GROUP OPEB PLAN</b>			
<b>Primary Government</b>			
	2018	2019	2020
<b>Total OPEB liability</b>			
Service cost	\$ 47,219	\$ 42,521	\$ 44,521
Interest	28,003	32,021	34,324
Changes of benefit terms	-	-	-
Differences between actual and expected experience	-	(37,420)	(14,447)
Changes of assumptions	(40,226)	46,108	(149,693)
Changes in proportion and differences between contributions and proportionate share of contributions	-	(29,514)	20,618
Benefit payments	(61,649)	(57,061)	(61,238)
Net change in total OPEB liability	(26,653)	(3,345)	(125,915)
Total OPEB liability-beginning	942,627	915,974	912,629
Total OPEB liability-ending (a)	\$ 915,974	\$ 912,629	\$ 786,714
<b>Plan fiduciary net position</b>			
Contributions-employer	\$ -	\$ -	\$ 260,984
Net investment income	-	-	3,487
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	(59,031)
Benefit payments, including refunds of employee contributions	-	-	(61,238)
Net change in plan fiduciary net position	-	-	144,202
Plan fiduciary net position-beginning	-	-	-
Plan fiduciary net position-ending (b)	\$ -	\$ -	\$ 144,202
<b>Net OPEB liability - ending (a)-(b)</b>	\$ 915,974	\$ 912,629	\$ 642,512
Covered-employee payroll	\$ 1,369,106	\$ 1,416,041	\$ 1,463,373
Net OPEB liability as a percentage of covered-employee payroll	66.90%	64.45%	43.91%
In fiscal year 2019, the state transitioned the EGOP from a pay-as-you-go arrangement to a prefunding arrangement where assets are accumulated in a qualified trust and benefits are paid directly from that trust.			
The amounts reported for each fiscal year were determined as of the prior fiscal year-end.			
This schedule is intended to display ten years of information. Additional years will be displayed as they become available.			

<b>State of Tennessee</b>			
<b>Other Postemployment Benefits</b>			
<b>Schedule of Changes in the Net OPEB Liability and Related Ratios</b>			
<b>(expressed in thousands)</b>			
<b>CLOSED EMPLOYEE GROUP OPEB PLAN</b>			
<b>Component Units</b>			
	2018	2019	2020
<b>Total OPEB liability</b>			
Service cost	\$ 21,990	\$ 22,020	\$ 21,458
Interest	13,041	16,582	16,543
Changes of benefit terms	-	-	-
Differences between actual and expected experience	-	(19,378)	(6,963)
Changes of assumptions	(18,733)	23,877	(72,147)
Changes in proportion and differences between contributions and proportionate share of contributions	-	29,514	(20,618)
Benefit payments	(28,710)	(26,573)	(31,713)
Net change in total OPEB liability	(12,412)	46,042	(93,440)
Total OPEB liability-beginning	438,979	426,567	472,609
Total OPEB liability-ending (a)	<u>\$ 426,567</u>	<u>\$ 472,609</u>	<u>\$ 379,169</u>
<b>Plan fiduciary net position</b>			
Contributions-employer	\$ -	\$ -	\$ 40,502
Net investment income	-	-	1,681
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	59,031
Benefit payments, including refunds of employee contributions	-	-	(31,713)
Net change in plan fiduciary net position	-	-	69,501
Plan fiduciary net position-beginning	-	-	-
Plan fiduciary net position-ending (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,501</u>
<b>Net OPEB liability - ending (a)-(b)</b>	<u>\$ 426,567</u>	<u>\$ 472,609</u>	<u>\$ 309,668</u>
Covered-employee payroll	\$ 1,353,254	\$ 1,339,543	\$ 1,260,809
Net OPEB liability as a percentage of covered-employee payroll	31.52%	35.28%	24.56%
<p>In fiscal year 2019, the state transitioned the EGOP from a pay-as-you-go arrangement to a prefunding arrangement where assets are accumulated in a qualified trust and benefits are paid directly from that trust.</p> <p>The amounts reported for each fiscal year were determined as of the prior fiscal year-end.</p> <p>This schedule is intended to display ten years of information. Additional years will be displayed as they become available.</p>			

State of Tennessee

<b>State of Tennessee</b>			
<b>Other Postemployment Benefits</b>			
<b>Schedule of Changes in the Total OPEB Liability and Related Ratios</b>			
<b>(expressed in thousands)</b>			
<b>CLOSED TENNESSEE OPEB PLAN</b>			
<b>Primary Government</b>			
	2018	2019	2020
<b>Total OPEB liability</b>			
Service cost	\$ 2,560	\$ 2,046	\$ 1,480
Interest	3,455	3,790	3,792
Changes of benefit terms	-	-	-
Differences between actual and expected experience	-	(3,200)	(870)
Changes of assumptions	(9,094)	(743)	1,843
Changes in proportion and differences between contributions and proportionate share of contributions	-	(3,531)	1,591
Benefit payments	(4,588)	(4,696)	(4,833)
Net change in total OPEB liability	(7,667)	(6,334)	3,003
Total OPEB liability-beginning	118,044	110,377	104,043
Total OPEB liability-ending	<u>\$ 110,377</u>	<u>\$ 104,043</u>	<u>\$ 107,046</u>
Covered-employee payroll	\$ 1,420,835	\$ 1,541,486	\$ 1,575,865
Total OPEB liability as a percentage of covered-employee payroll	7.77%	6.75%	6.79%
<b>Component Units</b>			
	2018	2019	2020
<b>Total OPEB liability</b>			
Service cost	\$ 1,551	\$ 1,353	\$ 940
Interest	2,093	2,507	2,409
Changes of benefit terms	-	-	-
Differences between actual and expected experience	-	(2,117)	(553)
Changes of assumptions	(5,511)	(492)	1,171
Changes in proportion and differences between contributions and proportionate share of contributions	-	3,531	(1,591)
Benefit payments	(2,780)	(2,845)	(3,197)
Net change in total OPEB liability	(4,647)	1,937	(821)
Total OPEB liability-beginning	71,531	66,884	68,821
Total OPEB liability-ending	<u>\$ 66,884</u>	<u>\$ 68,821</u>	<u>\$ 68,000</u>
Covered-employee payroll	\$ 1,574,315	\$ 1,524,863	\$ 1,484,617
Total OPEB liability as a percentage of covered-employee payroll	4.25%	4.51%	4.58%
There are no assets accumulating in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 related to this OPEB plan.			
The amounts reported for each fiscal year were determined as of the prior fiscal year-end.			
This schedule is intended to display ten years of information. Additional years will be displayed as they become available.			

**B. Schedule of Contributions**

<b>State of Tennessee</b> <b>Other Postemployment Benefits</b> <b>Schedule of Contributions to State of Tennessee Postemployment Benefits Trust</b> <b>(expressed in thousands)</b>		
<b>CLOSED EMPLOYEE GROUP OPEB PLAN</b>		
<b>Primary Government</b>		
	2019	2020
Actuarially determined contribution	\$ 88,739	\$ 95,731
Contributions in relation to the actuarially determined contribution	260,984	103,683
Contribution deficiency (excess)	(172,245)	(7,952)
Covered-employee payroll	\$ 1,416,041	\$ 1,463,373
Total OPEB liability as a percentage of covered-employee payroll	18.43%	7.09%
<b>Component Units</b>		
	2019	2020
Actuarially determined contribution	\$ 47,071	\$ 49,665
Contributions in relation to the actuarially determined contribution	40,502	49,339
Contribution deficiency (excess)	6,569	326
Covered-employee payroll	\$ 1,339,543	\$ 1,260,809
Total OPEB contributions as a percentage of covered-employee payroll	3.02%	3.91%
This schedule is intended to display ten years of information. Additional years will be displayed as they become available.		

**Notes to Schedule of Contributions**

**Valuation Date:** Actuarially determined contribution rates are calculated based on valuations as of June 30 two years prior to the fiscal year, in which the ADC is calculated.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	17 years
Asset valuation	Market value on measurement date
Inflation	2.20 percent
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation.
Investment rate of return	6 percent
Retirement age	Pattern of retirement determined by experience study
Mortality	Mortality tables used in the July 1, 2017 actuarial valuation of the Tennessee Consolidated Retirement System. They are taken from the RP-2014 Healthy Participant Mortality Tables with adjustments and are generally projected using Society of Actuaries scale MP-2016.

**C. Schedule of the State's Proportionate Share of the Collective Total OPEB Liability**

<b>State of Tennessee</b> <b>Other Postemployment Benefits</b> <b>Schedule of the State's Proportionate Share of the Collective Total OPEB Liability</b> <b>Special Funding Situation</b> <b>(expressed in thousands)</b>			
<b>CLOSED TEACHER GROUP OPEB PLAN</b>			
	2018	2019	2020
State's proportion of the collective total OPEB liability	29%	26%	28%
State's proportionate share of the collective total OPEB liability	\$ 256,924	\$ 216,247	\$ 232,297
<b>CLOSED TENNESSEE OPEB PLAN</b>			
	2018	2019	2020
State's proportion of the collective total OPEB liability	54%	75%	73%
State's proportionate share of the collective total OPEB liability	\$ 215,044	\$ 206,298	\$ 222,668
<p>There are no assets accumulating in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 related to these two OPEB plans.</p> <p>The amounts reported for each fiscal year were determined as of the prior fiscal year-end.</p> <p>This schedule is intended to display ten years of information. Additional years will be displayed as they become available.</p>			



## Pension Plan Information

### A. Schedules of Changes in Net Pension Liability

State of Tennessee Tennessee Consolidated Retirement Fund						
Schedule of Changes in the State of Tennessee's Net Pension Liability (Asset) and Related Ratios Based on Participation in the Closed State and Higher Education Employee Pension Plan of TCRS (expressed in thousands)						
	2015	2016	2017	2018	2019	2020
<b>Total pension liability</b>						
Service cost	\$201,090	\$200,001	\$193,571	\$183,931	\$181,736	\$175,903
Interest	1,024,003	1,044,475	1,089,027	1,117,928	1,146,606	1,180,782
Differences between actual and expected experience	(186,051)	170,534	(30,039)	97,904	83,828	(29,767)
Changes of assumptions				406,329		
Benefit payments, including refunds of employee contributions	(741,380)	(788,612)	(840,494)	(874,626)	(914,064)	(955,844)
Net change in total pension liability	297,662	626,398	412,065	931,466	498,106	371,074
Total pension liability-beginning	13,822,970	14,120,632	14,747,030	15,159,095	16,090,561	16,588,667
Total pension liability-ending (a)	<u>\$14,120,632</u>	<u>\$14,747,030</u>	<u>\$15,159,095</u>	<u>\$16,090,561</u>	<u>\$16,588,667</u>	<u>\$16,959,741</u>
<b>Plan fiduciary net position</b>						
Contributions-employer	\$410,608	\$392,466	\$366,962	\$360,337	\$436,666	\$433,581
Contributions-employee	1,676	915	1,176	625	406	864
Net investment income	1,931,471	407,762	350,633	1,481,770	1,167,919	1,096,732
Benefit payments, including refunds of employee contributions	(741,380)	(788,612)	(840,494)	(874,626)	(914,064)	(955,844)
Administrative expense	(2,791)	(2,803)	(3,654)	(3,741)	(3,930)	(3,420)
Other	-	17,333	2,158	2,067	(14,702)	2,411
Net change in plan fiduciary net position	1,599,584	27,061	(123,219)	966,432	672,295	574,324
Plan fiduciary net position-beginning	11,831,098	13,430,682	13,457,743	13,334,524	14,300,956	14,973,251
Plan fiduciary net position-ending (b)	<u>\$13,430,682</u>	<u>\$13,457,743</u>	<u>\$13,334,524</u>	<u>\$14,300,956</u>	<u>\$14,973,251</u>	<u>\$15,547,575</u>
<b>Net pension liability (asset)-ending (a)-(b)</b>	<u>\$689,950</u>	<u>\$1,289,287</u>	<u>\$1,824,571</u>	<u>\$1,789,605</u>	<u>\$1,615,416</u>	<u>\$1,412,166</u>
Plan fiduciary net position as a percentage of total pension liability	95.11%	91.26%	87.96%	88.88%	90.26%	91.67%
Covered payroll	\$2,658,354	\$2,540,327	\$2,375,501	\$2,333,672	\$2,280,469	\$2,213,382
Net pension liability (asset) as a percentage of covered payroll	25.95%	50.75%	76.81%	76.69%	70.84%	63.80%
The amounts reported for each fiscal year were determined as of the prior fiscal year-end.						
This schedule is intended to display ten years of information. Additional years will be displayed as they become available.						

State of Tennessee

<b>State of Tennessee</b> <b>Tennessee Consolidated Retirement Fund</b> <b>Schedule of Changes in the State of Tennessee's Net Pension Liability (Asset) and Related Ratios</b> <b>Based on Participation in the State and Higher Education Employee Retirement Plan of TCRS</b> <b>(expressed in thousands)</b>					
	2016	2017	2018	2019	2020
<b>Total pension liability</b>					
Service cost	\$7,431	\$18,693	\$33,132	\$46,815	\$57,928
Interest	279	1,883	4,504	8,091	12,715
Differences between actual and expected experience	(1,164)	689	272	451	(931)
Changes of assumptions			1,638		
Benefit payments, including refunds of employee contributions	(10)	(233)	(1,290)	(2,079)	(3,306)
Net change in total pension liability	6,536	21,032	38,256	53,278	66,406
Total pension liability-beginning		6,536	27,568	65,824	119,102
Total pension liability-ending (a)	<u>\$6,536</u>	<u>\$27,568</u>	<u>\$65,824</u>	<u>\$119,102</u>	<u>\$185,508</u>
<b>Plan fiduciary net position</b>					
Contributions-employer	\$4,214	\$11,923	\$20,449	\$28,663	\$15,572
Contributions-employee	5,154	15,113	25,927	36,495	45,105
Net investment income	142	600	6,595	9,733	13,806
Benefit payments, including refunds of employee contributions	(10)	(233)	(1,290)	(2,079)	(3,306)
Administrative expense	(183)	(726)	(1,244)	(1,699)	(1,869)
Other			134		
Net change in plan fiduciary net position	9,317	26,677	50,571	71,113	69,308
Plan fiduciary net position-beginning		9,317	35,994	86,565	157,678
Plan fiduciary net position-ending (b)	<u>\$9,317</u>	<u>\$35,994</u>	<u>\$86,565</u>	<u>\$157,678</u>	<u>\$226,986</u>
<b>Net pension liability (asset)-ending (a)-(b)</b>	<u>(\$2,781)</u>	<u>(\$8,426)</u>	<u>(\$20,741)</u>	<u>(\$38,576)</u>	<u>(\$41,478)</u>
Plan fiduciary net position as a percentage of total pension liability	142.55%	130.56%	131.51%	132.39%	122.36%
Covered payroll	\$107,086	\$305,424	\$518,664	\$727,339	\$900,952
Net pension liability (asset) as a percentage of covered payroll	(2.60%)	(2.76%)	(4.00%)	(5.30%)	(4.60%)
The amounts reported for each fiscal year were determined as of the prior fiscal year-end. This schedule is intended to display ten years of information. Additional years will be displayed as they become available.					

**B. Schedules of Contributions**

<b>Schedule of the State of Tennessee's Contributions Closed State and Higher Education Employee Pension Plan (expressed in thousands)</b>							
	2014	2015	2016	2017	2018	2019	2020
Actuarially determined contribution	\$410,608	\$392,466	\$366,114	\$360,434	\$435,455	\$433,581	\$435,177
Contributions in relation of the actuarially determined contribution	410,608	392,466	366,114	360,434	435,455	433,581	435,177
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Covered payroll	\$2,658,354	\$2,540,327	\$2,375,501	\$2,333,672	\$2,280,469	\$2,213,382	\$2,173,446
Contributions as a percentage of covered payroll	15.45%	15.45%	15.41%	15.44%	19.09%	19.59%	20.02%
This schedule is intended to display ten years of information. Additional years will be displayed as they become available.							

**Notes to Schedule of Contributions**

**Valuation Date:** Actuarially determined contribution rates for 2020 were calculated based on the June 30, 2018, actuarial valuation.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Various
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	2.5 percent
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Investment rate of return	7.25 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.25 percent

State of Tennessee

<b>Schedule of the State of Tennessee's Contributions State and Higher Education Employee Retirement Plan (expressed in thousands)</b>						
	2015	2016	2017	2018	2019	2020
Actuarially determined contribution	\$2,142	\$6,446	\$6,232	\$9,820	\$15,572	\$19,803
Contributions in relation of the actuarially determined contribution	4,255	12,016	20,339	28,611	15,572	19,803
Contribution deficiency (excess)	(\$2,113)	(\$5,570)	(\$14,107)	(\$18,791)	\$0	\$0
Covered payroll	\$107,086	\$305,424	\$518,664	\$727,339	\$900,952	\$1,105,290
Contributions as a percentage of covered payroll	3.97%	3.93%	3.92%	3.93%	1.73%	1.79%
This schedule is intended to display ten years of information. Additional years will be displayed as they become available.						

**Notes to Schedule of Contributions**

**Valuation Date:** Actuarially determined contribution rates for 2020 were calculated based on the June 30, 2018, actuarial valuation.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Various
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	2.5 percent
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Investment rate of return	7.25 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.25 percent

The Closed State and Higher Education Pension Plan and the State and Higher Education Retirement Plan are parts of TCRS, a public employee retirement system.

The information of the annual money-weighted rate of return of the system is presented in TCRS's financial report which can be obtained at <https://treasury.tn.gov/>.

## State of Tennessee Postemployment Benefits Trust Information

### A. Schedule of Changes in the Plan Net OPEB Liability and Related Ratios

<b>State of Tennessee Postemployment Benefits Trust Schedule of Changes in the Closed EGOP's Net OPEB Liability and Related Ratios (expressed in thousands)</b>		
	2019	2020
<b>Total OPEB liability</b>		
Service cost	\$65,979	\$40,419
Interest	50,851	72,620
Changes in benefit terms	-	-
Differences between actual and expected experience	-	(37,425)
Changes of assumptions	(199,731)	(31,242)
Benefit payments, including refunds of employee contributions	(92,951)	(80,140)
Net change in total pension liability	(175,852)	(35,768)
Total OPEB liability-beginning	1,385,238	1,209,386
Total OPEB liability-ending (a)	<u>\$1,209,386</u>	<u>\$1,173,618</u>
<b>Plan fiduciary net position</b>		
Contributions-employer	\$301,486	\$153,022
Net investment income	5,167	(4,434)
Benefit payments, including refunds of employee contributions	(92,951)	(80,140)
Administrative expense	-	-
Net change in plan fiduciary net position	213,702	68,448
Plan fiduciary net position-beginning	-	213,702
Plan fiduciary net position-ending (b)	<u>\$213,702</u>	<u>\$282,150</u>
<b>Net OPEB liability-ending (a)-(b)</b>	<u>\$995,684</u>	<u>\$891,468</u>
Plan fiduciary net position as a percentage of total OPEB liability	17.67%	24.04%
<p>This schedule is intended to display ten years of information. Additional years will be displayed as they become available.</p> <p>For 2019, the amount noted for change in assumptions is primarily due to the change in discount rate used to roll the total liability forward from the June 30, 2018 actuarial date to June 30, 2019.</p>		

**B. Schedule of Contributions**

<b>Schedule of Employer Contributions to the State of Tennessee Postemployment Benefits Trust (expressed in thousands)</b>		
	2019	2020
Actuarially determined contribution	\$135,810	\$145,397
Contributions in relation of the actuarially determined contribution	301,486	153,022
Contribution deficiency (excess)	<u>(\$165,676)</u>	<u>(\$7,625)</u>
This schedule is intended to display ten years of information. Additional years will be displayed as they become available.		

**Notes to Schedule of Contributions**

**Valuation Date:** Actuarially determined contribution rates are calculated based on valuations as of June 30 two years prior to the fiscal year, in which the ADC is calculated.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	17 years
Asset valuation	Market value on measurement date
Inflation	2.20 percent
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation.
Investment rate of return	6 percent
Retirement age	Pattern of retirement determined by experience study
Mortality	Mortality tables used in the July 1, 2017 actuarial valuation of the Tennessee Consolidated Retirement System. They are taken from the RP-2014 Healthy Participant Mortality Tables with adjustments and are generally projected using Society of Actuaries scale MP-2016.

C. Schedule of Investment Returns

<b>Schedule of Investment Returns</b>		
<b>State of Tennessee Postemployment Benefits Trust</b>		
	2019	2020
Annual money-weighted rate of return, net of investment expense	6%	-0.95%
This schedule is intended to display ten years of information. Additional years will be displayed as they become available.		

**STATE OF TENNESSEE**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Required Supplementary Information**  
**Major Governmental Funds**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

	General			
	Budgeted Amounts			
	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget
<b>REVENUES</b>				
Taxes	\$ 9,359,221	\$ 9,359,221	\$ 9,865,758	\$ 506,537
Licenses, fines, fees, and permits	511,040	511,040	498,601	(12,439)
Investment income	3,700	3,700	122,768	119,068
Federal	11,687,840	12,188,169	11,576,654	(611,515)
Departmental services	2,045,978	2,085,164	2,202,402	117,238
Other	197,100	197,100	228,257	31,157
Total revenues	<u>23,804,879</u>	<u>24,344,394</u>	<u>24,494,440</u>	<u>150,046</u>
<b>EXPENDITURES</b>				
General government				
Legislative	102,320	106,383	48,688	57,695
Secretary of State	69,691	66,487	43,082	23,405
Comptroller	167,521	167,521	108,808	58,713
Treasurer	94,234	116,642	54,980	61,662
Governor	5,789	5,877	5,233	644
Commissions	103,060	105,811	91,518	14,293
Finance and Administration	428,847	476,145	186,331	289,814
General Services	86,196	55,686	29,404	26,282
Revenue	142,349	145,846	117,486	28,360
Miscellaneous Appropriations	2,544	2,544	-	2,544
Health and social services				
Veterans Services	9,454	9,872	7,908	1,964
Labor and Workforce Development	288,077	309,617	182,838	126,779
TennCare	13,366,043	13,556,112	12,551,724	1,004,388
Mental Health	437,104	440,898	406,863	34,035
Intellectual Disabilities	158,936	161,740	146,245	15,495
Health	690,948	826,905	752,592	74,313
Human Services	2,797,683	2,868,473	2,373,112	495,361
Children's Services	924,162	960,873	933,456	27,417
Law, justice, and public safety				
Judicial	427,451	440,294	412,334	27,960
Correction	1,106,453	1,127,086	1,030,535	96,551
Probation and Paroles	8,866	9,127	8,520	607
Military	122,697	278,448	264,835	13,613
Bureau of Criminal Investigation	91,895	97,860	91,901	5,959
Safety	281,681	284,239	257,759	26,480
Recreation and resources development				
Agriculture	137,804	211,509	180,164	31,345
Tourist Development	35,151	36,407	26,800	9,607
Environment and Conservation	323,732	329,897	235,101	94,796
Economic and Community Development	811,903	811,560	172,375	639,185
Regulation of business and professions				
Commerce and Insurance	109,493	114,009	96,358	17,651
Financial Institutions	30,178	30,604	21,817	8,787
Intergovernmental revenue sharing	1,000,870	1,000,870	1,000,870	-
Total expenditures	<u>24,363,132</u>	<u>25,155,342</u>	<u>21,839,637</u>	<u>3,315,705</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(558,253)</u>	<u>(810,948)</u>	<u>2,654,803</u>	<u>3,465,751</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance claims recoveries	-	808	808	-
Transfers in	206,031	206,031	206,031	-
Transfers out	(1,787,840)	(1,728,110)	(1,728,110)	-
Total other financing sources (uses)	<u>(1,581,809)</u>	<u>(1,521,271)</u>	<u>(1,521,271)</u>	<u>-</u>
Net change in fund balances	(2,140,062)	(2,332,219)	1,133,532	3,465,751
Fund balances (budgetary basis), July 1	4,428,825	4,428,825	4,428,825	-
Fund balances (budgetary basis), June 30	<u>\$ 2,288,763</u>	<u>\$ 2,096,606</u>	<u>\$ 5,562,357</u>	<u>\$ 3,465,751</u>



**STATE OF TENNESSEE**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Required Supplementary Information**  
**Major Governmental Funds**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

<b>Education</b>				
<b>Budgeted Amounts</b>				
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual (Budgetary Basis)</b>	<b>Variance With Final Budget</b>
<b>REVENUES</b>				
Taxes	\$ 5,736,000	\$ 5,736,000	\$ 5,766,885	\$ 30,885
Licenses, fines, fees, and permits	2,973	2,973	2,327	(646)
Investment income	175	175	2,577	2,402
Federal	1,143,231	1,147,955	1,067,086	(80,869)
Departmental services	98,830	109,016	149,689	40,673
Other	384,309	384,309	438,814	54,505
Total revenues	<u>7,365,518</u>	<u>7,380,428</u>	<u>7,427,378</u>	<u>46,950</u>
<b>EXPENDITURES</b>				
Education	6,544,078	6,559,681	6,410,102	149,579
Higher education	2,176,931	2,126,335	2,105,672	20,663
Total expenditures	<u>8,721,009</u>	<u>8,686,016</u>	<u>8,515,774</u>	<u>170,242</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,355,491)</u>	<u>(1,305,588)</u>	<u>(1,088,396)</u>	<u>217,192</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance claims recoveries	-	-	-	-
Transfers in	1,279,575	1,279,575	1,219,848	(59,727)
Transfers out	(20,000)	(60,007)	(60,007)	-
Total other financing sources (uses)	<u>1,259,575</u>	<u>1,219,568</u>	<u>1,159,841</u>	<u>(59,727)</u>
Net change in fund balance	(95,916)	(86,020)	71,445	157,465
Fund balances (budgetary basis), July 1	291,979	291,979	291,979	-
Fund balances (budgetary basis), June 30	<u>\$ 196,063</u>	<u>\$ 205,959</u>	<u>\$ 363,424</u>	<u>\$ 157,465</u>

<b>Highway</b>				
<b>Budgeted Amounts</b>				
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual (Budgetary Basis)</b>	<b>Variance With Final Budget</b>
<b>REVENUES</b>				
Taxes	\$ 1,140,500	\$ 1,140,500	\$ 1,150,773	\$ 10,273
Licenses, fines, fees, and permits	308,683	308,683	304,139	(4,544)
Federal	1,074,169	4,216,980	1,120,319	(3,096,661)
Departmental services	40,577	199,375	39,801	(159,574)
Other	8,126	8,126	10,117	1,991
Total revenues	<u>2,572,055</u>	<u>5,873,664</u>	<u>2,625,149</u>	<u>(3,248,515)</u>
<b>EXPENDITURES</b>				
Transportation	3,328,779	6,637,094	2,208,900	4,428,194
Intergovernmental revenue sharing	420,500	420,500	406,359	14,141
Total expenditures	<u>3,749,279</u>	<u>7,057,594</u>	<u>2,615,259</u>	<u>4,442,335</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,177,224)</u>	<u>(1,183,930)</u>	<u>9,890</u>	<u>1,193,820</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond authorizations	124,000	49,000	-	(49,000)
Insurance claims recoveries	-	291	291	-
Transfers in	-	88,407	88,407	-
Transfers out	(2,705)	(2,705)	(2,705)	-
Total other financing sources (uses)	<u>121,295</u>	<u>134,993</u>	<u>85,993</u>	<u>(49,000)</u>
Net change in fund balance	(1,055,929)	(1,048,937)	95,883	1,144,820
Fund balances (budgetary basis), July 1	1,066,711	1,066,711	1,066,711	-
Fund balances (budgetary basis), June 30	<u>\$ 10,782</u>	<u>\$ 17,774</u>	<u>\$ 1,162,594</u>	<u>\$ 1,144,820</u>

STATE OF TENNESSEE  
 Required Supplementary Information  
 Note to RSI  
 For the Fiscal Year Ended June 30, 2020  
 (Expressed in Thousands)

1. Explanation for differences between the budgetary revenues, expenditures, and other financing sources (uses) and the GAAP revenues, expenditures, and other financing sources (uses).

	Education
<b>Revenues</b>	
Actual amount (budgetary basis)	\$ 7,427,378
The revenues for the Tennessee Promise Scholarship Endowment Fund are not included in the annual adopted budget	32,612
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 7,459,990
<b>Expenditures</b>	
Actual amount (budgetary basis)	\$ 8,515,774
The expenditures for the Tennessee Promise Scholarship Endowment Fund are not included in the annual adopted budget	32,843
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 8,548,617
<b>Other financing sources (uses)</b>	
Actual amount (budgetary basis)	\$ 1,159,841
The transfers out to the Tennessee Promise Scholarship Endowment Fund were eliminated in the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	20,000
Total other financing sources (uses) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 1,179,841

2. Budgetary Process

The law requires the Governor to submit a recommended budget to the General Assembly annually. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the departments in the general fund and the special revenue funds (except Fraud and Economic Crime, Agricultural Promotion Boards, and Tennessee Promise Scholarship Endowment Fund, included in the Education Trust Fund), and for the debt service fund. The General Assembly enacts the budget through passage of specific departmental appropriations, the sum of which may not exceed estimated revenues. Before signing the Appropriations Act, the Governor may veto or reduce any specific appropriation, subject to legislative override. Once passed and signed, the budget becomes the state's financial plan for the coming year.

Budgetary control is maintained at the department level. Budget revisions during the year, reflecting program changes or intradepartmental transfers of an administrative nature, may be affected with certain executive and legislative branch approval.

Generally, appropriations lapse at the end of each fiscal year. It is the state's budgetary practice to appropriate matching dollars for jointly funded projects in the year of federal apportionment for the highway fund and these appropriations do not lapse at year-end but are reappropriated for subsequent year expenditure. There were no outstanding encumbrances reported as of June 30, 2020. In order to provide sufficient funding for several programs during the year, supplemental appropriations of \$74.1 million were required.

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# SUPPLEMENTARY INFORMATION

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# NONMAJOR GOVERNMENTAL FUNDS

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**Special Revenue Funds**—A description of these funds is found later in this section.

**Permanent Funds**—A description of these funds is found later in this section.

**Debt Service Fund**—The debt service fund is maintained to account for accumulation of resources for, and the payment of, principal and interest on general long-term debt.

**STATE OF TENNESSEE**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds - By Fund Type**  
**June 30, 2020**  
**(Expressed in Thousands)**

	<b>Special Revenue Funds</b>	<b>Debt Service Fund</b>	<b>Permanent Funds</b>	<b>Total Nonmajor Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 369,543	\$ 11,154	\$ 20,267	\$ 400,964
Investments	18,128	-	415,646	433,774
Receivables, net	28,514	7,050	1,438	37,002
Due from other funds	45	-	-	45
Due from component units	-	-	935	935
Loans receivable	-	4,968	-	4,968
Prepayments and others	17	-	-	17
Total assets	\$ 416,247	\$ 23,172	\$ 438,286	\$ 877,705
<b>LIABILITIES</b>				
Accounts payable and accruals	52,319	66	2,089	54,474
Due to other funds	547	-	-	547
Due to component units	2,081	-	2,334	4,415
Unearned revenue	19,413	-	-	19,413
Total liabilities	74,360	66	4,423	78,849
<b>DEFERRED INFLOWS OF RESOURCES</b>	-	5,678	-	5,678
<b>FUND BALANCES</b>				
<b>Nonspendable</b>				
Permanent fund and endowment corpus	\$ -	\$ -	\$ 175,209	\$ 175,209
<b>Restricted</b>	177,418	-	258,654	436,072
<b>Committed</b>	164,469	-	-	164,469
<b>Assigned</b>	-	17,428	-	17,428
Total fund balances	341,887	17,428	433,863	793,178
Total liabilities, deferred inflows of resources and fund balances	\$ 416,247	\$ 23,172	\$ 438,286	\$ 877,705

**STATE OF TENNESSEE**  
**Combining Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances**  
**Nonmajor Governmental Funds - By Fund Type**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Permanent Funds</u>	<u>Total Nonmajor Governmental Funds</u>
<b>REVENUES</b>				
Taxes:				
Sales and use	\$ -	\$ 67,625	\$ -	\$ 67,625
Fuel	21,531	75,600	-	97,131
Business	-	182,675	-	182,675
Other	45,619	-	-	45,619
Licenses, fines, fees, and permits	244,648	2,700	3,053	250,401
Investment income	5,653	-	23,726	29,379
Federal	52,492	-	-	52,492
Departmental services	29,021	1,023	-	30,044
Other	1	-	3	4
Total revenues	<u>398,965</u>	<u>329,623</u>	<u>26,782</u>	<u>755,370</u>
<b>EXPENDITURES</b>				
General government	25,190	-	-	25,190
Education	-	-	9,197	9,197
Law, justice and public safety	6,863	-	-	6,863
Recreation and resources development	234,547	-	28	234,575
Regulation of business and professions	106,132	-	-	106,132
Debt service:				
Principal	-	141,801	-	141,801
Interest	-	73,246	-	73,246
Debt issuance costs	-	2,093	-	2,093
Total expenditures	<u>372,732</u>	<u>217,140</u>	<u>9,225</u>	<u>599,097</u>
Excess (deficiency) of revenues over (under) expenditures	<u>26,233</u>	<u>112,483</u>	<u>17,557</u>	<u>156,273</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond premium	-	315	-	315
Transfers in	8,759	3,713	-	12,472
Transfers out	(495)	(115,469)	-	(115,964)
Total other financing sources (uses)	<u>8,264</u>	<u>(111,441)</u>	<u>-</u>	<u>(103,177)</u>
Net change in fund balances	34,497	1,042	17,557	53,096
Fund balances, July 1	<u>307,390</u>	<u>16,386</u>	<u>416,306</u>	<u>740,082</u>
Fund balances, June 30	<u>\$ 341,887</u>	<u>\$ 17,428</u>	<u>\$ 433,863</u>	<u>\$ 793,178</u>



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**STATE OF TENNESSEE**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual (Budgetary Basis)**  
**Debt Service Fund**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

	<b>Debt Service Fund</b>		
	<b>Budget</b>	<b>Actual (Budgetary Basis)</b>	<b>Variance</b>
<b>REVENUES</b>			
Taxes	\$ 325,900	\$ 325,900	\$ -
Licenses, fines, fees, and permits	2,700	2,700	-
Departmental services	1,023	1,023	-
Total revenues	329,623	329,623	-
<b>EXPENDITURES</b>			
Debt service	217,246	217,140	106
Total expenditures	217,246	217,140	106
Excess (deficiency) of revenues over (under) expenditures	112,377	112,483	106
<b>OTHER FINANCING SOURCES (USES)</b>			
Bond premium	315	315	-
Transfers in	3,713	3,713	-
Transfers out	(115,469)	(115,469)	-
Total other financing sources (uses)	(111,441)	(111,441)	-
Net change in fund balances	936	1,042	106
Fund balances (budgetary basis), July 1	16,386	16,386	-
Fund balances (budgetary basis), June 30	\$ 17,322	\$ 17,428	\$ 106

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# NONMAJOR SPECIAL REVENUE FUNDS

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Specific revenues, earmarked to finance particular activities of government, are accounted for in the Special Revenue Funds. A brief description of each fund follows.

**Wildlife Resources Agency**—This agency is responsible for the preservation, management, enhancement and protection of the state's wildlife resources and their environs. An additional responsibility is the enforcement of boating safety on state lakes and streams. Revenues are derived principally from hunting and fishing licenses, fees and permits.

**Criminal Injuries Compensation**—The Treasury Department administers this fund for the award of compensation to victims (or their dependents) who suffer personal injury or death as a result of a criminal act. The primary revenue source is the privilege tax levied by the courts at the time of conviction of the offender.

**Solid Waste**—This program is administered by the Department of Environment and Conservation. Revenues collected for a tipping fee on solid waste are used to provide grants to local governments to reduce the solid waste going into landfills.

**Help America Vote**—This program is administered by the Secretary of State. Federal funds, along with state matching dollars, are used in implementing the provisions of the federal Help America Vote Act. The provisions of the act require the funds be used to improve election administration and to replace punch card and lever voting machines.

**Environmental Protection**—This program is administered by the Department of Environment and Conservation. Revenues collected from the various fees under the environmental protection fund are used to offset the cost of administering regulatory environmental programs.

**Hazardous Waste**—This program is administered by the Department of Environment and Conservation. Revenues collected from applicants and holders of storage, treatment or disposal permits of hazardous waste are used to supervise the construction, operation, maintenance, closure and, where necessary, the post-closure care of hazardous waste facilities.

**Parks Acquisition**—This program is administered jointly by the Departments of Environment and Conservation, Agriculture, and Wildlife Resources. Revenues collected

from the transfer of real property are used to acquire parks by both local and state governments.

**Supreme Court Boards**—This organization was formed by the Tennessee Supreme Court to consider and investigate alleged grounds for discipline or alleged incapacity of any attorney and to provide continuing legal education for attorneys. Revenues are collected from attorneys.

**Underground Storage Tanks**—This program is administered by the Department of Environment and Conservation. Revenues are collected primarily from a tax of four tenths of a cent per gallon on petroleum products and an annual fee on owners and operators of underground storage tanks containing petroleum substances.

**Enhanced Emergency 911 Service**—This program is administered by the Department of Commerce and Insurance. Revenues are collected from a monthly fee on users of cellular telephone services. This fee is used to enhance the effectiveness of response times when a cellular user calls 911.

**Driver Education**—This program is administered by the Department of Safety. Highway safety is promoted by providing driver education and training in schools, colleges, and community organizations. The \$2 fee for moving traffic violations is the source of funding for this program.

**Abandoned Land Program**—This program is administered by the Department of Environment and Conservation. Revenues collected from surface mining permit fees and forfeited performance bonds are used to reclaim and restore lands affected by abandoned mining operations.

**Agricultural Non-Point Water Pollution**—This program is administered by the Department of Agriculture. Revenues collected from the transfer of real property are used to abate pollution from agricultural sources.

**Salvage Title Enforcement**—This program is administered by the Department of Revenue. Revenues are collected on the titlement of salvage vehicles and are used to enforce motor vehicle title and salvage laws and inspection of rebuilt vehicles.

**Agricultural Promotion Boards**—These boards were formed to promote the consumption of agricultural products. Revenue is derived from an assessment levied on the commercial producers of certain agricultural products.

**Drycleaner's Environmental Response**—This program is administered by the Department of Environment and Conservation. Revenues collected from drycleaners are an annual registration fee and a fee for the various dry-cleaning solvents used.

**Agricultural Regulatory Fund**—This program is administered by the Department of Agriculture. Revenues are collected from fees on the various agricultural related

industries regulated by the department. These fees are then used in the administration of this regulatory function.

**Tennessee Public Utility Commission**—This commission is responsible for executing and enforcing all statutes governing utilities. Revenues are derived principally from inspection and supervision fees.

**Fraud and Economic Crime**—This program is administered by the District Attorneys General of the State. Revenues are collected from individuals prosecuted for bad checks. These monies are used to increase resources available to prosecute bad check cases.

**STATE OF TENNESSEE**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**  
**June 30, 2020**  
**(Expressed in Thousands)**

	<u>Wildlife Resources</u> <u>Agency</u>	<u>Criminal Injuries</u> <u>Compensation</u>	<u>Solid Waste</u>	<u>Help America</u> <u>Vote</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 61,810	\$ 7,234	\$ 4,804	\$ 50,778
Investments	18,128	-	-	-
Receivables, net	6,853	4,501	564	499
Due from other funds	-	-	-	-
Prepayments and others	-	-	-	-
Total assets	<u>\$ 86,791</u>	<u>\$ 11,735</u>	<u>\$ 5,368</u>	<u>\$ 51,277</u>
<b>LIABILITIES</b>				
Accounts payable and accruals	5,025	5,549	4,450	27,518
Due to other funds	374	11	3	-
Due to component units	2,054	-	-	-
Unearned revenue	-	-	-	19,105
Total liabilities	<u>7,453</u>	<u>5,560</u>	<u>4,453</u>	<u>46,623</u>
<b>FUND BALANCES</b>				
<b>Restricted</b>	\$ 63,629	-	-	4,654
<b>Committed</b>	<u>15,709</u>	<u>6,175</u>	<u>915</u>	<u>-</u>
Total fund balances	<u>79,338</u>	<u>6,175</u>	<u>915</u>	<u>4,654</u>
Total liabilities and fund balances	<u>\$ 86,791</u>	<u>\$ 11,735</u>	<u>\$ 5,368</u>	<u>\$ 51,277</u>

**STATE OF TENNESSEE**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**  
**June 30, 2020**  
**(Expressed in Thousands)**

<u>Environmental Protection</u>	<u>Hazardous Waste</u>	<u>Parks Acquisition</u>	<u>Supreme Court Boards</u>	<u>Underground Storage Tanks</u>	<u>Enhanced Emergency 911 Service</u>
\$ 36,159	\$ 7,280	\$ 56,599	\$ 5,072	\$ 56,435	\$ 40,908
-	-	-	-	-	-
-	207	2,783	31	1,756	10,474
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 36,159</u>	<u>\$ 7,487</u>	<u>\$ 59,382</u>	<u>\$ 5,103</u>	<u>\$ 58,191</u>	<u>\$ 51,382</u>
13	329	3,212	36	4,428	864
-	19	-	-	59	49
-	-	-	-	-	-
-	-	-	1	306	-
<u>13</u>	<u>348</u>	<u>3,212</u>	<u>37</u>	<u>4,793</u>	<u>913</u>
\$ -	\$ 51	\$ -	\$ 5,066	\$ 53,340	\$ 44,963
<u>36,146</u>	<u>7,088</u>	<u>56,170</u>	<u>-</u>	<u>58</u>	<u>5,506</u>
<u>36,146</u>	<u>7,139</u>	<u>56,170</u>	<u>5,066</u>	<u>53,398</u>	<u>50,469</u>
<u>\$ 36,159</u>	<u>\$ 7,487</u>	<u>\$ 59,382</u>	<u>\$ 5,103</u>	<u>\$ 58,191</u>	<u>\$ 51,382</u>

**STATE OF TENNESSEE**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**  
**June 30, 2020**  
**(Expressed in Thousands)**

	<u>Driver Education</u>	<u>Abandoned Land Program</u>	<u>Agricultural Non- Point Water Pollution</u>	<u>Salvage Title Enforcement</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,215	\$ 6,097	\$ 10,014	\$ 3,031
Investments	-	-	-	-
Receivables, net	66	-	730	-
Due from other funds	-	-	-	-
Prepayments and others	-	-	-	-
Total assets	<u>\$ 1,281</u>	<u>\$ 6,097</u>	<u>\$ 10,744</u>	<u>\$ 3,031</u>
<b>LIABILITIES</b>				
Accounts payable and accruals	10	-	370	79
Due to other funds	1	-	-	6
Due to component units	-	-	27	-
Unearned revenue	-	-	-	-
Total liabilities	<u>11</u>	<u>-</u>	<u>397</u>	<u>85</u>
<b>FUND BALANCES</b>				
<b>Restricted</b>	\$ -	\$ 5,715	\$ -	\$ -
<b>Committed</b>	<u>1,270</u>	<u>382</u>	<u>10,347</u>	<u>2,946</u>
Total fund balances	<u>1,270</u>	<u>6,097</u>	<u>10,347</u>	<u>2,946</u>
Total liabilities and fund balances	<u>\$ 1,281</u>	<u>\$ 6,097</u>	<u>\$ 10,744</u>	<u>\$ 3,031</u>

**STATE OF TENNESSEE**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**  
**June 30, 2020**  
**(Expressed in Thousands)**

<u>Agricultural Promotion Boards</u>	<u>Drycleaner's Environmental Response</u>	<u>Agricultural Regulatory Fund</u>	<u>Tennessee Public Utility Commission</u>	<u>Fraud and Economic Crime</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 705	\$ 763	\$ 10,632	\$ 6,863	\$ 3,144	\$ 369,543
-	-	-	-	-	18,128
47	-	-	3	-	28,514
-	-	-	45	-	45
17	-	-	-	-	17
<u>\$ 769</u>	<u>\$ 763</u>	<u>\$ 10,632</u>	<u>\$ 6,911</u>	<u>\$ 3,144</u>	<u>\$ 416,247</u>
112	13	1	310	-	52,319
-	1	-	24	-	547
-	-	-	-	-	2,081
-	-	-	1	-	19,413
<u>112</u>	<u>14</u>	<u>1</u>	<u>335</u>	<u>-</u>	<u>74,360</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 177,418
657	749	10,631	6,576	3,144	164,469
<u>657</u>	<u>749</u>	<u>10,631</u>	<u>6,576</u>	<u>3,144</u>	<u>341,887</u>
<u>\$ 769</u>	<u>\$ 763</u>	<u>\$ 10,632</u>	<u>\$ 6,911</u>	<u>\$ 3,144</u>	<u>\$ 416,247</u>



**STATE OF TENNESSEE**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

	<u>Wildlife Resources</u> <u>Agency</u>	<u>Criminal Injuries</u> <u>Compensation</u>	<u>Solid Waste</u>	<u>Help America</u> <u>Vote</u>
<b>REVENUES</b>				
Taxes:				
Fuel	\$ 2,746	\$ -	\$ -	-
Other	17,237	-	2,252	-
Licenses, fines, fees, and permits	47,806	6,889	6,704	-
Investment income	2,158	122	63	34
Federal	36,813	4,082	-	4,460
Departmental services	22,733	-	6	-
Other	-	1	-	-
Total revenues	<u>129,493</u>	<u>11,094</u>	<u>9,025</u>	<u>4,494</u>
<b>EXPENDITURES</b>				
General government	-	11,263	-	4,828
Law, justice and public safety	-	-	-	-
Recreation and resources development	116,693	-	10,080	-
Regulation of business and professions	-	-	-	-
Total expenditures	<u>116,693</u>	<u>11,263</u>	<u>10,080</u>	<u>4,828</u>
Excess (deficiency) of revenues over (under) expenditures	<u>12,800</u>	<u>(169)</u>	<u>(1,055)</u>	<u>(334)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,930	-	18	3,285
Transfers out	(216)	-	-	-
Total other financing sources (uses)	<u>1,714</u>	<u>-</u>	<u>18</u>	<u>3,285</u>
Net change in fund balances	14,514	(169)	(1,037)	2,951
Fund balances, July 1	64,824	6,344	1,952	1,703
Fund balances, June 30	<u>\$ 79,338</u>	<u>\$ 6,175</u>	<u>\$ 915</u>	<u>\$ 4,654</u>

**STATE OF TENNESSEE**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

<u>Environmental Protection</u>	<u>Hazardous Waste</u>	<u>Parks Acquisition</u>	<u>Supreme Court Boards</u>	<u>Underground Storage Tanks</u>	<u>Enhanced Emergency 911 Service</u>
\$ -	\$ -	\$ -	\$ -	18,785	\$ -
-	-	17,236	-	-	-
45,737	-	-	5,426	2,315	108,778
549	106	830	81	861	483
-	1,176	1,263	-	1,834	1,893
-	4,372	1	341	20	-
-	-	-	-	-	-
<u>46,286</u>	<u>5,654</u>	<u>19,330</u>	<u>5,848</u>	<u>23,815</u>	<u>111,154</u>
-	-	-	-	-	-
-	-	-	5,652	-	-
45,309	7,052	11,577	-	25,916	-
-	-	-	-	-	106,132
<u>45,309</u>	<u>7,052</u>	<u>11,577</u>	<u>5,652</u>	<u>25,916</u>	<u>106,132</u>
<u>977</u>	<u>(1,398)</u>	<u>7,753</u>	<u>196</u>	<u>(2,101)</u>	<u>5,022</u>
-	3,092	-	72	175	23
-	-	(250)	-	(29)	-
-	<u>3,092</u>	<u>(250)</u>	<u>72</u>	<u>146</u>	<u>23</u>
977	1,694	7,503	268	(1,955)	5,045
35,169	5,445	48,667	4,798	55,353	45,424
<u>\$ 36,146</u>	<u>\$ 7,139</u>	<u>\$ 56,170</u>	<u>\$ 5,066</u>	<u>\$ 53,398</u>	<u>\$ 50,469</u>

**STATE OF TENNESSEE**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

	<u>Driver Education</u>	<u>Abandoned Land Program</u>	<u>Agricultural Non- Point Water Pollution</u>	<u>Salvage Title Enforcement</u>
<b>REVENUES</b>				
Taxes:				
Fuel	\$ -	\$ -	\$ -	-
Other	-	-	7,956	-
Licenses, fines, fees, and permits	643	15	-	2,545
Investment income	-	88	120	-
Federal	-	845	-	-
Departmental services	-	60	-	-
Other	-	-	-	-
Total revenues	<u>643</u>	<u>1,008</u>	<u>8,076</u>	<u>2,545</u>
<b>EXPENDITURES</b>				
General government	-	-	-	2,034
Law, justice and public safety	484	-	-	-
Recreation and resources development	-	60	5,536	-
Regulation of business and professions	-	-	-	-
Total expenditures	<u>484</u>	<u>60</u>	<u>5,536</u>	<u>2,034</u>
Excess (deficiency) of revenues over (under) expenditures	<u>159</u>	<u>948</u>	<u>2,540</u>	<u>511</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	10	-	-	38
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>10</u>	<u>-</u>	<u>-</u>	<u>38</u>
Net change in fund balances	169	948	2,540	549
Fund balances, July 1	1,101	5,149	7,807	2,397
Fund balances, June 30	<u>\$ 1,270</u>	<u>\$ 6,097</u>	<u>\$ 10,347</u>	<u>\$ 2,946</u>

**STATE OF TENNESSEE**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

	<u>Agricultural Promotion Boards</u>	<u>Drycleaner's Environmental Response</u>	<u>Agricultural Regulatory Fund</u>	<u>Tennessee Public Utility Commission</u>	<u>Fraud and Economic Crime</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$	-\$	-\$	-\$	-\$	-\$	21,531
	938	-	-	-	-	45,619
	-	580	11,513	5,004	693	244,648
	2	12	144	-	-	5,653
	-	-	-	126	-	52,492
	9	1	39	1,439	-	29,021
	-	-	-	-	-	1
	<u>949</u>	<u>593</u>	<u>11,696</u>	<u>6,569</u>	<u>693</u>	<u>398,965</u>
	-	-	-	7,065	-	25,190
	-	-	-	-	727	6,863
	948	498	10,878	-	-	234,547
	-	-	-	-	-	106,132
	<u>948</u>	<u>498</u>	<u>10,878</u>	<u>7,065</u>	<u>727</u>	<u>372,732</u>
	<u>1</u>	<u>95</u>	<u>818</u>	<u>(496)</u>	<u>(34)</u>	<u>26,233</u>
	-	5	-	111	-	8,759
	-	-	-	-	-	(495)
	-	5	-	111	-	8,264
	1	100	818	(385)	(34)	34,497
	<u>656</u>	<u>649</u>	<u>9,813</u>	<u>6,961</u>	<u>3,178</u>	<u>307,390</u>
\$	<u><u>657</u></u>	<u><u>749</u></u>	<u><u>10,631</u></u>	<u><u>6,576</u></u>	<u><u>3,144</u></u>	<u><u>341,887</u></u>

**STATE OF TENNESSEE**  
**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual (Budgetary Basis)**  
**All Nonmajor Budgeted Special Revenue Funds**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

	<b>Wildlife Resources Agency</b>		
	<b>Budget</b>	<b>Actual (Budgetary Basis)</b>	<b>Variance</b>
<b>REVENUES</b>			
Taxes	\$ 17,390	\$ 19,983	\$ 2,593
Licenses, fines, fees, and permits	53,036	47,806	(5,230)
Investment income	-	2,158	2,158
Federal	36,295	36,813	518
Departmental services	23,436	22,733	(703)
Other	-	-	-
Total revenues	130,157	129,493	(664)
<b>EXPENDITURES</b>			
Judicial	-	-	-
Secretary of State	-	-	-
Treasurer	-	-	-
Commissions	-	-	-
Safety	-	-	-
Agriculture	-	-	-
Environment and Conservation	-	-	-
Wildlife Resources	135,411	116,693	18,718
Commerce and Insurance	-	-	-
Revenue	-	-	-
Total expenditures	135,411	116,693	18,718
Excess (deficiency) of revenues over (under) expenditures	(5,254)	12,800	18,054
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	1,930	1,930	-
Transfers out	(216)	(216)	-
Total other financing sources (uses)	1,714	1,714	-
Net change in fund balances	(3,540)	14,514	18,054
Fund balances (budgetary basis), July 1	64,824	64,824	-
Fund balances (budgetary basis), June 30	\$ 61,284	\$ 79,338	\$ 18,054

**STATE OF TENNESSEE**  
**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual (Budgetary Basis)**  
**All Nonmajor Budgeted Special Revenue Funds**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

<u>Criminal Injuries Compensation</u>			<u>Solid Waste</u>		
<u>Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance</u>	<u>Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance</u>
\$ -	\$ -	\$ -	\$ 2,553	\$ 2,252	\$ (301)
12,238	6,889	(5,349)	5,708	6,704	996
-	122	122	-	63	63
4,138	4,082	(56)	-	-	-
-	-	-	1,588	6	(1,582)
10	1	(9)	-	-	-
<u>16,386</u>	<u>11,094</u>	<u>(5,292)</u>	<u>9,849</u>	<u>9,025</u>	<u>(824)</u>
-	-	-	-	-	-
-	-	-	-	-	-
16,386	11,263	5,123	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	12,704	10,080	2,624
-	-	-	-	-	-
-	-	-	-	-	-
<u>16,386</u>	<u>11,263</u>	<u>5,123</u>	<u>12,704</u>	<u>10,080</u>	<u>2,624</u>
-	(169)	(169)	(2,855)	(1,055)	1,800
-	-	-	18	18	-
-	-	-	-	-	-
-	-	-	<u>18</u>	<u>18</u>	-
-	(169)	(169)	(2,837)	(1,037)	1,800
6,344	6,344	-	1,952	1,952	-
<u>\$ 6,344</u>	<u>\$ 6,175</u>	<u>\$ (169)</u>	<u>\$ (885)</u>	<u>\$ 915</u>	<u>\$ 1,800</u>

**STATE OF TENNESSEE**  
**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual (Budgetary Basis)**  
**All Nonmajor Budgeted Special Revenue Funds**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

	<b>Help America Vote</b>		
	<b>Budget</b>	<b>Actual (Budgetary Basis)</b>	<b>Variance</b>
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Licenses, fines, fees, and permits	-	-	-
Investment income	-	34	34
Federal	26,500	4,460	(22,040)
Departmental services	-	-	-
Other	-	-	-
Total revenues	26,500	4,494	(22,006)
<b>EXPENDITURES</b>			
Judicial	-	-	-
Secretary of State	30,785	4,828	25,957
Treasurer	-	-	-
Commissions	-	-	-
Safety	-	-	-
Agriculture	-	-	-
Environment and Conservation	-	-	-
Wildlife Resources	-	-	-
Commerce and Insurance	-	-	-
Revenue	-	-	-
Total expenditures	30,785	4,828	25,957
Excess (deficiency) of revenues over (under) expenditures	(4,285)	(334)	3,951
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	3,285	3,285	-
Transfers out	-	-	-
Total other financing sources (uses)	3,285	3,285	-
Net change in fund balances	(1,000)	2,951	3,951
Fund balances (budgetary basis), July 1	1,703	1,703	-
Fund balances (budgetary basis), June 30	\$ 703	\$ 4,654	\$ 3,951

**STATE OF TENNESSEE**  
**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual (Budgetary Basis)**  
**All Nonmajor Budgeted Special Revenue Funds**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

<u>Environmental Protection</u>			<u>Hazardous Waste</u>		
<u>Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance</u>	<u>Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
53,790	45,737	(8,053)	-	-	-
-	549	549	-	106	106
-	-	-	1,890	1,176	(714)
-	-	-	4,407	4,372	(35)
-	-	-	-	-	-
<u>53,790</u>	<u>46,286</u>	<u>(7,504)</u>	<u>6,297</u>	<u>5,654</u>	<u>(643)</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
54,720	45,309	9,411	12,330	7,052	5,278
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>54,720</u>	<u>45,309</u>	<u>9,411</u>	<u>12,330</u>	<u>7,052</u>	<u>5,278</u>
<u>(930)</u>	<u>977</u>	<u>1,907</u>	<u>(6,033)</u>	<u>(1,398)</u>	<u>4,635</u>
-	-	-	3,092	3,092	-
-	-	-	-	-	-
-	-	-	<u>3,092</u>	<u>3,092</u>	-
(930)	977	1,907	(2,941)	1,694	4,635
35,169	35,169	-	5,445	5,445	-
<u>\$ 34,239</u>	<u>\$ 36,146</u>	<u>\$ 1,907</u>	<u>\$ 2,504</u>	<u>\$ 7,139</u>	<u>\$ 4,635</u>



**STATE OF TENNESSEE**  
**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual (Budgetary Basis)**  
**All Nonmajor Budgeted Special Revenue Funds**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

	<b>Parks Acquisition</b>		
	<b>Budget</b>	<b>Actual (Budgetary Basis)</b>	<b>Variance</b>
<b>REVENUES</b>			
Taxes	\$ 6,931	\$ 17,236	\$ 10,305
Licenses, fines, fees, and permits	-	-	-
Investment income	-	830	830
Federal	-	1,263	1,263
Departmental services	-	1	1
Other	-	-	-
Total revenues	6,931	19,330	12,399
<b>EXPENDITURES</b>			
Judicial	-	-	-
Secretary of State	-	-	-
Treasurer	-	-	-
Commissions	-	-	-
Safety	-	-	-
Agriculture	-	-	-
Environment and Conservation	16,932	11,577	5,355
Wildlife Resources	-	-	-
Commerce and Insurance	-	-	-
Revenue	-	-	-
Total expenditures	16,932	11,577	5,355
Excess (deficiency) of revenues over (under) expenditures	(10,001)	7,753	17,754
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	-
Transfers out	(250)	(250)	-
Total other financing sources (uses)	(250)	(250)	-
Net change in fund balances	(10,251)	7,503	17,754
Fund balances (budgetary basis), July 1	48,667	48,667	-
Fund balances (budgetary basis), June 30	\$ 38,416	\$ 56,170	\$ 17,754

**STATE OF TENNESSEE**  
**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual (Budgetary Basis)**  
**All Nonmajor Budgeted Special Revenue Funds**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

<u>Supreme Court Boards</u>			<u>Underground Storage Tanks</u>		
<u>Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance</u>	<u>Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance</u>
\$ -	\$ -	\$ -	\$ 19,200	\$ 18,785	\$ (415)
5,522	5,426	(96)	4,193	2,315	(1,878)
-	81	81	-	861	861
-	-	-	1,973	1,834	(139)
-	341	341	-	20	20
-	-	-	-	-	-
<u>5,522</u>	<u>5,848</u>	<u>326</u>	<u>25,366</u>	<u>23,815</u>	<u>(1,551)</u>
5,817	5,652	165	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	27,594	25,916	1,678
-	-	-	-	-	-
-	-	-	-	-	-
<u>5,817</u>	<u>5,652</u>	<u>165</u>	<u>27,594</u>	<u>25,916</u>	<u>1,678</u>
(295)	196	491	(2,228)	(2,101)	127
72	72	-	175	175	-
-	-	-	(29)	(29)	-
<u>72</u>	<u>72</u>	<u>-</u>	<u>146</u>	<u>146</u>	<u>-</u>
(223)	268	491	(2,082)	(1,955)	127
4,798	4,798	-	55,353	55,353	-
<u>\$ 4,575</u>	<u>\$ 5,066</u>	<u>\$ 491</u>	<u>\$ 53,271</u>	<u>\$ 53,398</u>	<u>\$ 127</u>

**STATE OF TENNESSEE**  
**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual (Budgetary Basis)**  
**All Nonmajor Budgeted Special Revenue Funds**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

<b>Enhanced Emergency 911 Service</b>			
	<b>Budget</b>	<b>Actual (Budgetary Basis)</b>	<b>Variance</b>
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Licenses, fines, fees, and permits	112,098	108,778	(3,320)
Investment income	-	483	483
Federal	-	1,893	1,893
Departmental services	-	-	-
Other	-	-	-
Total revenues	112,098	111,154	(944)
<b>EXPENDITURES</b>			
Judicial	-	-	-
Secretary of State	-	-	-
Treasurer	-	-	-
Commissions	-	-	-
Safety	-	-	-
Agriculture	-	-	-
Environment and Conservation	-	-	-
Wildlife Resources	-	-	-
Commerce and Insurance	117,961	106,132	11,829
Revenue	-	-	-
Total expenditures	117,961	106,132	11,829
Excess (deficiency) of revenues over (under) expenditures	(5,863)	5,022	10,885
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	23	23	-
Transfers out	-	-	-
Total other financing sources (uses)	23	23	-
Net change in fund balances	(5,840)	5,045	10,885
Fund balances (budgetary basis), July 1	45,424	45,424	-
Fund balances (budgetary basis), June 30	\$ 39,584	\$ 50,469	\$ 10,885

**STATE OF TENNESSEE**  
**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual (Budgetary Basis)**  
**All Nonmajor Budgeted Special Revenue Funds**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

<u>Driver Education</u>			<u>Abandoned Land Program</u>		
<u>Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance</u>	<u>Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
822	643	(179)	500	15	(485)
-	-	-	-	88	88
-	-	-	918	845	(73)
-	-	-	-	60	60
-	-	-	-	-	-
<u>822</u>	<u>643</u>	<u>(179)</u>	<u>1,418</u>	<u>1,008</u>	<u>(410)</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
825	484	341	-	-	-
-	-	-	-	-	-
-	-	-	1,417	60	1,357
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>825</u>	<u>484</u>	<u>341</u>	<u>1,417</u>	<u>60</u>	<u>1,357</u>
<u>(3)</u>	<u>159</u>	<u>162</u>	<u>1</u>	<u>948</u>	<u>947</u>
10	10	-	-	-	-
-	-	-	-	-	-
<u>10</u>	<u>10</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
7	169	162	1	948	947
<u>1,101</u>	<u>1,101</u>	<u>-</u>	<u>5,149</u>	<u>5,149</u>	<u>-</u>
<u>\$ 1,108</u>	<u>\$ 1,270</u>	<u>\$ 162</u>	<u>\$ 5,150</u>	<u>\$ 6,097</u>	<u>\$ 947</u>

**STATE OF TENNESSEE**  
**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual (Budgetary Basis)**  
**All Nonmajor Budgeted Special Revenue Funds**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

	<b>Agricultural Non-Point Water Pollution</b>		
	<b>Budget</b>	<b>Actual (Budgetary Basis)</b>	<b>Variance</b>
<b>REVENUES</b>			
Taxes	\$ 3,188	\$ 7,956	\$ 4,768
Licenses, fines, fees, and permits	-	-	-
Investment income	-	120	120
Federal	-	-	-
Departmental services	-	-	-
Other	-	-	-
Total revenues	3,188	8,076	4,888
<b>EXPENDITURES</b>			
Judicial	-	-	-
Secretary of State	-	-	-
Treasurer	-	-	-
Commissions	-	-	-
Safety	-	-	-
Agriculture	7,188	5,536	1,652
Environment and Conservation	-	-	-
Wildlife Resources	-	-	-
Commerce and Insurance	-	-	-
Revenue	-	-	-
Total expenditures	7,188	5,536	1,652
Excess (deficiency) of revenues over (under) expenditures	(4,000)	2,540	6,540
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	(4,000)	2,540	6,540
Fund balances (budgetary basis), July 1	7,807	7,807	-
Fund balances (budgetary basis), June 30	\$ 3,807	\$ 10,347	\$ 6,540

**STATE OF TENNESSEE**  
**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual (Budgetary Basis)**  
**All Nonmajor Budgeted Special Revenue Funds**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

<u>Salvage Title Enforcement</u>			<u>Drycleaner's Environmental Response</u>		
<u>Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance</u>	<u>Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,898	2,545	647	1,935	580	(1,355)
-	-	-	-	12	12
-	-	-	-	-	-
-	-	-	-	1	1
-	-	-	-	-	-
<u>1,898</u>	<u>2,545</u>	<u>647</u>	<u>1,935</u>	<u>593</u>	<u>(1,342)</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	1,942	498	1,444
-	-	-	-	-	-
-	-	-	-	-	-
<u>2,244</u>	<u>2,034</u>	<u>210</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>2,244</u>	<u>2,034</u>	<u>210</u>	<u>1,942</u>	<u>498</u>	<u>1,444</u>
<u>(346)</u>	<u>511</u>	<u>857</u>	<u>(7)</u>	<u>95</u>	<u>102</u>
38	38	-	5	5	-
-	-	-	-	-	-
<u>38</u>	<u>38</u>	<u>-</u>	<u>5</u>	<u>5</u>	<u>-</u>
(308)	549	857	(2)	100	102
<u>2,397</u>	<u>2,397</u>	<u>-</u>	<u>649</u>	<u>649</u>	<u>-</u>
<u>\$ 2,089</u>	<u>\$ 2,946</u>	<u>\$ 857</u>	<u>\$ 647</u>	<u>\$ 749</u>	<u>\$ 102</u>

**STATE OF TENNESSEE**  
**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual (Budgetary Basis)**  
**All Nonmajor Budgeted Special Revenue Funds**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

<b>Agricultural Regulatory Fund</b>			
	<b>Budget</b>	<b>Actual (Budgetary Basis)</b>	<b>Variance</b>
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Licenses, fines, fees, and permits	11,272	11,513	241
Investment income	-	144	144
Federal	-	-	-
Departmental services	2	39	37
Other	-	-	-
Total revenues	11,274	11,696	422
<b>EXPENDITURES</b>			
Judicial	-	-	-
Secretary of State	-	-	-
Treasurer	-	-	-
Commissions	-	-	-
Safety	-	-	-
Agriculture	11,393	10,878	515
Environment and Conservation	-	-	-
Wildlife Resources	-	-	-
Commerce and Insurance	-	-	-
Revenue	-	-	-
Total expenditures	11,393	10,878	515
Excess (deficiency) of revenues over (under) expenditures	(119)	818	937
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	(119)	818	937
Fund balances (budgetary basis), July 1	9,813	9,813	-
Fund balances (budgetary basis), June 30	\$ 9,694	\$ 10,631	\$ 937

**STATE OF TENNESSEE**  
**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual (Budgetary Basis)**  
**All Nonmajor Budgeted Special Revenue Funds**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

<u>Tennessee Public Utility Commission</u>			<u>Total Nonmajor Special Revenue Funds</u>		
<u>Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance</u>	<u>Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance</u>
\$ -	\$ -	\$ -	\$ 49,262	\$ 66,212	\$ 16,950
6,945	5,004	(1,941)	269,957	243,955	(26,002)
-	-	-	-	5,651	5,651
977	126	(851)	72,691	52,492	(20,199)
1,431	1,439	8	30,864	29,012	(1,852)
-	-	-	10	1	(9)
<u>9,353</u>	<u>6,569</u>	<u>(2,784)</u>	<u>422,784</u>	<u>397,323</u>	<u>(25,461)</u>
-	-	-	5,817	5,652	165
-	-	-	30,785	4,828	25,957
-	-	-	16,386	11,263	5,123
9,887	7,065	2,822	9,887	7,065	2,822
-	-	-	825	484	341
-	-	-	18,581	16,414	2,167
-	-	-	127,639	100,492	27,147
-	-	-	135,411	116,693	18,718
-	-	-	117,961	106,132	11,829
-	-	-	2,244	2,034	210
<u>9,887</u>	<u>7,065</u>	<u>2,822</u>	<u>465,536</u>	<u>371,057</u>	<u>94,479</u>
<u>(534)</u>	<u>(496)</u>	<u>38</u>	<u>(42,752)</u>	<u>26,266</u>	<u>69,018</u>
111	111	-	8,759	8,759	-
-	-	-	(495)	(495)	-
<u>111</u>	<u>111</u>	<u>-</u>	<u>8,264</u>	<u>8,264</u>	<u>-</u>
(423)	(385)	38	(34,488)	34,530	69,018
<u>6,961</u>	<u>6,961</u>	<u>-</u>	<u>303,556</u>	<u>303,556</u>	<u>-</u>
<u>\$ 6,538</u>	<u>\$ 6,576</u>	<u>\$ 38</u>	<u>\$ 269,068</u>	<u>\$ 338,086</u>	<u>\$ 69,018</u>



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# PERMANENT FUNDS

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**Chairs of Excellence Fund**—This fund was created by the General Assembly in 1986. Its purpose is to endow faculty chairs at the State University and Community College System and University of Tennessee campuses in order to attract more highly qualified professors. For a chair to be established, private contributions which a school collects are matched by monies the state has appropriated to fund this

program. The chair also receives the interest earned from investment of these matched monies.

**Other**—This column includes various smaller funds in which legal restrictions require that the principal remain intact and only the earnings may be spent.

**STATE OF TENNESSEE**  
**Combining Balance Sheet**  
**Permanent Funds**  
**June 30, 2020**  
**(Expressed in Thousands)**

	<u>Chairs of Excellence</u>	<u>Other Permanent Funds</u>	<u>Total Permanent Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,735	\$ 15,532	\$ 20,267
Investments	359,280	56,366	415,646
Receivables, net	1,422	16	1,438
Due from component units	<u>935</u>	<u>-</u>	<u>935</u>
Total assets	<u>\$ 366,372</u>	<u>\$ 71,914</u>	<u>\$ 438,286</u>
<b>LIABILITIES</b>			
Accounts payable and accruals	2,089	-	2,089
Due to component units	<u>2,334</u>	<u>-</u>	<u>2,334</u>
Total liabilities	<u>4,423</u>	<u>-</u>	<u>4,423</u>
<b>FUND BALANCES</b>			
<b>Nonspendable</b>			
Permanent fund and endowment corpus	\$ 104,362	\$ 70,847	\$ 175,209
<b>Restricted</b>			
Total fund balances	<u>257,587</u>	<u>1,067</u>	<u>258,654</u>
	<u>361,949</u>	<u>71,914</u>	<u>433,863</u>
Total liabilities and fund balances	<u>\$ 366,372</u>	<u>\$ 71,914</u>	<u>\$ 438,286</u>

**STATE OF TENNESSEE**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Permanent Funds**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

	<u>Chairs of Excellence</u>	<u>Other Permanent Funds</u>	<u>Total Permanent Funds</u>
<b>REVENUES</b>			
Licenses, fines, fees, and permits	\$ -	\$ 3,053	\$ 3,053
Investment income	19,183	4,543	23,726
Other	<u>3</u>	<u>-</u>	<u>3</u>
Total revenues	<u>19,186</u>	<u>7,596</u>	<u>26,782</u>
<b>EXPENDITURES</b>			
Education	9,197	-	9,197
Recreation and resources development	<u>-</u>	<u>28</u>	<u>28</u>
Total expenditures	<u>9,197</u>	<u>28</u>	<u>9,225</u>
Excess (deficiency) of revenues over (under) expenditures	<u>9,989</u>	<u>7,568</u>	<u>17,557</u>
Net change in fund balances	9,989	7,568	17,557
Fund balances, July 1	<u>351,960</u>	<u>64,346</u>	<u>416,306</u>
Fund balances, June 30	<u>\$ 361,949</u>	<u>\$ 71,914</u>	<u>\$ 433,863</u>

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# NONMAJOR ENTERPRISE FUNDS

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The Enterprise Funds are used to account for the operations of state agencies that provide goods or services to the general public on a user charge basis. The state's nonmajor enterprise operations are described below.

**Energy Loan Program**—Created in 1988, this program makes loans to small businesses and local governments to improve energy efficiency.

**Teacher Group Insurance**—Established in January 1986, this fund is used to account for revenues received and claims paid on behalf of currently employed teachers of political subdivisions of the state who have elected coverage under a group medical plan similar to that offered state employees.

**Local Government Group Insurance**—Established in July 1991, this fund is used to account for revenues received and claims paid on behalf of active employees of local governments and quasi-governmental organizations established for the primary purpose of providing services for or on the behalf of state and local governments. This plan is similar to the plan offered to state employees.

**Drinking Water Loan**—Created in 1998, this fund provides loans to local governments and utility districts for the improvement of drinking water systems. The initial sources of the monies are federal grants and state appropriations.

**Grain Indemnity**—This program is administered by the Department of Agriculture. Revenues are collected from fees on grain sold by producers. These revenues are to be used to protect commodity producers in the event of the financial failure of a commodity dealer or warehouseman.

**Energy Efficient Schools Initiative**—Created to award grants and loans to local school systems for capital outlay projects which meet established energy efficient design and technology guidelines for school facilities.

**Client Protection**—Created by the Tennessee Supreme Court, this fund provides services to protect clients from dishonest conduct by attorneys. Revenue is mainly generated through annual registration fees for attorneys.

**STATE OF TENNESSEE**  
**Combining Statement of Net Position**  
**Nonmajor Enterprise Funds**  
**June 30, 2020**  
**(Expressed in Thousands)**

	<u>Energy Loan Program</u>	<u>Teacher Group Insurance</u>	<u>Local Government Group Insurance</u>	<u>Drinking Water</u>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 16,545	\$ 247,645	\$ 63,525	\$ 76,449
Receivables:				
Accounts receivable	-	8,028	2,489	-
Loans receivable	-	-	-	9,566
Total current assets	<u>16,545</u>	<u>255,673</u>	<u>66,014</u>	<u>86,015</u>
Noncurrent assets:				
Loans receivable	-	-	-	118,152
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>118,152</u>
Total assets	<u>16,545</u>	<u>255,673</u>	<u>66,014</u>	<u>204,167</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accruals	-	39,633	11,126	58
Unearned revenue	-	72	43	-
Total current liabilities	<u>-</u>	<u>39,705</u>	<u>11,169</u>	<u>58</u>
Noncurrent liabilities:				
Others	-	-	-	3,587
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,587</u>
Total liabilities	<u>-</u>	<u>39,705</u>	<u>11,169</u>	<u>3,645</u>
<b>NET POSITION</b>				
Unrestricted	<u>16,545</u>	<u>215,968</u>	<u>54,845</u>	<u>200,522</u>
Total net position	<u>\$ 16,545</u>	<u>\$ 215,968</u>	<u>\$ 54,845</u>	<u>\$ 200,522</u>

**STATE OF TENNESSEE**  
**Combining Statement of Net Position**  
**Nonmajor Enterprise Funds**  
**June 30, 2020**  
**(Expressed in Thousands)**

<u>Grain Indemnity</u>	<u>Energy Efficient Schools Initiative</u>	<u>Client Protection</u>	<u>Total Nonmajor Enterprise Funds</u>
\$ 10,263	\$ 17,934	\$ 1,855	\$ 434,216
-	-	-	10,517
-	9,772	-	19,338
<u>10,263</u>	<u>27,706</u>	<u>1,855</u>	<u>464,071</u>
-	56,376	-	174,528
-	56,376	-	174,528
<u>10,263</u>	<u>84,082</u>	<u>1,855</u>	<u>638,599</u>
-	-	-	50,817
-	22	-	137
<u>-</u>	<u>22</u>	<u>-</u>	<u>50,954</u>
-	-	-	3,587
-	-	-	3,587
<u>-</u>	<u>22</u>	<u>-</u>	<u>54,541</u>
<u>10,263</u>	<u>84,060</u>	<u>1,855</u>	<u>584,058</u>
<u>\$ 10,263</u>	<u>\$ 84,060</u>	<u>\$ 1,855</u>	<u>\$ 584,058</u>



**STATE OF TENNESSEE**  
**Combining Statement of Revenues, Expenses, and**  
**Changes in Net Position**  
**Nonmajor Enterprise Funds**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

	<u>Energy Loan Program</u>	<u>Teacher Group Insurance</u>	<u>Local Government Group Insurance</u>	<u>Drinking Water</u>
Operating revenues				
Charges for services	\$ -	\$ -	\$ -	\$ 1,785
Investment income	269	-	-	923
Premiums	<u>-</u>	<u>562,772</u>	<u>157,213</u>	<u>-</u>
Total operating revenues	<u>269</u>	<u>562,772</u>	<u>157,213</u>	<u>2,708</u>
Operating expenses				
Contractual services	-	24,919	7,923	719
Materials and supplies	-	-	-	-
Benefits	-	498,062	141,430	-
Other	<u>-</u>	<u>3,793</u>	<u>1,019</u>	<u>-</u>
Total operating expenses	<u>-</u>	<u>526,774</u>	<u>150,372</u>	<u>719</u>
Operating income (loss)	<u>269</u>	<u>35,998</u>	<u>6,841</u>	<u>1,989</u>
Nonoperating revenues (expenses)				
Grants	-	-	-	8,884
Interest income	-	3,034	826	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,312)</u>
Total nonoperating revenues (expenses)	<u>-</u>	<u>3,034</u>	<u>826</u>	<u>7,572</u>
Income (loss) before contributions and transfers	269	39,032	7,667	9,561
Transfers in	-	-	-	3,822
Transfers out	<u>(880)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	(611)	39,032	7,667	13,383
Net position, July 1	<u>17,156</u>	<u>176,936</u>	<u>47,178</u>	<u>187,139</u>
Net position, June 30	<u>\$ 16,545</u>	<u>\$ 215,968</u>	<u>\$ 54,845</u>	<u>\$ 200,522</u>

**STATE OF TENNESSEE**  
**Combining Statement of Revenues, Expenses, and**  
**Changes in Net Position**  
**Nonmajor Enterprise Funds**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

<u>Grain Indemnity</u>	<u>Energy Efficient Schools Initiative</u>	<u>Client Protection</u>	<u>Total Nonmajor Enterprise Funds</u>
\$ 2	\$ 674	\$ 342	\$ 2,803
-	265	-	1,457
-	-	-	719,985
<u>2</u>	<u>939</u>	<u>342</u>	<u>724,245</u>
123	30	82	33,796
-	-	1	1
-	-	-	639,492
-	-	-	4,812
<u>123</u>	<u>30</u>	<u>83</u>	<u>678,101</u>
<u>(121)</u>	<u>909</u>	<u>259</u>	<u>46,144</u>
-	-	-	8,884
160	-	25	4,045
-	-	-	(1,312)
<u>160</u>	<u>-</u>	<u>25</u>	<u>11,617</u>
39	909	284	57,761
-	-	-	3,822
-	-	-	(880)
39	909	284	60,703
10,224	83,151	1,571	523,355
<u>\$ 10,263</u>	<u>\$ 84,060</u>	<u>\$ 1,855</u>	<u>\$ 584,058</u>

**STATE OF TENNESSEE**  
**Combining Statement of Cash Flows**  
**Nonmajor Enterprise Funds**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

	<b>Energy Loan Program</b>	<b>Teacher Group Insurance</b>	<b>Local Government Group Insurance</b>	<b>Drinking Water</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ -	\$ 568,940	\$ 160,588	\$ -
Payments to suppliers	-	(539,352)	(156,564)	-
Payments for interfund services used	-	(511)	(96)	(719)
Net cash provided by (used for) operating activities	-	29,077	3,928	(719)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Operating grants received	-	-	-	8,884
Transfers in	-	-	-	3,822
Transfers out	(880)	-	-	-
Net cash provided by (used for) noncapital financing activities	(880)	-	-	12,706
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Loans issued and other disbursements to borrowers	-	-	-	(10,413)
Collection of loan principal	-	-	-	13,923
Interest received	269	3,034	826	2,766
Net cash provided by (used for) investing activities	269	3,034	826	6,276
Net increase (decrease) in cash and cash equivalents	(611)	32,111	4,754	18,263
Cash and cash equivalents, July 1	17,156	215,534	58,771	58,186
Cash and cash equivalents, June 30	\$ 16,545	\$ 247,645	\$ 63,525	\$ 76,449
<b>Reconciliation of operating income to net cash provided by (used for) operating activities</b>				
Operating income (loss)	\$ 269	\$ 35,998	\$ 6,841	\$ 1,989
Adjustment to reconcile operating income (loss) to net cash from operating activities:				
Interest income	-	-	-	(1,785)
Investment income	(269)	-	-	(923)
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:				
(Increase) decrease in receivables	-	(1,577)	(339)	-
Increase (decrease) in accounts payable	-	(5,329)	(2,560)	-
Increase (decrease) in unearned revenue	-	(15)	(14)	-
Total adjustments	(269)	(6,921)	(2,913)	(2,708)
Net cash provided by (used for) operating activities	\$ -	\$ 29,077	\$ 3,928	\$ (719)

**STATE OF TENNESSEE**  
**Combining Statement of Cash Flows**  
**Nonmajor Enterprise Funds**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

<u>Grain Indemnity</u>	<u>Energy Efficient Schools Initiative</u>	<u>Client Protection</u>	<u>Total Nonmajor Enterprise Funds</u>
\$ 2	\$ 30	\$ 342	\$ 729,902
-	-	(83)	(695,999)
(123)	(30)	-	(1,479)
(121)	-	259	32,424
-	-	-	8,884
-	-	-	3,822
-	-	-	(880)
-	-	-	11,826
-	(9,171)	-	(19,584)
-	8,701	-	22,624
160	909	25	7,989
160	439	25	11,029
39	439	284	55,279
10,224	17,495	1,571	378,937
\$ 10,263	\$ 17,934	\$ 1,855	\$ 434,216
-	(644)	-	(2,429)
-	(265)	-	(1,457)
-	-	-	(1,916)
-	-	-	(7,889)
-	-	-	(29)
-	(909)	-	(13,720)
\$ (121)	\$ -	\$ 259	\$ 32,424

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# INTERNAL SERVICE FUNDS

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Internal Service Funds are used to account for the operations of state agencies that provide goods or services to other state agencies on a cost-reimbursement basis. The following operations are included in these funds:

**Strategic Technology Solutions**—A division of the Department of Finance and Administration, functions as the data and voice service bureau for state government.

**Risk Management**—Administered by the Treasury Department, this fund is used to pay awards for claims made against the state and for damage to state owned property.

**Motor Vehicle Management**—A division of the Department of General Services, is responsible for administering a uniform program for the operation and maintenance of all state vehicles.

**General Services Printing**—A division of the Department of General Services, operates a printing facility to provide such services as general printing, typesetting and binding for state agencies located in Nashville. In addition, this division provides photographic services to the various state agencies.

**Facilities Revolving Fund**—Created in 1989, this fund provides the maintenance, repair and total housing needs of state government for all office and warehouse space in the state, except institutional space.

**Employee Group Insurance Fund**—Established in January 1978, this fund is used to account for transactions pertaining to the state's self-insured group medical plan. This fund primarily includes employees of the state, University of Tennessee, and the State University and Community College System. Group life and accident insurance premiums, dental premiums, and long-term care premiums paid to private insurance companies are also recorded in this fund.

**Postal Services**—A division of the Department of General Services, is responsible for processing and distributing incoming, outgoing and interdepartmental mail for state agencies located in Nashville.

**Purchasing**—A division of the Department of General Services, is responsible for the procurement of supplies, equipment and certain specialized services.

**Warehousing and Distribution**—A division of the Department of General Services, is responsible for the purchasing of office supplies and the receipt and distribution of surplus property for all state government and quasi-governmental entities that opt to use this service.

**Records Management**—A division of the Secretary of State, is responsible for the retention and disposal of official records for state government.

**Human Resources**—This fund's responsibilities include providing departments with applicants for employment, providing training to state employees, and administering the Sick Leave Bank.

**Division of Accounts**—A division of the Department of Finance and Administration, is responsible for the centralized accounting function for the state.

**TRICOR** (Tennessee Rehabilitative Initiative in Correction)—Manages correctional industry, agriculture, and service operations. Its purpose is to employ and train inmates and provide products and services to state agencies, local governments, and not for profit organizations.

**Edison**—Maintained by the Department of Finance and Administration's Enterprise Resource Planning division, is the state's integrated software package for administrative business functions such as financials and accounting, procurement, payroll, benefits, and personnel administration.

**STATE OF TENNESSEE**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
**June 30, 2020**  
**(Expressed in Thousands)**

	<b>Strategic Technology Solutions</b>	<b>Risk Management</b>	<b>Motor Vehicle Management</b>	<b>General Services Printing</b>	<b>Facilities Revolving Fund</b>	<b>Employee Group Insurance</b>
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 107,590	\$ 231,220	\$ 54,636	\$ 1,841	\$ 320,377	\$ 338,035
Receivables, net	1,106	197	81	-	809	11,869
Due from other funds	450	-	-	-	1,231	-
Due from component units	-	111	-	-	-	-
Inventories, at cost	403	-	-	270	-	-
Assets held for sale	-	-	65	-	-	-
Prepayments	-	-	-	-	-	-
Total current assets	<u>109,549</u>	<u>231,528</u>	<u>54,782</u>	<u>2,111</u>	<u>322,417</u>	<u>349,904</u>
Noncurrent assets:						
Due from other funds	198	-	-	-	-	-
Net investment in capital leases	-	-	-	-	6,144	-
Restricted net pension assets	1,053	-	11	31	-	-
Capital assets:						
Land, at cost	-	-	-	-	62,426	-
Structures and improvements, at cost	-	-	-	-	686,416	-
Machinery and equipment, at cost	77,375	-	185,516	3,224	2,012	-
Less: Accumulated depreciation	(44,021)	-	(111,817)	(1,990)	(290,061)	-
Construction in progress	-	-	-	-	162,110	-
Total noncurrent assets	<u>34,605</u>	<u>-</u>	<u>73,710</u>	<u>1,265</u>	<u>629,047</u>	<u>-</u>
Total assets	<u>144,154</u>	<u>231,528</u>	<u>128,492</u>	<u>3,376</u>	<u>951,464</u>	<u>349,904</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>29,218</u>	<u>-</u>	<u>270</u>	<u>519</u>	<u>2,598</u>	<u>-</u>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	18,116	791	3,848	214	16,143	60,489
Accrued payroll and related deductions	8,346	-	94	199	-	-
Due to other funds	457	4	5	12	52	10
Due to component units	-	3	-	-	13	75
Lease obligations payable	-	-	-	-	422	-
Bond payable	-	-	-	-	13,299	-
Unearned revenue	-	1	-	-	3,397	41,989
Others	-	79,839	-	-	-	-
Total current liabilities	<u>26,919</u>	<u>80,638</u>	<u>3,947</u>	<u>425</u>	<u>33,326</u>	<u>102,563</u>
Noncurrent liabilities:						
Pension	34,900	-	372	955	-	-
Lease obligations payable	-	-	-	-	6,620	-
Commercial paper payable	-	-	-	-	15,063	-
Bonds payable	-	-	-	-	139,120	-
Others	16,978	111,963	310	508	-	-
Total noncurrent liabilities	<u>51,878</u>	<u>111,963</u>	<u>682</u>	<u>1,463</u>	<u>160,803</u>	<u>-</u>
Total liabilities	<u>78,797</u>	<u>192,601</u>	<u>4,629</u>	<u>1,888</u>	<u>194,129</u>	<u>102,563</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>11,034</u>	<u>-</u>	<u>422</u>	<u>440</u>	<u>40</u>	<u>-</u>
<b>NET POSITION</b>						
Net investment in capital assets	33,354	-	73,699	1,234	450,938	-
Restricted for:						
Capital projects	-	-	-	-	6,001	-
Pensions	1,053	-	11	31	-	-
Unrestricted	49,134	38,927	50,001	302	302,954	247,341
Total net position	<u>\$ 83,541</u>	<u>\$ 38,927</u>	<u>\$ 123,711</u>	<u>\$ 1,567</u>	<u>\$ 759,893</u>	<u>\$ 247,341</u>

**STATE OF TENNESSEE**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
**June 30, 2020**  
**(Expressed in Thousands)**

<u>Postal Services</u>	<u>Purchasing</u>	<u>Warehousing and Distribution</u>	<u>Records Management</u>	<u>Human Resources</u>	<u>Division of Accounts</u>	<u>TRICOR</u>	<u>Edison</u>	<u>Total Internal Service Funds</u>
\$ 3,769	\$ 2,851	\$ 1,476	\$ 163	\$ 12,325	\$ 17,245	\$ 5,701	\$ 31,233	\$ 1,128,462
2	952	16	-	-	2	995	-	16,029
-	-	-	-	-	30	-	1	1,712
-	-	-	12	-	-	-	-	123
166	-	79	-	-	-	1,316	-	2,234
-	-	-	-	-	-	-	-	65
386	-	-	-	-	-	622	-	1,008
<u>4,323</u>	<u>3,803</u>	<u>1,571</u>	<u>175</u>	<u>12,325</u>	<u>17,277</u>	<u>8,634</u>	<u>31,234</u>	<u>1,149,633</u>
-	-	-	-	-	-	-	-	198
-	-	-	-	-	-	-	-	6,144
22	74	9	5	97	199	47	132	1,680
-	-	-	-	-	-	746	-	63,172
-	-	-	-	-	-	2,175	-	688,591
4,592	21	76	12	177	400	7,877	116,343	397,625
(3,717)	(18)	(76)	(12)	(116)	(389)	(6,043)	(114,047)	(572,307)
-	-	-	-	-	-	491	-	162,601
897	77	9	5	158	210	5,293	2,428	747,704
<u>5,220</u>	<u>3,880</u>	<u>1,580</u>	<u>180</u>	<u>12,483</u>	<u>17,487</u>	<u>13,927</u>	<u>33,662</u>	<u>1,897,337</u>
241	1,034	385	121	2,639	13,851	1,172	2,381	54,429
100	978	31	50	140	106	1,639	902	103,547
96	486	90	37	940	2,790	442	1,019	14,539
4	22	5	3	130	174	98	53	1,029
-	-	-	1	-	-	-	-	92
-	-	-	-	-	-	-	-	422
-	-	-	-	-	-	-	-	13,299
-	-	-	-	-	-	-	-	45,387
-	-	-	-	-	-	-	-	79,839
<u>200</u>	<u>1,486</u>	<u>126</u>	<u>91</u>	<u>1,210</u>	<u>3,070</u>	<u>2,179</u>	<u>1,974</u>	<u>258,154</u>
369	1,845	471	174	3,789	12,566	2,174	3,880	61,495
-	-	-	-	-	-	-	-	6,620
-	-	-	-	-	-	-	-	15,063
-	-	-	-	-	-	-	-	139,120
275	616	315	88	1,852	7,813	1,030	2,703	144,451
644	2,461	786	262	5,641	20,379	3,204	6,583	366,749
<u>844</u>	<u>3,947</u>	<u>912</u>	<u>353</u>	<u>6,851</u>	<u>23,449</u>	<u>5,383</u>	<u>8,557</u>	<u>624,903</u>
355	628	460	54	2,128	3,692	1,044	1,333	21,630
875	3	-	-	61	11	5,246	2,296	567,717
-	-	-	-	-	-	-	-	6,001
22	74	9	5	97	199	47	132	1,680
3,365	262	584	(111)	5,985	3,987	3,379	23,725	729,835
<u>\$ 4,262</u>	<u>\$ 339</u>	<u>\$ 593</u>	<u>\$ (106)</u>	<u>\$ 6,143</u>	<u>\$ 4,197</u>	<u>\$ 8,672</u>	<u>\$ 26,153</u>	<u>\$ 1,305,233</u>



**STATE OF TENNESSEE**  
**Combining Statement of Revenues, Expenses, and**  
**Changes in Net Position**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

	<u>Strategic Technology Solutions</u>	<u>Risk Management</u>	<u>Motor Vehicle Management</u>	<u>General Services Printing</u>	<u>Facilities Revolving Fund</u>	<u>Employee Group Insurance</u>
Operating revenues						
Charges for services	\$ 265,562	\$ 59,014	\$ 47,776	\$ 5,707	\$ 145,735	\$ 1,000
Premiums	-	-	-	-	-	768,453
Total operating revenues	<u>265,562</u>	<u>59,014</u>	<u>47,776</u>	<u>5,707</u>	<u>145,735</u>	<u>769,453</u>
Operating expenses						
Personal services	125,912	-	1,229	3,216	-	-
Contractual services	123,161	12,100	4,608	2,732	90,572	37,031
Materials and supplies	12,381	-	16,712	983	2,816	-
Rentals and insurance	15	12,916	9,588	5	46,195	-
Depreciation and amortization	13,818	-	16,724	429	15,343	-
Benefits	-	38,197	40	-	-	750,546
Other	1,051	-	138	6	9,035	4,854
Total operating expenses	<u>276,338</u>	<u>63,213</u>	<u>49,039</u>	<u>7,371</u>	<u>163,961</u>	<u>792,431</u>
Operating income (loss)	<u>(10,776)</u>	<u>(4,199)</u>	<u>(1,263)</u>	<u>(1,664)</u>	<u>(18,226)</u>	<u>(22,978)</u>
Nonoperating revenues (expenses)						
Insurance claims recoveries	-	-	313	-	-	-
Interest income	-	2,691	-	-	6,667	5,189
Interest expense	-	-	-	-	(6,272)	-
Total nonoperating revenues (expenses)	<u>-</u>	<u>2,691</u>	<u>313</u>	<u>-</u>	<u>395</u>	<u>5,189</u>
Income (loss) before contributions and transfers	<u>(10,776)</u>	<u>(1,508)</u>	<u>(950)</u>	<u>(1,664)</u>	<u>(17,831)</u>	<u>(17,789)</u>
Capital contributions	6	-	1,156	-	-	-
Transfers in	8,932	-	5,340	458	54,269	-
Transfers out	<u>(4,915)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(226)</u>	<u>-</u>
Change in net position	<u>(6,753)</u>	<u>(1,508)</u>	<u>5,546</u>	<u>(1,206)</u>	<u>36,212</u>	<u>(17,789)</u>
Net position, July 1	<u>90,294</u>	<u>40,435</u>	<u>118,165</u>	<u>2,773</u>	<u>723,681</u>	<u>265,130</u>
Net position, June 30	<u>\$ 83,541</u>	<u>\$ 38,927</u>	<u>\$ 123,711</u>	<u>\$ 1,567</u>	<u>\$ 759,893</u>	<u>\$ 247,341</u>

**STATE OF TENNESSEE**  
**Combining Statement of Revenues, Expenses, and**  
**Changes in Net Position**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

<u>Postal Services</u>	<u>Purchasing</u>	<u>Warehousing and Distribution</u>	<u>Records Management</u>	<u>Human Resources</u>	<u>Division of Accounts</u>	<u>TRICOR</u>	<u>Edison</u>	<u>Total Internal Service Funds</u>
\$ 17,265	\$ 7,932	\$ 3,127	\$ 1,289	\$ 15,418	\$ 45,068	\$ 20,924	\$ 23,932	\$ 659,749
-	-	-	-	-	-	-	-	768,453
<u>17,265</u>	<u>7,932</u>	<u>3,127</u>	<u>1,289</u>	<u>15,418</u>	<u>45,068</u>	<u>20,924</u>	<u>23,932</u>	<u>1,428,202</u>
1,712	6,870	1,518	622	14,760	44,788	6,238	14,082	220,947
1,600	3,895	970	615	2,314	4,200	8,787	9,866	302,451
12,317	139	716	16	152	29	7,414	5	53,680
107	7	1	2	86	10	191	2	69,125
176	3	-	1	21	2	394	1,182	48,093
-	-	-	-	-	-	-	-	788,783
-	9	9	-	214	31	2,130	7	17,484
<u>15,912</u>	<u>10,923</u>	<u>3,214</u>	<u>1,256</u>	<u>17,547</u>	<u>49,060</u>	<u>25,154</u>	<u>25,144</u>	<u>1,500,563</u>
<u>1,353</u>	<u>(2,991)</u>	<u>(87)</u>	<u>33</u>	<u>(2,129)</u>	<u>(3,992)</u>	<u>(4,230)</u>	<u>(1,212)</u>	<u>(72,361)</u>
-	-	-	-	-	-	-	-	313
-	-	-	-	-	-	-	-	14,547
-	-	-	-	-	-	-	-	(6,272)
-	-	-	-	-	-	-	-	8,588
1,353	(2,991)	(87)	33	(2,129)	(3,992)	(4,230)	(1,212)	(63,773)
-	-	-	-	-	-	-	22	1,184
49	56	55	8	236	3,096	116	146	72,761
-	-	-	-	-	-	-	-	(5,141)
1,402	(2,935)	(32)	41	(1,893)	(896)	(4,114)	(1,044)	5,031
<u>2,860</u>	<u>3,274</u>	<u>625</u>	<u>(147)</u>	<u>8,036</u>	<u>5,093</u>	<u>12,786</u>	<u>27,197</u>	<u>1,300,202</u>
<u>\$ 4,262</u>	<u>\$ 339</u>	<u>\$ 593</u>	<u>\$ (106)</u>	<u>\$ 6,143</u>	<u>\$ 4,197</u>	<u>\$ 8,672</u>	<u>\$ 26,153</u>	<u>\$ 1,305,233</u>

**STATE OF TENNESSEE**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

	Strategic Technology Solutions	Risk Management	Motor Vehicle Management	General Services Printing	Facilities Revolving Fund	Employee Group Insurance
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers and users	\$ 8,944	\$ 19,771	\$ 741	\$ 34	\$ 7,843	\$ 354,916
Receipts from interfund services provided	257,143	39,282	46,011	5,675	136,831	460,055
Payments to suppliers	(120,827)	(8,330)	(27,381)	(3,103)	(14,585)	(848,800)
Payments to employees	(118,233)	-	(1,331)	(3,172)	-	(2,364)
Payments for interfund services used	(15,378)	(8,029)	(4,538)	(1,003)	(125,222)	(1,673)
Net cash provided by (used for) operating activities	<u>11,649</u>	<u>42,694</u>	<u>13,502</u>	<u>(1,569)</u>	<u>4,867</u>	<u>(37,866)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfers in	8,932	-	5,340	410	54,269	-
Transfers out	(49)	-	-	-	-	-
Net cash provided by (used for) noncapital financing activities	<u>8,883</u>	<u>-</u>	<u>5,340</u>	<u>410</u>	<u>54,269</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Purchase of capital assets	(21,108)	-	(23,375)	-	(136,587)	-
Bond and commercial paper proceeds	-	-	-	-	5,378	-
Proceeds from sale of capital assets	-	-	3,075	-	562	-
Insurance claims recoveries	-	-	313	-	-	-
Principal payments	-	-	-	-	(24,200)	-
Interest paid	-	-	-	-	(7,497)	-
Net cash provided by (used for) capital and related financing activities	<u>(21,108)</u>	<u>-</u>	<u>(19,987)</u>	<u>-</u>	<u>(162,344)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest received	-	2,691	-	-	6,667	5,189
Net cash provided by (used for) investing activities	<u>-</u>	<u>2,691</u>	<u>-</u>	<u>-</u>	<u>6,667</u>	<u>5,189</u>
Net increase (decrease) in cash and cash equivalents	(576)	45,385	(1,145)	(1,159)	(96,541)	(32,677)
Cash and cash equivalents, July 1	<u>108,166</u>	<u>185,835</u>	<u>55,781</u>	<u>3,000</u>	<u>416,918</u>	<u>370,712</u>
Cash and cash equivalents, June 30	<u>\$ 107,590</u>	<u>\$ 231,220</u>	<u>\$ 54,636</u>	<u>\$ 1,841</u>	<u>\$ 320,377</u>	<u>\$ 338,035</u>
<b>Reconciliation of operating income to net cash provided by (used for) operating activities</b>						
Operating income (loss)	\$ (10,776)	\$ (4,199)	\$ (1,263)	\$ (1,664)	\$ (18,226)	\$ (22,978)
Adjustment to reconcile operating income (loss) to net cash from operating activities:						
Depreciation and amortization	13,818	-	16,724	429	15,343	-
Loss (gain) on disposal of capital assets	858	-	(894)	3	-	-
Impairment loss	-	-	133	-	9,026	-
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:						
(Increase) decrease in receivables	190	132	(66)	2	(27)	(2,555)
(Increase) decrease in due from other funds	336	-	-	-	(1,034)	-
(Increase) decrease in due from component units	-	(111)	-	-	-	-
(Increase) decrease in inventories	303	-	-	(102)	-	-
(Increases) decreases in assets held for sale	-	-	(65)	-	-	-
(Increase) decrease in prepaids	-	-	-	-	-	-
(Increase) decrease in net pension assets	(783)	-	(8)	(20)	-	-
(Increase) decrease in deferred outflows of resources	3,535	-	156	266	-	-
Increase (decrease) in accounts payable	(3,690)	47,004	(1,448)	(691)	(27)	(13,097)
Increase (decrease) in due to other funds	(147)	(83)	-	(2)	(201)	8
Increase (decrease) in due to component units	-	(49)	-	-	13	(46)
Increase (decrease) in deferred inflows of resources	8,005	-	233	210	-	-
Increase (decrease) in unearned revenue	-	-	-	-	-	802
Total adjustments	<u>22,425</u>	<u>46,893</u>	<u>14,765</u>	<u>95</u>	<u>23,093</u>	<u>(14,888)</u>
Net cash provided by (used for) operating activities	<u>\$ 11,649</u>	<u>\$ 42,694</u>	<u>\$ 13,502</u>	<u>\$ (1,569)</u>	<u>\$ 4,867</u>	<u>\$ (37,866)</u>
<b>Schedule of noncash investing, capital, and financing activities</b>						
Contributions of capital assets	\$ 6	\$ -	\$ 1,156	\$ -	\$ -	\$ -
Assets acquired by transfer	-	-	-	48	-	-
Capital assets disposed of by transfer	(4,865)	-	-	-	(226)	-
Amortization of bond premium	-	-	-	-	2,023	-
Amortization of bond discount	-	-	-	-	(1,005)	-
Total noncash capital and related financing activities	<u>\$ (4,859)</u>	<u>\$ -</u>	<u>\$ 1,156</u>	<u>\$ 48</u>	<u>\$ 792</u>	<u>\$ -</u>

**STATE OF TENNESSEE**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

	Postal Services	Purchasing	Warehousing and Distribution	Records Management	Human Resources	Division of Accounts	TRICOR	Edison	Total Internal Service Funds
\$	77	\$ 2,651	\$ 954	\$ 66	\$ 112	\$ 139	\$ 10,199	\$ 128	\$ 406,575
	17,188	5,193	2,214	1,211	15,329	44,899	10,713	23,805	1,065,549
	(13,320)	(260)	(814)	(550)	(1,765)	(961)	(15,906)	(6,270)	(1,062,872)
	(1,806)	(6,667)	(1,548)	(607)	(14,618)	(41,448)	(6,571)	(13,646)	(212,011)
	(956)	(2,910)	(770)	(105)	(1,001)	(3,311)	(1,714)	(3,369)	(169,979)
	1,183	(1,993)	36	15	(1,943)	(682)	(3,279)	648	27,262
	49	56	55	8	230	3,096	116	146	72,707
	-	-	-	-	-	-	-	-	(49)
	49	56	55	8	230	3,096	116	146	72,658
	-	-	-	-	-	-	(1,893)	(231)	(183,194)
	-	-	-	-	-	-	-	-	5,378
	-	-	-	-	-	-	11	-	3,648
	-	-	-	-	-	-	-	-	313
	-	-	-	-	-	-	-	-	(24,200)
	-	-	-	-	-	-	-	-	(7,497)
	-	-	-	-	-	-	(1,882)	(231)	(205,552)
	-	-	-	-	-	-	-	-	14,547
	-	-	-	-	-	-	-	-	14,547
	1,232	(1,937)	91	23	(1,713)	2,414	(5,045)	563	(91,085)
	2,537	4,788	1,385	140	14,038	14,831	10,746	30,670	1,219,547
\$	3,769	\$ 2,851	\$ 1,476	\$ 163	\$ 12,325	\$ 17,245	\$ 5,701	\$ 31,233	\$ 1,128,462
\$	1,353	\$ (2,991)	\$ (87)	\$ 33	\$ (2,129)	\$ (3,992)	\$ (4,230)	\$ (1,212)	\$ (72,361)
	176	3	-	1	21	2	394	1,182	48,093
	-	-	-	-	-	-	23	-	(10)
	-	-	-	-	-	-	909	-	10,068
	-	(87)	40	-	-	-	(12)	-	(2,383)
	-	-	-	-	12	(31)	-	1	(716)
	-	-	-	(12)	13	-	-	-	(110)
	34	-	115	-	-	-	672	-	1,022
	-	-	-	-	-	-	-	-	(65)
	(289)	-	-	-	-	-	(622)	-	(911)
	(14)	(51)	(6)	(3)	(73)	(159)	(30)	(88)	(1,235)
	141	230	153	22	939	(3,149)	489	637	3,419
	(442)	682	(536)	(63)	(2,049)	3,664	(1,335)	(802)	27,170
	(3)	(7)	(2)	-	(30)	(19)	68	(7)	(425)
	-	-	-	-	(123)	-	-	-	(205)
	227	228	359	37	1,476	3,002	395	937	15,109
	-	-	-	-	-	-	-	-	802
	(170)	998	123	(18)	186	3,310	951	1,860	99,623
\$	1,183	\$ (1,993)	\$ 36	\$ 15	\$ (1,943)	\$ (682)	\$ (3,279)	\$ 648	\$ 27,262
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22	\$ 1,184
	-	-	-	-	6	-	-	-	54
	-	-	-	-	-	-	-	-	(5,091)
	-	-	-	-	-	-	-	-	2,023
	-	-	-	-	-	-	-	-	(1,005)
\$	-	\$ -	\$ -	\$ -	\$ 6	\$ -	\$ -	\$ 22	\$ (2,835)

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# FIDUCIARY FUNDS

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The Fiduciary Funds are used to account for assets held by the state in a fiduciary capacity.

## **PENSION AND OTHER EMPLOYEE BENEFIT TRUST:**

- **Pension Trust Fund**—The Tennessee Consolidated Retirement System was established in July 1972 superseding seven former retirement systems. The accounts of each superseded system were transferred to the new system wherein separate accounting is maintained for assets and liabilities attributable to the various classes of members and beneficiaries. Benefits under the system are funded by contributions of members and employers. The level of contributions is determined by actuarial valuation.
- **Other Employee Benefit Trust Funds**—This includes the Employee Flexible Benefits fund which was established in January 1988 to account for monies contributed by employees under the IRC Section 125 cafeteria plan. It also includes the State of Tennessee Postemployment Benefit Trust fund which was established in January 2019 to account for employer contributions and benefit payments made for other postemployment benefits offered to eligible retired employees of the state and certain component units.

## **INVESTMENT TRUST FUNDS:**

- **Local Government Investment Pool**—This fund was created in July 1980 to account for local government deposits with the state treasurer and the related interest earning. Through this program, the participating local governments achieve higher investment income by pooling their funds than they realize individually.
- **Intermediate Term Investment Fund**—This fund was created for deposits with the state treasurer to be a longer-term option for investment of funds as an alternative to the State Pooled Investment Fund, which includes the Local Government Investment Pool (“LGIP”).
- **External Retirement Investment Fund**—This fund accounts for assets in the custody of the Treasurer, solely for investment purposes, that consist exclusively of assets of individual, local government, and local education agency retirement accounts.

## **PRIVATE-PURPOSE TRUST FUNDS:**

- **College Savings Plans**—The Baccalaureate Education System Trust (BEST) was created by the General Assembly in 1996, for the purpose of allowing parents and other interested persons to purchase tuition units on behalf of a designated beneficiary. No other state programs are supported from this trust. As of November 22, 2010, the BEST Board of Trustees voted to stop selling new tuition units in the prepaid plan. In September 2012, the State of Tennessee introduced the Tennessee Stars College Savings 529 Program (TNStars). This program offers parents and other interested persons a way to save for children’s college expenses with investment options and special tax advantages. The program is not guaranteed by the State of Tennessee or any other entity.
- **Children in State Custody**—This fund accounts for monies held and used for the benefit of children in the custody of the state. Monies held are from various sources including the Social Security Administration.
- **Oak Ridge Monitoring**—Created in 2000 through a consent order won by the state with the United States Department of Energy (DOE), this fund is used to account for monies paid annually through fiscal year 2015 by the federal government to the state for future expenses at the Environmental Management Waste Management Facility at Oak Ridge. After the federal landfill is closed, the income generated from the corpus is to be used for monitoring and maintenance of the facility to ensure there is no radioactive leakage.
- **TNInvestco**—Established in 2009, this fund was created by the General Assembly for the purpose of increasing the flow of capital to innovative new companies in Tennessee that are in the early stages of development. This fund accounts for proceeds held and used to carry out the provisions of the Tennessee Small Business Investment Company Credit Act.
- **Insurance Receiverships**—The Commissioner of Commerce and Insurance is designated the statutory receiver of insurers ordered into receivership and is charged with the duty to secure and distribute the assets for the benefit of policy holders, creditors, and other claimants under court supervision.
- **Other**—These funds account for trust arrangements under which the principal and income benefit individuals or private organizations.

**AGENCY FUNDS:**

- **Local Government Fund**—The purpose of the Local Government Fund is to serve as a clearing mechanism for state-shared taxes and other funds distributed to the various counties and cities of the state.
- **Contingent Revenue Fund**—This fund is used to account for refundable deposits and other receipts held in trust until the state has the right to transfer them to operating funds or until there is proper authorization to disburse them directly to others.
- **Retiree Health Funds**—These funds are used to account for funding received and claims paid on behalf of retirees who elect coverage. Pre- and post-65 retired employees of local education and local government employers are included.
- **External Pension Plan**—This fund is used to account for activities and balances of an external retirement plan whose administrative and investing functions have been contracted to the Department of Treasury of the State of Tennessee.

**STATE OF TENNESSEE**  
**Combining Statement of Fiduciary Net Position**  
**Pension and Other Employee Benefit Trust Funds**  
**June 30, 2020**  
**(Expressed in Thousands)**

	<u>Public Employee Retirement Plan</u>	<u>Teacher Legacy Pension Plan</u>	<u>Teacher Hybrid Pension Plan</u>	<u>Total Pension</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 12,528	\$ 11,598	\$ 180	\$ 24,306
Cash collateral on loaned securities	908,161	840,737	13,013	1,761,911
Receivables:				
Employer contributions	18,722	34,153	2,278	55,153
Member contributions	7,562	16,576	5,619	29,757
Other	-	-	-	-
Due from other funds	10,864	-	-	10,864
Due from component units	12,585	-	-	12,585
Investments, at fair value:				
Mutual funds	-	-	-	-
TRGT pooled funds	27,438,438	25,401,350	393,158	53,232,946
Capital assets, at cost:				
Machinery and equipment	19,143	17,722	274	37,139
Less - accumulated depreciation	<u>(12,350)</u>	<u>(11,433)</u>	<u>(177)</u>	<u>(23,960)</u>
Total assets	<u>28,415,653</u>	<u>26,310,703</u>	<u>414,345</u>	<u>55,140,701</u>
<b>LIABILITIES</b>				
Accounts payable and accruals	15,117	13,733	386	29,236
Securities lending collateral	<u>908,161</u>	<u>840,737</u>	<u>13,013</u>	<u>1,761,911</u>
Total liabilities	<u>923,278</u>	<u>854,470</u>	<u>13,399</u>	<u>1,791,147</u>
<b>NET POSITION</b>				
Restricted for				
Pension benefits	27,492,375	25,456,233	400,946	53,349,554
Other postemployment benefits	-	-	-	-
Employees' flexible benefits	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total net position	<u>\$ 27,492,375</u>	<u>\$ 25,456,233</u>	<u>\$ 400,946</u>	<u>\$ 53,349,554</u>

**STATE OF TENNESSEE**  
**Combining Statement of Fiduciary Net Position**  
**Pension and Other Employee Benefit Trust Funds**  
**June 30, 2020**  
**(Expressed in Thousands)**

	<b>Other Employee Benefit Trust Funds</b>	<b>Total Pension (and Other Employee Benefit) Trust Funds</b>		
\$	31,606	\$ 55,912		
	-	1,761,911		
	-	55,153		
	-	29,757		
	2,024	2,024		
	-	10,864		
	-	12,585		
	254,638	254,638		
	-	53,232,946		
	-	37,139		
	-	(23,960)		
	<u>288,268</u>	<u>55,428,969</u>		
	4,819	34,055		
	-	1,761,911		
	<u>4,819</u>	<u>1,795,966</u>		
	-	53,349,554		
	282,149	282,149		
	1,300	1,300		
\$	<u><u>283,449</u></u>	<u><u>53,633,003</u></u>	\$	



**STATE OF TENNESSEE**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Pension and Other Employee Benefit Trust Funds**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

	<u>Public Employee Retirement Plan</u>	<u>Teacher Legacy Pension Plan</u>	<u>Teacher Hybrid Pension Plan</u>	<u>Total Pension</u>
<b>ADDITIONS</b>				
Contributions:				
Members	\$ 149,829	\$ 167,155	\$ 63,183	\$ 380,167
Employers	735,610	353,767	25,617	1,114,994
Other	<u>1,406</u>	<u>-</u>	<u>-</u>	<u>1,406</u>
Total contributions	<u>886,845</u>	<u>520,922</u>	<u>88,800</u>	<u>1,496,567</u>
Investment income:				
Net increase (decrease) in fair value of investments	1,332,812	1,240,272	17,286	2,590,370
Interest and dividends	-	-	-	-
Securities lending income	<u>29,098</u>	<u>27,078</u>	<u>377</u>	<u>56,553</u>
Total investment income (loss)	1,361,910	1,267,350	17,663	2,646,923
Less: Investment expenses	(31,641)	(29,444)	(410)	(61,495)
Securities lending expense	<u>(23,642)</u>	<u>(22,001)</u>	<u>(307)</u>	<u>(45,950)</u>
Net investment income (loss)	<u>1,306,627</u>	<u>1,215,905</u>	<u>16,946</u>	<u>2,539,478</u>
Total additions	<u>2,193,472</u>	<u>1,736,827</u>	<u>105,746</u>	<u>4,036,045</u>
<b>DEDUCTIONS</b>				
Annuity benefits	1,457,234	1,295,168	33	2,752,435
Other postemployment benefits	-	-	-	-
Death benefits	2,879	1,773	67	4,719
Other	-	-	-	-
Refunds	23,187	17,972	3,595	44,754
Administrative expenses	<u>12,348</u>	<u>4,572</u>	<u>2,295</u>	<u>19,215</u>
Total deductions	<u>1,495,648</u>	<u>1,319,485</u>	<u>5,990</u>	<u>2,821,123</u>
Change in net position	697,824	417,342	99,756	1,214,922
Net position, July 1	<u>26,794,551</u>	<u>25,038,891</u>	<u>301,190</u>	<u>52,134,632</u>
Net position, June 30	<u>\$ 27,492,375</u>	<u>\$ 25,456,233</u>	<u>\$ 400,946</u>	<u>\$ 53,349,554</u>

**STATE OF TENNESSEE**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Pension and Other Employee Benefit Trust Funds**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

	<b>Other Employee Benefit Trust Funds</b>	<b>Total Pension (and Other Employee Benefit) Trust Funds</b>	
\$	5,813	\$	385,980
	153,022		1,268,016
	-		1,406
	<u>158,835</u>		<u>1,655,402</u>
	(7,104)		2,583,266
	6,613		6,613
	<u>241</u>		<u>56,794</u>
	(250)		2,646,673
	-		(61,495)
	<u>(208)</u>		<u>(46,158)</u>
	<u>(458)</u>		<u>2,539,020</u>
	<u>158,377</u>		<u>4,194,422</u>
	-		2,752,435
	80,140		80,140
	-		4,719
	5,381		5,381
	-		44,754
	<u>4,037</u>		<u>23,252</u>
	<u>89,558</u>		<u>2,910,681</u>
	68,819		1,283,741
	<u>214,630</u>		<u>52,349,262</u>
\$	<u><u>283,449</u></u>	\$	<u><u>53,633,003</u></u>

**STATE OF TENNESSEE**  
**Combining Statement of Fiduciary Net Position**  
**Investment Trust Funds**  
**June 30, 2020**  
**(Expressed in Thousands)**

	<u>Local Government Investment Pool</u>	<u>Intermediate Term Investment Fund</u>	<u>External Retirement Investment Fund</u>	<u>Total Investment Trust Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,495,421	\$ 4,002	\$ -	\$ 1,499,423
Receivables:				
Interest and dividends	-	18	-	18
Employer contributions	-	-	2,634	2,634
Investments, at fair value:				
Government bonds	-	8,013	-	8,013
TRGT pooled funds	-	-	126,850	126,850
Investments, at amortized cost:				
Short-term investments	<u>2,614,569</u>	<u>-</u>	<u>-</u>	<u>2,614,569</u>
Total assets	<u>4,109,990</u>	<u>12,033</u>	<u>129,484</u>	<u>4,251,507</u>
<b>NET POSITION</b>				
Amounts held in trust for:				
Pool participants	<u>4,109,990</u>	<u>12,033</u>	<u>129,484</u>	<u>4,251,507</u>
Total net position	<u>\$ 4,109,990</u>	<u>\$ 12,033</u>	<u>\$ 129,484</u>	<u>\$ 4,251,507</u>

**STATE OF TENNESSEE**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Investment Trust Funds**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

	<u>Local Government Investment Pool</u>	<u>Intermediate Term Investment Fund</u>	<u>External Retirement Investment Fund</u>	<u>Total Investment Trust Funds</u>
<b>ADDITIONS</b>				
Investment income:				
Interest	\$ 55,691	\$ 210	\$ 3,728	\$ 59,629
Total investment income	55,691	210	3,728	59,629
Less: Investment expenses	(1,456)	(6)	(75)	(1,537)
Net investment income	<u>54,235</u>	<u>204</u>	<u>3,653</u>	<u>58,092</u>
Capital share transactions:				
Shares sold	5,644,786	-	71,627	5,716,413
Less: Shares redeemed	(4,739,070)	(64,442)	(4,487)	(4,807,999)
Net capital share transactions	<u>905,716</u>	<u>(64,442)</u>	<u>67,140</u>	<u>908,414</u>
Total additions	<u>959,951</u>	<u>(64,238)</u>	<u>70,793</u>	<u>966,506</u>
Change in net position	959,951	(64,238)	70,793	966,506
Net position, July 1	<u>3,150,039</u>	<u>76,271</u>	<u>58,691</u>	<u>3,285,001</u>
Net position, June 30	<u>\$ 4,109,990</u>	<u>\$ 12,033</u>	<u>\$ 129,484</u>	<u>\$ 4,251,507</u>

**STATE OF TENNESSEE**  
**Combining Statement of Fiduciary Net Position**  
**Private-Purpose Trust Funds**  
**June 30, 2020**  
**(Expressed in Thousands)**

	<u>College Savings Plans</u>	<u>Children in State Custody</u>	<u>Oak Ridge Monitoring</u>	<u>TNInvestco</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 12,131	\$ 5,678	\$ 20,741	\$ 1,873
Receivables:				
Taxes	-	-	-	-
Investments, at fair value:				
Mutual funds	188,046	-	-	-
Government bonds	-	-	-	-
Corporate bonds	-	-	-	-
Total assets	<u>200,177</u>	<u>5,678</u>	<u>20,741</u>	<u>1,873</u>
<b>LIABILITIES</b>				
Accounts payable and accruals	<u>1</u>	<u>118</u>	<u>-</u>	<u>8</u>
Total liabilities	<u>1</u>	<u>118</u>	<u>-</u>	<u>8</u>
<b>NET POSITION</b>				
Restricted for:				
Individuals, organizations and other governments	<u>200,176</u>	<u>5,560</u>	<u>20,741</u>	<u>1,865</u>
Total net position	<u>\$ 200,176</u>	<u>\$ 5,560</u>	<u>\$ 20,741</u>	<u>\$ 1,865</u>

**STATE OF TENNESSEE**  
**Combining Statement of Fiduciary Net Position**  
**Private-Purpose Trust Funds**  
**June 30, 2020**  
**(Expressed in Thousands)**

<b>Insurance Receiverships</b>	<b>Other</b>	<b>Total Private-Purpose Trust Funds</b>
\$ 1,712	\$ 10,060	\$ 52,195
-	69	69
182	14,745	202,973
408	-	408
1	-	1
<u>2,303</u>	<u>24,874</u>	<u>255,646</u>
<u>2,303</u>	-	<u>2,430</u>
<u>2,303</u>	-	<u>2,430</u>
-	<u>24,874</u>	<u>253,216</u>
<u>\$ -</u>	<u>\$ 24,874</u>	<u>\$ 253,216</u>

**STATE OF TENNESSEE**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Private-Purpose Trust Funds**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

	<u>College Savings Plans</u>	<u>Children in State Custody</u>	<u>Oak Ridge Monitoring</u>	<u>TNInvestco</u>
<b>ADDITIONS</b>				
Contributions:				
Federal	\$ -	\$ 7,872	\$ -	\$ -
Private	31,695	-	-	-
State	122	-	-	-
Other	<u>-</u>	<u>9,037</u>	<u>-</u>	<u>10,771</u>
Total contributions	<u>31,817</u>	<u>16,909</u>	<u>-</u>	<u>10,771</u>
Investment income:				
Net increase/(decrease) in fair value of investments	7,999	-	-	-
Interest	<u>336</u>	<u>42</u>	<u>320</u>	<u>68</u>
Total investment income	<u>8,335</u>	<u>42</u>	<u>320</u>	<u>68</u>
Total additions	<u>40,152</u>	<u>16,951</u>	<u>320</u>	<u>10,839</u>
<b>DEDUCTIONS</b>				
Payments made under trust agreements	14,064	10,550	-	12,783
Refunds	1,672	2,355	-	-
Administrative expenses	<u>480</u>	<u>-</u>	<u>-</u>	<u>907</u>
Total deductions	<u>16,216</u>	<u>12,905</u>	<u>-</u>	<u>13,690</u>
Change in net position	23,936	4,046	320	(2,851)
Net position, July 1	<u>176,240</u>	<u>1,514</u>	<u>20,421</u>	<u>4,716</u>
Net position, June 30	<u>\$ 200,176</u>	<u>\$ 5,560</u>	<u>\$ 20,741</u>	<u>\$ 1,865</u>

**STATE OF TENNESSEE**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Private-Purpose Trust Funds**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

<u>Insurance Receiverships</u>	<u>Other</u>	<u>Total Private-Purpose Trust Funds</u>
\$ -	\$ -	\$ 7,872
-	7,513	39,208
-	-	122
<u>-</u>	<u>143</u>	<u>19,951</u>
<u>-</u>	<u>7,656</u>	<u>67,153</u>
1	607	8,607
<u>29</u>	<u>58</u>	<u>853</u>
<u>30</u>	<u>665</u>	<u>9,460</u>
<u>30</u>	<u>8,321</u>	<u>76,613</u>
30	2,887	40,314
-	-	4,027
<u>-</u>	<u>25</u>	<u>1,412</u>
<u>30</u>	<u>2,912</u>	<u>45,753</u>
-	5,409	30,860
<u>-</u>	<u>19,465</u>	<u>222,356</u>
<u>\$ -</u>	<u>\$ 24,874</u>	<u>\$ 253,216</u>



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**STATE OF TENNESSEE**  
**Combining Statement of Assets and Liabilities**  
**Agency Funds**  
**June 30, 2020**  
**(Expressed in Thousands)**

	<u>Local Government</u>	<u>Contingent Revenue</u>	<u>Retiree Health Plans</u>	<u>External Pension Plan</u>	<u>Total Agency Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 407,535	\$ 103,402	\$ 20,006	\$ -	\$ 530,943
Receivables:					
Account	-	-	1,810	117	1,927
Taxes	523,344	-	-	-	523,344
Due from other funds	-	4	-	-	4
Investments, at fair value:					
TRGT pooled funds	-	-	-	139,088	139,088
Mutual funds	-	-	-	4,409	4,409
Total assets	<u>930,879</u>	<u>103,406</u>	<u>21,816</u>	<u>143,614</u>	<u>1,199,715</u>
<b>LIABILITIES</b>					
Accounts payable and accruals	930,879	399	3,737	-	935,015
Amount held in custody for others	-	103,007	18,079	143,614	264,700
Total liabilities	<u>\$ 930,879</u>	<u>\$ 103,406</u>	<u>\$ 21,816</u>	<u>\$ 143,614</u>	<u>\$ 1,199,715</u>

**STATE OF TENNESSEE**  
**Combining Statement of Changes in Assets and Liabilities**  
**All Agency Funds**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

<b><u>Local Government Fund</u></b>	<b>Balance July 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 395,519	\$ 4,422,972	\$ (4,410,956)	\$ 407,535
Accounts receivable	477,426	523,344	(477,426)	523,344
Total assets	872,945	4,946,316	(4,888,382)	930,879
<b>Liabilities</b>				
Accounts payable and accruals	872,945	5,341,839	(5,283,905)	930,879
Total liabilities	\$ 872,945	\$ 5,341,839	\$ (5,283,905)	\$ 930,879
<b><u>Contingent Revenue Fund</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 120,562	\$ 676,093	\$ (693,253)	\$ 103,402
Accounts receivable	27	84	(111)	-
Due from other funds	2	7	(5)	4
Total assets	120,591	676,184	(693,369)	103,406
<b>Liabilities</b>				
Accounts payable and accruals	15,502	80,624	(95,727)	399
Amounts held in custody for others	105,089	650,787	(652,869)	103,007
Total liabilities	\$ 120,591	\$ 731,411	\$ (748,596)	\$ 103,406
<b><u>Retiree Health Plans</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 18,263	\$ 86,036	\$ (84,293)	\$ 20,006
Accounts receivable	1,489	11,390	(11,069)	1,810
Total assets	19,752	97,426	(95,362)	21,816
<b>Liabilities</b>				
Accounts payable and accruals	4,747	21,927	(22,937)	3,737
Amounts held in custody for others	15,005	84,452	(81,378)	18,079
Total liabilities	\$ 19,752	\$ 106,379	\$ (104,315)	\$ 21,816
<b><u>External Pension Plan</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ 14,590	\$ (14,590)	\$ -
Accounts receivable	-	4,400	(4,283)	117
Investments, at fair value:				
TRGT pooled funds	134,573	31,600	(27,085)	139,088
Mutual funds	5,449	94	(1,134)	4,409
Total assets	140,022	50,684	(47,092)	143,614
<b>Liabilities</b>				
Accounts payable and accruals	-	8,794	(8,794)	-
Amounts held in custody for others	140,022	34,941	(31,349)	143,614
Total liabilities	\$ 140,022	\$ 43,735	\$ (40,143)	\$ 143,614

**STATE OF TENNESSEE**  
**Combining Statement of Changes in Assets and Liabilities**  
**All Agency Funds**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

<u>Total - All Agency Funds</u>	<u>Balance July 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 534,344	\$ 5,199,691	\$ (5,203,092)	\$ 530,943
Accounts receivable	478,942	539,218	(492,889)	525,271
Due from other funds	2	7	(5)	4
Investments, at fair value:				
TRGT pooled funds	134,573	31,600	(27,085)	139,088
Mutual funds	5,449	94	(1,134)	4,409
Total assets	<u>1,153,310</u>	<u>5,770,610</u>	<u>(5,724,205)</u>	<u>1,199,715</u>
<b>Liabilities</b>				
Accounts payable and accruals	893,194	5,453,184	(5,411,363)	935,015
Amounts held in custody for others	260,116	770,180	(765,596)	264,700
Total liabilities	<u>\$ 1,153,310</u>	<u>\$ 6,223,364</u>	<u>\$ (6,176,959)</u>	<u>\$ 1,199,715</u>

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# COMPONENT UNITS

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**Tennessee Student Assistance Corporation (TSAC)**—The corporation was created by the legislature in 1974 and is responsible for administering student financial assistance programs supported by federal and state funds. In 2015, TSAC’s board voted to wind down the activities of the Federal Family Education Loan Program, a loan guarantee program administered by the board and separately reported as another component unit of the state. The portfolio was later transferred to the U.S. Department of Education. In this fiscal year, the remaining balances in this program were reported with the corporation.

**Tennessee Community Services Agency**—In 1989, the Legislature created twelve Community Services Agencies which are to provide a mechanism to coordinate health care for indigents. In 1996, the title and focus of these agencies changed to that of facilitating the providing of services to children and other citizens from state agencies. The state has significant oversight responsibilities for these agencies, therefore, they have been incorporated into the Comprehensive Annual Financial Report. In 2009, all CSAs merged operations into one agency.

**Tennessee Housing Development Agency**—Created by the legislature in 1973, the purpose of this agency is to improve the quality of housing available to lower and moderate income Tennesseans. This objective is accomplished in part by (1) making funds available for loans for residential construction or rehabilitation, (2) making or participating in the making of insured mortgage loans, and (3) purchasing existing mortgages from lending institutions. These programs are funded primarily from the sale of revenue bonds or notes.

**Tennessee Education Lottery Corporation**—Created by the General Assembly in 2003, the purpose of the corporation is to operate a state lottery with net proceeds to be transferred to the state to be used for education programs and purposes in accordance with the Constitution of Tennessee, consisting primarily of financial assistance to Tennessee citizens to enable such citizens to attend post-secondary educational institutions within Tennessee.

**State University and Community College System**—Created by the General Assembly in 1972 to serve the state and its citizenry by providing educational opportunities, research, continuing education and public activities. As a system, the institutions span the state and are reported as a

coordinated network of public education with each campus offering unique characteristics and services.

The system consists of the following institutions:

## UNIVERSITIES

Austin Peay State University, Clarksville  
East Tennessee State University, Johnson City  
Middle Tennessee State University, Murfreesboro  
Tennessee State University, Nashville  
Tennessee Technological University, Cookeville  
University of Memphis, Memphis

## COMMUNITY COLLEGES

Chattanooga State Community College, Chattanooga  
Cleveland State Community College, Cleveland  
Columbia State Community College, Columbia  
Dyersburg State Community College, Dyersburg  
Jackson State Community College, Jackson  
Motlow State Community College, Tullahoma  
Nashville State Community College, Nashville  
Northeast State Community College, Blountville  
Pellissippi State Community College, Knoxville  
Roane State Community College, Harriman  
Southwest Tennessee Community College, Memphis  
Volunteer State Community College, Gallatin  
Walters State Community College, Morristown

## COLLEGES OF APPLIED TECHNOLOGY

Athens, Chattanooga, Covington, Crossville, Crump, Dickson, Elizabethton, Harriman, Hartsville, Hohenwald, Jacksboro, Jackson, Knoxville, Livingston, McKenzie, McMinnville, Memphis, Morristown, Murfreesboro, Nashville, Newbern, Oneida, Paris, Pulaski, Ripley, Shelbyville, Whiteville

The purpose of these colleges is to provide occupational and technical training.

**The University of Tennessee Board of Trustees**—The University of Tennessee was first established in 1794 by the Legislature of the Federal Territory. Since that time, it has grown into an institution of twenty-four different colleges and schools. The main campus is located in Knoxville. The other primary campuses are located in Memphis, Martin and Chattanooga.

**Local Development Authority**—This authority was created in 1978 for the purpose of providing to local governments, through the issuing of revenue bonds or notes, the financing assistance previously provided by the State Loan Program. The Authority has also issued bonds to assist non-profit corporations in the construction of mental health, developmental disabilities, or alcohol and drug facilities. In addition, the Authority may assist small business concerns in financing pollution control facilities, farmers in financing certain capital improvements and airport authorities and municipal airports in financing improvements.

**Tennessee Veterans' Homes Board**—Created in 1988, the primary purpose of the homes is to provide support and care for honorably discharged veterans of the United States Armed Forces. The revenue sources are the Veterans Administration, Medicaid, and a user fee.

**Tennessee State School Bond Authority (TSSBA)**—Established in 1965, the TSSBA provides a mechanism for financing building projects for the state's higher education institutions. Agreements are executed between the governing

boards of the institutions and the TSSBA, and revenue bonds are issued using the constructed facilities as collateral. Charges levied on the universities provide the funds necessary for payment of principal and interest on bonds. The Authority also issues Qualified Zone Academy Bonds, which are part of a federal government program to finance loans to qualifying K-12 schools in the state. In addition, under the American Recovery and Reinvestment Act of 2009, the Authority issued Qualified School Construction Bonds to finance the construction, repair, or rehabilitation of public school facilities.

**Certified Cotton Growers' Organization**—This organization was formed to aid in the eradication of the boll weevil. Revenues are collected from assessments on cotton growers and from state appropriations.

**Access Tennessee**—Established in 2007, this health insurance pool offers health insurance coverage to eligible citizens of the state who are considered uninsurable because of health conditions.

**STATE OF TENNESSEE**  
**Combining Statement of Net Position**  
Component Units  
**June 30, 2020**  
(Expressed in Thousands)

	Governmental Fund Types		Proprietary Fund Types			
	Tennessee Student Assistance Corporation	Tennessee Community Services Agency	Tennessee Housing Development Agency	Tennessee Education Lottery	State University and Community College System	University of Tennessee
<b>ASSETS</b>						
Cash and cash equivalents	\$ 3,321	\$ 353	\$ 205,975	\$ 147,485	\$ 911,284	\$ 1,158,212
Investments	-	-	105,369	-	314,253	39,176
Receivables, net	4,905	22	73,285	91,853	96,001	43,328
Due from primary government	-	375	-	-	21,860	45,421
Inventories, at cost	-	-	-	-	3,358	7,092
Prepayments	-	3	-	9,477	9,923	3,123
Loans receivable	-	-	2,942,302	-	-	-
Fair value of derivatives	-	-	-	-	-	-
Other	-	-	24,434	-	955	5,323
Restricted assets:						
Cash and cash equivalents	-	-	54,437	214	369,998	309,207
Investments	-	-	133,674	-	598,389	1,199,823
Receivables, net	-	-	296	-	114,064	291,950
Net pension assets	19	8,855	261	-	7,182	5,286
Other	-	-	-	-	3,712	-
Capital assets:						
Land, at cost	-	-	-	-	179,404	95,078
Infrastructure	-	-	-	-	600,485	252,953
Structures and improvements, at cost	-	-	-	2,635	3,711,347	3,547,235
Machinery and equipment, at cost	51	130	9,180	6,405	562,937	656,080
Less accumulated depreciation	(50)	(122)	(3,999)	(6,938)	(2,052,822)	(1,872,926)
Construction in progress	-	-	-	-	383,586	284,014
Total assets	<u>8,246</u>	<u>9,616</u>	<u>3,545,214</u>	<u>251,131</u>	<u>5,835,916</u>	<u>6,070,375</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>898</u>	<u>337</u>	<u>4,513</u>	<u>-</u>	<u>177,756</u>	<u>139,719</u>
<b>LIABILITIES</b>						
Accounts payable and accruals	736	103	79,557	111,848	157,977	185,409
Due to primary government	23	5	79	135,868	15,669	8,166
Unearned revenue	-	-	1,620	896	90,138	66,039
Other	-	-	1,915	-	15,622	16,611
Noncurrent liabilities:						
Due within one year	207	96	103,141	879	58,741	92,206
Due in more than one year	2,567	190	2,825,109	2,014	1,225,706	1,511,534
Total liabilities	<u>3,533</u>	<u>394</u>	<u>3,011,421</u>	<u>251,505</u>	<u>1,563,853</u>	<u>1,879,965</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>609</u>	<u>1,575</u>	<u>2,939</u>	<u>-</u>	<u>135,152</u>	<u>137,431</u>
<b>NET POSITION</b>						
Net investment in capital assets	1	8	5,181	2,102	2,625,756	1,866,635
Restricted for:						
Debt service	-	-	-	-	15,829	931
Capital projects	-	-	-	-	51,702	63,477
Single family bond programs	-	-	465,198	-	-	-
Pensions	19	8,855	261	-	7,182	5,286
Other	4,862	-	26,179	25	342,103	566,632
Permanent and endowment:						
Expendable	-	-	-	-	19,193	76,025
Nonexpendable	-	-	-	-	408,794	966,256
Unrestricted	120	(879)	38,548	(2,501)	844,108	647,456
Total net position	<u>\$ 5,002</u>	<u>\$ 7,984</u>	<u>\$ 535,367</u>	<u>\$ (374)</u>	<u>\$ 4,314,667</u>	<u>\$ 4,192,698</u>

**STATE OF TENNESSEE**  
**Combining Statement of Net Position**  
**Component Units**  
**June 30, 2020**  
**(Expressed in Thousands)**

<b>Proprietary Fund Types</b>					
<b>Local Development Authority</b>	<b>Tennessee Veterans' Homes Board</b>	<b>Tennessee State School Bond Authority</b>	<b>Certified Cotton Growers'</b>	<b>Access Tennessee Insurance Plan</b>	<b>Total Component Units</b>
\$ 15,707	\$ 16,154	\$ 97,712	\$ 1,038	\$ 47,872	\$ 2,605,113
-	-	-	3,785	-	462,583
-	3,646	16,736	84	-	329,860
-	1,041	-	-	-	68,697
-	272	-	-	-	10,722
-	192	-	-	-	22,718
2,663	-	1,984,963	-	-	4,929,928
-	-	29	-	-	29
-	31	-	16	-	30,759
348	7,072	8,030	-	-	749,306
-	-	287,373	-	-	2,219,259
-	-	-	-	-	406,310
-	2,033	-	-	-	23,636
-	-	-	-	-	3,712
-	2,467	-	-	-	276,949
-	3,725	-	-	-	857,163
-	53,624	-	-	-	7,314,841
-	4,501	-	-	-	1,239,284
-	(21,556)	-	-	-	(3,958,413)
-	2,951	-	-	-	670,551
<u>18,718</u>	<u>76,153</u>	<u>2,394,843</u>	<u>4,923</u>	<u>47,872</u>	<u>18,263,007</u>
<u>26</u>	<u>3,321</u>	<u>31,794</u>	<u>-</u>	<u>-</u>	<u>358,364</u>
169	1,948	21,080	370	7	559,204
-	204	-	-	-	160,014
-	-	2,158	-	-	160,851
-	113	-	-	-	34,261
285	1,077	108,200	-	-	364,832
<u>1,259</u>	<u>3,516</u>	<u>2,254,721</u>	<u>-</u>	<u>-</u>	<u>7,826,616</u>
<u>1,713</u>	<u>6,858</u>	<u>2,386,159</u>	<u>370</u>	<u>7</u>	<u>9,105,778</u>
-	1,572	1,187	-	-	280,465
-	42,321	-	-	-	4,542,004
-	419	-	-	-	17,179
-	-	-	-	-	115,179
-	-	-	-	-	465,198
-	2,033	-	-	-	23,636
-	10,581	-	-	-	950,382
-	-	-	-	-	95,218
-	-	-	-	-	1,375,050
<u>17,031</u>	<u>15,690</u>	<u>39,291</u>	<u>4,553</u>	<u>47,865</u>	<u>1,651,282</u>
<u>\$ 17,031</u>	<u>\$ 71,044</u>	<u>\$ 39,291</u>	<u>\$ 4,553</u>	<u>\$ 47,865</u>	<u>\$ 9,235,128</u>



**STATE OF TENNESSEE**  
**Combining Statement of Activities**  
**Component Units**  
**For the Year Ended June 30, 2020**  
**(Expressed in Thousands)**

	Program Revenues				
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>	
<b><u>Functions/Programs</u></b>					
<b>Component units</b>					
Higher education institutions:					
State University and Community College System	\$ 2,851,175	\$ 977,711	\$ 969,714	\$ 225,064	\$ (678,686)
University of Tennessee	<u>2,459,492</u>	<u>840,998</u>	<u>901,333</u>	<u>169,923</u>	<u>(547,238)</u>
Total higher education institutions	<u>5,310,667</u>	<u>1,818,709</u>	<u>1,871,047</u>	<u>394,987</u>	<u>(1,225,924)</u>
Loan programs:					
Tennessee Student Assistance Corporation	113,941	6,260	471	-	(107,210)
Tennessee Housing Development Agency	480,920	147,138	342,486	-	8,704
Local Development Authority	252	603	247	-	598
Tennessee State School Bond Authority	<u>97,853</u>	<u>82,283</u>	<u>27,723</u>	-	<u>12,153</u>
Total loan programs	<u>692,966</u>	<u>236,284</u>	<u>370,927</u>	-	<u>(85,755)</u>
Tennessee Education Lottery	<u>1,717,910</u>	<u>1,715,816</u>	<u>32</u>	-	<u>(2,062)</u>
Other programs:					
Tennessee Community Services Agency	4,429	1,603	2,531	-	(295)
Access Tennessee Insurance Plan	1,567	-	-	-	(1,567)
Tennessee Veterans' Homes Board	60,163	53,943	8,052	1,965	3,797
Certified Cotton Growers'	<u>375</u>	<u>567</u>	-	-	<u>192</u>
Total other programs	<u>66,534</u>	<u>56,113</u>	<u>10,583</u>	<u>1,965</u>	<u>2,127</u>
<b>Total</b>	<u>\$ 7,788,077</u>	<u>\$ 3,826,922</u>	<u>\$ 2,252,589</u>	<u>\$ 396,952</u>	<u>\$ (1,311,614)</u>

**STATE OF TENNESSEE**  
**Combining Statement of Activities**  
**Component Units**  
**For the Year Ended June 30, 2020**  
**(Expressed in Thousands)**

**General Revenues**

<u>Payments from Primary Government</u>	<u>Unrestricted Grants and Contributions</u>	<u>Unrestricted Investment Earnings</u>	<u>Miscellaneous</u>	<u>Contributions to Permanent Funds</u>	<u>Change in Net Position</u>	<u>Net Position July 1</u>	<u>Net Position June 30</u>
\$ 913,090	\$ 66,371	\$ 31,190	\$ 1,643	\$ 10,239	\$ 343,847	\$ 3,970,820	\$ 4,314,667
<u>657,901</u>	<u>-</u>	<u>60,789</u>	<u>5,061</u>	<u>36,290</u>	<u>212,803</u>	<u>3,979,895</u>	<u>4,192,698</u>
<u>1,570,991</u>	<u>66,371</u>	<u>91,979</u>	<u>6,704</u>	<u>46,529</u>	<u>556,650</u>	<u>7,950,715</u>	<u>8,507,365</u>
106,206	-	-	-	-	(1,004)	6,006	5,002
311	-	272	-	-	9,287	526,080	535,367
-	-	-	-	-	598	16,433	17,031
<u>-</u>	<u>9,685</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,838</u>	<u>17,453</u>	<u>39,291</u>
<u>106,517</u>	<u>9,685</u>	<u>272</u>	<u>-</u>	<u>-</u>	<u>30,719</u>	<u>565,972</u>	<u>596,691</u>
<u>-</u>	<u>-</u>	<u>1,647</u>	<u>-</u>	<u>-</u>	<u>(415)</u>	<u>41</u>	<u>(374)</u>
-	-	3	-	-	(292)	8,276	7,984
-	-	766	-	-	(801)	48,666	47,865
-	77	-	-	-	3,874	67,170	71,044
<u>-</u>	<u>-</u>	<u>90</u>	<u>-</u>	<u>-</u>	<u>282</u>	<u>4,271</u>	<u>4,553</u>
<u>-</u>	<u>77</u>	<u>859</u>	<u>-</u>	<u>-</u>	<u>3,063</u>	<u>128,383</u>	<u>131,446</u>
<u>\$ 1,677,508</u>	<u>\$ 76,133</u>	<u>\$ 94,757</u>	<u>\$ 6,704</u>	<u>\$ 46,529</u>	<u>\$ 590,017</u>	<u>\$ 8,645,111</u>	<u>\$ 9,235,128</u>

**STATE OF TENNESSEE**  
**Combining Statement of Revenues, Expenses and**  
**Changes in Net Position**  
**Proprietary Fund Type Component Units**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

	<u>Tennessee Housing Development Agency</u>	<u>Tennessee Education Lottery</u>	<u>State University and Community College System</u>	<u>University of Tennessee</u>	<u>Local Development Authority</u>
<b>Operating revenues</b>					
Charges for services	\$ 147,138	\$ 1,715,540	\$ 1,204,953	\$ 1,367,330	\$ 603
Investment income	7,363	-	5,452	6,328	247
Grants and contributions	-	-	-	-	-
Other	-	276	49,254	106,918	-
Total operating revenues	<u>154,501</u>	<u>1,715,816</u>	<u>1,259,659</u>	<u>1,480,576</u>	<u>850</u>
<b>Operating expenses</b>					
Personal services	24,415	16,035	1,768,066	1,614,505	-
Contractual services	7,309	160,608	-	-	155
Mortgage service fees	-	-	-	-	-
Materials and supplies	1,468	-	617,970	558,662	-
Rentals and insurance	110	1,732	-	-	-
Interest	81,688	-	-	-	89
Depreciation and amortization	6,236	886	121,137	148,235	-
Lottery prizes	-	1,092,050	-	-	-
Nursing home services	-	-	-	-	-
Scholarships and fellowships	-	-	311,511	84,361	-
Benefits	-	-	-	-	-
Other	15,287	8,321	-	-	8
Total operating expenses	<u>136,513</u>	<u>1,279,632</u>	<u>2,818,684</u>	<u>2,405,763</u>	<u>252</u>
Operating income (loss)	<u>17,988</u>	<u>436,184</u>	<u>(1,559,025)</u>	<u>(925,187)</u>	<u>598</u>
<b>Nonoperating revenues (expenses)</b>					
Grant income	335,395	-	728,528	275,341	-
Grant expense	(344,407)	-	-	-	-
Interest expense	-	-	(26,102)	(41,089)	-
Interest income	-	1,647	44,312	41,213	-
Payments from primary government	311	-	913,090	657,901	-
Grants and contributions	-	-	-	6,840	-
Gifts	-	-	10,312	4,981	-
Payments to primary government	-	(438,230)	-	-	-
Other	-	(16)	(1,545)	(11,263)	-
Total nonoperating revenues (expenses)	<u>(8,701)</u>	<u>(436,599)</u>	<u>1,668,595</u>	<u>933,924</u>	<u>-</u>
Income (loss) before capital grants and contributions	9,287	(415)	109,570	8,737	598
<b>Capital payments from primary government</b>					
Capital grants and gifts	-	-	216,486	146,914	-
Additions to permanent endowments	-	-	7,552	15,951	-
Other	-	-	10,239	36,290	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,911</u>	<u>-</u>
Change in net position	9,287	(415)	343,847	212,803	598
Net position, July 1, restated	<u>526,080</u>	<u>41</u>	<u>3,970,820</u>	<u>3,979,895</u>	<u>16,433</u>
Net position, June 30	<u>\$ 535,367</u>	<u>\$ (374)</u>	<u>\$ 4,314,667</u>	<u>\$ 4,192,698</u>	<u>\$ 17,031</u>

**STATE OF TENNESSEE**  
**Combining Statement of Revenues, Expenses and**  
**Changes in Net Position**  
**Proprietary Fund Type Component Units**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

<u>Tennessee Veterans' Homes Board</u>	<u>Tennessee State School Bond Authority</u>	<u>Certified Cotton Growers'</u>	<u>Access Tennessee Insurance Plan</u>	<u>Total Proprietary Fund Type Component Units</u>
\$ 53,899	\$ 82,283	\$ 567	\$ -	\$ 4,572,313
-	27,723	-	-	47,113
-	-	-	-	-
44	-	-	-	156,492
<u>53,943</u>	<u>110,006</u>	<u>567</u>	<u>-</u>	<u>4,775,918</u>
38,935	-	-	-	3,461,956
-	2,223	375	174	170,844
-	-	-	-	-
-	-	-	-	1,178,100
-	-	-	1,393	3,235
-	81,141	-	-	162,918
1,818	-	-	-	278,312
-	-	-	-	1,092,050
19,337	-	-	-	19,337
-	-	-	-	395,872
-	-	-	-	-
-	14,489	-	-	38,105
<u>60,090</u>	<u>97,853</u>	<u>375</u>	<u>1,567</u>	<u>6,800,729</u>
<u>(6,147)</u>	<u>12,153</u>	<u>192</u>	<u>(1,567)</u>	<u>(2,024,811)</u>
7,697	9,685	-	-	1,356,646
-	-	-	-	(344,407)
(63)	-	-	-	(67,254)
355	-	90	766	88,383
-	-	-	-	1,571,302
-	-	-	-	6,840
77	-	-	-	15,370
-	-	-	-	(438,230)
(10)	-	-	-	(12,834)
<u>8,056</u>	<u>9,685</u>	<u>90</u>	<u>766</u>	<u>2,175,816</u>
1,909	21,838	282	(801)	151,005
-	-	-	-	363,400
1,965	-	-	-	25,468
-	-	-	-	46,529
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,911</u>
3,874	21,838	282	(801)	591,313
<u>67,170</u>	<u>17,453</u>	<u>4,271</u>	<u>48,666</u>	<u>8,630,829</u>
<u>\$ 71,044</u>	<u>\$ 39,291</u>	<u>\$ 4,553</u>	<u>\$ 47,865</u>	<u>\$ 9,222,142</u>

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**STATE OF TENNESSEE**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balances**  
**Governmental Fund Type Component Units**  
**For the Fiscal Year Ended June 30, 2020**  
**(Expressed in Thousands)**

	<u>Tennessee Student Assistance Corporation</u>	<u>Tennessee Community Services Agency</u>	<u>Total Governmental Fund Type Component Units</u>
<b>REVENUES</b>			
Interest on investments	\$ 465	\$ 3	\$ 468
Departmental services	112,404	4,135	116,539
Other	67	-	67
Total revenues	<u>112,936</u>	<u>4,138</u>	<u>117,074</u>
<b>EXPENDITURES</b>			
Education	113,699	-	113,699
Health and social services	-	4,345	4,345
Total expenditures	<u>113,699</u>	<u>4,345</u>	<u>118,044</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(763)</u>	<u>(207)</u>	<u>(970)</u>
Fund balances, July 1	<u>8,230</u>	<u>852</u>	<u>9,082</u>
Fund balances, June 30	<u>\$ 7,467</u>	<u>\$ 645</u>	<u>\$ 8,112</u>
<b>Reconciliation to net position:</b>			
Fund balances per above	\$ 7,467	\$ 645	\$ 8,112
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	1	8	9
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund.	(461)	(169)	(630)
Resources and obligations related to pension and other postemployment benefits are not available nor due and payable, respective, in the current period and therefore are not reported in the fund.	<u>(2,005)</u>	<u>7,500</u>	<u>5,495</u>
Net position on statement of net position	<u>\$ 5,002</u>	<u>\$ 7,984</u>	<u>\$ 12,986</u>

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# SUPPLEMENTARY SCHEDULES

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**STATE OF TENNESSEE**  
**Debt Service Requirements to Maturity**  
**General Obligation Bonds**  
**June 30, 2020**

**Schedule 1**

(Expressed in Thousands)

For the Year Ended June 30	<u>General Long-Term Debt</u>			<u>Facilities Revolving Fund Debt</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total Require- ments</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Require- ments</u>
2021	\$ 142,111	\$ 66,962	\$ 209,073	\$ 13,299	\$ 5,754	\$ 19,053
2022	142,361	60,402	202,763	13,349	5,102	18,451
2023	135,132	53,995	189,127	12,618	4,466	17,084
2024	132,819	48,322	181,141	12,276	3,916	16,192
2025	125,797	43,073	168,870	12,144	3,415	15,559
2026	123,913	37,786	161,699	11,817	2,895	14,712
2027	118,465	32,702	151,167	10,210	2,413	12,623
2028	114,270	27,860	142,130	9,615	1,982	11,597
2029	107,193	23,074	130,267	8,208	1,578	9,786
2030	84,277	18,756	103,033	6,774	1,227	8,001
2031	74,568	15,092	89,660	5,337	945	6,282
2032	67,928	11,831	79,759	4,102	730	4,832
2033	45,965	9,217	55,182	3,810	547	4,357
2034	39,378	7,183	46,561	3,392	371	3,763
2035	39,378	5,248	44,626	3,392	201	3,593
2036	36,403	3,385	39,788	817	96	913
2037	22,412	1,944	24,356	498	63	561
2038	13,658	1,072	14,730	461	39	500
2039	6,187	419	6,606	217	16	233
2040	6,187	140	6,327	217	6	223
TOTALS	<u>\$ 1,578,402</u>	<u>\$ 468,463</u>	<u>\$ 2,046,865</u>	<u>\$ 132,553</u>	<u>\$ 35,762</u>	<u>\$ 168,315</u>



**STATE OF TENNESSEE**  
**Schedule of Outstanding Debt**  
**All Fund Types**  
**For the Last Five Fiscal Years**

**Schedule 2**

(Expressed in Thousands)

	June 30				
	2016	2017	2018	2019	2020
<b>Internal service funds:</b>					
General obligation commercial paper	\$ 17,310	\$ 12,788	\$ 13,767	\$ 25,130	\$ 15,063
Facilities Revolving Fund general obligation bonds	185,009	167,529	156,640	142,172	132,553
	202,319	180,317	170,407	167,302	147,616
<b>General long-term debt:</b>					
General obligation bonds	1,714,196	1,738,001	1,741,155	1,596,443	1,578,402
General obligation commercial paper	228,226	180,168	151,409	212,266	105,933
	1,942,422	1,918,169	1,892,564	1,808,709	1,684,335
Totals for primary government	\$ 2,144,741	\$ 2,098,486	\$ 2,062,971	\$ 1,976,011	\$ 1,831,951

**STATE OF TENNESSEE**  
**Schedule of General Obligation**  
**Commercial Paper Outstanding- By Purpose**  
**All Fund Types**  
**June 30, 2020**

**Schedule 3**

(Expressed in Thousands)

<b>General obligation commercial paper - Tax exempt</b>	\$ 80,133
Purpose: To finance the construction, improvements, repairs, and replacements of buildings and facilities and the acquisition of land, equipment and other property of the state.	
 <b>General obligation commercial paper - Taxable</b>	40,863
Purpose: To finance improvements to certain other projects and grants to local governments when tax-exempt is not the ideal funding source.	
 Total Outstanding	\$ 120,996

**STATE OF TENNESSEE**  
**Schedule of Outstanding Debt**  
**Component Units**  
**For the Last Five Fiscal Years**

Schedule 4

(Expressed in Thousands)

	<b>June 30</b>				
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Component units:					
Local Development Authority bonds	\$ 3,929	\$ 3,130	\$ 2,521	\$ 2,003	\$ 1,543
Tennessee Housing Development Agency bonds	1,875,620	1,944,050	2,089,025	2,575,725	2,816,040
Veterans' Homes Board loan	5,217	5,106	4,255	3,763	3,391
Tennessee State School Bond Authority bonds	2,077,220	2,002,387	2,208,003	2,125,541	2,288,441
Tennessee State School Bond Authority revolving credit	84,480	188,152	95,299	178,739	74,481
University of Tennessee notes	94	75	55	-	-
University of Tennessee bonds	70,814	68,283	65,676	62,987	60,247
State University and Community College System notes	941	840	1,372	1,370	6,046
State University and Community College System bonds	100	-	-	-	-
State University and Community College System commercial paper	3,362	3,222	2,722	2,037	1,577
State University and Community College System loans	-	-	-	-	730
	<u>\$ 4,121,777</u>	<u>\$ 4,215,245</u>	<u>\$ 4,468,928</u>	<u>\$ 4,952,165</u>	<u>\$ 5,252,496</u>

**STATE OF TENNESSEE**  
**Comparative Schedules of Revenues by Source**  
**General Fund**  
**For the Fiscal Years Ended June 30, 2020 and 2019**  
**(Expressed in Thousands)**

Schedule 5

<u>Revenue by Source</u>	For the Year Ended	
	June 30, 2020	June 30, 2019
Taxes:		
Sales and use	\$ 3,988,573	\$ 3,888,105
Gasoline	9,348	9,969
Motor fuel	2,065	2,087
Gasoline inspection	706	764
Total fuel taxes	12,119	12,820
Franchise	986,264	1,018,868
Excise	1,684,492	1,531,385
Gross receipts	387,246	388,135
Beer	14,836	14,817
Alcoholic beverage	75,824	70,246
Mixed drink	57,606	68,067
Tobacco	29,207	29,035
Business	278,896	263,348
Insurance companies premium	1,047,167	995,149
Retaliatory	11,731	9,425
Workers compensation premium	36,533	37,423
Enhanced coverage	707,370	326,782
Medicaid provider	10,988	11,131
Fantasy Sports	290	340
Other	1,254	1,598
Total business tax	5,329,704	4,765,749
Income	150,709	203,818
Privilege	377,586	372,050
Inheritance and estate	1,438	2,221
Other	5,629	5,710
Total other taxes	535,362	583,799
Total taxes	9,865,758	9,250,473
Licenses, fines, fees and permits:		
Motor vehicle registration	50,846	52,317
Motor vehicle title registration fees	19,531	20,901
Drivers licenses	35,865	37,878
Arrests, fines and fees	7,012	9,091
Regulatory board fees	179,724	173,997
Other	205,623	217,435
Total licenses, fines, fees and permits	498,601	511,619
Investment income	122,768	154,441
Federal	11,576,654	10,024,723
Departmental services:		
Charges to the public	284,655	269,035
Interdepartmental charges	886,217	859,194
Charges to cities, counties, etc.	1,030,473	953,425
Other	1,057	-
Total departmental services	2,202,402	2,081,654
Other	228,257	178,283
Total revenues by source	\$ 24,494,440	\$ 22,201,193

**STATE OF TENNESSEE**  
**Comparative Schedules of Expenditures by**  
**Function and Department**  
**General Fund**  
**For the Fiscal Years Ended June 30, 2020 and 2019**  
**(Expressed in Thousands)**

Schedule 6

<u>Expenditures by Function and Department</u>	For the Year Ended	
	June 30, 2020	June 30, 2019
General government:		
Legislative	\$ 48,688	\$ 46,996
Secretary of State	43,082	42,978
Comptroller	108,808	102,358
Treasurer	54,980	53,491
Governor	5,233	5,109
Commissions	91,518	82,786
Finance and Administration	186,331	183,751
General Services	29,404	27,080
Revenue	117,486	117,209
Miscellaneous Appropriations	-	-
Total general government	685,530	661,758
Health and social services:		
Veterans Services	7,908	10,789
Labor and Workforce Development	182,838	178,882
TennCare	12,551,724	11,618,602
Mental Health	406,863	387,679
Intellectual Disabilities	146,245	151,892
Health	752,592	633,847
Human Services	2,373,112	2,107,597
Children's Services	933,456	918,364
Total health and social services	17,354,738	16,007,652
Law, justice and public safety:		
Judicial	412,334	398,406
Correction	1,030,535	1,005,154
Probation and Paroles	8,520	8,314
Military	264,835	114,800
Bureau of Criminal Investigation	91,901	85,727
Safety	257,759	248,661
Total law, justice and public safety	2,065,884	1,861,062
Recreation and resource development:		
Agriculture	180,164	93,510
Tourist Development	26,800	30,817
Environment and Conservation	235,101	246,140
Economic and Community Development	172,375	210,992
Total recreation and resources development	614,440	581,459
Regulation of business and professions:		
Commerce and Insurance	96,358	94,194
Financial Institutions	21,817	20,917
Total regulation of business and professions	118,175	115,111
Intergovernmental revenue sharing	1,000,870	987,931
Total expenditures by function and department	\$ 21,839,637	\$ 20,214,973

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# STATISTICAL SECTION

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## STATISTICAL SECTION

This part of the State of Tennessee’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the state’s overall financial health.

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the state’s financial performance and well-being have changed over time.	<b>232</b>
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the state’s most significant local revenue sources, the sales tax.	<b>237</b>
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the state’s current levels of outstanding debt and the state’s ability to issue additional debt in the future.	<b>239</b>
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the state’s financial activities take place.	<b>241</b>
<b>Operating Information</b> These schedules contain service and infrastructure data to help the reader understand how the information in the state’s financial report relates to the services the state provides and the activities it performs.	<b>242</b>
<b>Component Units</b> These schedules contain debt information related to the University of Tennessee and the Tennessee Board of Regent’s institutions – component units of the state. The schedules assist in understanding the resources available to pay debt service.	<b>245</b>
<b>National Federation of Municipal Analysts Recommended Disclosures for State Debt</b>	<b>250</b>

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. No adjustments have been made for prior period adjustments.

**STATE OF TENNESSEE  
FINANCIAL TRENDS - CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS**

(accrual basis of accounting, expressed in thousands)

(continued on next page)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>FOR THE FISCAL YEAR ENDED JUNE 30,</b>										
<b>Expenses</b>										
<b>Governmental activities:</b>										
General government	\$ 1,048,423	\$ 942,465	\$ 987,800	\$ 959,641	\$ 858,569	\$ 981,862	\$ 961,058	\$ 870,036	\$ 937,895	\$ 1,143,546
Education	7,127,705	7,018,189	7,083,806	7,383,077	7,302,492	7,507,413	7,927,694	8,234,390	8,576,479	8,898,197
Health and social services	13,739,733	13,952,342	14,079,889	13,912,421	14,258,216	14,930,669	14,976,007	15,192,989	15,168,397	16,603,681
Law, justice, and public safety	1,436,045	1,567,730	1,539,288	1,612,248	1,522,333	1,605,231	1,692,610	1,784,864	1,848,904	2,127,958
Recreation and resources development	606,317	646,494	554,421	646,781	666,997	665,491	628,906	716,104	719,649	786,375
Regulation of business and professions	127,887	126,395	158,228	158,644	175,667	194,662	205,684	215,749	217,075	211,446
Transportation	911,666	1,012,399	1,062,091	1,126,744	1,126,447	1,045,959	1,282,462	1,213,247	1,474,457	1,507,127
Intergovernmental revenue sharing	825,777	851,535	844,628	897,312	980,258	1,045,095	1,073,737	1,309,519	1,388,848	1,407,229
Interest on long-term debt	63,555	62,119	71,933	67,520	60,622	60,891	58,503	62,430	62,928	58,733
Payments to fiduciary fund	631,114	58,453	22,386	827	400	680	664	372	0	0
Total governmental activities expenses	25,950,222	26,238,121	26,404,480	26,765,215	26,952,001	28,037,953	28,807,325	29,599,700	30,394,632	32,744,292
<b>Business-type activities:</b>										
Employment security (1)	1,613,716	1,232,324	750,529	451,470	289,415	241,852	232,690	222,988	205,234	3,969,607
Insurance programs	552,626	540,746	544,250	541,205	556,634	585,757	620,734	620,005	672,422	677,269
Loan programs	1,561	1,757	1,577	1,469	1,493	1,865	1,710	1,705	1,613	1,842
Other	25	620	163	76	68	367	216	1,014	305	83
Total business-type activities expenses	2,167,928	1,775,447	1,296,519	994,220	847,610	829,841	855,330	845,712	879,574	4,648,801
<b>Total primary government expenses</b>	<b>\$ 28,118,150</b>	<b>\$ 28,013,568</b>	<b>\$ 27,700,999</b>	<b>\$ 27,759,435</b>	<b>\$ 27,799,611</b>	<b>\$ 28,867,794</b>	<b>\$ 29,662,675</b>	<b>\$ 30,445,412</b>	<b>\$ 31,274,206</b>	<b>\$ 37,393,093</b>
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
Charges for services:										
General government	\$ 856,264	\$ 673,945	\$ 775,135	\$ 812,528	\$ 787,280	\$ 796,608	\$ 784,087	\$ 1,019,219	\$ 1,045,776	\$ 1,066,858
Education	50,052	56,898	85,722	73,276	58,961	50,274	40,849	38,385	30,633	70,672
Health and social services	724,971	772,850	714,788	756,038	957,133	1,030,133	1,189,026	1,071,646	1,130,530	1,248,321
Law, justice, and public safety	120,137	125,879	139,622	140,123	137,905	161,110	168,808	161,132	159,868	153,575
Recreation and resources development	139,302	151,545	155,422	145,675	153,788	164,390	169,896	175,065	184,084	175,672
Regulation of business and professions	149,090	168,590	154,896	165,611	182,959	200,087	194,108	214,121	203,660	208,333
Transportation	29,769	29,601	35,470	31,863	45,840	56,466	59,301	63,670	65,208	57,902
Operating grants and contributions	12,677,291	11,897,517	11,697,733	11,355,859	11,291,412	11,930,270	11,742,175	12,064,641	11,974,935	13,456,925
Capital grants and contributions	901,798	903,281	772,061	762,251	727,573	686,774	695,029	738,173	725,242	948,533
Total governmental activities program revenues	15,648,674	14,780,106	14,530,849	14,243,224	14,342,851	15,076,112	15,043,279	15,546,052	15,519,936	17,386,791
<b>Business-type activities:</b>										
Charges for services:										
Employment security	754,108	769,446	632,408	370,752	343,808	290,005	288,964	260,627	256,943	286,104
Insurance programs	547,207	542,756	569,982	598,209	581,436	565,174	599,635	652,846	702,429	719,987
Loan programs	17,350	15,600	12,450	8,897	8,865	9,214	10,255	11,386	11,850	12,233
Other	206	133	231	221	230	239	236	242	155	342
Operating grants and contributions (2)	1,035,693	749,005	327,928	134,026	64,053	85,287	57,418	88,198	76,576	3,696,938
Total business-type activities program revenues	2,354,564	2,076,940	1,542,999	1,112,105	998,392	949,919	956,508	1,013,299	1,047,953	4,715,604
<b>Total primary government program revenues</b>	<b>\$ 18,003,238</b>	<b>\$ 16,857,046</b>	<b>\$ 16,073,848</b>	<b>\$ 15,355,329</b>	<b>\$ 15,341,243</b>	<b>\$ 16,026,031</b>	<b>\$ 15,999,787</b>	<b>\$ 16,559,351</b>	<b>\$ 16,567,889</b>	<b>\$ 22,102,395</b>
<b>Net (Expense)/Revenue</b>										
<b>Governmental activities</b>	\$ (10,301,548)	\$ (11,458,015)	\$ (11,873,631)	\$ (12,521,991)	\$ (12,609,150)	\$ (12,961,841)	\$ (13,764,046)	\$ (14,053,648)	\$ (14,874,696)	\$ (15,357,501)
<b>Business-type activities</b>	186,636	301,493	246,480	117,885	150,782	120,078	101,158	167,587	168,379	66,803
<b>Total primary government net expense</b>	<b>\$ (10,114,912)</b>	<b>\$ (11,156,522)</b>	<b>\$ (11,627,151)</b>	<b>\$ (12,404,106)</b>	<b>\$ (12,458,368)</b>	<b>\$ (12,841,763)</b>	<b>\$ (13,662,888)</b>	<b>\$ (13,886,061)</b>	<b>\$ (14,706,317)</b>	<b>\$ (15,290,698)</b>

**STATE OF TENNESSEE**  
**FINANCIAL TRENDS - CHANGES IN NET POSITION**  
(continued) LAST TEN FISCAL YEARS  
(accrual basis of accounting, expressed in thousands)

	FOR THE FISCAL YEAR ENDED JUNE 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Sales and use	\$ 6,461,461	\$ 6,884,762	\$ 7,018,128	\$ 7,276,443	\$ 7,713,695	\$ 8,258,134	\$ 8,547,149	\$ 8,831,333	\$ 9,351,611	\$ 9,624,865
Fuel	846,384	842,133	834,956	843,164	862,156	899,631	915,415	1,099,342	1,170,828	1,189,072
Business	3,536,200	3,926,566	4,122,814	3,948,253	4,336,333	4,631,629	5,206,841	5,196,013	5,326,127	5,546,908
Other	525,192	608,762	648,193	641,244	719,370	722,040	627,070	624,585	607,748	543,952
Unrestricted investment earnings	4,602	772	4,144	7,079	6,121	15,076	36,148	84,104	151,602	108,918
Miscellaneous	217,630	253,489	282,705	221,138	224,064	243,432	234,586	284,299	193,899	239,300
Contributions to permanent funds	180	174	180	547	136	170	2,624	142	145	143
Transfers	(2,134)	(4,655)	(4,256)	(4,622)	(8,046)	(1,096)	(5,290)	(4,715)	(18,521)	(7,558)
Total governmental activities	11,589,515	12,512,003	12,906,864	12,933,246	13,853,829	14,769,016	15,564,543	16,115,103	16,783,439	17,245,600
Business-type activities:										
Transfers	2,134	4,655	4,256	4,622	8,046	1,096	5,290	4,715	18,521	7,558
Total business-type activities	2,134	4,655	4,256	4,622	8,046	1,096	5,290	4,715	18,521	7,558
Total primary government general revenues and other changes in net position	\$ 11,591,649	\$ 12,516,658	\$ 12,911,120	\$ 12,937,868	\$ 13,861,875	\$ 14,770,112	\$ 15,569,833	\$ 16,119,818	\$ 16,801,960	\$ 17,253,158
<b>Changes in Net Position</b>										
Governmental activities	\$ 1,287,967	\$ 1,053,988	\$ 1,033,233	\$ 411,255	\$ 1,244,679	\$ 1,807,175	\$ 1,800,497	\$ 2,061,455	\$ 1,908,743	\$ 1,888,099
Business-type activities	188,770	306,148	250,736	122,507	158,828	121,174	106,448	172,302	186,900	74,361
Total primary government	\$ 1,476,737	\$ 1,360,136	\$ 1,283,969	\$ 533,762	\$ 1,403,507	\$ 1,928,349	\$ 1,906,945	\$ 2,233,757	\$ 2,095,643	\$ 1,962,460

(1) The increase in expenses in the employment security program between fiscal years 2019 and 2020 was due to the extra benefits provided to the unemployed in response to the pandemic.

(2) The increase in operating grants and contributions for business-type activities between fiscal years 2019 and 2020 is primarily because of the extra benefits provided to the unemployed in response to the pandemic.



**STATE OF TENNESSEE**  
**FINANCIAL TRENDS - NET POSITION BY COMPONENT**  
 LAST TEN FISCAL YEARS  
 (accrual basis of accounting, expressed in thousands)

	FOR THE FISCAL YEAR ENDED JUNE 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Governmental activities</b>										
Net investment in capital assets (3)	\$ 24,346,493	\$ 25,628,600	\$ 26,326,451	\$ 26,855,523	\$ 27,432,234	\$ 28,201,282	\$ 28,617,760	\$ 29,616,706	\$ 30,355,607	\$ 31,425,755
Restricted	1,179,519	1,172,812	1,193,341	1,242,324	1,150,817	1,595,049	1,777,806	2,081,564	2,210,725	2,307,203
Unrestricted (1)(2)	1,330,947	1,183,704	1,458,291	1,299,446	940,922	1,534,817	2,736,079	2,704,085	3,739,918	4,475,212
Total governmental activities net position	\$ 26,856,959	\$ 27,985,116	\$ 28,978,083	\$ 29,397,293	\$ 29,523,973	\$ 31,331,148	\$ 33,131,645	\$ 34,402,355	\$ 36,306,250	\$ 38,208,170
<b>Business-type activities</b>										
Net investment in capital assets	\$ 1,574,664	\$ 1,880,812	\$ 2,134,924	\$ 2,264,747	\$ 2,420,530	\$ 2,541,704	\$ 2,648,152	\$ 2,806,842	\$ 2,993,742	\$ 3,068,103
Unrestricted	1,574,664	1,880,812	2,134,924	2,264,747	2,420,530	2,541,704	2,648,152	2,806,842	2,993,742	3,068,103
Total business-type activities net position	\$ 1,574,664	\$ 1,880,812	\$ 2,134,924	\$ 2,264,747	\$ 2,420,530	\$ 2,541,704	\$ 2,648,152	\$ 2,806,842	\$ 2,993,742	\$ 3,068,103
<b>Primary Government</b>										
Net investment in capital assets	\$ 24,346,493	\$ 25,628,600	\$ 26,326,451	\$ 26,855,523	\$ 27,432,234	\$ 28,201,282	\$ 28,617,760	\$ 29,616,706	\$ 30,355,607	\$ 31,425,755
Restricted	1,179,519	1,172,812	1,193,341	1,242,324	1,150,817	1,595,049	1,777,806	2,081,564	2,210,725	2,307,203
Unrestricted	2,905,611	3,064,516	3,593,215	3,564,193	3,361,452	4,076,521	5,384,231	5,510,927	6,733,660	7,543,315
Total primary government net position	\$ 28,431,623	\$ 29,865,928	\$ 31,113,007	\$ 31,662,040	\$ 31,944,503	\$ 33,872,852	\$ 35,779,797	\$ 37,209,197	\$ 39,299,992	\$ 41,276,273

- (1) The increase in unrestricted net position between fiscal years 2015 and 2016 was mostly attributable to the increase in cash and cash equivalents caused by a increase in revenue collections from business and sales taxes.
- (2) The increase in unrestricted net position between fiscal years 2016 and 2017 and between 2018 and 2019 was attributable to (1) the increase in cash and cash equivalents caused by an increase in revenue collections from business and sales taxes. The increase between 2016 and 2017 was also attributable to a correction of a federal billing issue from fiscal year 2016.
- (3) The increase in net investment in capital assets between fiscal years 2017 and 2018 was mostly attributable to an increase in infrastructure.

**STATE OF TENNESSEE**  
**FINANCIAL TRENDS - FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
 LAST TEN FISCAL YEARS

(modified accrual basis of accounting, expressed in thousands)

	FOR THE FISCAL YEAR ENDED JUNE 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>General Fund</b>										
Nonspendable	\$ 19,343	\$ 18,609	\$ 21,349	\$ 21,075	\$ 20,184	\$ 18,765	\$ 25,117	\$ 21,208	\$ 23,489	\$ 31,111
Restricted	100,942	63,192	73,346	68,331	69,540	71,304	73,855	73,202	92,579	102,123
Committed	235,301	286,918	355,546	281,969	302,603	314,545	334,316	372,189	362,881	487,351
Assigned (1)	1,179,652	1,250,677	1,585,964	1,138,496	1,285,945	1,612,001	2,263,154	1,949,089	2,298,179	3,265,698
Unassigned	507,501	698,663	476,264	567,286	885,215	1,224,464	1,008,428	1,410,118	1,651,697	1,676,074
<b>Total general fund</b>	<b>\$ 2,042,739</b>	<b>\$ 2,318,059</b>	<b>\$ 2,512,469</b>	<b>\$ 2,077,157</b>	<b>\$ 2,563,487</b>	<b>\$ 3,241,079</b>	<b>\$ 3,704,870</b>	<b>\$ 3,825,806</b>	<b>\$ 4,428,825</b>	<b>\$ 5,562,357</b>
<b>All Other Governmental Funds</b>										
Nonspendable	\$ 144,426	\$ 147,468	\$ 150,579	\$ 153,004	\$ 519,590	\$ 525,078	\$ 531,981	\$ 536,481	\$ 561,387	\$ 569,348
Restricted	951,222	980,972	990,317	1,024,350	575,853	1,020,805	1,207,452	1,507,973	1,583,287	1,667,138
Committed	191,557	344,696	398,864	396,298	389,401	373,312	336,412	379,483	391,014	436,241
Assigned	710,582	672,610	575,300	759,845	736,691	787,006	1,148,144	1,596,551	1,612,649	1,552,641
Unassigned										
<b>Total all other governmental funds</b>	<b>\$ 1,997,787</b>	<b>\$ 2,145,746</b>	<b>\$ 2,115,060</b>	<b>\$ 2,333,497</b>	<b>\$ 2,221,535</b>	<b>\$ 2,706,201</b>	<b>\$ 3,223,989</b>	<b>\$ 4,020,488</b>	<b>\$ 4,148,337</b>	<b>\$ 4,225,368</b>

(1) The increase in assigned fund balance for the general fund is primarily because of an increase in the reserve for supplemental appropriation and an increase in carry forwards.

**STATE OF TENNESSEE  
FINANCIAL TRENDS - CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**  
LAST TEN FISCAL YEARS  
(modified accrual basis of accounting, expressed in thousands)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Revenues</b>										
Taxes	\$ 11,422,284	\$ 12,280,198	\$ 12,605,171	\$ 12,762,694	\$ 13,717,684	\$ 14,536,940	\$ 15,151,281	\$ 15,694,388	\$ 16,391,417	\$ 17,176,466
Licenses, fines, fees, and permits	693,702	731,752	725,785	727,158	799,462	913,535	973,810	1,058,073	1,081,355	1,055,468
Interest on investments	45,089	17,411	35,987	67,117	27,865	56,708	89,231	119,676	234,307	187,336
Federal <sup>(1)</sup>	13,062,451	12,334,256	12,085,185	11,750,878	11,601,522	12,126,450	11,915,967	12,245,029	12,098,767	13,820,131
Departmental services	2,335,508	2,077,429	1,933,141	1,994,334	2,108,043	2,170,683	2,302,179	2,342,471	2,333,469	2,501,103
Other	513,919	595,305	620,555	604,336	584,672	647,996	622,690	734,439	639,714	677,192
<b>Total revenues</b>	<b>28,072,953</b>	<b>28,036,351</b>	<b>28,015,624</b>	<b>27,906,517</b>	<b>28,839,248</b>	<b>30,452,312</b>	<b>31,145,158</b>	<b>32,194,076</b>	<b>32,779,029</b>	<b>35,417,696</b>
<b>Expenditures</b>										
Current:										
General government	563,195	575,919	538,243	553,807	565,415	573,475	654,354	683,678	689,119	710,720
Education	6,978,436	6,828,619	6,875,325	7,182,444	7,140,936	7,322,279	7,778,143	8,134,979	8,364,522	8,357,814
Health and social services	14,873,339	14,807,999	14,668,483	14,493,610	14,906,413	15,600,711	15,655,566	15,875,861	16,007,652	17,354,738
Law, justice, and public safety	1,400,825	1,528,766	1,499,252	1,555,028	1,552,156	1,618,669	1,693,161	1,772,563	1,868,133	2,072,747
Recreation and resources development	682,531	705,043	655,168	711,526	757,166	777,748	736,884	797,848	821,557	849,015
Regulation of business and professions	136,644	135,877	164,673	165,238	187,360	205,850	215,733	222,903	229,082	224,307
Transportation	1,882,068	1,952,887	1,864,946	1,753,581	1,708,328	1,672,379	1,728,331	1,910,831	2,017,320	2,208,900
Intergovernmental revenue sharing	825,777	851,535	844,628	897,312	980,258	1,045,095	1,073,737	1,309,519	1,388,848	1,407,229
Debt service:										
Principal	112,234	115,935	274,858	142,643	313,050	246,503	296,444	267,376	153,111	292,993
Interest	68,496	65,471	76,041	75,155	68,325	67,409	71,817	75,163	75,165	73,246
Debt issuance costs	4,363	4,793	2,659	1,741	1,741	2,324	2,225	2,193	1,741	2,093
Capital outlay	391,519	483,279	515,999	491,072	406,396	469,307	462,231	339,789	408,337	562,098
<b>Total expenditures</b>	<b>27,919,427</b>	<b>28,036,123</b>	<b>27,980,275</b>	<b>28,022,873</b>	<b>28,587,544</b>	<b>29,601,729</b>	<b>30,368,626</b>	<b>31,392,703</b>	<b>32,024,587</b>	<b>34,315,900</b>
<b>Revenues over (under) expenditures</b>	<b>153,526</b>	<b>(19,772)</b>	<b>35,349</b>	<b>(116,356)</b>	<b>251,704</b>	<b>850,583</b>	<b>776,532</b>	<b>801,373</b>	<b>754,442</b>	<b>1,101,796</b>
<b>Other Financing Sources (Uses)</b>										
Bonds and commercial paper issued	307,318	637,868	290,178	91,281	143,200	447,222	274,348	243,419	69,256	187,650
Commercial paper redeemed	(155,382)	(201,235)								
Insurance claim recoveries		2,734	1,061	1,335	1,597	1,288	725	1,058	367	1,099
Premium on bond sale	11,132	37,009			10,508	53,170	42,335	25,282		315
Refunding bonds issued <sup>(2)(3)</sup>	43,014	464,809	25,713							
Refunding bond premium <sup>(2)(3)</sup>	2,122	88,775	11,672							
Refunding payment to escrow <sup>(2)(3)</sup>	(44,816)	(552,898)	(25,473)							
Other	52,741	58,453	22,183	472	(81,092)	(98,159)	(214,016)	(35,976)		
Proceeds from pledged revenue										
Transfers in <sup>(4)</sup>	1,506,489	1,285,701	1,361,860	1,561,780	1,173,753	1,229,231	1,711,662	2,028,533	1,550,136	1,982,336
Transfers out <sup>(4)</sup>	(1,613,711)	(1,366,400)	(1,545,069)	(1,765,453)	(1,206,453)	(1,419,467)	(1,824,459)	(2,225,529)	(1,619,426)	(2,062,633)
<b>Total other financing sources (uses)</b>	<b>108,907</b>	<b>454,876</b>	<b>142,126</b>	<b>(108,555)</b>	<b>122,664</b>	<b>311,675</b>	<b>205,047</b>	<b>72,846</b>	<b>333</b>	<b>108,767</b>
<b>Net Change in Fund Balances</b>	<b>262,433</b>	<b>435,104</b>	<b>177,475</b>	<b>(224,911)</b>	<b>374,368</b>	<b>1,162,258</b>	<b>981,579</b>	<b>874,219</b>	<b>754,775</b>	<b>1,210,563</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	<b>0.6467%</b>	<b>0.6748%</b>	<b>1.3059%</b>	<b>0.8066%</b>	<b>1.3784%</b>	<b>1.0865%</b>	<b>1.2445%</b>	<b>1.1191%</b>	<b>0.7347%</b>	<b>1.0982%</b>

Note: T.C.A. 67-1-1702 requires returns, tax information, and tax administration information to remain confidential except as authorized by said T.C.A.

(1) The state issued approximately \$500 million more in refunding bonds in FY 2012 than in the prior year resulting in significant increases to refunding bonds issued, premiums and payments to escrow.

(2) The state issued approximately \$500 million less in refunding bonds in FY 2013 than in the prior year resulting in significant decreases to refunding bonds issued, premiums and payments to escrow.

(3) The decrease in transfers out between 2014 and 2015 was due primarily to a reduction of transfers out from the General Fund to the Capital Projects fund, and transfers out for the leasing of buildings.

(4) The decrease in transfers out between 2018 and 2019 was due primarily to a reduction of transfers out from the General Fund to the Capital Projects fund, and to the Highway fund.

Schedule 5

STATE OF TENNESSEE  
REVENUE CAPACITY - TAXABLE SALES BY CLASSIFICATION  
LAST TEN CALENDAR YEARS  
(expressed in millions)

	FOR THE CALENDAR YEAR ENDED DECEMBER 31,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Auto dealers	\$ 7,671	\$ 8,429	\$ 9,275	\$ 9,827	\$ 10,558	\$ 11,791	\$ 12,614	\$ 12,874	\$ 13,340	\$ 13,643
Purchases from manufacturers	3,656	4,009	4,042	4,170	4,460	4,877	5,206	5,479	5,926	6,341
Miscellaneous durable goods	14,494	15,583	16,372	16,805	17,545	18,618	20,136	21,361	22,648	23,604
Eating and drinking places	9,057	9,507	10,198	10,576	11,196	12,032	12,613	12,922	13,698	15,061
Food stores	8,884	9,216	9,690	10,249	10,695	11,101	11,511	12,116	12,789	13,286
Liquor stores	685	728	793	836	894	971	974	908	973	1,037
Hotels and motels	2,067	2,333	2,488	2,539	2,881	3,222	3,601	3,610	3,845	4,758
Other retail and service	27,315	28,756	30,178	31,134	32,885	34,917	36,531	38,039	41,290	43,855
Miscellaneous nondurable goods	7,645	7,987	8,423	8,693	9,048	9,468	9,907	9,879	10,417	10,756
Transportation, communication	6,921	7,085	6,560	6,396	6,306	6,492	6,590	6,899	8,822	8,588
Total taxable sales	\$ 88,395	\$ 93,633	\$ 98,019	\$ 101,225	\$ 106,468	\$ 113,489	\$ 119,483	\$ 125,287	\$ 133,758	\$ 140,929

Source: An Economic Report to the Governor of the State of Tennessee January 2020

Schedule 6

STATE OF TENNESSEE  
REVENUE CAPACITY - SALES AND USE TAX RATES  
LAST TEN FISCAL YEARS  
(expressed in thousands)

	FOR THE FISCAL YEAR ENDED JUNE 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Rate applied to gross proceeds derived from the retail sale or use of tangible personal property and specific services	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
Rates for specific items or services:										
Retail sale of food and food ingredients for human consumption (except vending machines)	5.50%	5.50%	5.50%	5.25%	5.00%	5.00%	5.00%	4.00%	4.00%	4.00%
Energy fuels used by manufacturers and nurserymen	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Water used by manufacturers	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Manufactured homes	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Aviation fuel	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
Common carriers	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%
Interstate telecommunication services sold to businesses	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
Cable and wireless TV (between \$15 and \$27.50) and satellite services	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%
Additional tax added to the general rate for single article sales of personal property (\$1,601 to \$3,200)	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%

Source: State of Tennessee Budget; Department of Finance and Administration, Division of Budget  
Note: Please see the Budget Document for more information on the sales and use tax basis of apportionment.

**STATE OF TENNESSEE**  
**REVENUE CAPACITY - SALES AND USE TAX COLLECTIONS BY TAXPAYER CLASSIFICATION**  
**LAST TEN FISCAL YEARS**  
 (expressed in thousands)

	FOR THE FISCAL YEAR ENDED JUNE 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Retail:</b>										
Building materials	\$ 316,016	\$ 355,263	\$ 354,513	\$ 371,086	\$ 392,853	\$ 430,312	\$ 468,750	\$ 492,326	\$ 528,112	\$ 585,686
General merchandise	817,350	840,896	836,055	845,407	854,971	889,297	895,864	881,916	883,068	911,558
Food stores	517,420	549,402	546,972	555,692	579,660	595,739	618,427	571,341	580,520	629,611
Auto dealers and service stations	760,119	830,875	869,748	933,751	1,013,333	1,123,746	1,177,213	1,184,189	1,230,277	1,273,167
Apparel and accessory stores	194,172	205,480	215,308	217,170	228,680	238,993	239,541	242,207	254,355	232,224
Furniture and home furnishings	214,575	224,096	221,025	228,231	250,667	268,657	281,955	291,561	301,500	302,089
Eating and drinking places	615,741	653,210	681,255	706,095	757,929	809,367	838,150	845,819	928,084	911,187
Miscellaneous retail stores	578,884	613,097	637,761	664,927	736,728	812,020	818,129	848,254	895,942	973,829
Total retail	4,014,277	4,262,319	4,362,637	4,522,359	4,814,821	5,168,131	5,338,029	5,357,613	5,601,858	5,819,351
<b>Services:</b>										
Hotels and lodging places	144,129	160,868	164,403	175,227	198,123	224,621	236,505	238,462	278,372	258,284
Personal services	46,923	47,932	49,145	49,724	52,239	52,236	52,465	53,561	56,184	51,283
Business services	236,982	249,083	260,000	273,397	276,961	298,046	304,629	322,692	381,851	420,766
Auto repair, services, and parking	160,268	176,923	172,698	178,693	189,611	204,497	208,532	215,481	235,740	254,280
Miscellaneous repair services	23,189	24,384	25,636	26,807	27,823	31,070	32,770	32,560	35,385	42,269
Motion pictures	17,794	18,972	18,323	18,900	18,160	19,341	19,517	18,459	22,196	21,255
Amusement services	60,071	63,922	69,280	73,891	81,249	90,027	96,706	103,495	118,017	113,024
Health services	13,683	15,122	10,750	15,463	14,493	17,232	17,497	17,497	17,274	21,853
Other services	40,752	42,200	37,140	40,659	43,803	46,006	43,365	41,153	61,805	64,392
Total services	743,791	799,406	807,375	852,761	904,925	983,076	1,011,986	1,043,360	1,206,824	1,247,406
<b>Non-retail, non-services:</b>										
Agriculture, forestry, fishing	7,259	7,257	7,096	7,304	7,189	7,957	7,939	7,835	7,886	8,886
Mining	5,741	6,491	5,814	6,765	6,491	7,727	7,787	8,153	9,005	10,016
Construction	48,503	49,782	51,094	54,483	56,717	65,278	65,093	76,564	77,913	93,038
Manufacturing	241,844	255,062	256,157	264,955	289,940	317,036	336,122	350,115	386,048	411,045
Transportation	38,345	43,525	40,728	29,009	33,272	33,769	31,262	35,741	42,624	64,255
Communications	430,847	416,347	387,780	379,013	393,980	391,511	416,319	524,788	530,000	496,669
Electric, gas, and sanitary services	237,479	239,531	239,441	245,644	252,014	247,867	260,315	263,119	269,974	263,079
Wholesale trade	398,111	438,113	436,411	447,524	460,079	499,421	527,466	551,886	606,481	621,583
Finance, insurance, real estate	14,027	13,847	14,620	15,207	18,676	22,661	29,816	32,953	37,674	40,508
Total non-retail, non-services	1,422,156	1,469,955	1,439,141	1,449,904	1,520,689	1,593,227	1,682,119	1,851,154	1,967,605	2,009,079
County Clerk	120,986	134,188	133,101	143,818	152,856	172,516	184,186	194,694	206,532	205,404
Consumer Use Tax	4,695	6,334	4,293	5,636	6,006	6,138	5,774	9,354	10,714	15,865
Flood Relief Tax Rebate	(2,649)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Disaster Relief Tax Rebate	N/A	(121)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Unclassified	N/A	208,275	258,465	279,555	278,851	305,095	321,652	431,459	417,390	359,511
Grand Total	\$ 6,303,256	\$ 6,880,356	\$ 7,005,012	\$ 7,254,033	\$ 7,678,148	\$ 8,228,183	\$ 8,543,746	\$ 8,887,634	\$ 9,410,923	\$ 9,656,616
Grand total as a percent of annual aggregate state tax collections	59.97%	60.62%	59.76%	61.62%	60.53%	61.08%	61.05%	61.01%	61.22%	63.96%

Source: Revenue Collections Reports, Tennessee Department of Revenue  
 Notes: T.C.A. 67-1-1702 requires returns, tax information and tax administration information to remain confidential except as authorized by said T.C.A.  
 N/A means not available

Disaster relief includes May 2010 flood tax rebate, April 2011 disaster relief, and sales tax rebate on storm shelters.  
 The 2012 report differed from the 2013 report in that it did not include Unclassified as a category. However, the 2013 report included the amount for 2012 and 2013. FY 2012 grand total was revised to include this amount.  
 The 2018 report differed from the 2017 report for the total reported for Unclassified. FY 2017 was revised to reflect the amount reported in FY 2018.

**STATE OF TENNESSEE**  
**DEBT CAPACITY - RATIOS OF OUTSTANDING DEBT BY TYPE**  
 LAST TEN FISCAL YEARS  
 (expressed in thousands; except for per capita)

	FOR THE FISCAL YEAR ENDED JUNE 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Governmental activities debt:</b>										
General obligation bonds	\$ 1,754,208	\$ 2,112,602	\$ 2,172,630	\$ 1,996,458	\$ 1,960,437	\$ 2,124,897	\$ 2,162,881	\$ 2,160,357	\$ 1,979,589	\$ 1,949,715
General obligation commercial paper	214,217	197,770	215,146	324,366	197,686	245,536	192,956	165,176	237,396	120,996
Capital leases	15,503	14,666	13,790	21,798	20,599	20,943	19,594	17,500	16,538	14,783
Amortities	1,983,928	2,325,038	2,401,566	2,342,622	2,178,722	2,389,853	2,375,231	2,343,833	2,234,223	2,087,194
Total governmental activities debt	\$ 1,983,928	\$ 2,325,038	\$ 2,401,566	\$ 2,342,622	\$ 2,178,722	\$ 2,389,853	\$ 2,375,231	\$ 2,343,833	\$ 2,234,223	\$ 2,087,194
<b>Business-type activities debt:</b>										
General obligation bonds										
Total business-type activities debt										
Total primary government debt	\$ 1,983,928	\$ 2,325,038	\$ 2,401,566	\$ 2,342,622	\$ 2,178,722	\$ 2,389,853	\$ 2,375,231	\$ 2,343,833	\$ 2,234,223	\$ 2,087,194
<b>Debt Ratios</b>										
Personal income	\$ 232,832,000	\$ 243,018,000	\$ 256,814,000	\$ 266,467,000	\$ 277,316,000	\$ 287,851,000	\$ 298,646,000	\$ 318,668,000	\$ 333,927,000	N/A
Ratio of total debt to personal income	0.85%	0.96%	0.94%	0.88%	0.79%	0.83%	0.80%	0.74%	0.67%	
Population	6,403	6,456	6,496	6,549	6,600	6,651	6,716	6,770	6,829	N/A
Net general bonded debt per capita	\$ 307	\$ 358	\$ 368	\$ 354	\$ 327	\$ 359	\$ 354	\$ 344	\$ 327	
<b>General Bonded Debt:</b>										
General obligation bonds	\$ 1,754,208	\$ 2,112,602	\$ 2,172,630	\$ 1,996,458	\$ 1,960,437	\$ 2,124,897	\$ 2,162,881	\$ 2,160,357	\$ 1,979,589	\$ 1,949,715
General obligation commercial paper	214,217	197,770	215,146	324,366	197,686	245,536	192,956	165,176	237,396	120,996
Assets restricted for debt principal										
Total net bonded debt	\$ 1,968,425	\$ 2,310,372	\$ 2,387,776	\$ 2,320,824	\$ 2,158,123	\$ 2,370,433	\$ 2,355,837	\$ 2,325,533	\$ 2,216,985	\$ 2,070,711
<b>Debt Ratios</b>										
Ratio of net bonded debt to total of pledged revenues	41.09%	41.65%	43.11%	42.55%	50.24%	49.20%	52.98%	57.70%	60.52%	68.79%

Source: State of Tennessee Comprehensive Annual Financial Report and the University of Tennessee Economic Report to the Governor  
 Notes: (1) N/A - not available because the source did not provide the data.  
 (2) See Schedule 10 for personal income and population data.  
 (3) Details of the state's debt can be found in Note 12 in the basic financial statements.

**STATE OF TENNESSEE**  
**DEBT CAPACITY - LEGAL DEBT SERVICE MARGIN INFORMATION**  
 LAST TEN FISCAL YEARS  
 (expressed in thousands)

**Debt Capacity(1)\***

State tax revenues allocated for FYE June 30, 2019 to:

General fund	\$ 12,666,950 *
Debt service fund	970,711 *
Highway fund	353,796 *
Total allocated revenues	<u>\$ 13,991,457</u>

Legal debt service limit (10% of total allocated revenues) 1,399,146

Less: maximum annual debt service at June 30, 2020 228,126 \*

Legal debt service margin \$ 1,171,020

\* Obtained from the Office of State and Local Finance

**Debt Capacity- Ten Year Trend(1)**

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt limit	\$ 557,098	\$ 641,583	\$ 686,288	\$ 648,934	\$ 637,424	\$ 1,168,731	\$ 1,240,437	\$ 1,291,287	\$ 1,325,575	\$ 1,399,146
Total net debt service applicable to limit	203,866	209,820	243,779	227,401	225,620	241,023	240,693	238,098	229,977	228,126
Legal debt service margin	<u>\$ 353,232</u>	<u>\$ 431,763</u>	<u>\$ 442,509</u>	<u>\$ 421,533</u>	<u>\$ 411,804</u>	<u>\$ 927,708</u>	<u>\$ 999,744</u>	<u>\$ 1,053,189</u>	<u>\$ 1,095,598</u>	<u>\$ 1,171,020</u>
Legal debt service margin as a percentage of the debt limit	63.41%	67.30%	64.48%	64.96%	64.60%	79.38%	80.60%	81.56%	82.65%	83.70%

(1) Prior to July 1, 2013, in order to issue debt, the state had to have accumulated 150% of the amount necessary to pay annual interest and principal on debt obligations. As of July 1, 2013, the debt capacity test will be calculated as shown under the debt capacity heading. The debt capacity test is based on the allocated tax revenues of the immediately preceding fiscal year.

**Pledged Revenues(2)**

	Portion Pledged	Collections for Fiscal Year 2020 All Governmental Fund Types	Fiscal Year 2020 Pledged Amount
Gasoline tax	25%	\$ 832,355	\$ 208,089
Petroleum products fee	100%	67,075	67,075
Motor vehicle registration fee	50%	290,208	145,104
Franchise tax	100%	1,004,263	1,004,263
		<u>\$ 2,193,901</u>	<u>\$ 1,424,531</u>

(2) This pledge of "Special Taxes" is made for general obligation bonds issued prior to July 1, 2013. The final maturity of such bonds is October 1, 2032. Thereafter (or upon the earlier retirement of all general obligation bonds issued prior to July 1, 2013), this pledge of special taxes will expire. All state general obligation bonds and notes constitute direct general obligations of the state for the payment of principal and interest on which there is also pledged the full faith and credit of the state.

**STATE OF TENNESSEE  
DEMOGRAPHIC AND ECONOMIC INFORMATION  
FOR THE LAST TEN CALENDAR YEARS  
(expressed in thousands; except per capita)**

	FOR THE CALENDAR YEAR ENDED DECEMBER 31,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Population	6,346	6,403 (est)	6,456 (est)	6,496 (est)	6,549 (est)	6,600 (est)	6,651 (est)	6,716 (est)	6,770 (est)	6,829 (est)
Total personal income	\$ 224,358,000	\$ 232,832,000	\$ 243,018,000	\$ 256,814,000	\$ 266,467,000	\$ 277,316,000	\$ 287,851,000	\$ 298,646,000	\$ 318,668,000	\$ 333,927,000
Per capita personal income	\$ 36,489	\$ 38,233	\$ 39,682	\$ 40,734	\$ 42,241	\$ 44,209	\$ 46,805	\$ 47,472	\$ 49,490	\$ 52,049
Unemployment rate	9.4%	9.1%	8.0%	8.2%	6.9%	5.9%	4.8%	3.0%	3.7%	3.5%
Unemployment rate by sector:										
Trade, Transportation, and Utilities	15.0%	12.9%	11.6%	12.3%	11.9%	7.8%	9.3%	8.8%	5.6%	N/A
Government	4.9%	4.4%	5.6%	5.1%	3.3%	0.2%	0.8%	2.3%	0.9%	N/A
Education and Health Services	3.6%	5.0%	4.9%	5.1%	4.6%	2.6%	3.5%	2.3%	2.3%	N/A
Professional and Business Services	9.0%	11.8%	7.3%	10.1%	8.0%	7.0%	4.6%	5.1%	5.0%	N/A
Manufacturing	13.2%	10.2%	7.7%	6.6%	6.9%	5.7%	7.9%	3.7%	3.5%	N/A
Leisure and Hospitality	12.2%	14.3%	12.2%	7.6%	7.0%	9.4%	6.4%	5.1%	7.4%	N/A
Financial Activities	8.6%	8.0%	4.2%	5.4%	2.4%	3.0%	2.1%	1.0%	0.8%	N/A
Natural Resources, Mining, and Construction	25.1%	20.1%	25.3%	19.2%	9.3%	8.3%	5.3%	3.5%	3.3%	N/A
Other Services	5.1%	8.0%	7.8%	6.3%	4.1%	7.2%	2.8%	1.0%	1.2%	N/A
Information	4.2%	2.8%	6.3%	6.8%	6.6%	N/A	N/A	N/A	N/A	N/A

Source: Population from www.census.gov; Unemployment rate by sector from www.bls.gov  
All other from the University of Tennessee Economic Report to the Governor 2020

Notes: N/A means not available

**STATE OF TENNESSEE  
DEMOGRAPHIC AND ECONOMIC INFORMATION  
FOR THE LAST CALENDAR YEAR  
(expressed in percentage)**

Monthly Unemployment Rate	Calendar Year 2019
	January 3.7%
	February 3.2%
	March 3.3%
	April 2.7%
	May 3.0%
	June 4.0%
	July 4.3%
	August 3.4%
	September 3.0%
	October 3.2%
	November 3.1%
	December 3.1%

Source: <https://www.jobs4tn.gov>



**STATE OF TENNESSEE  
DEMOGRAPHIC AND ECONOMIC INFORMATION - EMPLOYMENT BY INDUSTRY  
PRIOR YEAR AND NINE YEARS AGO**

Industry	2019			2010		
	Number of Employees	Rank	Percentage of Total Nonagricultural Wage and Salary Employment	Number of Employees	Rank	Percentage of Total Nonagricultural Wage and Salary Employment
Trade, Transportation, and Utilities	633,800	1	20.37%	553,200	1	21.15%
Government	440,100	2	14.15%	430,600	2	16.47%
Education and Health Services	438,900	3	14.11%	375,600	3	14.36%
Professional and Business Services	422,800	4	13.59%	308,100	4	11.78%
Manufacturing	358,200	5	11.51%	296,900	5	11.35%
Leisure and Hospitality	353,700	6	11.37%	262,000	6	10.02%
Financial Activities	167,700	7	5.39%	137,100	7	5.24%
Natural Resources, Mining, and Construction	130,800	8	4.20%	105,100	8	4.02%
Other Services	119,000	9	3.83%	101,200	9	3.87%
Information	46,100	10	1.48%	45,300	10	1.73%
<b>Total</b>	<b>3,111,100</b>		<b>100.00%</b>	<b>2,615,100</b>		<b>100.00%</b>

Total State Employment	Calendar Year 2019	3,231,503
	Calendar Year 2010	2,783,080

Source: An Economic Report to the Governor of the State of Tennessee January 2020 and the Tennessee Department of Labor and Workforce Development Website

Note: TCA 50-7-701 states, "Information thus obtained pursuant to the administration hereof shall be held confidential and shall not be published or be open to public inspection in any manner revealing the individual's or the employing unit's identity." This TCA prohibits the release of principal employer information from the Tennessee Department of Labor and Workforce Development. The above schedule is being presented as an alternative to the principal employer schedule.

**STATE OF TENNESSEE  
OPERATING INFORMATION - FULL TIME EMPLOYEES BY FUNCTION  
FOR THE LAST TEN FISCAL YEARS**

Function	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	General government	4,786	4,705	4,703	4,327	4,299	4,348	4,740	5,126	5,471
Education	1,154	1,128	1,259	1,118	1,122	1,167	1,357	1,332	1,317	1,130
Health and social services	17,917	17,453	17,036	16,735	16,209	15,546	15,449	15,366	15,098	15,635
Law, justice and public safety	10,534	10,592	10,940	11,249	10,826	10,675	10,839	10,707	10,518	10,836
Recreation and resources development	3,564	3,515	3,458	3,431	3,441	3,377	3,394	3,420	3,363	3,377
Regulation of business and professions	714	706	711	724	716	688	685	696	725	669
Transportation	3,940	3,809	3,678	3,439	3,355	3,487	3,838	3,953	4,078	4,070
<b>Total</b>	<b>42,609</b>	<b>41,908</b>	<b>41,785</b>	<b>41,023</b>	<b>39,968</b>	<b>39,288</b>	<b>40,302</b>	<b>40,600</b>	<b>40,570</b>	<b>41,220</b>

Source: Department of Human Resources

**STATE OF TENNESSEE**  
**OPERATING INFORMATION - CAPITAL ASSET STATISTICS BY FUNCTION**  
**FOR THE LAST TEN FISCAL YEARS**

Function	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General government										
Motor pool vehicles	7,621	6,530	6,280	6,181	4,462	4,374	4,265	4,272	4,268	4,207
Buildings	109	110	110	97	81	78	79	83	83	81
Machinery and equipment	4,061	4,121	5,895	6,772	6,745	6,896	7,117	7,222	7,211	7,345
Education										
Number of residential schools	5	5	5	5	5	5	5	5	5	4
Machinery and equipment	249	307	229	222	187	211	209	245	242	242
Health and social services										
Buildings	316	314	330	346	340	346	345	345	343	342
Machinery and equipment	2,600	2,862	3,020	3,357	3,499	3,746	3,957	3,602	3,645	3,589
Law, justice and public safety										
Correctional facilities	19	19	20	20	20	19	18	18	18	18
Armories	83	83	83	83	82	82	82	81	81	81
Machinery and equipment	4,424	4,506	5,246	6,441	6,452	6,803	6,772	6,934	7,136	7,586
Recreation and resources development										
Acreage of state parks	173,382	191,563	184,521	188,573	189,102	190,941	200,248	201,925	203,213	210,012
Machinery and equipment	2,912	3,075	3,220	3,198	3,245	3,256	3,344	3,387	3,435	3,522
Regulation of business and professions										
Machinery and equipment	146	151	169	230	240	841	836	816	820	751
Transportation										
State highways (in miles)	13,867	13,877	13,884	13,898	13,884	13,877	13,884	13,890	13,890	14,464
Bridges, state and local highways	19,595	19,659	19,729	19,746	19,776	19,793	19,840	19,858	19,903	19,918
Facilities	122	122	122	122	122	122	122	123	122	122
Buildings	754	754	754	755	754	752	758	769	742	772

Source: various state agencies

Note: (1) In previous years this number included equipment in addition to vehicles. Equipment should not be included.

STATE OF TENNESSEE  
OPERATING INFORMATION - OPERATING INDICATORS  
FOR THE LAST TEN FISCAL YEARS

Function	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>General government</b>										
Tax returns processed (1)	3,538,518	3,670,716	3,914,540	4,682,702	4,519,309	5,068,829	5,326,693	4,518,104	2,117,373	2,115,790
New corporate charters registered	9,717	9,618	9,702	9,781	10,325	10,557	10,794	11,092	11,474	11,337
Investment return on total portfolio	0.12%	0.12%	0.11%	0.12%	0.25%	0.50%	1.05%	2.05%	1.83%	0.21%
Residential and commercial property reappraisals completed	525,516	185,965	1,495,789	640,264	338,538	547,191	1,389,649	549,487	484,498	341,527
<b>Education</b>										
Number of public schools (K-12)	1,736	1,784	1,797	1,823	1,811	1,833	1,819	1,749	1,836	N/A
Enrollment of public schools (K-12)	934,246	935,317	993,256	993,841	995,892	997,893	999,701	975,222	971,956	N/A
Number of high school graduates from public schools	62,147	62,157	62,019	61,838	62,632	64,079	64,987	64,855	61,817	N/A
<b>Health and social services</b>										
TennCare enrollees	1,208,527	1,213,521	1,187,082	1,271,151	1,429,411	1,550,066	1,397,400	1,418,732	1,412,603	1,449,437
Supplemental Nutrition Assistance Program	1,290,200	1,200,000	1,200,000	1,280,000	1,191,500	1,094,644	1,037,928	931,658	889,451	846,867
Percentage of population (3)	20.33%	18.74%	18.59%	19.70%	18.19%	16.59%	15.61%	13.87%	13.14%	12.40%
Temporary assistance recipients	61,500	57,000	57,000	57,000	37,041	29,889	25,496	21,732	19,030	15,746
Percentage of population (3)	0.97%	0.89%	0.88%	0.88%	0.57%	0.45%	0.38%	0.32%	0.28%	0.23%
Children in state custody (2)	7,870	8,533	8,960	8,552	8,558	8,436	8,235	8,688	9,040	8,387
Percentage of population (3)	0.12%	0.13%	0.14%	0.13%	0.13%	0.13%	0.12%	0.13%	0.13%	0.12%
Mental health institutes average daily census	538	517	480	479	493	488	506	492	452	431
<b>Law, justice and public safety</b>										
Correctional institutions average daily census	27,782	29,231	29,654	29,758	29,571	29,103	29,729	30,242	30,453	29,447
Department of Safety citations issued	301,394	340,575	381,588	419,122	414,310	432,832	447,417	473,410	412,046	267,662
Drivers licenses issued	1,409,342	1,714,905	1,734,205	1,741,379	1,732,106	1,793,921	1,769,595	1,910,190	1,748,933	1,815,168
<b>Recreation and resources development</b>										
Hunting/fishing licenses and boats registered	(est.) 547,660	586,839	538,971	569,447	577,577	537,412	511,673	556,892	562,821	541,159
Wetland acres acquired	559	1,604	1,127	1,598	1,029,938	2,050	8,610	2,103	1,540	604
Number of visitors to state parks	30,282,836	31,036,603	29,881,059	32,063,100	33,452,320	34,004,609	37,025,015	38,798,379	36,553,885	34,726,347
Air pollution monitoring sites	32	32	41	40	33	36	32	30	28	27
<b>Regulation of business and professions</b>										
Fire safety inspections	34,539	27,058	25,601	27,724	16,508	14,037	13,742	13,959	17,046	15,948
Consumer affairs written complaints	5,818	5,541	5,407	5,447	4,654	3,821	3,704	3,783	4,283	3,966
<b>Transportation</b>										
Lane miles resurfaced	2,317	2,298	2,596	2,447	2,239	2,219	2,585	2,914	2,234	1,991
HELP program services provided	116,865	130,941	118,773	124,823	113,429	135,058	145,755	128,311	132,617	124,726

Source: Tennessee fact book, various state agencies

- Notes:
- (1) Tennessee does not tax employment income.
  - (2) Children who are abused/dependent, neglected, delinquent, or unruly.
  - (3) Population figures used in calculating percentages are from schedule 10.
  - (4) N/A indicates that data is unavailable.

STATE OF TENNESSEE  
 SCHEDULE OF FEES/CHARGES, LEGISLATIVE APPROPRIATIONS AND DEBT SERVICE  
 COMPONENT UNITS  
 COLLEGE AND UNIVERSITY FUNDS  
 FOR THE LAST TEN FISCAL YEARS  
 (expressed in thousands)

University of Tennessee		University of Memphis				Middle Tennessee State University		East Tennessee State University	
Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)	Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2011	\$ 685,003	\$ 548,787	\$	\$ 48,256	2011	\$ 237,768	\$ 91,348	\$	\$ 8,839
2012	584,147	411,729		51,469	2012	259,510	85,464		8,389
2013	619,399	432,636		52,859	2013	265,206	87,347		8,511
2014	650,337	467,845		55,821	2014	183,140	89,106		8,469
2015	700,757	475,416		55,553	2015	240,892	89,332		10,655
2016	746,986	499,862		70,543	2016	190,286	95,140		10,626
2017	780,867	555,401		73,722	2017	279,668	102,441		10,926
2018	802,063	573,017		73,608	2018	287,128	110,827		12,310
2019	817,348	612,411		76,662	2019	297,757	117,771		10,651
2020	817,336	646,000		84,562	2020	316,873	123,371		13,819

Austin Peay State University		Middle Tennessee State University				Tennessee State University			
Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)	Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2011	\$ 78,214	\$ 25,192	\$	\$ 3,531	2011	\$ 180,529	\$ 70,600	\$	\$ 14,928
2012	85,043	26,108		3,530	2012	218,283	73,424		14,780
2013	85,725	28,558		4,343	2013	232,344	77,194		17,575
2014	74,084	32,995		6,014	2014	180,748	81,025		19,641
2015	78,013	34,240		6,096	2015	195,239	82,830		19,122
2016	76,777	36,984		6,329	2016	191,688	85,857		19,914
2017	98,754	40,379		6,332	2017	238,777	90,753		19,507
2018	104,309	44,622		6,212	2018	245,313	97,004		19,497
2019	109,008	47,857		6,199	2019	254,263	103,216		18,926
2020	108,137	50,505		6,171	2020	256,646	107,749		18,122

University of Tennessee		University of Memphis				Middle Tennessee State University		Tennessee State University	
Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)	Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2011	\$ 169,479	\$ 75,399	\$ 1,399	\$ 9,229	2011	\$ 91,919	\$ 34,056	\$	\$ 4,071
2012	177,436	75,182	1,399	9,142	2012	97,171	35,096		4,056
2013	192,065	78,825		9,926	2013	97,174	36,748		4,237
2014	115,941	83,697		12,028	2014	75,307	38,742		4,241
2015	139,579	83,129		11,439	2015	92,297	38,216		3,600
2016	155,854	88,042		11,475	2016	87,608	39,199		3,793
2017	177,156	93,319		11,442	2017	121,323	41,277		3,443
2018	189,529	101,356		11,442	2018	119,436	44,611		3,345
2019	248,332	107,768		11,748	2019	105,990	47,442		3,387
2020	245,083	114,689		13,079	2020	101,250	53,899		3,595

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STATE OF TENNESSEE  
SCHEDULE OF FEES/CHARGES, LEGISLATIVE APPROPRIATIONS AND DEBT SERVICE  
COMPONENT UNITS  
COLLEGE AND UNIVERSITY FUNDS  
FOR THE LAST TEN FISCAL YEARS  
(expressed in thousands)

Tennessee Technological University		Dyersburg State Community College		Jackson State Community College		Cleveland State Community College								
Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)	Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)	Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2011	\$ 89,100	\$ 35,635	\$	3,104	2011	\$ 15,739	10,310			2011	\$ 15,413	11,017		18
2012	100,915	35,086		3,102	2012	16,009	10,222			2012	15,296	11,004		18
2013	110,217	37,289		3,479	2013	14,918	10,625			2013	15,792	11,069		112
2014	93,241	39,560		4,079	2014	13,749	11,166			2014	15,232	12,408		127
2015	112,938	38,394		4,052	2015	15,088	10,825			2015	16,058	12,193		127
2016	99,705	39,297		4,077	2016	15,166	11,645			2016	17,358	13,065		127
2017	126,856	42,671		4,094	2017	15,855	12,406			2017	18,508	13,910		127
2018	127,641	47,231		4,038	2018	15,936	13,574			2018	20,421	14,967		218
2019	126,042	55,021		3,782	2019	16,718	14,231			2019	22,455	15,786		339
2020	129,056	60,098		6,183	2020	18,065	14,879			2020	23,267	16,666		
(continued on next page)														

STATE OF TENNESSEE  
SCHEDULE OF FEES/CHARGES, LEGISLATIVE APPROPRIATIONS AND DEBT SERVICE  
COMPONENT UNITS  
COLLEGE AND UNIVERSITY FUNDS  
FOR THE LAST TEN FISCAL YEARS  
(expressed in thousands)

Middle Tennessee Community College				Nashville State Community College					
Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)	Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2011	\$ 13,983	\$ 8,614			2011	\$ 30,011	\$ 12,856		\$ 85
2012	14,494	9,380			2012	30,181	13,402		73
2013	14,062	10,124			2013	30,199	14,261		73
2014	14,036	10,702			2014	28,533	15,949		73
2015	15,314	10,451			2015	30,694	16,081		73
2016	17,814	11,032			2016	29,616	16,679		65
2017	20,370	11,752			2017	29,065	17,772		67
2018	22,208	13,305			2018	27,337	20,277		69
2019	23,702	15,048			2019	29,219	22,319		67
2020	25,091	17,376			2020	24,810	23,142		68

Roane State Community College				Northeast State Community College					
Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)	Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2011	\$ 20,532	\$ 14,925		\$ 153	2011	\$ 12,141	\$ 10,387		\$ 43
2012	21,580	14,943		153	2012	13,934	11,582		43
2013	21,902	15,265		145	2013	12,654	12,676		41
2014	21,902	17,480		141	2014	17,593	13,310		40
2015	20,819	17,102		142	2015	18,701	13,857		40
2016	20,689	17,803		142	2016	22,271	15,082		40
2017	21,167	18,959		142	2017	20,413	16,075		40
2018	21,282	20,956		142	2018	19,521	18,153		40
2019	22,469	22,410		142	2019	20,943	19,701		40
2020	22,764	23,847		143	2020	20,893	20,883		40

Southwest Tennessee Community College				Pelissippi State Community College					
Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)	Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2011	\$ 42,093	\$ 31,390		\$ 390	2011	\$ 35,757	\$ 17,271		\$ 179
2012	41,966	31,053		357	2012	36,322	18,147		178
2013	39,705	30,572		357	2013	44,992	20,414		178
2014	36,221	24,805		358	2014	35,680	23,560		171
2015	37,400	24,002		363	2015	18,775	24,306		172
2016	33,835	24,550		342	2016	35,347	25,680		162
2017	33,337	26,147		361	2017	37,677	27,373		164
2018	33,382	27,171		362	2018	41,932	30,504		167
2019	34,232	28,424		362	2019	42,050	32,887		164
2020	34,427	29,961		208	2020	41,081	34,611		166

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STATE OF TENNESSEE  
SCHEDULE OF FEES/CHARGES, LEGISLATIVE APPROPRIATIONS AND DEBT SERVICE  
COMPONENT UNITS  
COLLEGE AND UNIVERSITY FUNDS  
FOR THE LAST TEN FISCAL YEARS

(expressed in thousands)

Volunteer State Community College		Walters State Community College		Debt Service Requirements (Authority Bonds)		Debt Service Requirements (Authority Bonds)	
Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)
2011	\$ 24,326	\$ 16,199	\$ -	2011	\$ 21,821	\$ 15,619	\$ -
2012	26,812	15,019	17	2012	23,034	15,429	102
2013	25,995	15,224	17	2013	23,157	16,837	102
2014	25,256	16,320	16	2014	21,112	20,464	97
2015	26,223	16,329		2015	22,796	19,909	94
2016	31,988	17,542		2016	22,261	20,587	94
2017	32,381	18,718		2017	23,557	21,953	94
2018	31,895	20,828		2018	24,007	23,490	95
2019	33,339	23,496		2019	24,916	24,551	95
2020	34,969	26,070		2020	25,180	25,271	95

Source: Comptroller of the Treasury,  
Division of State and Local Finance

Note: Prior year amounts do not reflect later adjustments made by the institutions.

**STATE OF TENNESSEE**  
**STUDENT FEES AND CHARGES**  
**FOR INSTITUTIONS WITH TENNESSEE STATE SCHOOL BOND AUTHORITY DEBT**  
**COMPONENT UNITS**  
**COLLEGE AND UNIVERSITY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Schedule 16

<u>Institution</u>	<b>Debt Service Fees</b>	<b>In-State Student Tuition</b>	<b>Non-Resident Student Tuition</b>	<b>Average Board Charge</b>	<b>Average Room Charge</b>
University of Tennessee- Knoxville	\$ 438	\$ 13,264	\$ 31,684	\$ 4,342	\$ 7,514
University of Tennessee- Chattanooga	300	9,268	25,386	3,200	6,300
University of Tennessee- Martin	380	9,748	15,788	3,652	3,065
Austin Peay State University	274	8,627	14,171	4,030	7,512
East Tennessee State University	470	9,491	28,673	3,894	5,044
Middle Tennessee State University	408	9,424	29,038	3,460	5,826
Tennessee State University	178	8,183	21,539	4,348	4,076
Tennessee Technological University	258	9,828	14,028	4,806	5,760
University of Memphis	490	9,924	16,779	1,600	2,400
Chattanooga State Community College		4,568	22,016	2,680	3,314
Cleveland State Community College		4,548	21,996	2,680	3,314
Columbia State Community College	44	4,582	22,030	2,680	3,314
Dyersburg State Community College		4,548	21,996	2,680	3,314
Jackson State Community College		4,534	21,982	2,680	3,314
Motlow State Community College		4,554	22,002	2,680	3,314
Nashville State Community College		4,504	21,952	2,680	3,314
Northeast State Community College		4,560	22,008	2,680	3,314
Pellissippi State Community College	30	4,588	22,036	2,680	3,314
Roane State Community College		4,552	22,000	2,680	3,314
Southwest Tennessee Community College		4,568	22,016	2,680	3,314
Volunteer State Community College		4,542	21,990	2,680	3,314
Walters State Community College		4,537	21,985	2,680	3,314

Source: Comptroller of the Treasury,  
Division of State and Local Finance

**STATE OF TENNESSEE**  
**PRINCIPAL AMOUNT OF DEBT OUTSTANDING BY INSTITUTION**  
**COMPONENT UNITS**  
**COLLEGE AND UNIVERSITY FUNDS**  
**JUNE 30, 2020**  
**(expressed in thousands)**

Schedule 17

<u>Institution</u>	<b>Second Program Bonds</b>	<b>Commercial Paper</b>	<b>Total Debt</b>
University of Tennessee	\$ 946,590	\$ 39,045	\$ 985,635
Austin Peay State University	77,490	881	78,371
East Tennessee State University	161,349		161,349
Middle Tennessee State University	155,533	2,981	158,514
Tennessee State University	23,081	3,735	26,816
Tennessee Technological University	91,491	4,889	96,380
University of Memphis	169,086		169,086
Chattanooga State Community College	1,607		1,607
Cleveland State Community College	115		115
Columbia State Community College	3,616		3,616
Nashville State Community College	130		130
Northeast State Community College	39		39
Pellissippi State Community College	311		311
Roane State Community College	138		138
Southwest Tennessee Community College	767		767
Walters State Community College	92	5,000	5,092
	<u>\$ 1,631,435</u>	<u>\$ 56,531</u>	<u>\$ 1,687,966</u>

Source: Comptroller of the Treasury,  
Division of State and Local Finance



## **NATIONAL FEDERATION OF MUNICIPAL ANALYSTS RECOMMENDED DISCLOSURES FOR STATE DEBT**

In accordance with the *Recommended Best Practices in Disclosure for state Government General Obligation and Appropriation Debt*, the state makes the following voluntary additional debt disclosures not already presented in the Notes to the Financial statements.

### General Disclosure Items

- The state is committed to complying with U.S. Securities and Exchange Commission Rule 15c2-12(b) (5) as it relates to continuing disclosure undertakings. The State reviewed the financial information, operating data and event notices filed by the State within the preceding five years with the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (“EMMA”) system pursuant to the State’s Rule 15c2-12 continuing disclosure undertakings and identified, among other things, the following.
  - Watkins Institute is not deemed to be a component unit of the State and its financial information, including indebtedness, is not reported in the State’s CAFR; accordingly, no information on its indebtedness was reported to EMMA and will not be reported in the future.
  - Information regarding TennCare budgeted expenditures presented in tabular format in relevant Official Statements was not presented in such format in the State’s CAFRs, but current-year budgeted and actual TennCare expenditures were presented in each of the State’s CAFRs (other than for the 2012 fiscal year, in which only actual TennCare expenditures were presented).
  - Certain TCRS information presented in tabular format in relevant Official Statements (Unfunded Liability if Actuarial Value of Assets were Valued at Market; Historical Funding Progress Based on Fiduciary Net Position/Market Value of Assets; Historical Fiduciary Net Position/Market Value of Assets; Comparison of Market Value of Assets to Actuarial Value of Assets; and Cash Flows) was reported in different form in the State’s CAFR and the comprehensive annual financial report of the TCRS filed by the State each year.
  - The TennCare Information and the TCRS Information were also included in the same tabular format in Official Statements posted on EMMA in the last five years, except for actuarial valuation information that was not included in the 2015 Official Statement because of changes in GASB accounting rules.
- The state provides strong systemic support to assist counties and cities in financial distress. State statutes establish a proactive approach and there is no state law that permits counties and cities to file for bankruptcy. The Local Government Public Obligations Act establishes budgetary oversight for cities and counties and authorizes the state Comptroller to direct counties and cities to adjust expenditure estimates or to make additional tax levies sufficient to maintain a balanced budget on a cash basis. In the past few years, the state Comptroller has directed two counties to raise taxes and one city to adjust expenditures. When a local government is in financial distress as evidenced by improper internal transfers and/or borrowings of restricted utility resources, state statutes authorize the state Comptroller to approve a corrective action plan that includes a scheduled plan of repayment. The state’s Water and Wastewater Financing Board (WWFB) has oversight of water and/or sewer systems that meet statutory criteria for financial distress. The WWFB has statutory

authority to require counties and cities to raise rates to meet financial obligations. The state Comptroller has the authority to authorize counties and cities that are undergoing severe monetary stress to issue long-term funding bonds to pay for current expenditures pursuant to the Cash Basis Law of 1937. Local governments that issue funding bonds are subject to strict oversight by the state Comptroller. At June 30, 2020, no counties or cities in Tennessee had outstanding funding bonds. With the exception of the Emergency Financial Aid to Local Governments Law of 1995, the state does not have statutory authority to guarantee the debt of local governments. The Emergency Financial Aid to Local Governments Law of 1995 authorizes the state to guarantee the repayment of a loan made to a local government by an external lender subject to specific conditions. One condition requires the state to determine that the local government has sufficient revenue to pay annual debt service and costs of operation. Another condition mandates that the local government accept emergency technical assistance by means of direction, oversight, management, and approval of its financial transactions by the state Comptroller. The local government is required to pledge its full faith and credit as security and agree to pledge a sufficient amount of state-shared taxes to make principal and interest payments on the loan guaranteed by the state. Since the inception of this law, the state has not authorized the issuance of emergency financial aid notes.

- Relative to other direct subsidy debt:
  - The state has been subject to having the direct subsidy reimbursements, from the federal government, related to the Series 2010 Qualified School Construction Bonds (QSCBs) issuance offset by amounts due to the federal government. In general, the subsidy payment has been offset by taxes due from the state, civil penalties and federal sequestration.

Other triggers that could result in the loss or reduction of subsidy payments are future federal sequestration or changes in use by the borrower.

- The Series 2010 QSCBs issuance shall be subject to redemption prior to their stated maturities, in whole or in part, at any time at the “Make-Whole Redemption Price”. The Make-Whole Redemption Price is equal to the greater of (a) 100% of the principal amount of the series to be redeemed; or (b) the sum of the present value of the remaining scheduled payments of principal and interest on the 2010 bonds to be redeemed to the maturity date of such Series 2010 Bonds, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2010 Bonds are to be redeemed, discounted to the date on which the Series 2010 Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year containing twelve 30 day months, at the United States Treasury Rate plus 25 basis points (0.25%); plus, in each case, accrued interest on the Series 2010 Bonds to be redeemed to the redemption date.
- The Series 2010 QSCBs issuance shall also be subject to extraordinary optional redemption prior to maturity, at the option of the TSSBA, upon the occurrence of an extraordinary event, in whole or in part, on any business day at the “Extraordinary Make-Whole Redemption Price”. The Extraordinary Make-Whole Redemption Price is equal to the greater of (a) 100% of the principal amount of the Series 2010 bonds to be redeemed; or (b) the sum of the present value of the remaining

scheduled payments of principal of and interest on the Series 2010 Bonds to be redeemed to the maturity date of such Series 2010 Bonds, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2010 Bonds are to be redeemed, discounted to the date on which the Series 2010 Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year containing twelve 30 day months, at the United states Treasury Rate plus 100 basis points (1.00%); plus, in each case, accrued interest on the Series 2010 Bonds to be redeemed to the redemption date.

- See the chart below for sales and use tax information.

Tennessee Department of Revenue				
Sales and Use Tax - Returns Filed and Tax by Classification				
Fiscal Year Ended June 30, 2020				
(Thousands of U.S. Dollars)				
	Returns Filed	Total (%)	Tax Collections	Total (%)
<b>Retail Trade and Services:</b>				
Building Materials	38,647	2.89%	\$585,686	6.07%
General Merchandise	35,634	2.66%	\$911,558	9.44%
Food Stores	64,475	4.82%	\$629,611	6.52%
Auto Dealers and Service Station:	93,009	6.95%	\$1,273,167	13.18%
Apparel and Accessory Stores	39,277	2.93%	\$232,224	2.40%
Furniture and Home Furnishings	44,013	3.29%	\$302,089	3.13%
Eating and Drinking Places	159,538	11.92%	\$911,188	9.44%
Miscellaneous Retail Stores	255,720	19.11%	\$973,829	10.08%
Services	308,847	23.07%	\$1,247,405	12.92%
<b>All Other:</b>				
Non-Retail, Non-Services	214,803	16.05%	\$2,009,080	20.81%
County Clerk	1,230	0.09%	\$205,404	2.13%
Consumer Use Tax	10,577	0.79%	\$15,865	0.16%
Unclassified	72,680	5.43%	\$359,511	3.72%
<b>Total</b>	<b>1,338,450</b>	<b>100.00%</b>	<b>\$9,656,617</b>	<b>100.00%</b>

## Financial statements

- The Tennessee Interagency Cash Flow Committee was created by the General Assembly in 2011 for the purpose of establishing, compiling and maintaining an eighteen month forward rolling cash flow projection. Departmental and programmatic specific forecasting data is used to project cash flow and earnings information relative to various interest-bearing funds and accounts within the state's pooled investment fund. These projections enhance cash flows based on historical data alone, and help the state better plan and position itself for fluctuations in available cash balances.

## General Revenue Base

- A breakdown of the state tax revenue allocations, percent and percentage change from estimates, the legal basis for collecting the taxes, a listing of the types of transactions being taxed and any exemptions can be found in the state revenue section of the annual budget document at: <https://www.tn.gov/content/tn/finance/fa/fa-a-budget-information/fa-budget-rev.html>
- T.C.A. 67-1-100 sets forth a Tennessee Taxpayer Bill of Rights which directs the adoption of policies which would inform and

## Demographics/Economy

- The state Constitution allows the state to levy ad valorem taxes on all of the taxable property within the state for the payment of the principal and interest on the state's general obligation indebtedness; however, the state does not currently levy such a tax and has no current intent to do so.
- The state currently contracts with The University of Tennessee Boyd Center for Business and Economic Research to prepare an annual economic report to the Governor containing short-term business cycle-sensitive forecasts as well as longer-term or trend forecasts for the year and to prepare quarterly updates throughout the year. The report "An Economic Report to the Governor of the state of Tennessee" as well as any updated information can be found at: <http://cber.bus.utk.edu/teflist.htm>.

advise taxpayers of their rights and would guarantee Tennessee taxpayers are treated with fairness, courtesy and common sense. Included in the bill of rights is the right to receive a clear set of rules and procedures to resolve tax problems, the right to dispute any proposed assessment, and the right to a speedy, informal and inexpensive review of a proposed assessment in an informal conference. T.C.A. 67-1-1438 contains the requirement for the commissioner of revenue to promptly issue a notice of proposed assessments when a taxpayer is determined to have failed to pay the correct amount of any tax administered by the commissioner. The section also provides the procedures for taxpayers to follow in order to request an informal conference to appeal the proposed assessment. Upon the assessment becoming final, further taxpayer remedies for disputed final tax assessments can be found in T.C.A. 67-1-1801. If the taxpayer believes the final assessments to be unjust, illegal or incorrect, the taxpayer may 1) pay the tax and file a claim for refund or 2) file suit in chancery court challenging all or any portion of such tax. Refer to the contingencies note for discussion of pending litigations.

- Under state law, long-term debt cannot exceed the expected useful life of the project being financed. The state is also authorized to issue tax revenue anticipation notes, in anticipation of tax revenues in the then current fiscal year of the state. The state constitution prohibits, however, the issuance of debt for operating purposes maturing beyond the end of a fiscal year.
- Section 28 of the Tennessee State Constitution set forth the assessment rates for real property, tangible personal property and intangible personal property. The section also prohibits the state from levying or authorizing any state or local tax upon the payroll or earned personal income or any state or local tax measured by payroll or earned personal income. Section 30 of the document prohibits

the taxation of any article manufactured of the produce of the state, except to pay inspection fees. Further, the General Assembly shall not authorize any municipality to tax incomes, estates, or inheritances, or to impose any other tax not authorized by section 28 and 29 of Article II of the Constitution. T.C.A. 9-9-104 pledges certain tax revenue collections for the payment of debt service on bonds issued before July 1, 2013. The section also includes a covenant with the holders of the bonds, secured by the pledge, that the state will not decrease by legislative action any of the fees or taxes that constitute the special pledge, unless the funding board certifies that all debt service payments have been made in full, that the decreased fees will be sufficient to pay future debt service, and the state has not defaulted, or is not in default, on any of its outstanding debt.

- As Tennessee's chief tax collector, the Department of Revenue is responsible for the administration of state tax laws and motor vehicle title and registration laws, as well as the collection of taxes and fees associated with those laws. In addition to collecting state taxes, the department collects taxes for local, county and municipal governments. On a monthly basis, the department apportions revenue collections for distribution to the various state funds and local units of government.
- Tennessee is an origin-based sales tax state for in state vendors and destination-based for out of state vendors. Vendors based in the state are required to charge the rate in effect, at the point of origin of the sale, for all sales made within the state. Vendors based out of state are required to either apply the rate in effect at the buyers' ship-to address or charge a predetermined flat rate to all Tennessee buyers. Vendors collect the tax and then prepare state tax filings in a frequency based on the amount of sales tax collected from buyers in the state. Remittances must be submitted electronically except in certain hardship cases.

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## ACKNOWLEDGEMENTS

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### DEPARTMENT OF FINANCE AND ADMINISTRATION

Howard H. Eley, Commissioner

Eugene Neubert, Deputy Commissioner, F&A Operations

Mikel J. Corricelli, Chief of Accounts

The Comprehensive Annual Financial Report was prepared by the Administration and Financial Oversight sections of the Division of Accounts with assistance from the following other sections:

Accounts Payable  
Asset Management  
Cash Management/Clearing Accounts  
Cash Management Improvement Act/Grants Accounting  
Centralized Accounting  
Departmental Accounting  
General Ledger  
Payroll  
Policy Development  
Post Audit  
Supplier File Maintenance

The Department of Finance and Administration would like to extend special appreciation to all fiscal and accounting personnel throughout the state who contributed the financial information for their agencies.