



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2021



Bill Lee, Governor

Tennessee Annual Comprehensive Financial Report For the Fiscal Year Ended June 30, 2021

BILL LEE, Governor



DEPARTMENT OF FINANCE AND ADMINISTRATION
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STATE OF TENNESSEE
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2021

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INTRODUCTORY SECTION

December 27, 2021

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 Annual Comprehensive Financial Report (ACFR) for the State of Tennessee's fiscal year ended June 30, 2021. 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 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 ACFR.

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 ACFR. 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.

Profile of the State of Tennessee



Known as the state of country music, Memphis-style barbeque, and all things of natural beauty, Tennessee brings in thousands of new residents every year. With a current population of around 6.9 million people, Tennessee is considered the 16th most populous state in the country. Situated in the upper southeastern United States, the State of Tennessee stretches from the Appalachian Mountains of North Carolina all

the way to the borders of the Mississippi River and shares borders with a total of eight neighboring states.

Tennessee is geographically, culturally, economically, and legally divided into three Grand Divisions: East Tennessee, Middle Tennessee, and West Tennessee. The Grand Divisions are legally recognized in the state constitution and state law and are represented on the flag of Tennessee by the flag's three prominent stars, with the blue circle around the stars representing the unity of these three grand divisions.

Tennessee became known as the “Volunteer State” during the War of 1812 due to the key role played by volunteers from the Tennessee militia. Newspapers of the day touted the military spirit of the men of Tennessee. That reputation was solidified in the Mexican American War of 1848, when President James K. Polk of Tennessee issued a call for 2,600 volunteers and 30,000 Tennesseans answered.

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 economy continues to rebound from the pandemic-induced recession, however supply chain issues, higher prices, and the spread of the COVID-19 delta variant have softened the economic recovery. During the first half of 2021, the U.S. saw incredibly strong growth as effective vaccines were distributed, economies reopened, and consumers went back to in-person services and close-contact engagements. As a result, consumer demand skyrocketed in many sectors of the economy, and in some instances, the supply-side of the market was unable to keep pace with the surge in demand. Many businesses that shrunk during the pandemic have had trouble hiring enough workers as they reopened, while other businesses have had difficulty keeping enough product in stock. Issues such as these are likely temporary, but they have resulted in upward price pressures and are inhibiting economic growth to some degree. A more long-term inflationary concern is the low supply of homes for sale, which has led to a rapid increase in home prices. Ramping up the supply of homes takes time and therefore shelter costs could remain elevated for an extended period. Another worrying factor was the third quarter surge in new COVID-19 cases, which led to a new influx of hospitalizations and COVID-related deaths and forced some consumers back towards pandemic-related spending patterns.

Despite these headwinds, inflation-adjusted gross domestic product (real GDP) in 2021 is still projected to advance by an incredibly strong 5.5 percent in the U.S. and 5.6 percent in Tennessee. Much of this growth took place during the first half of the year, as state real GDP surpassed its pre-pandemic peak in the first quarter of 2021 and national GDP reached pre-pandemic levels in the second quarter. Somewhat slower growth is expected for the remainder of the year. By comparison, the labor market recovery has been more sluggish, as nonfarm employment levels are still well below those seen prior to the pandemic. There are several reasons for the slower labor market recovery, including frictions in the labor market such as the time it takes for a worker to find a good job and for a business to fill a job vacancy. The ongoing pandemic is also causing some workers to quit their public-facing jobs and some prospective workers to remain on the sidelines, be it for fear of getting sick, or due to the potential for school closures, which could leave working parents without childcare options. During the initial phase of the pandemic, Tennessee lost nearly 380 thousand jobs in a two-month period (March and April 2020). The state quickly added 244.6 thousand jobs back to payrolls

between May and October 2020. However, the state’s labor market recovery has seen fits and starts ever since. As of October 2021, there are still 54,500 fewer jobs in Tennessee than there were prior to the pandemic. To be sure, state job growth is still trending in the right direction, and is projected to grow by 2.7 percent in 2021, representing an increase of 83,400 jobs as compared to the year prior. However, expectations are that the job levels in Tennessee will not fully recover until the second quarter of 2022, more than a year after state GDP made its full recovery. Tennessee job growth is will remain strong over the next two years, advancing by 3.1 percent in 2022 and 2.2 percent in 2023, before reverting to a slower and more stable trend of around 1.0-1.5 percent growth per year thereafter.

Unemployment rates in both Tennessee and the nation saw a large and rapid spike during the pandemic-recession but have recovered relatively quickly since the initial phase of the pandemic. More specifically, Tennessee’s monthly unemployment rate, which shot up to 15.8 percent in April 2020, is already back to 4.2 percent as of October 2021. As a result, the annual (average) unemployment rate is projected to fall from 7.5 percent in 2020 to 4.7 percent in 2021. The state’s unemployment rate is projected to continue falling, albeit more slowly, over the next few years, as more people re-enter the labor force.

Nonfarm Employment Growth Outlook



Sources: Boyd CBER UT, Bureau of Labor Statistics, and IHS Markit

Long-term financial planning and relevant financial policies

- To assist in managing growing public pension costs while recruiting and retaining a strong workforce, Tennessee adopted a hybrid retirement plan for state workers, higher education employees, and teachers hired after June 30, 2014. The hybrid plan (combining a smaller defined benefit plan with a defined contribution component) was designed to increase the predictability of retirement benefit costs, ensure retirement security for career workers, and provide flexible benefits for workers who do not stay in public service for their entire careers.

The statute governing the hybrid plan also provides for a minimum employer contribution, and for employer contributions exceeding the actuarially determined contribution rate to be deposited into a stabilization reserve to help keep contribution rates stable.

As a result of the good practices Tennessee has historically followed to protect its pension, such

as lowering investment return assumptions, adopting cost-sharing policies, and fully funding the actuarially determined contribution (since 1972), the Tennessee Consolidated Retirement System is considered one of the best-funded public pension plans in the nation.

- 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, the State of Tennessee Postemployment Benefits Trust was established in 2019 for the purpose of pre-funding OPEB accrued by employees of the state and certain component units. The annually calculated actuarially determined contribution (utilizing a closed amortization over a twenty-year period for its unfunded actuarial accrued liability) has been more than 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 \$1.45 billion on June 30, 2021, 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 monthly, 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 primary investment objective for the SPIF is safety of principal, followed by liquidity and yield. 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 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 (based on 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 this 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.
- The state utilizes various computer systems and network technology to perform many of its vital operations. Such operations often include the storage and transmission of sensitive information. As a result, the state may be the target of cyberattacks attempting to gain access to such information. A successful cyberattack may require the expenditure of an unknown amount of money or time to resolve, substantially interrupt state operations and subject the state to legal action.

To mitigate against such risks, the state and its departments, agencies, and divisions, have instituted various technical controls, policies, and procedures to protect their network infrastructure, including a cybersecurity training requirement for certain departments, as well as general cybersecurity training and awareness for all employees. The Strategic Technology Solutions Division of the state's Department of Finance and Administration works with various state departments, as necessary, to develop specific cybersecurity policies and procedures. The state also maintains third-party insurance against cybersecurity incidents.

Major (legislative/budget) initiatives

While many of the fiscal year 2021 budget priorities were put on hold as attention shifted toward addressing the health and economic effects of the pandemic, the fiscal year 2022 budget passed by the General Assembly returns to many pre-pandemic priorities, including education and health care, as well as economic and rural development.

There is no doubt that the past year challenged our state greater than any other in recent history. Through all that occurred, however, Tennessee has been able to maintain its financial stability

through the strategic application of fiscal prudence and successfully navigate one of the sharpest and unique periods of economic volatility our nation has faced.

The fiscal year 2022 budget consists of strong revenues from an economy favorable to families and businesses in Tennessee, efficiencies recognized from a review of current state operations and strategic investments that focus resources on new efforts to improve the lives of Tennesseans, as well as significant economic investments to aid in our state's continuing recovery.

The budget is balanced, assumes conservative growth rates, does not add new debt, and contains the highest reserves in history to prepare for uncertainty. The budget also includes investments in some of the state's most pressing issues and returns money to hardworking Tennesseans by including \$50 million to provide a week-long sales tax holiday on groceries and prepared food.

Key budget highlights include:

- \$100 million to provide high-speed broadband to every Tennessean
- \$250 million investment in a Mental Health Trust Fund
- \$79 million to increase capacity at the Tennessee Colleges of Applied Technology and address the current student waiting list
- \$145 million for air and rail transportation infrastructure
- \$71 million to fully fund the state share of the BEP for K-12 education
- Four percent raise for teacher salaries
- \$100 million to invest in the Rainy-Day Fund
- \$931 million for capital maintenance and improvements
- \$100 million for local infrastructure grants

In addition to the budget, the General Assembly also reached consensus on changes to the state's unemployment benefit system that will take effect in December 2023. The new legislation ties the maximum payout period to the state's average unemployment rate and boosts the weekly benefits by as much as \$50. Benefits will be extended as the rate rises (utilizing a range of between 12 and 20 weeks) and eventually capped at 20 weeks if the rate exceeds 9 percent. This legislation is estimated to save the state up to \$24 million a year in payouts and assist in replenishing the state's unemployment fund.

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 2016 and the third quarter of 2021, TNECD secured more than 123,200 new job commitments and \$35.6 billion in capital investment from companies locating or expanding across the state. Job creation is taking place across Tennessee with over 49,600 new job commitments in rural counties since the beginning of 2016.

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 2021, TNECD located 91 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 gross domestic product by \$71.1 billion, as well as generate 65,159 new job opportunities and \$32.6 billion in new salaries across the state. These jobs include 24,642 directly created by the company expansion and recruitment activity as well as 40,517 indirect and induced jobs from across the supplier network and other industries because of expanded economic growth.

The state's investments in projects during the first three quarters of 2021 have a projected annual rate of return of 35.6 percent. The costs of incentives are projected to be returned to the state in three years because 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 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/state-financial-overview/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 addition, 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/fiscal-year-2021-2022-budget-publications.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 for the fiscal year ended June 30, 2020. This was the forty-first 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,

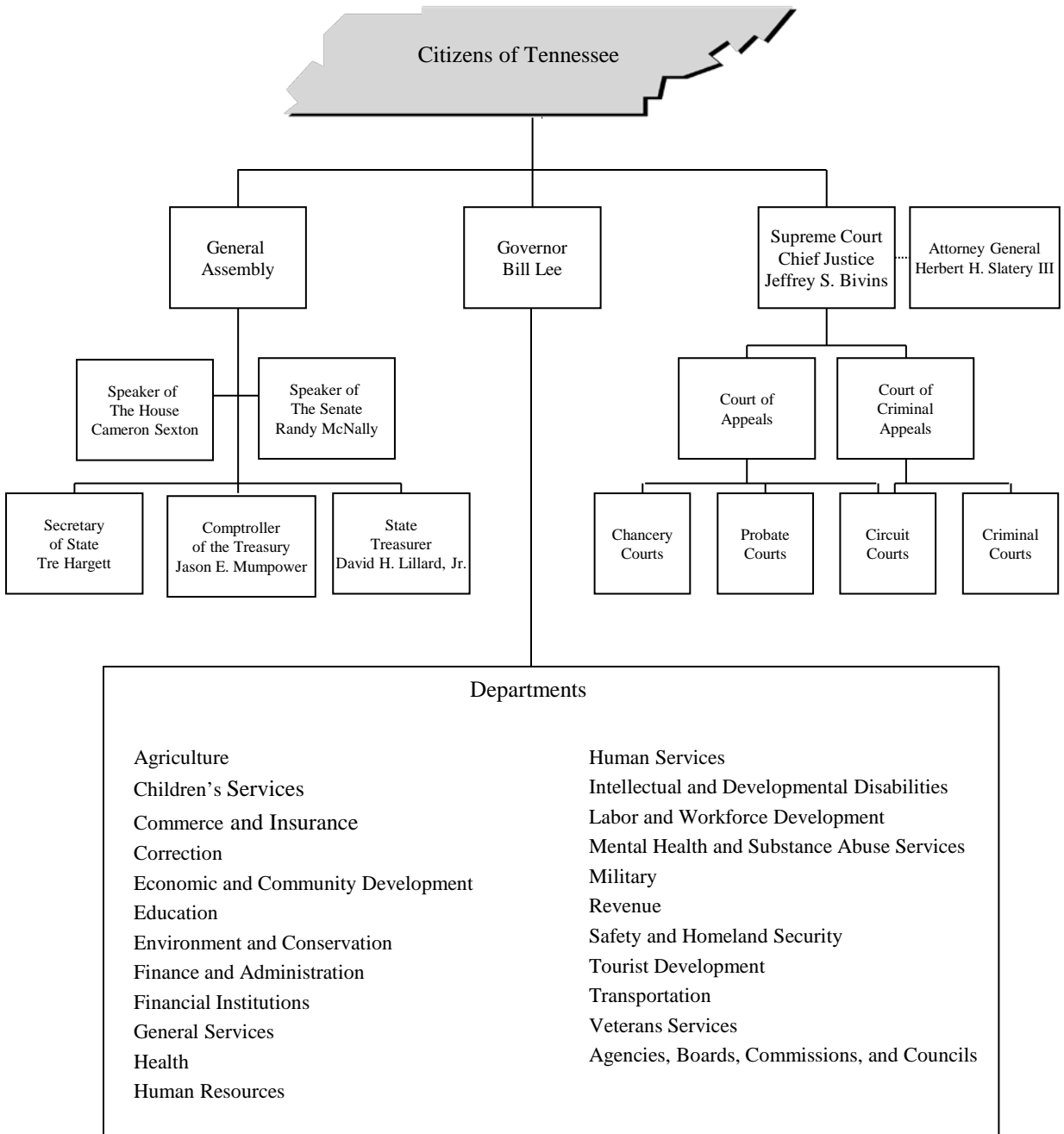


Howard H. Eley
Commissioner



Mikel J. Corricelli
Chief of Accounts

STATE OF TENNESSEE
 ORGANIZATION CHART
 As of June 30, 2021





Government Finance Officers Association

Certificate of
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in Financial
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State of Tennessee

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morrill

Executive Director/CEO

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FINANCIAL SECTION



JASON E. MUMPOWER
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, 2021, 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 Board of Claims, Chairs of Excellence, Local Education Insurance Committee, Local Government Insurance Committee, State Building Commission, State Funding Board, State Insurance Committee, Tennessee Consolidated Retirement System, Pension Stabilization Reserve Trust, Tennessee College Savings Trust, 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, 2021, 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 4, the state implemented Governmental Accounting Standards Board Statement (GASBS) 84, *Fiduciary Activities*, during the year ended June 30, 2021. Our opinion is not modified with respect to this matter.

As discussed in Note 5, the Tennessee Retiree Group Trust investment pool has investments valued at \$15.8 billion, whose fair values have been estimated by management in the absence of readily determinable fair values. These investments make up 0.2% of net position of the general fund, 20.3% of net position of pension and other employee benefit trust funds, 23.5% of net position of investment trust funds, and 0.1% of net position of component units. In addition, the financial statements of the University of Tennessee, a discretely presented component unit, include investments valued at \$597.3 million (5.7% 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 27, 2021, 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 27, 2021

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, 2021. 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 2-11 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.

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, 2021, by \$46 billion (net position). Of this amount, \$10.7 billion represents unrestricted net position, which may be used to meet the state's ongoing obligations to citizens and creditors while \$32.4 billion represents net investment in capital assets.

Changes in Net Position—The state's net position increased by \$4.7 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 \$10.5 billion, an increase of \$1.2 billion.

Fund Level

At June 30, 2021, the state's governmental funds reported combined ending fund balances of \$13.8 billion, an increase of \$3.9 billion (see discussion on page 24) compared to the prior year. Of the combined fund balance, approximately \$10.8 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, \$1.45 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 \$91.6 million during the fiscal year to a total of \$2 billion. This change is primarily due

to debt service payments made during the year exceeding new debt expenditures made in the commercial paper program.

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 33-35) 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 38. 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; 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 38 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 53-131.

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

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 \$46 billion as of June 30, 2021.

By far, the largest portion of the state’s net position (70.4 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 (6.2 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 (\$10.7 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 \$3.2 billion (42.2 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	
	<u>2021</u>	<u>2020*</u>	<u>2021</u>	<u>2020*</u>	<u>2021</u>	<u>2020*</u>
Current and other assets	\$ 18,282,937	\$ 15,036,557	\$ 3,276,054	\$ 3,619,395	\$ 21,558,991	\$ 18,655,952
Capital assets	32,942,674	31,952,586	-	-	32,942,674	31,952,586
Total assets	<u>51,225,611</u>	<u>46,989,143</u>	<u>3,276,054</u>	<u>3,619,395</u>	<u>54,501,665</u>	<u>50,608,538</u>
Deferred outflows of resources	889,778	840,618	-	-	889,778	840,618
Current and other liabilities	3,690,326	4,192,651	295,052	539,872	3,985,378	4,732,523
Noncurrent liabilities	5,060,507	4,953,438	7,871	11,420	5,068,378	4,964,858
Total liabilities	<u>8,750,833</u>	<u>9,146,089</u>	<u>302,923</u>	<u>551,292</u>	<u>9,053,756</u>	<u>9,697,381</u>
Deferred inflows of resources	347,631	475,502	-	-	347,631	475,502
Net position:						
Net investment in capital assets	32,396,815	31,425,755	-	-	32,396,815	31,425,755
Restricted	2,866,255	2,307,203	-	-	2,866,255	2,307,203
Unrestricted	<u>7,753,855</u>	<u>4,475,212</u>	<u>2,973,131</u>	<u>3,068,103</u>	<u>10,726,986</u>	<u>7,543,315</u>
Total net position	<u>\$ 43,016,925</u>	<u>\$ 38,208,170</u>	<u>\$ 2,973,131</u>	<u>\$ 3,068,103</u>	<u>\$ 45,990,056</u>	<u>\$ 41,276,273</u>

* The 2020 amounts presented here have not been restated for prior period adjustments. See Note 4 for details of these adjustments.

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>2021</u>	<u>2020*</u>	<u>2021</u>	<u>2020*</u>	<u>2021</u>	<u>2020*</u>
Revenues:						
Program revenues:						
Charges for services	\$ 3,196,469	\$ 2,981,333	\$ 1,006,464	\$ 1,018,666	\$ 4,202,933	\$ 3,999,999
Operating grants and contributions	17,898,087	13,456,925	3,599,778	3,696,938	21,497,865	17,153,863
Capital grants and contributions	844,303	948,533	-	-	844,303	948,533
General revenues:						
Sales Taxes	11,052,798	9,624,865	-	-	11,052,798	9,624,865
Other taxes	8,163,952	7,279,932	-	-	8,163,952	7,279,932
Other	292,096	348,218	-	-	292,096	348,218
Total revenues	41,447,705	34,639,806	4,606,242	4,715,604	46,053,947	39,355,410
Expenses:						
General government	3,267,910	1,143,546	-	-	3,267,910	1,143,546
Education	9,495,761	8,898,197	-	-	9,495,761	8,898,197
Health and social services	19,105,994	16,603,681	-	-	19,105,994	16,603,681
Law, justice and public safety	2,255,348	2,127,958	-	-	2,255,348	2,127,958
Recreation and resources development	935,195	786,375	-	-	935,195	786,375
Regulation of business and professions	252,866	211,446	-	-	252,866	211,446
Transportation	1,328,049	1,507,127	-	-	1,328,049	1,507,127
Intergovernmental revenue sharing	-	1,407,229	-	-	-	1,407,229
Interest on long-term debt	51,097	58,733	-	-	51,097	58,733
Employment security	-	-	3,931,631	3,969,607	3,931,631	3,969,607
Insurance programs	-	-	753,012	677,269	753,012	677,269
Loan programs	-	-	1,879	1,842	1,879	1,842
Other	-	-	695	83	695	83
Total expenses	36,692,220	32,744,292	4,687,217	4,648,801	41,379,437	37,393,093
Increase in net position						
before contributions and transfers	4,755,485	1,895,514	(80,975)	66,803	4,674,510	1,962,317
Transfers	(8,611)	(7,558)	8,611	7,558	-	-
Contributions to permanent funds	143	143	-	-	143	143
Increase (decrease) in net position	4,747,017	1,888,099	(72,364)	74,361	4,674,653	1,962,460
Net position, July 1	38,269,908	36,320,071	3,045,495	2,993,742	41,315,403	39,313,813
Net position, June 30	\$ 43,016,925	\$ 38,208,170	\$ 2,973,131	\$ 3,068,103	\$ 45,990,056	\$ 41,276,273

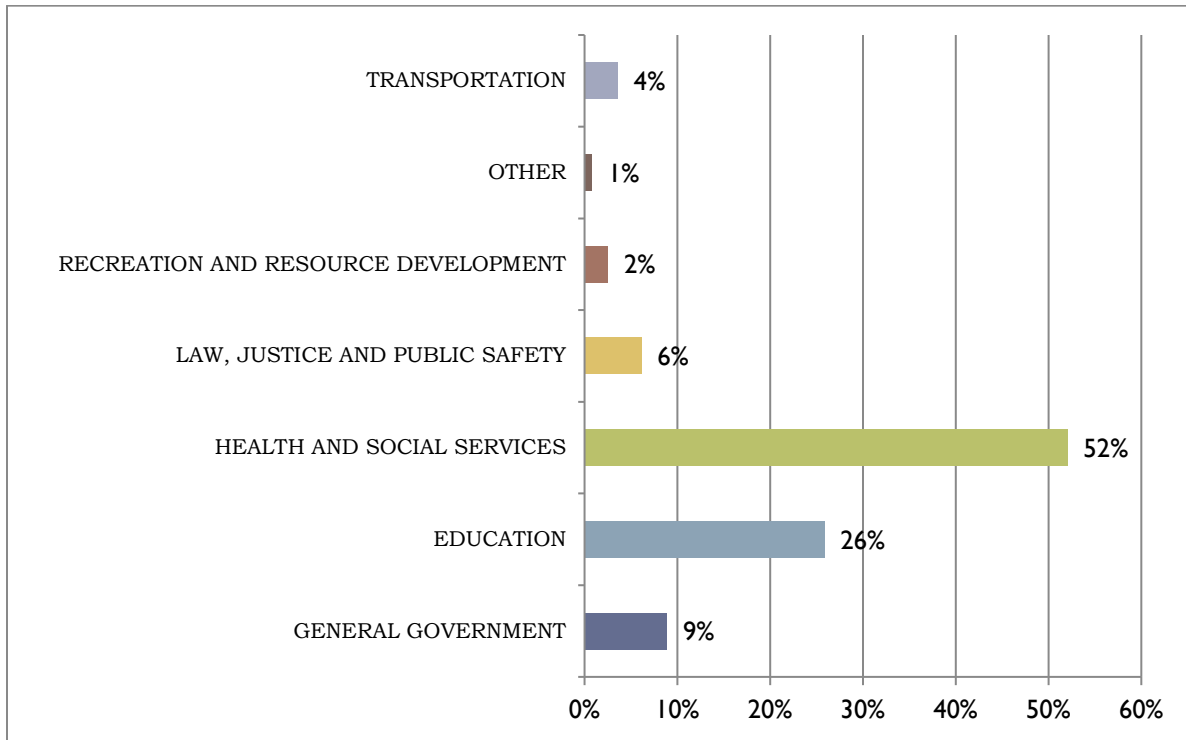
* The 2020 amounts presented here have not been restated for prior period adjustments. See Note 4 for details of these adjustments.

Governmental activities. Net position of the state’s governmental activities increased by \$4.7 billion (12.4 percent). This increase accounts for 102 percent of the total increase in net position of the primary government and is the result of an increase in operating grants and contributions (\$4.4 billion) as well as the capitalization of \$917 million in expenses related to roadways and bridges and not recording depreciation expense for these assets.

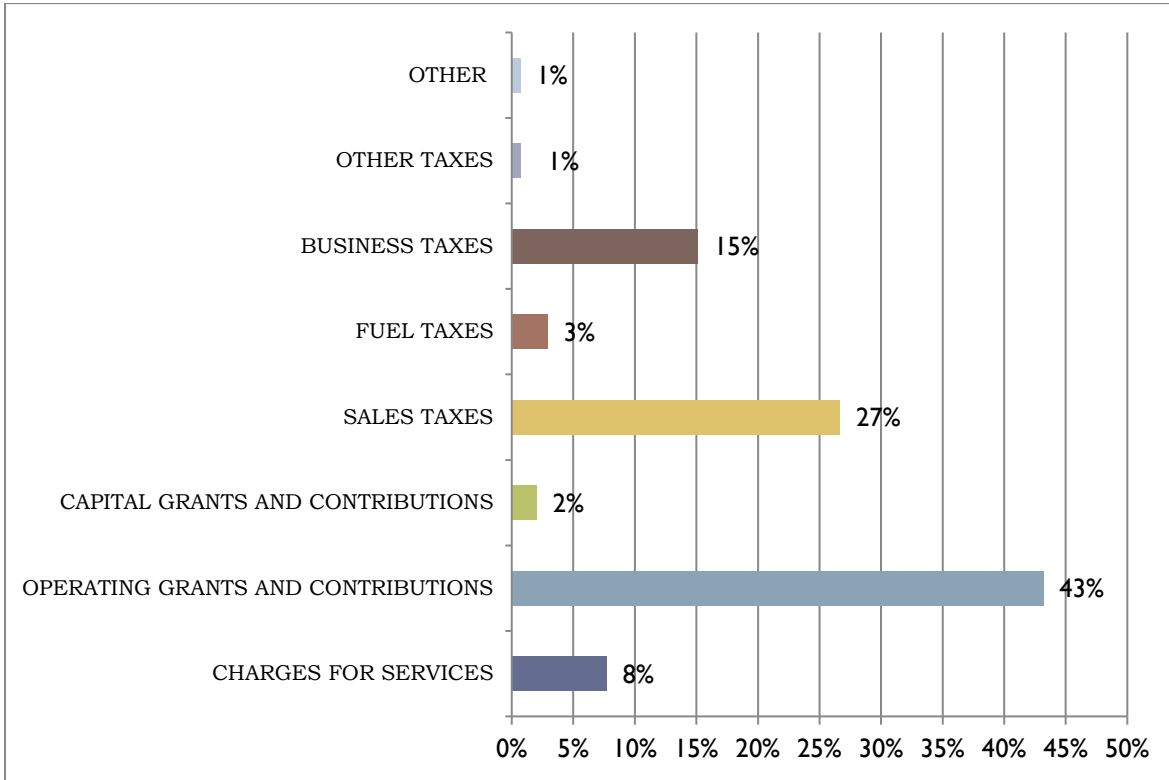
Business-type activities. Net position of the state’s business-type activities decreased by \$72.4 million (2.4 percent). This is primarily the result of the Employment Security fund’s increase in expenses and a decrease in operating

grants and contributions that was primarily due to a \$161 million drop from FY 2020 in Coronavirus Relief Funds that were used to pay for jobless benefits for unemployed Tennesseans. The Teacher Group and Local Government Group Insurance funds had a combined decrease in net position of \$24.3 million. This decrease in net position is primarily due to an increase in COVID related benefit payments when compared to the prior year. The Nonmajor Enterprise funds’ activity resulted in a \$15.4 million decrease in net position. Considering the decrease of the two insurance funds, the remaining funds combined activity resulted in a \$8.9 million increase in net position.

EXPENSES BY FUNCTION-GOVERNMENTAL ACTIVITIES



REVENUES BY SOURCE-GOVERNMENTAL ACTIVITIES



THE STATE'S FUNDS

At June 30, 2021, 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 \$1.45 billion or 6 percent of the general fund's expenditures.

The general fund reported a \$3.7 billion increase in fund balance. Most of this increase in fund balance was attributable to the increase in revenues.

The education fund reported an overall increase for inflows of \$831.7 million (9.6%) and an increase of outflows of \$687.1 million (8.0%). Most of the increase in outflows were due to federally funded pandemic relief programs. Additional contributing factors include the increased funding for the state's Basic Education Program (K-12 funding), providing funding to local education agencies for the learning loss remediation program, a salary pool for higher education institutions, and correctional education investment.

The overall fund balance increased in the education fund by \$235.8 million. The majority of fund balance is

restricted for student financial assistance. Of the \$1.2 billion 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 \$721.3 million is legally restricted or committed for specific purposes. Refer to Note 14, Governmental Fund Balances on page 97, for additional information regarding those specific purposes.

The highway fund inflows decreased by \$483.3 million and outflows decreased \$480 million. These decreases are primarily a result of changes made because of the implementation of a new accounting standard, Statement No. 84, *Fiduciary Activities*. As a result of the implementation of this standard, expenditures and revenues from intergovernmental sharing that is now reported in its own special revenue fund, caused an equal decrease of \$406 million in revenues and expenditures.

The capital projects fund had a \$268.8 million decrease in fund balance. Most of this decrease is due to a \$334 million decrease in transfers from other funds to the capital projects fund. Overall inflows to the fund decreased by \$465 million, when compared to the previous year, outflows also decreased by \$359.3 million.

The decrease in expenditures is due to a decrease in capital outlay for current projects while the decrease in inflows is due to decreased 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 \$50.4 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 \$77.7 billion, an increase of approximately \$14.8 billion from the prior year. The pension trust funds was responsible for \$14.6 billion of this increase. The increase was primarily the result of improvements in the financial markets; the pension trust funds incurred a net investment gain of \$16.2 billion.

The total plan net position of the OPEB trust fund is \$446.7 million, an increase of approximately \$164.5 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. The increase was also a result of improving market conditions for trust investments.

General Fund Budgetary Highlights

A significant variance occurred in the General fund between original and actual Business tax amounts due to the unexpected significant increase in business filings. The first quarter of calendar year 2021 saw the highest business filings in history. In addition, online businesses grew substantially during the pandemic, likely explaining Tennessee's sustained business growth through calendar year 2020.

Federal revenues were approximately 3% under collected due to a better-than-expected economic rebound from the downturn caused by the pandemic and the projected timing of spending federal stimulus funds. Social programs significantly funded with federal revenues such as the Temporary Assistance for Needy Families (TANF) programs at the Department of Human Services (DHS), the Community and Environmental Disease emergency services with the Department of Health and the utilization of the CoverKids program under TennCare all had slightly less than expected demand for services.

The original budget for federal revenues was increased by approximately \$3 billion for a final budgeted estimate of \$15.7 billion to provide spending appropriations for the CARES act fiscal relief funding.

Final budgeted expenditures were less than appropriated for the Department of Revenue primarily because of the lower than projected number of applicants that applied for the Small Business Relief Program, a small business relief program designed to reimburse eligible business

owners for direct expenses or business interruption costs due to the COVID-19 pandemic.

Employee vacancy and staff turnover as well as lower occupancy rates in the prisons and the local jail population resulted in lower than anticipated expenditures in Corrections.

Actual expenditures in TennCare, Agriculture, Environment and Conservation, Finance and Administration, Human Services, Economic and Community Development, and Legislature programs were significantly less than what was projected in the final budget primarily due to unexpended reserved amounts and multi-year projects that were appropriated in the current year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The state's investment in capital assets at June 30, 2021, of \$36 billion, net of \$2.6 billion accumulated depreciation, consisted of the following:

Capital Assets-Primary Government (Expressed in Thousands)		
	Governmental Activities	
	2021	2020
Land	\$ 2,681,333	\$ 2,592,013
Infrastructure	26,169,338	25,252,859
Construction in progress	1,274,064	1,514,846
Structures and improvements	3,198,016	2,995,971
Machinery and equipment	2,064,986	1,833,995
Software in development	137,790	96,338
Subtotal	35,525,527	34,286,022
Accumulated depreciation	(2,582,853)	(2,333,436)
Total	\$ 32,942,674	\$ 31,952,586

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 2020 to 2021 by approximately 3.1 percent. The change was primarily due to increases of infrastructure (highways and bridges). Infrastructure increased in total by \$916 million, the majority of which resulted from highway and bridge projects completed and capitalized. Construction in progress for highways and bridges increased by \$746.3 million and decreased (projects completed and capitalized) by \$926.9 million. Infrastructure right-of-way acreage increased the land classification by \$84.5 million. The change in machinery and equipment of \$231 million resulted largely from a \$213 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 134), indicated that bridges were rated at 10 points above the state’s established condition level, on a 100 point scale using the MRI method, and roadways were 0.52 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 2020-2021 reflects a \$7 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 \$291 million for higher education projects, \$35 million for correction facilities, \$13 million for state parks, and various upgrades to state facilities.

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:

Purpose	Unissued 6/30/21
Highway	\$ 912,000
Higher Education	133,568
Economic and Community Development	115,000
General Government	293,413
Total	\$ 1,453,981

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):

	Governmental Activities	
	<u>6/30/2021</u>	<u>6/30/2020</u>
Bonds, net	\$1,771,713	\$1,949,715
Commercial Paper	207,343	120,996
Total	\$1,979,056	\$2,070,711

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, 2021, the state’s maximum allowable debt service of \$1.4 billion was well above the maximum annual debt service of \$221 million, with a legal debt service margin of \$1.1 billion.

FACTS, DECISIONS, OR CONDITIONS WITH EXPECTED FUTURE IMPACT

Tennessee Resiliency Plan

Under the American Rescue Plan Act, the State of Tennessee will receive \$3.725 billion in funds awarded via the US Treasury “Fiscal Recovery Fund” (“FRF”). The availability of one-time FRF funds presents a significant opportunity for Tennessee to: (i) Continue its response to

the COVID-19 pandemic and its secondary effects; (ii) Invest in initiatives that support a strong economic recovery; (iii) Strengthen state fiscal stability by reducing demand for state taxpayer dollars to fund existing initiatives or priorities.

To support the development of a comprehensive plan for Tennessee’s Fiscal Recovery Fund, Governor Lee invited state agencies and stakeholders to submit proposals for consideration by the Financial Stimulus Accountability Group (“FSAG”), a bipartisan group created by the Governor to ensure proper fiscal management of stimulus funds received by the state, first through the CARES Act Coronavirus Relief Fund, then through the subsequent ARPA. The Tennessee Resiliency Plan document summarizes proposals that have been considered and recommended for expenditure by FSAG. As new expenditures are approved throughout the grant period, this document will be updated to reflect the state’s plan.

All proposals were subject to a process of review by the state’s Department of Finance & Administration and the Governor’s Office for fiscal impact, eligibility, and alignment with state priorities. Proposals were then submitted for feedback and discussion with the FSAG. Recommended proposals are posted for public comment and community engagement prior to final approval.

Background on the ARPA State Fiscal Recovery Fund

On March 11, the American Rescue Plan Act of 2021 (“ARPA”) was enacted into law, expending \$1.9 trillion in federal spending to respond to the COVID-19 pandemic. Several components of the Act build on previous programs included in earlier federal relief packages.

The ARPA established a new US Treasury Program, the Coronavirus State and Local Fiscal Recovery Fund (“FRF”), with the intent of assisting states and local governments in mitigating the fiscal effects of the COVID-19 pandemic.

Tennessee has received \$3.725 billion from the State Fiscal Recovery Fund. Tennessee counties, metros, and non-metro cities are estimated to receive a combined total of \$2.28 billion in Local Fiscal Recovery Fund awards.

State and Local Fiscal Recovery Funds are statutorily limited to the following uses: (i) to respond to the COVID-19 pandemic and its negative economic impact, (ii) provide premium pay to essential workers, (iii) supply government services to the extent the government has experienced a revenue reduction relative to the previous fiscal year, and (iv) investments in water, sewer, and broadband infrastructure. On May 10, the U.S. Treasury’s Interim Final Rule was adopted to provide further guidance on eligible uses within these overall categories. Under the Treasury’s Interim Final Rule, FRF funding:

- May be used to support a broad range of public health needs as it can be demonstrated that such needs have been exacerbated by the pandemic,
- May, to alleviate economic hardship, be applied to provide relief to individuals, non-profits, and businesses directly impacted by the pandemic,
- Can support physical infrastructure investments without a specific nexus to COVID, but only if such investments fall within the statutorily prescribed “necessary sewer, water, and broadband” projects, and
- May be used by recipient governments who have experienced year-to-year revenue loss to replace lost revenue for the provision of government services (due to Tennessee’s relatively strong economic recovery, the State does not qualify for revenue replacement).

Recipients may only use funds to cover costs incurred between March 3, 2021, and December 31, 2024. FRF funds not expended by December 31, 2026, must be returned.

The Act additionally created a new \$10 billion Coronavirus Capital Projects Fund for the Treasury Department to make separate payments to states, territories, and tribal governments to carry out capital projects to support work, education, and public health. Tennessee is estimated to receive \$216 million in this fund. State plans for the Coronavirus Capital Projects Fund must be submitted by December 31, 2022. No plan has been submitted on behalf of Tennessee at this time.

The State of Tennessee’s Response to the Fiscal Recovery Fund

To prepare for the prudent expenditure and a planning for FRF dollars, the Financial Stimulus Accountability Group convened multiple times to develop a set of consensus goals and unified strategy for expenditure of funds. On March 29, 2021, the FSAG discussed the details of the ARPA and committed to the following goals:

- Plan one-time infrastructure improvements in water, sewer, and broadband or other eligible capital projects;
- Align allowable uses of ARP funds to state’s strategic goals and review proposals for initiatives to improve health outcomes and support economic, and community development;
- Develop a single comprehensive approach for economic relief;

- Address the state’s role in supporting prudent local government administration.

In June and August, the FSAG reviewed and confirmed state plans to invest in the following programs of work using FRF:

- After identifying a historic backlog of needs in sewer, water, and broadband infrastructure, the FSAG launched two comprehensive infrastructure programs that would leverage local ARP funds to rebuild necessary sewer, water, and broadband infrastructure.
- After discussing the unprecedented amount of funds to be administered by local entities, the FSAG recommended, and the administration has invested in a Local Government Technical Assistance program to train local governments on necessary grant management and compliance and provide annual review of local government plans.

In September and October, the FSAG convened multiple times to review state agency capital and program proposals, forming the next steps in launching the Tennessee Resiliency Plan. Each proposal included in the Tennessee Resiliency Plan has been the result of a collaborative effort between state agencies and the FSAG, and all proposals have been vetted for eligibility, effective project management, and long-term fiscal impact on the state of Tennessee.

This first tranche of spending priorities that reflect the most urgent needs and opportunities for Tennessee include:

- Sewer, Water, and Broadband Infrastructure initiatives;
- Capital investments to improve the resiliency of state and local public health systems;
- Continuation of the state’s Hospital Staffing Assistance program;
- Immediate support to Tourism, Agriculture, and Arts and Culture Industries.

The plan also reserves specific funds for future planning purposes:

- \$275 million is reserved for relief to affected industries, non-profits, and other organizations. Requests for new relief program will be administered via competitive grant application after review by FSAG.
- \$300 million is reserved for additional state health capital planning.

Several agency proposals were also deferred for additional briefing by the FSAG. With these additions and reservations, a balance of approximately \$494 million remains in the Fiscal Recovery Fund.

Amendments to Tennessee Resiliency Plan

Following the completion of the 30-day period of public comment on October 30, the FSAG will reconvene in the coming months to discuss potential amendments to the plan. Amendments under consideration are:

- Expansion of criteria in the Department of Health Hospital Staffing Assistance Program to expand eligibility to a broader set of hospitals.
Estimated cost increase: \$10 million.
- Reserving \$30 million for increased contract costs of compliance and accounting for the Department of Finance and Administration, the agency overseeing administration of the State Fiscal Recovery Fund.
Estimated cost increase: \$30 million

The FSAG will continue to discuss allocation of \$300 million currently reserved for state health capital planning and \$275 million for additional external economic relief.

A complete copy of the Tennessee Resiliency Plan is available at <https://www.tn.gov/finance/looking-for/stimulus-financial-accountability-group.html>.

Tennessee Resiliency Plan–October 6 Recommendations

Category	Agency	Proposal	Total Amount
Infrastructure	Environment and Conservation	Enhancements to Water and Wastewater Infrastructure	\$ 1,351,922,145
Infrastructure	Economic and Community Development	Broadband Infrastructure	\$ 500,000,000
Public Health - Capital Investments	Health	State Public Health Laboratory	\$ 200,000,000
Public Health - Capital Investments	Multiple Agencies	<i>Reserved for Further Planning for State Managed Health Capital Projects</i>	\$ 300,000,000
Public Health - Capital Investments	Health	Local Health Department Capital Investments	\$ 128,966,391
Public Health	Health	Hospital Staffing Assistance Program	\$ 110,000,000
Public Health	Correction	Electronic Health Records project and supporting Infrastructure	\$ 13,050,000
Negative Economic Impacts/Economic Relief	External Requests	<i>Reservation for Future External Relief Planning</i>	\$ 275,000,000
Negative Economic Impacts/Economic Relief	Labor	Unemployment Insurance Tax & Benefits System	\$ 61,000,000
Negative Economic Impacts/Economic Relief	Arts Commission	Support for TN Arts Organizations	\$ 80,000,000
Negative Economic Impacts/Economic Relief	Tourism	Tennessee Tourism & Hospitality Recovery Fund (Pass through grant for Destination Marketing Organizations)	\$ 55,000,000
Negative Economic Impacts/Economic Relief	Tourism	Tennessee Tourism ARP Marketing Fund Request	\$ 45,000,000
Negative Economic Impacts/Economic Relief	Agriculture	Commercial Agriculture & Forestry Supply Chain Enhancements	\$ 50,000,000
Negative Economic Impacts/Economic Relief	Transportation	Sevier County Tourism Support Project	\$ 52,100,000
Negative Economic Impacts/Economic Relief	Transportation	Anderson County - Aspire Park Support Project	\$ 6,000,000
Administrative (Evaluation and Data Analysis)	Finance and Administration - OEI	Accelerating Program Inventory	\$ 2,000,000
Administrative (Evaluation and Data Analysis)	Finance and Administration - Internal Audit	To Provide Funding for Electronic Workpapers for Remote Workforce	\$ 1,333,943
			\$ 3,231,372,479

Memphis Regional Megasite Lands \$5.6 Billion Investment from Ford Motor Company and SK Innovation

On September 27, 2021, it was announced that Ford Motor Company selected the Memphis Regional Megasite (a 4,100-acre certified industrial site in West Tennessee) for one of the largest battery and vehicle manufacturing campuses in the U.S.

Ford will be the fourth automotive original equipment manufacturer (OEM) with operations in Tennessee, joining Nissan, General Motors and Volkswagen.

Through a joint venture, Ford and SK Innovation will invest \$5.6 billion to build a 3,600-acre mega campus called Blue Oval City on the Memphis Regional Megasite, where production of next generation all-electric F-Series trucks will begin in 2025. The project will result in the creation of 5,800 new jobs in West Tennessee.

Blue Oval City will be designed to be the largest, most advanced and most efficient automotive production campus in Ford's history. The campus will include the Ford assembly plant, a supplier park and a battery manufacturing plant operated by BlueOvalSK, Ford and SK Innovation's joint venture. The site will become a vertically integrated ecosystem with key suppliers and battery manufacturing on the same campus where Ford will assemble next generation all-electric F-Series trucks.

Economic analysis projects the Ford buildout of the Memphis Regional Megasite will result in significant job and gross state product gains. The Center for Economic Research in Tennessee, a division of the Tennessee Department of Economic and Community Development, has determined that the project is projected to generate the following economic and fiscal impacts. Annual projections reflect estimates for the first year during which the project becomes fully operational.

- The project is anticipated to generate more than 27,000 new jobs, both directly and indirectly, to support the site's operations. This will result in more than \$1.02 billion in annual earnings.
- This project is anticipated to contribute \$3.5 billion each year to Tennessee's gross state product.
- This project is also expected to generate temporary construction benefits including \$5.6 billion spent on land, buildings, and other real property improvements. Additionally, more than 32,000 jobs are expected to support the construction period, with around \$1.87 billion in salaries related to construction activity.

REQUESTS FOR INFORMATION

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.

BASIC FINANCIAL STATEMENTS

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STATE OF TENNESSEE
Statement of Net Position
June 30, 2021
(Expressed in Thousands)

	Primary Government			Total Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 13,084,452	\$ 840,300	\$ 13,924,752	\$ 3,095,092
Cash on deposit with fiscal agent	-	1,139,272	1,139,272	-
Investments	926,676	-	926,676	509,878
Receivables, net	3,488,675	343,097	3,831,772	350,229
Internal balances	6,986	(6,986)	-	-
Due from primary government	-	-	-	88,305
Due from component units	165,935	-	165,935	-
Inventories, at cost	90,477	-	90,477	10,924
Prepayments	11,530	-	11,530	25,902
Loans receivable, net	6,357	960,371	966,728	4,858,563
Net investment in capital leases	5,575	-	5,575	-
Fair value of derivatives	-	-	-	-
Other	-	-	-	36,303
Restricted assets:				
Cash and cash equivalents	50,954	-	50,954	667,757
Investments	421,174	-	421,174	2,776,031
Receivables, net	-	-	-	483,620
Net pension assets	24,146	-	24,146	19,636
Other	-	-	-	942
Capital assets:				
Land, at cost	2,681,333	-	2,681,333	280,114
Infrastructure	26,169,338	-	26,169,338	898,031
Structures and improvements, at cost	3,198,016	-	3,198,016	7,868,319
Machinery and equipment, at cost	2,064,986	-	2,064,986	1,279,144
Less-accumulated depreciation	(2,582,853)	-	(2,582,853)	(4,190,723)
Construction in progress	1,274,064	-	1,274,064	514,702
Software in development	137,790	-	137,790	-
Total assets	51,225,611	3,276,054	54,501,665	19,572,769
DEFERRED OUTFLOWS OF RESOURCES	889,778	-	889,778	370,925
LIABILITIES				
Accounts payable and other current liabilities	2,929,684	275,844	3,205,528	629,710
Due to primary government	-	-	-	165,935
Due to component units	87,809	-	87,809	-
Unearned revenue	672,283	19,208	691,491	161,412
Fair value of derivatives	-	-	-	-
Payable from restricted assets	54	-	54	-
Due to component units from restricted assets	496	-	496	-
Other	-	-	-	29,090
Noncurrent liabilities:				
Due within one year	381,483	-	381,483	324,965
Due in more than one year	4,679,024	7,871	4,686,895	7,934,674
Total liabilities	8,750,833	302,923	9,053,756	9,245,786
DEFERRED INFLOWS OF RESOURCES	347,631	-	347,631	228,265
NET POSITION				
Net investment in capital assets	32,396,815	-	32,396,815	4,741,640
Restricted for:				
Highway projects	887,904	-	887,904	-
Student financial assistance	234,913	-	234,913	-
Natural and wildlife resources	102,611	-	102,611	-
Capital projects	50,403	-	50,403	121,326
Single family bond programs	-	-	-	470,431
Regulatory activities	41,834	-	41,834	-
Pensions	24,146	-	24,146	19,636
Other	211,934	-	211,934	1,215,388
Permanent and endowment funds				
Expendable	753,715	-	753,715	285,390
Nonexpendable	558,795	-	558,795	1,562,672
Unrestricted	7,753,855	2,973,131	10,726,986	2,053,160
Total net position	\$ 43,016,925	\$ 2,973,131	\$ 45,990,056	\$ 10,469,643

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, 2021
(Expressed in Thousands)

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Functions/Programs				
Primary Government:				
Governmental activities:				
General government	\$ 3,267,910	\$ 1,188,460	\$ 585,504	\$ 636
Education	9,495,761	67,395	2,389,963	-
Health and social services	19,105,994	1,299,646	13,557,168	14
Law, justice and public safety	2,255,348	150,230	799,631	12,494
Recreation and resources development	935,195	195,412	347,710	500
Regulation of business and professions	252,866	234,485	2,978	-
Transportation	1,328,049	60,841	215,133	830,659
Interest	51,097	-	-	-
Total governmental activities	36,692,220	3,196,469	17,898,087	844,303
Business-type activities:				
Employment security	3,931,631	265,762	3,577,292	-
Insurance programs	753,012	728,280	223	-
Loan programs	1,879	12,135	22,262	-
Other	695	287	1	-
Total business-type activities	4,687,217	1,006,464	3,599,778	-
Total primary government	\$ 41,379,437	\$ 4,202,933	\$ 21,497,865	\$ 844,303
Component units:				
Higher education institutions	\$ 5,268,307	\$ 1,746,212	\$ 2,475,739	\$ 292,373
Loan programs	726,730	233,130	375,930	-
Lottery programs	1,945,963	1,945,939	28	-
Other	61,291	45,370	16,061	6,254
Total component units	\$ 8,002,291	\$ 3,970,651	\$ 2,867,758	\$ 298,627
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, 2021
(Expressed in Thousands)

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-Type Activities	Total Primary Government	Component Units
\$ (1,493,310)	\$ -	\$ (1,493,310)	\$ -
(7,038,403)	-	(7,038,403)	-
(4,249,166)	-	(4,249,166)	-
(1,292,993)	-	(1,292,993)	-
(391,573)	-	(391,573)	-
(15,403)	-	(15,403)	-
(221,416)	-	(221,416)	-
(51,097)	-	(51,097)	-
<u>(14,753,361)</u>	<u>-</u>	<u>(14,753,361)</u>	<u>-</u>
-	(88,577)	(88,577)	-
-	(24,509)	(24,509)	-
-	32,518	32,518	-
-	(407)	(407)	-
<u>-</u>	<u>(80,975)</u>	<u>(80,975)</u>	<u>-</u>
<u>(14,753,361)</u>	<u>(80,975)</u>	<u>(14,834,336)</u>	<u>-</u>
-	-	-	(753,983)
-	-	-	(117,670)
-	-	-	4
-	-	-	<u>6,394</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(865,255)</u>
11,052,798	-	11,052,798	-
1,216,037	-	1,216,037	-
6,275,672	-	6,275,672	-
672,243	-	672,243	-
-	-	-	1,691,747
-	-	-	92,759
9,376	-	9,376	192,618
282,720	-	282,720	4,413
143	-	143	122,899
(8,611)	8,611	-	-
<u>19,500,378</u>	<u>8,611</u>	<u>19,508,989</u>	<u>2,104,436</u>
4,747,017	(72,364)	4,674,653	1,239,181
<u>38,269,908</u>	<u>3,045,495</u>	<u>41,315,403</u>	<u>9,230,462</u>
<u>\$ 43,016,925</u>	<u>\$ 2,973,131</u>	<u>\$ 45,990,056</u>	<u>\$ 10,469,643</u>

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GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

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.

State Shared Taxes Fund—The purpose of the state shared taxes fund is to account for the sharing of state levied tax revenues and certain fees with local city and county governments as authorized by various state statutes.

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, 2021
(Expressed in Thousands)

	General	Education	Highway	Capital Projects
ASSETS				
Cash and cash equivalents	\$ 9,138,721	\$ 9,281	\$ 1,304,296	\$ 1,060,749
Investments	9,072	408,513	-	-
Receivables, net	2,241,007	968,035	292,624	14,281
Due from other funds	270,891	16,936	-	2,316
Due from component units	1,339	151,951	-	9,861
Inventories, at cost	59,575	130	27,883	-
Loans receivable, net	1,702	-	536	-
Prepayments and others	12,151	-	-	-
Restricted assets:				
Cash and cash equivalents	-	-	-	50,954
Investments	59,793	361,381	-	-
Total assets	\$ 11,794,251	\$ 1,916,227	\$ 1,625,339	\$ 1,138,161
LIABILITIES				
Accounts payable and accruals	1,792,590	382,507	321,608	64,250
Due to other funds	19,806	263,126	665	95
Due to component units	14,778	16,512	2,119	50,336
Payable from restricted assets	-	-	-	54
Due to component units from restricted assets	-	-	-	496
Unearned revenue	624,938	101	5,023	-
Total liabilities	2,452,112	662,246	329,415	115,231
DEFERRED INFLOWS OF RESOURCES	11,224	40,040	40,704	-
FUND BALANCES				
Nonspendable				
Inventories	\$ 58,099	\$ 130	\$ 27,883	\$ -
Long term portion of accounts receivable	5,850	-	-	-
Permanent fund and endowment corpus	-	361,381	-	-
Prepayments	1,516	-	-	-
Restricted	165,341	699,108	871,486	50,403
Committed	640,562	22,166	217,244	-
Assigned	4,688,970	131,156	138,607	972,527
Unassigned	3,770,577	-	-	-
Total fund balances	9,330,915	1,213,941	1,255,220	1,022,930
Total liabilities, deferred inflows of resources and fund balances	\$ 11,794,251	\$ 1,916,227	\$ 1,625,339	\$ 1,138,161

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. In addition, other miscellaneous adjustments that are not reported in the governmental funds balance sheet but are reported in the statement of net position.

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, 2021
(Expressed in Thousands)

State Shared Taxes	Nonmajor Governmental Funds	Total Governmental Funds
\$ 29,997	\$ 463,081	\$ 12,006,125
-	509,091	926,676
166,778	50,373	3,733,098
-	44	290,187
1,330	1,391	165,872
-	-	87,588
-	4,119	6,357
-	20	12,171
-	-	50,954
-	-	421,174
<u>\$ 198,105</u>	<u>\$ 1,028,119</u>	<u>\$ 17,700,202</u>
154,832	73,937	2,789,724
-	198	283,890
-	3,760	87,505
-	-	54
-	-	496
-	8	630,070
<u>154,832</u>	<u>77,903</u>	<u>3,791,739</u>
<u>43,273</u>	<u>5,863</u>	<u>141,104</u>
\$ -	\$ -	\$ 86,112
-	-	5,850
-	197,414	558,795
-	-	1,516
-	531,031	2,317,369
-	199,808	1,079,780
-	16,100	5,947,360
-	-	3,770,577
<u>-</u>	<u>944,353</u>	<u>13,767,359</u>
<u>\$ 198,105</u>	<u>1,028,119</u>	
		32,183,180
		(111,694)
		1,218,848
		(1,835,591)
		(2,205,177)
		<u>\$ 43,016,925</u>

STATE OF TENNESSEE
Statement of Revenues, Expenditures and Changes in Fund
Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

	<u>General</u>	<u>Education</u>	<u>Highway</u>	<u>Capital Projects</u>
REVENUES				
Taxes:				
Sales and use	\$ 4,057,986	\$ 6,401,533	\$ 23,819	-
Fuel	12,285	-	695,021	-
Business	5,495,043	271,613	7,807	-
Other	540,932	19,761	-	-
Licenses, fines, fees, and permits	522,173	4,662	323,231	-
Investment income	25,755	109,760	-	-
Federal	15,230,077	1,645,133	1,047,434	12,494
Departmental services	2,449,724	144,680	42,672	80,887
Other	275,280	501,890	10,197	-
Total revenues	<u>28,609,255</u>	<u>9,099,032</u>	<u>2,150,181</u>	<u>93,381</u>
EXPENDITURES				
General government	1,337,432	-	-	-
Education	-	9,236,827	-	-
Health and social services	19,959,835	-	-	-
Law, justice and public safety	2,188,551	-	-	-
Recreation and resources development	797,681	-	-	-
Regulation of business and professions	118,061	-	-	-
Transportation	-	-	2,135,196	-
Debt service:				
Principal	-	-	-	8,653
Interest	-	-	-	-
Debt issuance costs	-	-	-	-
Capital outlay	-	-	-	521,160
Total expenditures	<u>24,401,560</u>	<u>9,236,827</u>	<u>2,135,196</u>	<u>529,813</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,207,695</u>	<u>(137,795)</u>	<u>14,985</u>	<u>(436,432)</u>
OTHER FINANCING SOURCES (USES)				
Bonds and commercial paper issued	-	-	-	46,732
Insurance claims recoveries	673	-	-	-
Transfers in	57,021	412,498	80,412	120,876
Transfers out	(537,019)	(38,912)	(2,771)	-
Total other financing sources (uses)	<u>(479,325)</u>	<u>373,586</u>	<u>77,641</u>	<u>167,608</u>
Net change in fund balances	3,728,370	235,791	92,626	(268,824)
Fund balances, July 1, restated	5,602,545	978,150	1,162,594	1,291,754
Fund balances, June 30	<u>\$ 9,330,915</u>	<u>\$ 1,213,941</u>	<u>\$ 1,255,220</u>	<u>\$ 1,022,930</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, 2021
(Expressed in Thousands)

	<u>State Shared Taxes</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$	524,540	\$ 78,865	\$ 11,086,743
	412,836	95,895	1,216,037
	439,706	186,635	6,400,804
	39,903	55,825	656,421
	220	291,852	1,142,138
	-	86,375	221,890
	-	54,828	17,989,966
	-	29,271	2,747,234
	-	1	787,368
	<u>1,417,205</u>	<u>879,547</u>	<u>42,248,601</u>
	1,417,205	34,300	2,788,937
	-	8,816	9,245,643
	-	-	19,959,835
	-	6,556	2,195,107
	-	214,453	1,012,134
	-	143,891	261,952
	-	-	2,135,196
	-	142,111	150,764
	-	67,305	67,305
	-	1,581	1,581
	-	-	521,160
	<u>1,417,205</u>	<u>619,013</u>	<u>38,339,614</u>
	-	260,534	3,908,987
	-	-	46,732
	-	-	673
	-	7,087	677,894
	-	(137,687)	(716,389)
	-	(130,600)	8,910
	-	129,934	3,917,897
	-	814,419	9,849,462
\$	<u><u>-</u></u>	<u><u>\$ 944,353</u></u>	<u><u>\$ 13,767,359</u></u>

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, 2021
(Expressed in Thousands)

Net change in fund balances - total governmental funds \$ 3,917,897

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. 977,483

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. (167,210)

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. 104,032

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. 1,200

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. (86,385)

Changes in net position of governmental activities \$ 4,747,017

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

PROPRIETARY FUNDS FINANCIAL STATEMENTS

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, 2021
(Expressed in Thousands)

	Business Type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Sewer Treatment Loan	Employment Security	Nonmajor Enterprise Funds	Total	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 396,617	\$ -	\$ 443,683	\$ 840,300	\$ 1,078,325
Cash on deposit with fiscal agent	-	1,139,272	-	1,139,272	-
Receivables:					
Accounts receivable	-	340,533	2,564	343,097	6,691
Loans receivable	58,509	-	18,162	76,671	-
Due from other funds	-	66	-	66	743
Due from component units	-	-	-	-	63
Inventories, at cost	-	-	-	-	2,889
Prepayments	-	-	-	-	422
Total current assets	<u>455,126</u>	<u>1,479,871</u>	<u>464,409</u>	<u>2,399,406</u>	<u>1,089,133</u>
Noncurrent assets:					
Loans receivable	727,401	-	156,299	883,700	-
Due from other funds	-	-	-	-	9
Net investment in capital leases	-	-	-	-	5,575
Restricted net pension assets	-	-	-	-	1,476
Capital assets:					
Land, at cost	-	-	-	-	63,160
Structures and improvements, at cost	-	-	-	-	884,685
Machinery and equipment, at cost	-	-	-	-	393,356
Less: Accumulated depreciation	-	-	-	-	(593,808)
Construction in progress	-	-	-	-	12,101
Total noncurrent assets	<u>727,401</u>	<u>-</u>	<u>156,299</u>	<u>883,700</u>	<u>766,554</u>
Total assets	<u>1,182,527</u>	<u>1,479,871</u>	<u>620,708</u>	<u>3,283,106</u>	<u>1,855,687</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,913</u>
LIABILITIES					
Current liabilities:					
Accounts payable and accruals	6	210,691	65,147	275,844	122,562
Due to other funds	31	7,021	-	7,052	73
Due to component units	-	-	-	-	304
Lease obligations payable	-	-	-	-	472
Bond payable	-	-	-	-	13,349
Unearned revenue	-	18,999	209	19,208	42,213
Others	-	-	-	-	83,835
Total current liabilities	<u>37</u>	<u>236,711</u>	<u>65,356</u>	<u>302,104</u>	<u>262,808</u>
Noncurrent liabilities:					
Pension	-	-	-	-	73,694
Lease obligations payable	-	-	-	-	6,149
Commercial paper payable	-	-	-	-	63,332
Bonds payable	-	-	-	-	123,740
Others	4,600	-	3,271	7,871	142,140
Total noncurrent liabilities	<u>4,600</u>	<u>-</u>	<u>3,271</u>	<u>7,871</u>	<u>409,055</u>
Total liabilities	<u>4,637</u>	<u>236,711</u>	<u>68,627</u>	<u>309,975</u>	<u>671,863</u>
DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,889</u>
NET POSITION					
Net investment in capital assets	-	-	-	-	554,024
Restricted for:					
Capital projects	-	-	-	-	1,276
Pensions	-	-	-	-	1,476
Unrestricted	1,177,890	1,243,160	552,081	2,973,131	662,072
Total net position	<u>\$ 1,177,890</u>	<u>\$ 1,243,160</u>	<u>\$ 552,081</u>	<u>\$ 2,973,131</u>	<u>\$ 1,218,848</u>

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, 2021
(Expressed in Thousands)

	Business Type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Sewer Treatment Loan	Employment Security	Nonmajor Enterprise Funds	Total	
Operating revenues					
Charges for services	\$ 9,927	\$ -	\$ 2,495	\$ 12,422	\$ 669,495
Investment income	304	-	75	379	-
Premiums	-	265,762	728,280	994,042	777,737
Total operating revenues	<u>10,231</u>	<u>265,762</u>	<u>730,850</u>	<u>1,006,843</u>	<u>1,447,232</u>
Operating expenses					
Personal services	-	-	-	-	218,888
Contractual services	1,112	-	35,549	36,661	308,305
Materials and supplies	-	-	-	-	49,192
Rentals and insurance	-	-	-	-	75,273
Depreciation and amortization	-	-	-	-	48,404
Benefits	-	3,931,631	713,672	4,645,303	851,654
Other	-	-	5,253	5,253	10,075
Total operating expenses	<u>1,112</u>	<u>3,931,631</u>	<u>754,474</u>	<u>4,687,217</u>	<u>1,561,791</u>
Operating income (loss)	<u>9,119</u>	<u>(3,665,869)</u>	<u>(23,624)</u>	<u>(3,680,374)</u>	<u>(114,559)</u>
Nonoperating revenues (expenses)					
Grants	18,549	3,584,339	4,894	3,607,782	-
Insurance claims recoveries	-	-	-	-	3,156
Gain on sales of capital assets	-	-	-	-	(405)
Interest income	-	26,124	224	26,348	652
Interest expense	-	-	-	-	(5,815)
Other	(640)	(33,171)	(920)	(34,731)	-
Total nonoperating revenues (expenses)	<u>17,909</u>	<u>3,577,292</u>	<u>4,198</u>	<u>3,599,399</u>	<u>(2,412)</u>
Income (loss) before contributions and transfers	27,028	(88,577)	(19,426)	(80,975)	(116,971)
Capital contributions	-	-	-	-	842
Transfers in	4,617	-	4,594	9,211	29,779
Transfers out	-	-	(600)	(600)	(35)
Change in net position	31,645	(88,577)	(15,432)	(72,364)	(86,385)
Net position, July 1, restated	<u>1,146,245</u>	<u>1,331,737</u>	<u>567,513</u>	<u>3,045,495</u>	<u>1,305,233</u>
Net position, June 30	<u>\$ 1,177,890</u>	<u>\$ 1,243,160</u>	<u>\$ 552,081</u>	<u>\$ 2,973,131</u>	<u>\$ 1,218,848</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, 2021
(Expressed in Thousands)

	<u>Business Type Activities - Enterprise Funds</u>				Governmental Activities- Internal Service Funds
	Sewer Treatment Loan	Employment Security	Nonmajor Enterprise Funds	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ -	\$ 272,525	\$ 738,806	\$ 1,011,331	\$ 411,246
Receipts from interfund services provided	-	4,408	-	4,408	1,078,564
Payments to suppliers	-	-	(740,651)	(740,651)	(1,200,544)
Payments to employees	-	-	-	-	(212,463)
Payments for unemployment benefits	-	(4,456,206)	-	(4,456,206)	-
Payments for interfund services used	(1,081)	-	(1,637)	(2,718)	(118,696)
Net cash provided by (used for) operating activities	<u>(1,081)</u>	<u>(4,179,273)</u>	<u>(3,482)</u>	<u>(4,183,836)</u>	<u>(41,893)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating grants received	18,549	4,090,359	4,894	4,113,802	-
Reimbursements	-	(33,171)	-	(33,171)	-
Negative cash balance implicitly financed	-	7,021	-	7,021	-
Transfers in	4,617	-	4,594	9,211	29,744
Transfers out	-	-	(600)	(600)	-
Net cash provided by (used for) noncapital financing activities	<u>23,166</u>	<u>4,064,209</u>	<u>8,888</u>	<u>4,096,263</u>	<u>29,744</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of capital assets	-	-	-	-	(74,916)
Bond and commercial paper proceeds	-	-	-	-	58,278
Proceeds from sale of capital assets	-	-	-	-	5,661
Insurance claims recoveries	-	-	-	-	3,156
Principal payments	-	-	-	-	(23,731)
Interest paid	-	-	-	-	(7,089)
Net cash provided by (used for) capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(38,641)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Loans issued and other disbursements to borrowers	(173,893)	-	(19,685)	(193,578)	-
Collection of loan principal	142,418	-	37,926	180,344	-
Interest received	10,237	26,124	2,365	38,726	653
Net cash provided by (used for) investing activities	<u>(21,238)</u>	<u>26,124</u>	<u>20,606</u>	<u>25,492</u>	<u>653</u>
Net increase (decrease) in cash and cash equivalents	847	(88,940)	26,012	(62,081)	(50,137)
Cash and cash equivalents, July 1, restated	<u>395,770</u>	<u>1,228,212</u>	<u>417,671</u>	<u>2,041,653</u>	<u>1,128,462</u>
Cash and cash equivalents, June 30	<u>\$ 396,617</u>	<u>\$ 1,139,272</u>	<u>\$ 443,683</u>	<u>\$ 1,979,572</u>	<u>\$ 1,078,325</u>

(continued on next page)

STATE OF TENNESSEE
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

(continued from previous page)

	<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>	
Reconciliation of operating income to net cash provided by (used for) operating activities					
Operating income (loss)	\$ 9,119	\$ (3,665,869)	\$ (23,624)	\$ (3,680,374)	\$ (114,559)
Adjustment to reconcile operating income (loss) to net cash from operating activities:					
Depreciation and amortization	-	-	-	-	48,404
Loss on disposal of capital assets	-	-	-	-	2,276
Interest income	(9,927)	-	(2,178)	(12,105)	-
Investment income	(304)	-	(75)	(379)	-
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:					
(Increase) decrease in receivables	-	(127,318)	7,953	(119,365)	9,109
(Increase) decrease in due from other funds	-	1,213	-	1,213	1,158
(Increase) decrease in due from component units	-	-	-	-	60
(Increase) decrease in inventories	-	-	-	-	(653)
(Increases) decreases in assets held for sale	-	-	-	-	65
(Increase) decrease in prepaids	-	-	-	-	586
(Increase) decrease in net pension assets	-	-	-	-	205
(Increase) decrease in deferred outflows of resources	-	-	-	-	5,522
Increase (decrease) in accounts payable	-	(372,295)	14,386	(357,909)	18,577
Increase (decrease) in due to other funds	31	-	-	31	(958)
Increase (decrease) in due to component units	-	(30)	-	(30)	224
Increase (decrease) in deferred inflows of resources	-	-	-	-	(8,735)
Increase (decrease) in unearned revenue	-	(14,974)	56	(14,918)	(3,174)
Total adjustments	<u>(10,200)</u>	<u>(513,404)</u>	<u>20,142</u>	<u>(503,462)</u>	<u>72,666</u>
Net cash provided by (used for) operating activities	<u>\$ (1,081)</u>	<u>\$ (4,179,273)</u>	<u>\$ (3,482)</u>	<u>\$ (4,183,836)</u>	<u>\$ (41,893)</u>
Schedule of noncash investing, capital, and financing activities					
Contributions of capital assets	\$ -	\$ -	\$ -	\$ -	842
Assets acquired by transfer	-	-	-	-	35
Capital assets disposed of by transfer	-	-	-	-	(35)
Amortization of bond premium	-	-	-	-	2,030
Amortization of bond discount	-	-	-	-	(986)
Total noncash capital and related financing activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,886</u>

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

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FIDUCIARY FUNDS FINANCIAL STATEMENTS

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.

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

STATE OF TENNESSEE
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2021
(Expressed in Thousands)

			<u>Custodial Funds</u>		
	<u>Pension and Other Employee Benefit Trust Funds</u>	<u>Investment Trust Funds</u>	<u>Private-Purpose Trust Funds</u>	<u>Custodial Funds</u>	<u>External Investment Pools</u>
ASSETS					
Cash and cash equivalents	\$ 126,714	\$ -	\$ 21,185	\$ 518,456	\$ 2,028,410
Cash collateral on loaned securities	3,130,122	-	-	-	-
Receivables:					
Account	2	-	-	1	-
Employer contributions	78,730	-	-	-	-
Member contributions	35,670	-	-	-	-
Taxes	-	-	-	381,062	-
Interest and dividends	-	-	-	-	18
Investments sold	-	3,674	-	-	-
Loans receivable	31,754	-	-	-	-
Other	871	-	-	512	-
Due from other funds	-	-	-	10	-
Investments, at fair value:					
Government bonds	-	-	-	-	6,740
Mutual funds	11,931,724	-	282,769	-	-
Private equities	-	3,742	-	-	-
Real estate	40	-	-	-	-
TRGT pooled funds	65,465,510	292,312	-	-	-
Other	9,402	-	-	-	-
Investments, at amortized cost:					
Short-term investments	-	-	-	-	2,015,953
Capital assets, at cost:					
Machinery and equipment	37,140	-	-	-	-
Less - accumulated depreciation	(27,674)	-	-	-	-
Total assets	<u>80,820,005</u>	<u>299,728</u>	<u>303,954</u>	<u>900,041</u>	<u>4,051,121</u>
LIABILITIES					
Accounts payable and accruals	35,930	-	34	5,656	-
Securities lending collateral	3,130,122	-	-	-	-
Due to other governments	-	-	-	825,481	-
Total liabilities	<u>3,166,052</u>	<u>-</u>	<u>34</u>	<u>831,137</u>	<u>-</u>
NET POSITION					
Restricted for					
Pensions	75,488,471	-	-	-	-
Employee salary deferrals	1,717,569	-	-	-	-
Other postemployment benefits	446,656	-	-	-	-
Employees' flexible benefits	1,257	-	-	-	-
Individuals, organizations and other governments	-	-	303,920	68,904	-
Amounts held in trust for					
Pool participants	-	299,728	-	-	4,051,121
Total net position	<u>\$ 77,653,953</u>	<u>\$ 299,728</u>	<u>\$ 303,920</u>	<u>\$ 68,904</u>	<u>\$ 4,051,121</u>

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, 2021
(Expressed in Thousands)

				<u>Custodial Funds</u>	
	<u>Pension and Other Employee Benefit Trust Funds</u>	<u>Investment Trust Funds</u>	<u>Private-Purpose Trust Funds</u>	<u>Custodial Funds</u>	<u>External Investment Pools</u>
ADDITIONS					
Contributions:					
Members	\$ 695,761	\$ -	\$ -	\$ 90,275	-
Employers	1,517,199	-	-	-	-
Federal	-	-	193	-	-
Private	-	-	48,346	-	-
Transfers in from other plans	61,115	-	-	-	-
Other	1,317	-	2,266	-	-
Total contributions	<u>2,275,392</u>	<u>-</u>	<u>50,805</u>	<u>90,275</u>	<u>-</u>
Investment income:					
Net increase/(decrease) in fair value of investments	15,891,023	(79)	59,363	-	(27)
Interest and dividends	322,447	54,517	1	52	7,856
Securities lending income	14,221	-	-	-	-
Total investment income	16,227,691	54,438	59,364	52	7,829
Less: Investment expenses	(66,091)	(257)	-	-	(1,731)
Securities lending expense	(2,520)	-	-	-	-
Net investment income	<u>16,159,080</u>	<u>54,181</u>	<u>59,364</u>	<u>52</u>	<u>6,098</u>
Capital share transactions:					
Shares sold	-	59,295	-	-	5,439,744
Less: Shares Redeemed	-	(9,828)	-	-	(5,516,738)
Net capital share transactions	-	49,467	-	-	(76,994)
Tax and fee collections for other governments	-	-	-	3,697,352	-
Member resources	-	-	-	767,621	-
Total additions	<u>18,434,472</u>	<u>103,648</u>	<u>110,169</u>	<u>4,555,300</u>	<u>(70,896)</u>
DEDUCTIONS					
Benefit payments	3,496,668	-	-	-	-
Medical payments	75,864	-	-	98,951	-
Deceased member benefit payments	20,883	-	-	-	-
Payments made under trust agreements	5,540	-	16,567	-	-
Member/claimant distributions	44,189	-	131	750,534	-
Payments of taxes and fees to other governments	-	-	-	3,697,352	-
Administrative expenses	35,793	87	574	9,969	6
Total deductions	<u>3,678,937</u>	<u>87</u>	<u>17,272</u>	<u>4,556,806</u>	<u>6</u>
Change in net position	14,755,535	103,561	92,897	(1,506)	(70,902)
Net position, July 1, restated	62,898,418	196,167	211,023	70,410	4,122,023
Net position, June 30	<u>\$ 77,653,953</u>	<u>\$ 299,728</u>	<u>\$ 303,920</u>	<u>\$ 68,904</u>	<u>\$ 4,051,121</u>

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

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Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

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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 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.

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

State of Tennessee

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:

Tennessee Housing Development Agency Andrew Jackson Building, 3rd floor 502 Deaderick Street Nashville, TN 37243	Tennessee Local Development Authority Cordell Hull Building 425 Rep. John Lewis Parkway N. Nashville, TN 37243
Tennessee Veterans' Homes Board 345 Compton Road Murfreesboro, TN 37130	Tennessee State School Bond Authority Cordell Hull Building 425 Rep. John Lewis Parkway N. Nashville, TN 37243
University of Tennessee Office of the Treasurer 301 Andy Holt Tower Knoxville, TN 37996-0100	State University and Community College System 1 Bridgestone Park Nashville, TN 37214
Tennessee Education Lottery Corporation One Century Place 23 Century Boulevard, Suite 200 Nashville, TN 37214	All others may be obtained at the following: Finance & Administration, Division of Accounts 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.

The Deferred Compensation Plans – The Tennessee Department of Treasury sponsors and, through third-party service providers, administers the State of Tennessee 401(k) Plan, the Optional Retirement Program (ORP) for Higher Education, and the 3121 plans, which are collectively reported as the Defined Contribution Pension Plan Fund, and the Internal Revenue Code

Section 457(b) Plan, which is reported as the Deferred Compensation Plan Fund. These plans are administered through trusts to be considered separate legal entities. The Commissioner of Finance and Administration, the Chair of the Finance, Ways, and Means of the Senate, the Chair of the Finance, Ways, and Means Committee of the House of Representatives, and the chair of the consolidated retirement system board shall serve as trustees of these plans. Because of the State's trustee responsibilities for these plans, the Defined Contribution Pension Plan Fund and the Deferred Compensation Plan Fund are reported as pension and other employee benefit trust funds of the primary government rather than discretely presented 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. Because of the State's trustee responsibilities for the trust, GAAP requires it to be reported as a pension and other employee benefit trust

fund of the primary government rather than discretely presented component unit.

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 2021 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 2021 membership dues.

3. **The Interstate Mining Compact** has 24 member states. Tennessee paid \$17,494 for 2021 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 2021 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 2021 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 2021 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 \$13,001 for 2021 membership dues.

10. **The Nurse Licensure Compact** is comprised of 33 states.

11. **The Physical Therapy Licensure Compact** is comprised of 33 states, plus the District of Columbia.

12. **The Interstate Commission of Emergency Medical Services Personnel Practice** is comprised of 22 states.

13. **The Interstate Medical Licensure Compact** is comprised of 30 states, plus the District of Columbia and Guam.

14. **The Psychology Interjurisdictional Compact** is comprised of 21 states plus the District of Columbia.

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):

Tennessee-Tombigbee Waterway Development Compact		
	2020	2019
Current assets	\$ 485	\$ 474
Capital assets, less depreciation	281	286
Total assets	766	760
Total liabilities		97
Net position	766	663
Total liabilities and net position	\$ 766	\$ 760
Revenues	\$ 396	\$ 318
Expenses	293	346
Excess of revenues over expenses	103	(28)
Beginning net position	663	691
Ending net position	\$ 766	\$ 663

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. 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.

- **State Shared Taxes Fund.** The state shared taxes fund accounts for state levied tax revenues and certain fees shared with local city and county governments as authorized by various state statutes.
- **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 defined contribution pension plans, the deferred compensation plans, the employee flexible benefits plan, higher education 403(b) plan fund, 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 Plan* – funds created under Section 529 of the Internal Revenue Code and 2) other small similar funds - funds from liquidated assets of domestic insurance companies that are in receivership and funds held in individual accounts under the state's Achieving a Better Life Experience (ABLE) Act program.
4. **The Custodial Funds** – account for assets the state holds on behalf of others, including local levied taxes held for various local governments, assets in postemployment benefit plans that are not equivalent to a qualified trust held for retirees, deposits from local governments in cash and investment pools, and other receipts held for others that are not held under trust arrangements.

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”, except those to and from pension and other employee benefit trust 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, Distribution Center, the breeding herd for Tennessee Rehabilitative Initiative in Correction, 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 five 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 factor is the net effect from changes in actuarial assumptions, the fourth factor is investment returns were less than projected, and the fifth 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 \$15.7 million for refunding of debt, \$316.4 million for employer contributions made after the measurement date, \$34.9 million for differences between expected and actual experience, \$0.7 million for changes in actuarial assumptions, \$74.0 million for differences between expected and actual investment returns, \$5.2 million for the changes in proportionate shares, and \$442.8 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 two pension related factors. The first factor is the difference between the actual and expected economic and demographic factors that were more favorable than anticipated and the second factor is the change in proportionate share of net pension liabilities and assets. In the governmental activities column of the government-wide statement of net position, the state reported \$11.4 million for these two 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 \$1.2 million, \$1.7 million, and \$333.3 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 (\$90.3 million), federal grants (\$40.7

million), and other sources (\$10.1 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, 2021, the state reported \$1.15 billion of net pension liability, \$24.2 million of net pension asset, \$431.2 million of deferred outflows of resources, \$11.4 million of deferred inflows of resources, and \$359.4 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 \$2.9 billion restricted by the primary government, \$425 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 \$2.2 billion difference are as follows (expressed in thousands):

Bonds payable	\$ (1,436,292)
Plus: premium on bonds issued (to be amortized as interest expense)	(198,332)
Net deferred outflows/inflows of resources for bond refundings (to be amortized as interest expense)	12,992
Commercial paper payable	(144,011)
Accrued interest payable	(24,887)
Capital leases payable	(5,283)
Claims and judgments	(27,479)
Compensated absences	(326,674)
Pollution remediation	(54,148)
Other long-term liabilities and accounts payable	(1,063)
Net adjustment to reduce fund balance—total governmental funds to arrive at net position—governmental activities	<u>\$ (2,205,177)</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 \$977.5 million difference are as follows (expressed in thousands):

Capital outlay	\$ 1,110,056
Depreciation expense	(132,573)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 977,483</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 \$104 million difference are as follows (expressed in thousands):

Debt issued or incurred:	
Issuance of commercial paper	\$ (46,732)
Debt reduced:	
General obligation debt	142,111
Commercial paper redeemed	8,653
<hr/>	
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 104,032</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 \$1.2 million difference are as follows (expressed in thousands):

Pension	\$ (33,160)
Compensated absences	(21,885)
Claims and judgments	6,310
Accrued interest	2,589
Capital lease	1,035
Other postemployment benefits	37,968
Pollution remediation	1,461
Pledged tax credits	266
Loss on disposal of capital assets	(12,407)
Amortization of bond premiums	20,561
Amortization of deferred outflows/inflows of resources	(6,942)
Other costs	5,404
<hr/>	
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 1,200</u>

NOTE 3

Deficit Fund Equity

The records management fund, an internal service fund, has a total net position deficit of \$171 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

Adoption of New Accounting Standards

During the fiscal year ended, June 30, 2021, the state implemented the following new accounting standards issued by the Governmental Accounting Standards Board (GASB).

- Statement No. 84, *Fiduciary Activities* (GASBS 84), is intended to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. With the implementation of GASBS 84, numerous accounts were reclassified into governmental funds from the former fiduciary fund type— Agency fund, and one private purpose trust fund was reclassified to a governmental fund type. In addition, two former investment trust funds were reclassified as custodial external investment pools due to assets not being held in qualifying trusts. See below, *Prior Period Adjustments and Reclassifications*, for further explanations of the effects of this change on the financial statements.
- Statement No. 90, *Majority Equity Interests* – an amendment of GASB Statements No. 14 and No. 61, is intended to improve consistency and comparability of the financial statement presentation of majority equity interests in legally separate organizations and to improve the relevance of financial statement information for certain component units. The implementation of this standard did not have an impact on the financial statement or note disclosures.
- Statement No. 93, *Replacement of Interbank Offered Rates*, establishes accounting and financial reporting requirements related to the replacement of interbank offered rates in hedging derivative instruments and leases. It

also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement apply to the financial statements of all state and local governments. The implementation of this standard did not have an impact on the financial statements or note disclosures.

- Statement No. 98, *The Annual Comprehensive Financial Report*, establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replaces references of the term comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments.

Prior Period Adjustments and Reclassifications

Primary Government

- Governmental activities—\$45.2 million, net increase in net position, is the effect of a change in accounting principle related to the implementation of GASBS 84, *Fiduciary Activities*.
- Governmental activities—\$16.5 million, net increase in net position, is an accounting change resulting from the reclassification of the energy loan program from an enterprise fund to the general fund due to the repurpose of the funds no longer qualifying as a business type activity.
- Business-type activities—\$6.1 million, net decrease in net position, is a result of a correction of an error due to the overstatement of receivables, revenues, and allowances in the employment security fund.
- Business-type activities—\$16.5 million, net decrease in net position, is an accounting change resulting from the reclassification of the energy loan program from an enterprise fund to the general fund due to the repurpose of the funds no longer qualifying as a business type activity.
- Fiduciary funds—\$9.3 billion, net increase in net position for pension trusts, \$4.1 billion net decrease in investment trust fund net position, \$42.2 million decrease in private purpose trust funds net position and \$4.2 billion increase in custodial funds net position are all effects of a change in accounting principle related to the implementation of GASBS 84, *Fiduciary Activities*.

Component Units

- The State University and Community College System (SUCCS) and its foundations recorded prior-period adjustments for a net decrease to net position of \$4.7 million for incorrectly recorded insurance accrual, incorrectly recorded equipment purchase and deposits held for others and miscellaneous audit adjustments. Of this amount, \$56 thousand was related to a cumulative effect of change in accounting principle.

Change in Accounting Estimate

For the fiscal year ended June 30, 2021, the state changed its methodology for estimating liabilities for outstanding unemployment claims. The new methodology was adopted to better estimate the amount that was recorded as liabilities at year end to consider the impacts of the significant changes that arose from new unemployment federal programs and the significant increase in claims resulting from the coronavirus disease pandemic. This change impacted expenditures and the accounts payable and accruals financial statement line items for the employment security fund and business-type activities.

State of Tennessee

The following schedule enumerates adjustments for the fiscal year ended June 30, 2021, (expressed in thousands):

	6/30/20 Net Position as Reported	Adjustments to Net Position	6/30/20 Net Position as Restated
Government-wide statements:			
Primary government			
Governmental activities	\$ 38,208,170	\$ 61,738	\$ 38,269,908
Business-type activities	3,068,103	(22,608)	3,045,495
Total primary government	\$ 41,276,273	\$ 39,130	\$ 41,315,403
Component units - SUCCS	4,314,667	(4,666)	4,310,001
Total component units	\$ 4,314,667	\$ (4,666)	\$ 4,310,001
Enterprise fund statements:			
Employment security	1,337,800	(6,063)	1,331,737
Nonmajor enterprise funds			
Energy loan program	16,545	(16,545)	-
Total enterprise funds	\$ 1,354,345	\$ (22,608)	\$ 1,331,737
Governmental funds statements:			
Major governmental funds			
General fund	5,562,357	40,188	5,602,545
Education fund	977,842	308	978,150
Nonmajor special revenue funds			
Vehicle tag and analogous fees		500	500
Permanent funds			
Other permanent funds	71,914	20,741	92,655
Total governmental funds	\$ 6,612,113	\$ 61,737	\$ 6,673,850
Fiduciary funds statements:			
Pension and other employee trust funds			
Defined contribution pension plan fund		7,862,399	7,862,399
Higher education 403(b) plan fund		801,164	801,164
Deferred compensation plan fund		601,852	601,852
Total pension trust		\$ 9,265,415	\$ 9,265,415
Investment trust funds			
External retirement investment fund	129,484	66,683	196,167
Intermediate term investment fund	12,033	(12,033)	-
Local Government Investment Pool	4,109,990	(4,109,990)	-
Total investment trust	\$ 4,251,507	\$ (4,055,340)	\$ 196,167
Private-purpose trust funds			
College savings plan	200,176	(12,114)	188,062
Children in state custody	5,560	(5,560)	-
Oak Ridge monitoring	20,741	(20,741)	-
TNInvestco	1,865	(1,865)	-
Other private-purpose trust fund	24,874	(1,913)	22,961
Total private-purpose trust	\$ 253,216	\$ (42,193)	\$ 211,023
Custodial funds ⁽¹⁾			
Custodial accounts		52,666	52,666
Intermediate term investment fund		12,033	12,033
Local government investment Pool		4,109,990	4,109,990
Retiree health funds		17,744	17,744
Total custodial funds		\$ 4,192,433	\$ 4,192,433

⁽¹⁾ The Custodial accounts and Retiree health funds were former Agency funds. Also, the State shared tax fund, a major governmental fund, was formerly reported as an Agency fund but no restatement was required as all assets held were payable at June 30, 2020.

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) custodial fund is 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 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 State Funds Investment Portfolios, which include investments selected and managed by the Tennessee Wildlife Resources Agency (TWRA), do not have specific investment policies that restrict their investments.

The College Savings Plan (TNStars), a private-purpose trust; the Achieving a Better Life Experience (ABLE TN) fund, reported as part of Other private purpose trust funds; the Defined Contribution Pension Plan Fund, a pension trust fund; and the Deferred Compensation Plan Fund and the Higher Education 403(b) Plan Fund, employee benefit trust funds; are authorized to invest in commingled funds, mutual funds, fixed accounts and self-directed brokerage accounts. The External Retirement Investment Fund, an investment trust fund, invest in commingled funds and private equities.

State of Tennessee

As of June 30, 2021, 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 Plan	Other private purpose trust funds	Employee Group OPEB Trust	Defined Contribution Pension Plan Fund	Deferred Compensation Plan Fund	External Retirement Investment Fund	Higher Education 403(b) Plan Fund	Total
AAA	\$ 116,112	\$ 423,722			\$ 57	\$ 1,985								\$ 541,876
AA		262,908			101	3,515								266,524
A		1,073,516			229	7,968								1,081,713
BBB		3,520,342			456	15,868								3,536,666
BB		448,696			16	550								449,262
B		154,965												154,965
CCC		66,637												66,637
CC		1,656												1,656
NR	9,653,574	4,130,842			898	31,266	\$88,219	\$9,637		\$4,811,586	\$348,718		\$417,446	19,492,186
A1 (Commercial paper)	2,485,807													2,485,807
	12,255,493	10,083,284			1,757	61,152	88,219	9,637		4,811,586	348,718		417,446	28,077,292
Government agencies and obligations ¹	6,914,708	7,323,162	\$ 6,740	\$ 73,573	2,170	75,582								14,395,935
Total debt investments	19,170,201	17,406,446	6,740	73,573	3,927	136,734	88,219	9,637		4,811,586	348,718		417,446	42,473,227
Non Fixed Income Assets														
Equity		32,377,992												32,377,992
Equity mutual funds					765,968	298,784	170,112	14,801	\$416,557	5,014,259	\$394,778		528,380	7,603,639
Self-Directed Brokerage										7,294	\$2,108			9,402
Preferred stock		85,976												85,976
Real estate		5,111,807											40	5,111,847
Private equities		6,686,215										\$3,742		6,689,957
Strategic lending		4,036,994												4,036,994
Derivatives (not rated)		394												394
Certificate of deposit classified as short term	30,435													30,435
Short-term investment fund at custodian		(6,204)												(6,204)
Less: short term	(9,117,995)	(890,871)												(10,008,866)
Total investments	\$ 10,082,641	\$ 64,808,749	\$ 6,740	\$ 73,573	\$ 769,895	\$ 435,518	\$ 258,331	\$ 24,438	\$ 416,557	\$ 9,833,139	\$ 745,604	\$ 3,742	\$ 945,866	\$ 88,404,793
Net noninvestment assets		1,034,474												
Pool's net position ²		\$ 65,843,223												

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 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, 2021, 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 issued by domestic banks with a minimum AA long-term debt rating or foreign banks with a AAA long-term debt rating by a majority of the rating services that have rated the issuer. The short-term debt rating must be at least A1 or the equivalent by all of the rating services that rate the issuer. Commercial paper should be rated in the highest tier by all rating agencies that rate the paper. Commercial paper on a credit rating agency's negative credit watch list cannot be purchased under the SPIF's investment policy. The policy requires that a credit analysis report on the corporation be prepared prior to acquisition of the commercial paper.

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 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.

The College Savings Plan, the Other private purpose trust fund, the Defined Contribution Pension Plan Fund, the Deferred Compensation Plan Fund, and the Higher Education 403(b) Plan Fund seek to provide participants with a prudent menu of investment options that is diversified across a range of asset classes, risk levels and investment strategies. These plans do not currently own specific fixed income securities but provide options to invest in mutual funds that invest in fixed income securities. A fixed account will generally guarantee a minimum rate of return or interest. Fixed accounts available through either a fixed or variable annuity contracts and must have an issuer with long-term rating of (or equivalent to) A+ or better as determined by a nationally recognized statistical rating agency. Fixed accounts through a bank depository account must provide participant-level FDIC protection. Self-directed brokerage accounts (SDBA) are offered for flexibility to participants who wish to take an active role selecting investment instruments not available as a direct investment option in these plans. The State has no responsibility to review or assess the self-directed brokerage account provider, brokerage window or the investment instruments available under a SDBA.

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 Plan, the Education Fund or other State funds in any one issuer.

As of June 30, 2021, SPIF, 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):

State Pooled Investment Fund (SPIF)		
Issuer Organization	Carry Value	Percentage
Federal Home Loan Bank	\$ 5,807,254	30.29
International Bank for Recon & Dev	1,506,154	7.86
Federal Farm Credit Banks	2,436,512	12.71

Intermediate Term Investment Fund (ITIF)		
Issuer Organization	Fair Value	Percentage
Federal Home Loan Bank	\$ 6,740	100.00

State Funds Investment Portfolios		
Issuer Organization	Fair Value	Percentage
Federal National Mortgage Association	\$ 14,392	19.56

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, 2021, the

weighted average maturity of the pool was forty-four (44) days and the weighted average life of the pool was fifty-one (51) days. It is the intent of the Funding Board that the fair value of the SPIF not deviate more than one-half 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, 2021, the combined SPIF portfolio and other state cash deposits and investments had the following weighted average maturities (expressed in thousands):

State Pooled Investment Fund Weighted Average Maturity		
Deposit/Investment Type	Carry Value	Weighted Average Maturity (Months)
U.S. Government Agencies	\$ 9,769,686	1.84
U.S. Government Treasuries	6,914,708	1.50
Commercial paper	2,485,807	1.30

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, 2021, the Intermediate Term Investment Fund had the following weighted average maturities (expressed in thousands):

Intermediate Term Investment Fund Weighted Average Maturity		
Deposit/Investment Type	Fair Value	Weighted Average Maturity (Years)
U.S. Government Agencies	\$ 6,740	2.64

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.

Tennessee Retiree Group Trust Debt Investments June 30, 2021 (expressed in thousands)		
Investment Type	Fair Value	Effective Duration (Years)
Debt Investments:		
Government Fixed Income		
Government Agencies	\$ 112,322	1.16
Government Bonds	5,792,428	15.93
Government Inflation Indexed	90,897	4.13
Government Mortgage-Backed	3,885,868	4.45
Government Asset-Backed	94,420	5.84
Municipal Bonds	66,577	14.43
Corporate Fixed Income		
Commercial Mortgage Backed	523,050	1.99
Asset Backed Securities	1,107,614	1.07
Corporate Bonds	4,741,233	10.47
Short Term		
Commercial Paper	94,962	0.00
Short Term Bills and Notes	897,075	0.00
Total Debt Investments	<u>\$ 17,406,446</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.

Chairs of Excellence Debt Investments June 30, 2021 (expressed in thousands)		
Investment Type	Fair Value	Effective Duration (Years)
Debt Investments		
U.S. Government		
U.S. Government Treasuries	\$ 33,533	10.21
U.S. TIPS	37,704	7.71
U.S. Agencies	1,938	3.77
Government Mortgage-Backed	28,931	4.60
Government Asset-Backed	2,774	4.51
Municipal Bonds	488	1.27
Corporate Fixed Income		
Corporate Mortgage-Backed	1,036	2.96
Corporate Bonds	25,514	4.35
Corporate Asset-Backed	4,816	0.61
Total Debt Investments	<u>\$136,734</u>	

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.

Education Fund Debt Investments June 30, 2021 (expressed in thousands)		
Investment Type	Fair Value	Effective Duration (Years)
Debt Investments		
U.S. Government		
U.S. Government Treasuries	\$ 963	10.21
U.S. TIPS	1,082	7.71
U.S. Agencies	56	3.77
Government Mortgage-Backed	831	4.60
Government Asset-Backed	80	4.51
Municipal Bonds	14	1.27
Corporate Fixed Income		
Corporate Mortgage-Backed	30	2.96
Corporate Bonds	733	4.35
Corporate Asset-Backed	138	0.61
Total Debt Investments	<u>\$ 3,927</u>	

The College Savings Plan, the Other private purpose trust fund, the Defined Contribution Plan Fund, the Deferred Compensation Plan Fund, and the Higher Education 403(b) Plan Fund provide investment

products for participants to select. Participants select investment products that best suit their investment needs. These programs have no specific investment policy limiting their investment choices based on interest rate risk.

College Savings Plan Debt Investments June 30, 2021 (expressed in thousands)		
Fund Name Blended	Fair Value	Effective Duration (Years)
Investment in Mutual Funds (Fixed)		
	\$ 66,020	7.57
Investment in Mutual Funds (Blended)		
	<u>22,199</u>	7.96
Total Debt Investments	<u>\$ 88,219</u>	

Other private purpose trust Debt Investments June 30, 2021 (expressed in thousands)		
Fund Name Blended	Fair Value	Effective Duration (Years)
Investment in Mutual Funds (Fixed)		
	\$ 2,586	7.04
Investment in Mutual Funds (Blended)		
	<u>7,051</u>	7.96
Total Debt Investments	<u>\$ 9,637</u>	

Defined Contribution Pension Plan Fund Debt Investments June 30, 2021 (expressed in thousands)		
Fund Name Blended	Fair Value	Effective Duration (Years)
Investment in Mutual Funds (Fixed)		
	\$ 2,134,367	9.95
Investment in Mutual Funds (Blended)		
	<u>2,677,219</u>	7.58
Total Debt Investments	<u>\$ 4,811,586</u>	

Deferred Compensation Plan Fund Debt Investments June 30, 2021 (expressed in thousands)		
Fund Name Blended	Fair Value	Effective Duration (Years)
Investment in Mutual Funds (Fixed)	\$ 174,893	6.39
Investment in Mutual Funds (Blended)	173,825	7.12
Total Debt Investments	\$ 348,718	

Higher Education 403(b) Plan Fund Debt Investments June 30, 2021 (expressed in thousands)		
Fund Name Blended	Fair Value	Effective Duration (Years)
Investment in Mutual Funds (Fixed)	\$ 342,896	12.35
Investment in Mutual Funds (Blended)	74,550	8.05
Total Debt Investments	\$ 417,446	

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

State Funds Investment Portfolio Debt Investments June 30, 2021 (expressed in thousands)		
Investment Type	Fair Value	Effective Duration (Years)
U.S. Government Treasuries	\$ 38,195	6.20
Government Mortgage-Backed	35,378	26.77

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, 2021, was as follows (expressed in thousands):

Currency	Total Fair Value	Fixed Income	Equity	Cash
Australian Dollar	\$ 426,509		\$ 426,385	\$ 124
British Pound Sterling	1,586,369		1,583,016	3,353
Canadian Dollar	1,457,802		1,456,641	1,161
Danish Krone	356,774		356,773	1
Euro Currency	3,097,399		3,096,050	1,349
Hong Kong Dollar	235,445		235,441	4
Japanese Yen	1,713,501		1,711,715	1,786
New Israeli Shekel	9,157		9,157	
New Zealand Dollar	8,540		8,538	2
Norwegian Krone	59,253		59,252	1
Singapore Dollar	105,222		105,127	95
Swedish Krona	255,629		255,596	33
Swiss Franc	795,949	\$ 585	795,360	4
Total	\$ 10,107,549	\$ 585	\$ 10,099,051	\$ 7,913

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, 2021, 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.

State of Tennessee

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2021, 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, 2021		
		Financial Statement Classification	Amount	Financial Statement Classification	Amount	Notional Amount
Future Contracts	Investment Income		\$ 24,617	Derivative Instruments Receivable	\$ 2,954	\$ 1,537,238
TBA Mortgage-Backed Securities	Investment Income		\$ 394	Derivative Instruments	\$ 394	\$ 190,388

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, 2021, the TRGT had uninsured and uncollateralized cash deposits of \$7.9 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, 2021, the Insurance Receivership fund had uninsured and uncollateralized cash deposits of \$1.2 million 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, 2021 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 Collateral Received
Fixed	\$ 1,400,887	\$ 1,427,713
Equity	1,692,903	1,725,321
Total	\$ 3,093,790	\$ 3,153,034

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, 2021, the University's investments were rated as follows (expressed in thousands):

Rated Debt Instruments	Fair Value	Credit Quality Rating				
		USTreasury ¹ / Agency	P-1*	Aaa	Aa1	
U.S. Treasuries	\$ 244	\$ 244				
U.S. Treasuries (in pool)	243,608	243,608				
U.S. Agencies	20				\$ 20	
U.S. Agencies (in pool)	942,975	39,849		\$398,958	144,646	
Commercial Paper (in pool)	142,991		\$142,991			
Corporate Bonds	185					
Mutual Funds – Bonds	100,032			4		
Money Market Mutual Funds	712					
Total	\$ 1,430,767	\$ 283,701	\$ 142,991	\$ 398,962	\$ 144,666	
(Continued)						
Rated Debt Instruments		Credit Quality Rating				
		Aa2	A1	A2	Baa1	Baa2
U.S. Treasuries						
U.S. Treasuries (in pool)						
U.S. Agencies						
U.S. Agencies (in pool)						
Commercial Paper (in pool)						
Corporate Bonds					\$ 27	\$ 85
Mutual Funds – Bonds	\$ 46,793	\$ 40,071	8,124			1,178
Money Market Mutual Funds						
Total	\$ 46,793	\$ 40,071	\$ 8,124	\$ 27	\$ 1,263	
(Continued)						
Rated Debt Instruments		Credit Quality Rating				
		Baa3	Ba2	B2	Unrated	
U.S. Treasuries						
U.S. Treasuries (in pool)						
U.S. Agencies						
U.S. Agencies (in pool)					\$ 359,522	
Commercial Paper (in pool)						
Corporate Bonds	\$ 73					
Mutual Funds – Bonds		\$ 1,916	1,946			
Money Market Mutual Fund					712	
Total	\$ 73	\$ 1,916	\$ 1,946	\$ 360,234		

*Short-term ratings from Moody's
¹Includes obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government.

State of Tennessee

Interest Rate Risk

The University does not have a formal policy that addresses interest rate risk. As of June 30, 2021, 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	\$ 244				\$ 244
U.S. Treasuries (in pool)	243,608		\$ 89,937	\$ 145,221	8,450
U.S. Agencies	20			20	
U.S. Agencies (in pool)	942,975	\$ 226,455	547,214	139,216	30,090
Commercial Paper (in pool)	142,991	142,991			
Corporate Bonds	185		27		158
Bond Mutual Funds	100,032	4	42,301	56,190	1,537
	<u>\$ 1,430,055</u>	<u>\$ 369,450</u>	<u>\$ 679,479</u>	<u>\$ 340,647</u>	<u>\$ 40,479</u>

University foundations' investments in the amount of \$303.865 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 \$3.026 million invested in foreign corporate equities at June 30, 2021.

Alternative Investments

In its Consolidated Investment Pool, as part of its endowment assets, the University has investments in one hundred eighteen limited partnerships, limited companies, trusts, corporations, and limited liability corporations. At June 30, 2021, the estimated fair value of these assets is \$597.296 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, 2021, 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):

Rated Debt Instruments	Fair Value	U.S. Treasury ¹ / Agency	Credit Quality Rating							
			AAA	AA	A	BBB	BB	B	CCC	Not Rated
U.S. Treasuries	\$ 106,187	\$ 106,187								
U.S. Agencies	179,021	127		\$ 178,894						
Corporate Bonds	18,680		\$ 338	1,596	\$ 9,475	\$ 7,271				
Mutual Funds—Bonds	65,406		1,980	537	1,937	12,307	\$ 1,794	\$ 211	\$ 67	\$ 46,573
Other	-									
Total Debt Instruments	<u>\$ 369,294</u>	<u>\$ 106,314</u>	<u>\$ 2,318</u>	<u>\$ 181,027</u>	<u>\$ 11,412</u>	<u>\$ 19,578</u>	<u>\$ 1,794</u>	<u>\$ 211</u>	<u>\$ 67</u>	<u>\$ 46,573</u>

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, 2021, 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	More Than 10	Undetermined
U.S. Treasuries	\$106,187	\$ 1,835	\$101,724	\$ 2,628		
U.S. Agencies	179,021	26,920	142,774	6,849	\$ 2,478	
Corporate Bonds	18,680	2,576	8,878	7,094	132	
Mutual Funds—Bonds	65,406	466	5,094	12,483	1,373	\$ 45,990
Other	0					
Total Debt Investments	\$369,294	\$ 31,797	\$258,470	\$29,054	\$ 3,983	\$ 45,990

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 \$417.077 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 daily 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, 2021, were rated by Standard and Poor’s and/or Moody’s as follows (expressed in thousands):

Rated Debt Instruments	Fair Value	Credit Quality Rating		
		U.S. Treasury ¹ / Agency	AA	Not Rated ²
U.S. Agency Coupon	\$ 136,216		\$ 136,216	
U.S. Treasury Coupon	6,221	\$ 6,221		
U.S. Agency Discount	289,986			\$ 289,986
Total Debt Instruments	\$ 432,423	\$ 6,221	\$ 136,216	\$ 289,986

1. Includes obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government.
 2. Includes securities that are implicitly guaranteed by the U.S. government, but are not rated by S&P or Moody’s.

Concentration of Credit Risk

At June 30, 2021, 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	\$ 346,372	80.10
Federal Home Loan Mortgage Corporation	38,448	8.89
Federal National Mortgage Association	41,383	9.57

Interest Rate Risk

As of June 30, 2021, the Agency had the following debt investments and effective duration (expressed in thousands):

Investment Type	Fair Value	Effective Duration (Years)
U.S. Agency Coupon	\$ 136,216	0.691
U.S. Treasury Coupon	6,221	1.985
U.S. Agency Discount	289,986	0.098
Total	<u>\$ 432,423</u>	

NOTE 6

Fair Value Measurements

A. Primary Government

The fair value of assets held at June 30, 2021, 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

Investments Measured at Fair Value						
(expressed in thousands)						
Fund	Investment Aggregation	GAAP	GAAP	GAAP	NAV	Total Investments
		Hierarchy Level 1	Hierarchy Level 2	Hierarchy Level 3		
Tennessee Retiree Group Trust	Government Agencies		\$ 112,322			\$ 112,322
	Government Bonds	\$ 5,672,842	119,586			5,792,428
	Government Inflation Indexed	90,897				90,897
	Government Mortgage Backed		3,868,730	\$ 17,138		3,885,868
	Government Asset Backed		74,232	20,188		94,420
	Municipal Bonds		58,472	8,105		66,577
	Commercial Mortgage Backed		328,395	194,655		523,050
	Commercial Paper		94,962			94,962
	Corporate Asset Backed Securities		393,853	713,761		1,107,614
	Corporate Bonds		4,724,114	17,119		4,741,233
	Corporate Equities	32,335,477		42,515		32,377,992
	Preferred Stocks	53,123	\$32,841	12		85,976
	Limited Partnership Units			1,076,213	\$ 9,646,996	10,723,209
	Real Estate			3,152,911	1,958,896	5,111,807
	Derivatives		394			394
Education Fund	Mutual Funds	765,968				765,968
	Government Agencies		56			56
	Government Asset Backed		55	25		80
	Government Bonds	929	34			963
	Government Mortgage Backed		831			831
	Government Inflation Indexed	1,046	36			1,082
	Municipal Bonds		14			14
	Corporate Mortgage Backed		30			30
	Corporate Asset Backed		110	28		138
	Corporate Bonds		733			733
Chairs of Excellence	Exchange Traded Funds	298,784				298,784
	Government Agencies		1,938			1,938
	Government Asset Backed		1,907	867		2,774
	Government Bonds	32,363	1,170			33,533
	Government Mortgage Backed		28,931			28,931
	Government Inflation Indexed	36,438	1,266			37,704
	Municipal Bonds		488			488
	Corporate Mortgage Backed		1,036			1,036
	Corporate Asset Backed		3,844	972		4,816
	Corporate Bonds		25,514			25,514
Employee Group OPEB Trust	Mutual Funds	416,557				416,557
College Savings Plans	Mutual Funds	192,311	66,020			258,331
Other private purpose trust fund	Mutual Funds	21,852	2,586			24,438
Intermediate Term Investment Fund	Agency Securities		6,740			6,740
Defined Contribution Pension Plan Fund	Mutual Funds	7,501,337	2,331,802			9,833,139
Deferred Compensation Plan Fund	Mutual Funds	546,168	199,436			745,604
Higher Education 403(b) Plan Fund	Mutual Funds	595,829	350,037			945,866
State Fund Investment Portfolios	Government Bonds	38,195				38,195
	Government Mortgage Backed		35,378			35,378
External Retirement Investment Fund					3,742	3,742
Total Investments		\$ 48,600,116	\$ 12,867,893	\$ 5,244,509	\$ 11,609,634	\$ 78,322,152

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.

Commingled fixed income funds are pooled investments in multiple debt-type securities, which are valued at NAV. The NAV for the commingled fixed income funds is calculated using the closing price of the underlying investments.

The following table sets forth the additional disclosures of the TRGT’s and the External Retirement Investment Fund’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	169	\$ 9,646,996	Various	N/A	Various transfer and sale restrictions
Real Estate Limited Partnerships	Real Estate Commingled Investments	38	1,958,896	N/A	N/A	Various transfer and sale restrictions
Limited Partnerships	Traditional Private Equity	5	3,742	Various	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. In addition, the state holds limited partnership units for the External Retirement Investment Fund. These assets are held until maturity at which time the proceeds are invested into TRGT.

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, 2021 (expressed in thousands):

	6/30/2021	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	\$ 254,604	\$ 10,996	\$ 243,608	
U.S. Agencies	942,994		942,994	
Corporate bonds	185		185	
Corporate commercial paper	142,991			\$ 142,991
Total debt securities	1,340,774	10,996	1,186,787	142,991
Corporate stock				
Domestic	33,872	33,872		
International	3,026	3,026		
Total equity securities	36,898	36,898		
Pooled investment vehicles (ETFs; Open-end funds with published and non-published values)				
Equity	234,525	233,428		1,097
Bonds	59,960	59,406	550	4
Real Estate	21,549	21,549		
Total pooled investment vehicles	316,034	314,383	550	1,101
Real estate gifts	2,774			2,774
Assets held by others	7,894			7,894
Other assets	18,073		18,073	
Private capital investments				
Private equities	202,993			202,993
Private credit/debit	53,399			53,399
Private real assets	123,884			123,884
Private, other	6,454			6,454
Total private capital investments	386,730			386,730
Investments measured at the Net Asset Value (NAV)				
Pooled investment vehicles (other open-end funds)	486,816			
Limited partnerships	118,496			
Hedge funds, long/short equity	86,688			
Hedge funds, credit	21,012			
Hedge funds, diversified	81,317			
Total investments measured at NAV	794,329			
Total investments and cash equivalents	\$ 2,903,506			

Debt securities—The fair value of the majority of the debt securities category at June 30, 2021, was determined based on Level 1, 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 1 and 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.

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 \$2.774 million, the valuation of which is determined by periodic appraisals.

Assets held by others—This category consists of separately invested portfolios of \$7.894 million. These are managed externally for the benefit of the university, and pricing is provided by third parties.

Private capital investments—The fair value of the private capital category at June 30, 2021, 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 \$210.525 million of unfunded commitments at June 30, 2021.

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.

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	\$486,816		daily, quarterly	1 day- 45 days
Hedge funds, long/short equity	86,688		quarterly, annually	5 days- 90 days
Hedge funds, credit	21,012		annually	90 days -120 days
Hedge funds, diversified*	81,317		quarterly, semi-annually	60 days- 90 days
Limited partnerships	118,496	9,928	none, monthly, quarterly	30 days- 90 days

*At fiscal year-end, \$18,256,809.81 of NAV investments were still within the initial lock-up period of two years, with six months remaining and another \$11,025,630.61 with eighteen months remaining. An additional \$16,017,650.00 was still within an initial lock-up period of three years, with fifteen months remaining.

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, 2021 (expressed in thousands):

	6/30/2021	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	\$ 106,187	\$ 104,403	\$ 1,784	
U.S. Agencies	179,021	64,420	114,601	
Corporate bonds	18,680	11,544	7,136	
Mutual bond funds	22,454	22,116	338	
Other	9,419	8,730	689	
Total debt securities	<u>335,761</u>	<u>211,213</u>	<u>124,548</u>	
Equity securities				
Corporate stock	481	481		
Mutual equity funds	100,885	100,873	12	
Real estate	4,678			\$ 4,678
Equity REITs	1,561	1,561		
Other	7,511	6,373		1,138
Total equity securities	<u>115,116</u>	<u>109,288</u>	<u>12</u>	<u>5,816</u>
Investments measured at the Net Asset Value (NAV)				
Mutual bond funds	42,953			
Mutual equity funds	133,039			
Equity REITs	66			
Private equities	9,025			
Hedge funds	14,185			
Natural resources	1,428			
Other	848			
Total investments measured at NAV	<u>201,544</u>			
FASB foundations' investments at fair value	370,171	279,682	41,538	48,951
FASB foundations' investments at NAV	<u>46,906</u>			
Total FASB foundations' investments	<u>417,077</u>			
Total investments and cash equivalents	<u>\$ 1,069,498</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 statements from investment companies and use of a third-party investment manager (US agencies), use of a third-party investment manager (US Treasuries), price quotes for identical or similar assets in non-active markets (corporate bonds), use of third-party pricing services and guidance provided by custodians and trading counterparties for fair value estimates (mutual bond funds and mutual equity funds). 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	\$ 42,953		Daily, monthly	5 business days
Mutual equity funds	133,039		Daily, monthly	5 business days
Equity REITs	66		not applicable	not applicable
Private equities	9,025	\$ 1,807	not applicable	not applicable
Hedge funds	14,185		varies to quarterly	varies - 91 calendar days
Natural resources	1,428	1,246	not applicable	not applicable
Other	848	3,445	not applicable	not applicable

The assets of the multi-strategy bond fund are allocated among strategies in proportions that Commonfund Asset Management Company considers beneficial for a fully diversified fixed income portion of an educational endowment. There are currently no redemption restrictions on the multi-strategy bond 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, 2021 (expressed in thousands):

	6/30/2021	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	\$ 136,216		\$ 136,216
Government bonds	6,221	\$ 6,221	
Short term bills and notes	289,986		289,986
Total debt securities	<u>\$ 432,423</u>	<u>\$ 6,221</u>	<u>\$ 426,202</u>

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, 2021, 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

	Accounts including Due From Other Governments	Taxes and Certain Other Licenses, Fees, and Permits	Other	Total Receivables	Allowance for Uncollectibles	Net Total Receivables
Governmental activities:						
General	\$ 1,131,521	\$ 1,238,095		\$ 2,369,616	\$ (128,609)	\$ 2,241,007
Education	281,077	724,140		1,005,217	(37,182)	968,035
Highway	189,222	102,751	\$ 764	292,737	(113)	292,624
Capital projects	14,281			14,281		14,281
State shared taxes		170,593		170,593	(3,815)	166,778
Nonmajor governmental funds	17,206	32,399	1,216	50,821	(448)	50,373
Internal service funds	6,711		553	7,264	(573)	6,691
Total-governmental activities	<u>\$ 1,640,018</u>	<u>\$ 2,267,978</u>	<u>\$ 2,533</u>	<u>\$ 3,910,529</u>	<u>\$ (170,740)</u>	<u>\$ 3,739,789</u>
Amounts not expected to be collected within one year		<u>\$ 109,061</u>				<u>\$ 109,061</u>
Business-type activities:						
Employment security	\$ 1,827,445	\$ 64,627	\$ 5,333	\$ 1,897,405	\$ (1,556,872)	\$ 340,533
Nonmajor enterprise funds	3,024			3,024	(460)	2,564
Total-business-type activities	<u>\$ 1,830,469</u>	<u>\$ 64,627</u>	<u>\$ 5,333</u>	<u>\$ 1,900,429</u>	<u>\$ (1,557,332)</u>	<u>\$ 343,097</u>

NOTE 8

Capital Assets

A. Primary Government

Capital asset activity for the year ended June 30, 2021, was as follows (expressed in thousands):

	Beginning			Ending
	Balance	Increases	Decreases	Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,592,013	\$ 89,675	\$ (355)	\$ 2,681,333
Infrastructure	25,252,859	926,929	(10,450)	26,169,338
Construction in progress	1,514,846	839,274	(1,080,056)	1,274,064
Software in development	96,338	258,095	(216,643)	137,790
Capital assets, being depreciated:				
Structures and improvements	2,995,971	206,104	(4,059)	3,198,016
Machinery and equipment	1,833,995	293,461	(62,470)	2,064,986
Total capital assets	34,286,022	2,613,538	(1,374,033)	35,525,527
Less accumulated depreciation for:				
Structures and improvements	(1,346,987)	(69,367)	3,084	(1,413,270)
Machinery and equipment	(986,449)	(232,803)	49,669	(1,169,583)
Total accumulated depreciation	(2,333,436)	(302,170)	52,753	(2,582,853)
Governmental activities capital assets, net	\$ 31,952,586	\$ 2,311,368	\$ (1,321,280)	\$ 32,942,674

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

Governmental activities:	
General government	\$ 17,229
Education	2,134
Health and social services	146,771
Law, justice and public safety	40,544
Recreation and resource development	10,958
Regulation of business and professions	1,824
Transportation	34,524
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	48,186
Total depreciation expense – governmental activities	<u>\$ 302,170</u>

Highway Construction Commitments— At June 30, 2021, the Department of Transportation had contractual commitments of approximately \$807.8 million for construction of various highway projects. Funding of these future expenditures is expected to be provided from federal grants (\$710 million) and general obligation bond proceeds (\$97.8 million).

B. Discretely Presented Component Units

Capital asset activity for the year ended June 30, 2021, for the discretely presented component units was as follows (expressed in thousands):

	Beginning			Ending
	Balance	Increases	Decreases	Balance
Component Units:				
Capital assets, not being depreciated:				
Art and collections	\$ 12,664		\$ (86)	\$ 12,578
Land	262,840	\$ 8,938	(3,603)	268,175
Construction in progress	670,551	356,455	(512,304)	514,702
Capital assets, being depreciated:				
Infrastructure	856,154	45,914	(5,047)	897,021
Structures and improvements	7,170,476	570,976	(23,199)	7,718,253
Machinery and equipment	1,213,620	89,301	(51,724)	1,251,197
Total capital assets	10,186,305	1,071,584	(595,963)	10,661,926
Less accumulated depreciation for:				
Infrastructure	(408,112)	(36,664)	216	(444,560)
Structures and improvements	(2,629,415)	(163,549)	7,644	(2,785,320)
Machinery and equipment	(822,782)	(82,943)	47,771	(857,954)
Total accumulated depreciation	(3,860,309)	(283,156)	55,631	(4,087,834)
Component Units capital assets, net	\$ 6,325,996	\$ 788,428	\$ (540,332)	\$ 6,574,092

The University of Tennessee foundations and certain State University and Community College System foundations utilize FASB standards; therefore, only the June 30, 2021, balances are available as follows (expressed in thousands):

	Ending
	Balance
Capital assets, not being depreciated:	
Art and collections	\$ 875
Land	11,939
Total capital assets, not being depreciated	12,814
Capital assets, being depreciated:	
Infrastructure	1,010
Structures and improvements	150,066
Machinery and equipment	14,494
Total capital assets being depreciated	165,570
Less: total accumulated depreciation	(102,889)
Total capital assets, being depreciated, net	62,681
Total capital assets, net	\$ 75,495

NOTE 9

Interfund Balances, Payables and Receivables

A. Interfund Balances

Interfund balances at June 30, 2021, 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	Employment Security	Sewer Treatment Loan	Internal Service Funds	
General		\$ 263,112	\$ 605	\$ 95	\$ 11	\$ 7,021	\$ 31	\$ 16	\$270,891
Education	\$ 16,936								16,936
Capital projects	2,109	13	51		143				2,316
D Nonmajor									
U governmental									
E funds					44				44
Employment									
T security	66								66
O Internal service									
funds	685	1	9					57	752
Custodial funds	10								10
Total	\$ 19,806	\$ 263,126	\$ 665	\$ 95	\$ 198	\$ 7,021	\$ 31	\$ 73	\$291,015

The \$263.1 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, 2021, consisted of the following (expressed in thousands):

	Payable From Component Units					Total
	Tennessee Education Lottery	State University and Community College System	University of Tennessee	Nonmajor Component Units		
P						
A PRIMARY GOVERNMENT:						
Y General	\$ 443	\$ 134	\$ 41	\$ 721	\$ 1,339	
A Education	151,827	124			151,951	
B Capital Projects		9,713		148	9,861	
L Nonmajor governmental						
E funds			1,391		1,391	
State shared taxes	1,330				1,330	
T Internal service funds		4	16	43	63	
O						
Total	\$ 153,600	\$ 9,975	\$ 1,448	\$ 912	\$ 165,935	

C. Component Units Receivables

Component units' accounts receivable from the primary government at June 30, 2021 consisted of the following (expressed in thousands):

Receivable From PRIMARY GOVERNMENT								
Receivable to COMPONENT UNITS:	General	Education	Highway	Capital Projects	Nonmajor Governmental Funds	Internal Service Funds	Total	
Tennessee Housing Development Agency	\$ 6							\$ 6
State University and Community College System	7,199	\$ 11,237	\$ 830	\$ 1,166	\$ 1,177	\$ 37		21,646
University of Tennessee	6,089	5,275	1,289	49,666	2,583	267		65,169
Nonmajor component units	1,484							1,484
Total	\$ 14,778	\$ 16,512	\$ 2,119	\$ 50,832	\$ 3,760	\$ 304		\$ 88,305

NOTE 10

Interfund Transfers

Transfers between the various primary government funds for fiscal year ended June 30, 2021, are as follows (expressed in thousands):

Transfers Out	Transfers In									
	General	Education	Highway	Capital Projects	Nonmajor Governmental Funds	Sewer Treatment	Nonmajor Enterprise Funds	Internal Service Funds	Private Purpose Trust Funds	Total
General		\$ 411,898	\$ 6,312	\$ 72,842	\$ 7,087	\$ 4,617	\$ 4,594	\$ 29,529	\$ 140	\$ 537,019
Education				38,912						38,912
Highway	\$ 2,771									2,771
Nonmajor Governmental Funds	54,250		74,100	9,122				215		137,687
Nonmajor Enterprise Funds		600								600
Internal Service Funds							35			35
Total	\$ 57,021	\$ 412,498	\$ 80,412	\$ 120,876	\$ 7,087	\$ 4,617	\$ 4,594	\$ 29,779	\$ 140	\$ 717,024

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, 2021, the general fund transferred \$537 million to other funds in accordance with statute or budgetary authorizations for the following purposes: \$410 million to subsidize the activities of the education fund, \$79.7 million for capital outlay expenditures, \$12.5 million for OPEB expenditures in various funds, \$20.2 million to provide appropriations to internal service funds, \$3.7 million for debt service payments, and, \$10.8 million to provide appropriations to finance various programs in other funds.

The highway fund received a transfer from the debt service fund for \$74 million to cancel authorized and

unissued highway bonds. These authorizations were originally recorded in the highway fund to fund a portion of their budget.

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
2022	\$ 18,744
2023	15,689
2024	15,485
2025	10,988
2026	7,277
2027-2028	4,918
Total minimum payments required	\$ 73,101

Expenditures for rent under leases for the year ended June 30, 2021, amounted to \$89.3 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 8 years. The effective interest rates for these leases range from 0.10 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	\$ 32,445
Less: accumulated depreciation	(10,788) 21,657
	\$ 21,815

At June 30, 2021, 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
2022	\$ 1,449	\$ 1,072	\$ 852	\$ 3,373
2023	1,536	1,039	873	3,448
2024	1,595	993	895	3,483
2025	1,712	927	918	3,557
2026	1,853	832	941	3,626
2027-2029	3,759	1,349	2,760	7,868
Total	\$ 11,904	\$ 6,212	\$ 7,239	\$ 25,355
Less - interest				(6,212)
Less - executory costs				(7,239)
Present value of net minimum lease payments				\$ 11,904

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.

State of Tennessee

Minimum future lease payments to be received as of June 30, 2021 (expressed in thousands):

Year Ended June 30	Total
2022	\$ 411
2023	404
2024	397
2025	391
2026	385
2027-2031	1,794
2032-2033	653
Total minimum future lease payments	\$ 4,435
Net investment in direct financing leases at June 30:	
Minimum lease payments receivable	\$ 4,435
Less: executory costs	(754)
Plus: unamortized loss on leases	2,446
Net investment in direct financing lease	<u>\$ 6,127</u>

NOTE 12

Long-Term Liabilities

A. General Obligation Bonds

Bonds Payable at June 30, 2021, are shown below (expressed in thousands):

Governmental activities:	Amount
General obligation bonds, 1.79% to 5%, due in generally decreasing amounts of principal and interest from \$113.7 million in 2022 to \$6.6 million in 2040	\$ 911,077
General obligation refunding bonds, 2009 Series B, 5%, principal and interest due in amount of \$7.5 million in 2022	7,360
General obligation refunding bonds, 2009 Series D, 4.67%, principal and interest due in amount of \$2.7 million in 2022	2,563
General obligation refunding bonds, 2011 Series B, 3% to 5%, principal and interest due in amounts from \$7.6 million in 2022 to \$187.8 thousand in 2026	14,620
General obligation refunding bonds, 2011 Series C, 3.23% to 3.53%, principal and interest due in amounts from \$2 million in 2022 to \$1.2 million in 2024	4,255
General obligation refunding bonds, 2012 Series A, 2.50% to 5%, principal and interest due in amounts from \$55.3 million in 2022 to \$7.3 million in 2028	263,535
General obligation refunding bonds, 2014 Series B, 5%, principal and interest due in amounts from \$4 million in 2022 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 \$11.3 million in 2022 to \$14.3 million in 2029	71,450
General obligation refunding bonds, 2016 Series B, 5%, principal and interest due in amounts from \$6.1 million in 2022 to \$9.6 million in 2032	122,105
General obligation refunding bonds, 2016 Series C, 1.45% to 2.67%, principal and interest due in amounts from \$3.3 million in 2022 to \$2.5 million in 2032	58,350
General obligation refunding bonds, 2018 Series B, 4%, principal and interest due in amounts from \$7.8 million in 2022 to \$7.1 million in 2024	21,070
Total bonds outstanding	1,555,545
Plus unamortized bond premium	216,168
Total bonds payable	\$ 1,771,713

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.

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, 2021, \$114.9 million of bonds outstanding are considered defeased.

B. General Obligation Commercial Paper

Governmental activities commercial paper payable at June 30, 2021, is shown below (expressed in thousands):

	Commercial Paper
General obligation commercial paper, interest rates ranging from .13% to .69% for tax exempt and .10% to .78% for taxable, varying maturities	\$207,343

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, 2026. At June 30, 2021, \$207.3 million of commercial paper was outstanding (\$167.9 million tax exempt and \$39.4 million federally taxable). This left an unused commercial paper capacity of \$142.7 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

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 2021, \$1.7 billion or 67.9 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 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, emergency medical technician, a volunteer rescue squad worker, or law enforcement officer.

E. Debt Service Requirements to Maturity

Debt Service requirements to maturity for all general obligation bonds payable at June 30, 2021, are as follows (expressed in thousands):

For the Year(s) Ended June 30	General Obligation Bonds		Total Requirements
	Principal	Interest	
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	135,730	40,681	176,411
2027-2031	538,917	125,629	664,546
2032-2036	244,565	38,809	283,374
2037-2040	49,837	3,699	53,536
	<u>\$ 1,555,545</u>	<u>\$ 431,509</u>	<u>\$ 1,987,054</u>

Debt service requirements to maturity for commercial paper payable at June 30, 2021, is as follows (expressed in thousands):

For the Year(s) Ended June 30	Commercial Paper Payable		Total Requirements
	Principal	Interest	
2022	\$ 207,343	\$ 60	\$ 207,403

Debt service requirements to maturity for all emergency first responder annuities at June 30, 2021, are as follows (expressed in thousands):

State of Tennessee

For the Year(s) Ended June 30	Emergency First Responder Annuity		Total Requirements
	Principal	Interest	
2022	\$ 650	\$ -	\$ 650
2023	550	-	550
2024	450	-	450
2025	150	-	150
	<u>\$ 1,800</u>	<u>\$ -</u>	<u>\$ 1,800</u>

these bonds will not be issued but will be canceled because of sufficient fund balances.

Purpose	Unissued			Unissued 06/30/21
	07/01/20	Authorized	Canceled	
Highway	\$ 860,600	\$126,000	\$ 74,600	\$ 912,000
Higher Education	134,037		469	133,568
Economic and Community Development	115,000			115,000
General government	302,066		8,653	293,413
Totals	<u>\$1,411,703</u>	<u>\$126,000</u>	<u>\$ 83,722</u>	<u>\$1,453,981</u>

F. General Obligation Bonds Authorized and Unissued

A summary of general obligation bonds authorized and unissued at June 30, 2021, is shown below (expressed in thousands). It is anticipated that a significant amount of

G. Changes in Long-Term Liabilities

A summary of changes in long-term obligations for the year ended June 30, 2021 follows (expressed in thousands):

	Beginning			Ending		Amounts
	Balance	Additions	Reductions	Balance		Due Within One Year
Governmental activities						
Bonds and commercial paper	\$ 2,070,711	\$ 95,000	\$ (186,655)	\$ 1,979,056		\$ 155,710
Capital leases	14,782		(2,878)	11,904		1,449
Compensated absences	325,088	186,122	(162,262)	348,948		104,328
Emergency responder	1,700	750	(650)	1,800		650
Governmental activities						
Long-term debt	<u>\$ 2,412,281</u>	<u>\$ 281,872</u>	<u>\$ (352,445)</u>	<u>\$ 2,341,708</u>		<u>\$ 262,137</u>
Other long-term liabilities						
Pension				1,151,522		
Other postemployment benefits				1,293,948		33,084
Pollution remediation				54,148		2,427
Unstructured claims and judgements				219,181		83,835
Total other long-term liabilities				<u>\$ 2,718,799</u>		<u>\$ 119,346</u>
Total governmental activities						
				<u>\$ 5,060,507</u>		<u>\$ 381,483</u>
Total long-term governmental liabilities						
				<u>\$ 4,679,024</u>		
Business-type activities						
Deposits payable				<u>\$ 7,871</u>		

*Please see Note 11 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 liabilities. 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, 2021, were as follows (expressed in thousands):

	Vendors	Salaries and Benefits	Accrued Interest	Due To Other Governments	Other	Total Payables
Governmental activities:						
General	\$ 905,437	\$ 96,598	\$ 9	\$ 518,469	\$ 272,096	\$ 1,792,609
Education	45,516	5,027		331,753	211	382,507
Highway	152,219	9,947		159,442		321,608
Capital projects	64,304					64,304
State shared taxes				154,832		154,832
Nonmajor governmental funds	22,521	2,415	24,917	47,081	1,881	98,815
Internal service funds	105,520	6,861	2,003	591	88	115,063
Total— governmental activities	\$ 1,295,517	\$ 120,848	\$ 26,929	\$ 1,212,168	\$ 274,276	\$ 2,929,738
Business-type activities:						
Employment security	\$ 566			\$ 133,352	\$ 76,773	\$ 210,691
Sewer treatment loan			\$ 6			6
Nonmajor enterprise funds	64,774		3	370		65,147
Total—business-type activities	\$ 65,340		\$ 9	\$ 133,722	\$ 76,773	\$ 275,844

NOTE 14

Governmental Fund Balances

Balances as of June 30, 2021, were as follows (expressed in thousands):

	Restricted Purposes	Committed Purposes	Assigned Purposes
General Fund			
General operations:			
Legislature			\$ 65,169
Constitutional offices	\$ 12,952	\$ 20,838	75,145
Administrative services		52,461	2,533,160
Children's services	5,538		7,975
Public health	28,549	257,224	1,148,874
Human services	8,711	3,894	65,758
Business and industry development	5,650	576	513,629
Judicial	16,730	13,200	9,061
Natural resources	16,311	34,496	37,734
Public safety	64	58,335	127,375
Agriculture		930	44,686
Employment and business regulation	10,685	184,152	43,790
Other	60,151	14,456	16,614
Total general fund	\$ 165,341	\$ 640,562	\$ 4,688,970
Education Fund			
After school program	\$ 47,419		
Lottery for education	234,913		
Energy efficient school initiative	1,256		
TN Promise Scholarship Endowment Fund	413,656		
Other	1,864	\$ 22,166	\$ 131,156
Total education fund	\$ 699,108	\$ 22,166	\$ 131,156
Highway Fund			
State matching	\$ 871,486		
Railway, aeronautics, and waterway program		\$ 145,067	
State aid		69,891	
Future highway projects			\$ 82,365
Railroad inspection		2,286	
Aeronautics Economic Development			35,151
Other			21,091
Total highway fund	\$ 871,486	\$ 217,244	\$ 138,607
Capital Projects Fund			
Total capital projects fund	\$ 50,403		\$ 972,527
Nonmajor Governmental Funds			
Debt service			\$ 16,100
Chairs of excellence	\$ 336,369		
Criminal injuries		\$ 6,198	
Wildlife resources	80,081	19,298	
Underground storage tanks	56,425		
Enhanced emergency 911	29,960	5,523	
Environmental protection		44,432	
Solid and hazardous waste	51	12,906	
Parks acquisition		68,049	
Other	28,145	43,402	
Total nonmajor governmental funds	\$ 531,031	\$ 199,808	\$ 16,100

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 \$1.45 billion as of June 30, 2021.

(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, 2021, 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, 2021 (expressed in thousands):

Condensed Statement of Net Position						
Component Units						
	Tennessee Housing Development Agency	Tennessee Education Lottery	State University and Community College System	University of Tennessee	Nonmajor Component Units	Total Component Units
Assets						
Cash, investments, and other assets	\$ 3,431,023	\$ 277,831	\$ 1,600,854	\$ 1,434,258	\$ 245,937	\$ 6,989,903
Due from primary government	6		21,646	65,169	1,484	88,305
Due from other component units					1,896,988	1,896,988
Restricted assets	186,188	530	1,245,343	2,223,137	292,788	3,947,986
Capital assets, net	5,171	1,868	3,552,877	3,039,146	50,525	6,649,587
Total assets	3,622,388	280,229	6,420,720	6,761,710	2,487,722	19,572,769
Deferred outflows	4,103		181,058	142,317	43,447	370,925
Liabilities						
Accounts payable and other current liabilities	97,982	124,089	258,386	308,234	21,348	810,039
Due to primary government		153,600	9,975	1,448	912	165,935
Due to other component units			791,742	1,105,246		1,896,988
Long-term liabilities	2,977,731	2,510	526,722	547,428	2,318,433	6,372,824
Total liabilities	3,075,713	280,199	1,586,825	1,962,356	2,340,693	9,245,786
Deferred inflows	2,107		102,503	120,607	3,048	228,265
Net position						
Net investment in capital assets	5,171	1,868	2,778,791	1,908,862	46,948	4,741,640
Restricted	494,520	30	1,049,469	2,106,930	23,894	3,674,843
Unrestricted	48,980	(1,868)	1,084,190	805,272	116,586	2,053,160
Total net position	\$ 548,671	\$ 30	\$ 4,912,450	\$ 4,821,064	\$ 187,428	\$ 10,469,643

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	\$ 533,614	\$ 1,945,963	\$ 2,838,153	\$ 2,430,154	\$ 254,407	\$ 8,002,291
Program Revenues						
Charges for services	164,147	1,945,939	909,502	836,710	114,353	3,970,651
Operating grants and contributions	382,474	28	1,151,820	1,323,919	9,517	2,867,758
Capital grants and contributions			175,066	117,307	6,254	298,627
Total program revenues	546,621	1,945,967	2,236,388	2,277,936	130,124	7,137,036
Net program revenues (expense)	13,007	4	(601,765)	(152,218)	(124,283)	(865,255)
General Revenues						
Payments from primary government	277		929,981	652,390	109,099	1,691,747
Unrestricted grants and contributions			83,027		9,732	92,759
Unrestricted investment earnings	20	400	166,355	25,733	110	192,618
Miscellaneous			3,051	1,362		4,413
Total general revenues	297	400	1,182,414	679,485	118,941	1,981,537
Contributions to permanent funds			21,800	101,099		122,899
Change in net position	13,304	404	602,449	628,366	(5,342)	1,239,181
Net Position- July 1, restated	535,367	(374)	4,310,001	4,192,698	192,770	9,230,462
Net Position - June 30	\$ 548,671	\$ 30	\$ 4,912,450	\$ 4,821,064	\$ 187,428	\$ 10,469,643

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 \$952 million were made to the State University and Community College System and \$652 million to UT.
- Capital project expenditures in the amount of \$235 million were made for the State University and Community College System and \$104.5 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 \$63.2 million to reimburse the state for projects that were not a part of the capital appropriations.

- The TELC generated net lottery proceeds of \$482.3 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, 2021 the Authority’s loan receivable (expressed in thousands) consisted of:

	Current	Noncurrent
State University and Community College System	\$ 39,720	\$ 747,759
University of Tennessee	39,240	1,060,096
Total	\$ 78,960	\$ 1,807,855

B. Major Component Units – Long-Term Debt

Tennessee Housing Development Agency (THDA)

Bonds Payable at June 30, 2021, is shown below (expressed in thousands):

Homeownership program revenue bonds, housing finance program bonds, and residential finance program bonds, various series, .20% to 4.65%, due in amounts of principal and interest ranging from \$102.3 million in 2022 to \$3.5 million in 2052	\$ 2,845,645
Plus unamortized bond premium	64,126
Less unamortized bond discount	(367)
Total bonds payable	\$ 2,909,404

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, 2021, included the following issues:

- July 2020—Residential Finance program bonds of \$145 million
- October 2020— Residential Finance program bonds of \$145 million
- April 2021—Residential Finance program bonds of \$149.9 million

Redemption of Bonds and Notes

During the year ended June 30, 2021, bonds were retired at par before maturity in the Homeownership Program in the amount of \$14,675,000, in the Housing Finance Program in the amount of \$13,070,000, and in the Residential Finance Program in the amount of \$365,065,000. The respective carrying values of the bonds were \$15,106,459, \$13,426,876, and \$374,364,466. This resulted in revenue to the Homeownership Program of \$431,459, to the Housing Finance Program of \$356,876, and to the Residential Finance Program of \$9,299,466.

On July 16, 2020, the agency issued \$145,000,000 in Residential Finance Program Bonds, Issue 2020-3. On October 28, 2020, the agency issued \$145,000,000 in Residential Finance Program Bonds, Issue 2020-4. On April 28, 2021, the agency issued \$149,900,000 in Residential Finance Program Bonds, Issue 2021-1.

Debt Service requirements to maturity for revenue bonds payable at June 30, 2021, are as follows (expressed in thousands):

For the Year(s) Ended June 30	Revenue Bonds		Total Requirements
	Principal	Interest	
2022	\$ 13,585	\$ 88,750	\$ 102,335
2023	99,235	89,052	188,287
2024	101,550	86,936	188,486
2025	103,720	84,617	188,337
2026	106,475	82,111	188,586
2027-2031	539,775	367,106	906,881
2032-2036	520,115	285,847	805,962
2037-2041	549,550	197,089	746,639
2042-2046	484,850	105,383	590,233
2047-2051	323,370	25,235	348,605
2052	3,420	51	3,471
	\$ 2,845,645	\$ 1,412,177	\$ 4,257,822

The agency’s bond resolutions govern the outstanding bonds payable for all bond programs in the amount of \$2,845,645 (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 \$2,845,645 (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, 2021, is \$73,221,799.

C. Nonmajor Component Units – Long-Term Debt

Tennessee Local Development Authority (TLDA)

Bonds Payable at June 30, 2021, is shown below (expressed in thousands):

Revenue bonds, 4% to 4.375%, due in generally decreasing amounts of principal and interest from \$272 thousand in 2022 to \$21 thousand in 2029	\$ 1,250
Plus unamortized bond premium	-
Less unamortized bond discount	(7)
Total bonds payable	\$ 1,243

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, 2021, are as follows (expressed in thousands):

State of Tennessee

For the Year(s) Ended June 30	Revenue Bonds		Total Requirements
	Principal	Interest	
2022	\$ 220	\$ 52	\$ 272
2023	230	43	273
2024	240	34	274
2025	245	24	269
2026	260	13	273
2027-2029	55	5	60
	<u>\$ 1,250</u>	<u>\$ 171</u>	<u>\$ 1,421</u>

Tennessee State School Bond Authority (TSSBA)
Bonds and Revolving Credit Facility Payable at June 30, 2021, are shown below (expressed in thousands):

Revenue bonds, various Series, 0% to 5%, due in decreasing amounts of principal and interest from \$134.8 million in 2022 to \$4.9 million in 2050	\$ 2,050,570
Plus unamortized bond premium	143,676
Less unamortized bond discount	(18)
Total bonds payable	<u>\$ 2,194,228</u>
Revolving credit facility, interest rates ranging from 0.5% to 0.7%, varying maturities	<u>\$ 115,521</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, 2021, included the following issues:

- February 2021— 2021 Series A Bonds of \$713.4 million

On February 24, 2021, the Authority issued the 2021 Series A Bonds (Federally Taxable) (“2021A”). The 2021A taxable bond proceeds in the amount of \$713,365,000 were issued to advance refund \$115,125,000 of the 2012 Series A bonds; \$42,245,000 of the 2012 Series C bonds; \$98,525,000 of the 2013 Series A Bonds; \$47,245,000 of the 2014 Series A bonds; \$76,325,000 of the 2014 Series B bonds; and \$226,150,000 of the 2015 Series B bonds. The balance of the proceeds of the 2021A bonds will be used to pay for construction costs of a certain project and various costs of issuance.

The 2021 Series A refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$24,188,644. This amount is reported as a deferred outflow of resources and is being charged to operations through the year 2046 using the straight-line method. The 2021 Series A refunding resulted in a reduction of total debt service payments of

\$134,393,335 over the next 26 years and an economic gain (difference between the present values of the old and new debt service payments) of \$112,382,633.33. The funds provided for the advance refundings were placed in an irrevocable refunding trust fund to pay the principal and interest on the refunded bonds on each principal and interest payment date to and including the respective redemption date for the respective redemption price then due on the refunded bonds.

Debt Service requirements to maturity for TSSBA’s revenue and direct placement bonds payable at June 30, 2021, are as follows (expressed in thousands):

For the Year(s) Ended June 30	Revenue Bonds		Total Requirements
	Principal	Interest	
2022	\$ 78,960	\$ 55,829	\$ 134,789
2023	92,000	50,133	142,133
2024	88,755	47,098	135,853
2025	90,020	44,113	134,133
2026	268,270	40,897	309,167
2027-2031	615,080	160,198	775,278
2032-2036	323,170	109,864	433,034
2037-2041	277,660	64,445	342,105
2042-2046	180,840	23,401	204,241
2047-2050	35,815	2,746	38,561
	<u>\$ 2,050,570</u>	<u>\$ 598,724</u>	<u>\$ 2,649,294</u>

Revolving Credit Facility Program

The Authority issues short-term debt to finance certain capital projects for the State’s higher education institutions. On June 2, 2021, the Authority entered into an Amended and Restated Revolving Credit Agreement (RCA) with Wells Fargo Bank, National Association, and U.S. Bank, National Association. The original RCA dated March 20, 2014, as amended and extended, expired upon the issuance of the new RCA. The RCA permits loans (the Revolving Credit Facility or RCF) 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. As of June 30, 2021, the unused portion of the RCF was \$184,479,310. As of June 30, 2020, the unused portion of the RCF was \$225,519,310. The RCF may be issued as tax-exempt or as taxable loans. As of June 30, 2021, \$82,607,265 of tax-exempt RCF loans and \$32,913,425 of taxable RCF loans were outstanding. As of June 30, 2020, \$51,367,265 of tax-exempt RCF loans and \$23,113,425 of taxable RCF 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 was secured by an annual payment by each borrower. A borrower is a Local Government Unit. In the event a borrower failed to make a loan repayment in full, the Assistant Secretary to the Authority was required to notify the Commissioner of Finance and Administration that the borrower had failed to pay and request the Commissioner to intercept sufficient available state-shared taxes to the borrower. The Commissioner was required to, within three business days, notify the borrower of the failure to pay. If the borrower failed to remit the full amount within 10 days of the notice, the Commissioner was required to notify the 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 make 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 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, enjoin any acts or things which may be unlawful or in violation of the rights of the Owners of the Bonds; or (5) in 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 per centum (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, 2021, follows (expressed in thousands):

Changes in Long-term Liabilities					
				Amounts	
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds, notes, and loans payable:					
University of Tennessee (UT)	\$ 1,070,553	\$ 496,805	\$ (460,846)	\$ 1,106,512	\$ 39,556
State University and Community College System (SUCCS)	781,094	339,020	(317,664)	802,450	41,940
Tennessee Housing Development Agency (THDA)	2,880,811	451,525	(422,932)	2,909,404	83,215
Nonmajor component units	2,337,711	758,365	(782,075)	2,314,001	79,570
Nonmajor component units-direct borrowings	30,145	-	(30,145)	-	-
Long-term debt	<u>\$ 7,100,314</u>	<u>\$ 2,045,715</u>	<u>\$ (2,013,662)</u>	<u>\$ 7,132,367</u>	<u>\$ 244,281</u>
Other long-term liabilities:					
Compensated absences:					
UT	91,294	37,766	(33,665)	95,395	33,665
SUCCS	84,562	43,879	(39,493)	88,948	17,115
THDA	1,685	1,376	(1,194)	1,867	861
Tennessee Education Lottery Corporation (TELC)	745	721	(731)	735	735
Nonmajor component units	1,832	1,825	(1,925)	1,732	923
Due to grantors, unearned revenue, annuities payable, prizes annuities payable:					
UT	28,165	3,340	(6,371)	25,134	-
SUCCS	29,911	2,347	(18,215)	14,043	-
TELC	2,148	-	(373)	1,775	134
THDA	896	18,841	(2,575)	17,162	-
Escrow deposits and arbitrage rebate payable:					
THDA	36,917	131,884	(128,014)	40,787	23,609
Pension:					
UT	-	-	-	204,249	-
SUCCS	-	-	-	273,273	-
THDA	-	-	-	7,122	-
Nonmajor component units	-	-	-	2,145	-
Other postemployment benefits:					
UT	-	-	-	138,202	-
SUCCS	-	-	-	135,487	-
THDA	-	-	-	1,389	-
Nonmajor component units	-	-	-	555	-
Component units long-term liabilities	<u>\$ 7,378,469</u>	<u>\$ 2,287,694</u>	<u>\$ (2,246,218)</u>	<u>\$ 8,182,367</u>	<u>\$ 321,323</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.

The University of Tennessee component units are not included in the above schedule. At year end, University of Tennessee foundations' long-term liabilities amounted to \$77.272 million (\$3.643 million due within one year).

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 35-10-104) 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, 2021, net appreciation of \$262.337 million is available to be spent, of which \$257.285 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, 2021, net appreciation of \$23.053 million is available to be spent, of which \$22.531 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, 2021, included 121 local education agencies and one education cooperative, with 51,022 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):

	2021	2020
Unpaid claims at beginning of year	\$ 30,870	\$ 32,504
Incurring claims:		
Provision for insured events of the current year	607,094	549,424
Increase (decrease) in provision for insured events of prior years	(1,259)	(662)
Total incurred claims expenses	605,835	548,762
Payments:		
Claims attributable to insured events of the current year	570,449	518,780
Claims attributable to insured events of prior years	29,378	31,616
Total payments	599,827	550,396
Total unpaid claims at end of year	\$ 36,878	\$ 30,870

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, 2021, included 70 counties, 196 municipalities and 119 quasi-governmental organizations, with 16,486 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

	2021	2020
Unpaid claims at beginning of year	\$ 8,436	\$ 9,941
Incurring claims:		
Provision for insured events of the current year	181,339	155,903
Increase (decrease) in provision for insured events of prior years	1,949	(1,595)
Total incurred claims expenses	183,288	154,308
Payments:		
Claims attributable to insured events of the current year	168,473	147,505
Claims attributable to insured events of prior years	10,285	8,308
Total payments	178,758	155,813
Total unpaid claims at end of year	\$ 12,966	\$ 8,436

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 to \$75 thousand of losses based on a tiered deductible system that accounts for averaged losses over a three year period and the type of loss. 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, named storm, wind/hail, and flood, there is a deductible of \$10 million per occurrence. The maximum insurance coverage is \$500 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, except there is only \$25 million of coverage in the New Madrid Zone. 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 \$131.2 million (discounted at 1.0 percent) at June 30, 2021 and \$135.02 million (discounted at 1.0 percent) at June 30, 2020. The accrued liability for incurred property losses was \$13.96 million at June 30, 2021 and \$12.71 million at June 30, 2020. The changes in the balances of the claims liabilities during fiscal years 2020 and 2021 were as follows (expressed in thousands):

	2020-2021	2019-2020
Beginning of Fiscal Year Liability	\$ 191,803	\$ 144,905
Current Year Claims and Changes in Estimates	32,046	82,608
Claim Payments	(30,347)	(35,710)
Balance at Fiscal Year-End	\$ 193,502	\$ 191,803

The RMF held \$234 million in cash at June 30, 2021 and \$231 million in cash at June 30, 2020 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, 2021, included 61,028 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):

	2021	2020
Unpaid claims at beginning of year	\$ 47,586	\$ 54,367
Incurred claims:		
Provision for insured events of the current year	893,908	825,694
Increase (decrease) in provision for insured events of prior years	4,355	(5,968)
Total incurred claims expenses	898,263	819,726
Payments:		
Claims attributable to insured events of the current year	836,260	778,402
Claims attributable to insured events of prior years	51,662	48,105
Total payments	887,922	826,507
Total unpaid claims at end of year	\$ 57,927	\$ 47,586

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 behavioral health, vision, and dental benefits. Enrollment in the CoverKids program totaled 43,235 at June 30, 2021.

As part of the federally funded CHIP program, CoverKids receives the majority of funding from the Federal Government at an approximately 83/17 ratio match. There are no monthly premiums and the program has no deductibles. Members pay affordable co-pays for services. CoverKids members used the CoverKids Provider Network administered by BlueCare through December 31, 2020. Thereafter, CoverKids moved from paying member claims to paying a per member per month capitation fee to managed care organizations (MCOs). The three MCOs available to CoverKids are Amerigroup Community Care, BlueCare Tennessee, and United Healthcare Community Plan. The following represents changes in those aggregate liabilities during the past two years (expressed in thousands):

	2021	2020
Unpaid claims at beginning of year	\$ 5,173	\$ 5,224
Incurred claims:		
Provision for insured events of the current year	54,751	97,385
Increase (decrease) in provision for insured events of prior years	(1,302)	1,620
Total incurred claims expenses	53,449	99,005
Payments:		
Claims attributable to insured events of the current year	54,703	92,199
Claims attributable to insured events of prior years	3,919	6,857
Total payments	58,622	99,056
Total unpaid claims at end of year	\$ -	\$ 5,173

NOTE 17

Other Postemployment Benefits (OPEB)

For the year ended June 30, 2021, primary government employers reported \$1.3 billion of net OPEB liability, \$310.7 million of deferred outflows of resources related to OPEB, \$333.3 million of deferred inflows of resources related to OPEB, \$86.1 million of OPEB expense and \$132.2 million of deferred outflows of benefits paid

subsequent to the measurement date. Component unit employers reported \$275.5 million of net OPEB liability, \$50.8 million of deferred outflows of resources related to OPEB, \$166.6 million of deferred inflows of resources related to OPEB, \$8.4 million of OPEB expense, and \$49.5 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 retiree 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, 2020, the following employees were covered by the benefit terms of the EGOP:

	Primary Government	Component Units
Inactive employees currently receiving benefit payments	5,074	2,058
Inactive employees entitled to but not yet receiving benefit payments	77	30
Active employees eligible for benefit payments	24,891	17,325
	<u>30,042</u>	<u>19,413</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, 2021, the total ADC for primary government and component unit employers was \$87.3 million and \$49.8 million respectively. The OPEB Trust recognized contributions of \$99.1 million from the primary government and \$49.5 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 \$561.6 million and \$275.5 million, respectively, was measured as of June 30, 2020, and was determined by an actuarial valuation as of June 30, 2020.

Actuarial assumptions—The total OPEB liability in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.10 percent
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Healthcare cost trend rates	9.02 percent for 2021, decreasing annually to an ultimate rate of 4.50 percent for 2031 and later years
Retiree's share of benefit-related costs	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, 2020, valuations were the same as those employed in the July 1, 2017, Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS) for Group 1 employees. 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 Employees and Healthy Annuitants Mortality Table projected generationaly with Scale MP-2016 from the central year for pre-retirement. 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%
			<u>100%</u>

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	4.11%
Developed market international equity	5.19%
Emerging market international equity	5.29%
Cash (Gov't)	-0.69%
Private equity and strategic lending	4.11%
U.S. fixed income	0.00%
Real estate	3.72%

Discount rate—The discount rate used to measure the total OPEB liability was 6 percent. This was the same rate used at the prior measurement date. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rates and that employer contributions will be made at rates equal to the ADC rates. Inactive plan members are assumed to contribute their share of the premium rate for the coverage option in which they are enrolled. Based on these assumptions, the OPEB Trust fiduciary net position was projected to be available to make all projected future benefit payments for 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.

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, 2019	\$ 786,714	\$ 144,202	\$ 642,512
Changes for the year:			
Service cost	26,249		26,249
Interest	46,916		46,916
Differences between expected and actual experience	(25,201)		(25,201)
Change in assumptions	(25,485)		(25,485)
Contributions from employer		103,683	(103,683)
OPEB plan net investment income		(2,975)	2,975
Changes in proportion and differences between contributions and proportionate share of contributions	(4,221)	(1,541)	(2,680)
Benefit payments	(54,077)	(54,077)	-
Net changes	(35,819)	45,090	(80,909)
Balances at June 30, 2020	\$ 750,895	\$ 189,292	\$ 561,603
EGOP- Component units			
	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a)-(b)
Balances at June 30, 2019	\$ 379,169	\$ 69,501	\$ 309,668
Changes for the year:			
Service cost	12,876		12,876
Interest	23,015		23,015
Differences between expected and actual experience	(12,362)		(12,362)
Change in assumptions	(12,502)		(12,502)
Contributions from employer		49,339	(49,339)
OPEB plan net investment income		(1,460)	1,460
Changes in proportion and differences between contributions and proportionate share of contributions	4,221	1,541	2,680
Benefit payments	(26,063)	(26,063)	-
Net changes	(10,815)	23,357	(34,172)
Balances at June 30, 2020	\$ 368,354	\$ 92,858	\$ 275,496

Changes in assumptions—The excise tax was removed from the liability calculation, as of the measurement date, due to a change in federal law concerning health benefits provided to employees. Other minor changes include a change in the long term inflation rate, adjustments to the medical and drug trend rate to reflect more recent experience and a change in the expected per capita health claims. These changes combined to decrease the total OPEB liability.

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	\$ 615,973	\$ 561,603	\$ 511,867
Component units	299,960	275,496	252,705

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 (8.02 percent decreasing to 3.50 percent) or 1-percentage-point higher (10.02 percent decreasing to 5.50 percent) than the current healthcare cost trend rate (expressed in thousands):

	Healthcare Cost Trend Rates		
	1% Decrease (8.02% decreasing to 3.50%)	9.02% decreasing to 4.50%	1% Increase (10.02% decreasing to 5.50%)
Primary government	\$ 498,209	\$ 561,603	\$ 634,865
Component units	244,498	275,496	311,051

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, 2021, the primary government recognized OPEB expense of \$37.7 million. Component unit employers recognized OPEB expense of \$8.4 million.

Deferred outflows of resources and deferred inflows of resources— For the fiscal year ended June, 30, 2021, 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 Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience		\$ 54,903
Changes of assumptions	\$ 28,894	148,059
Difference between project and actual earnings on plan investments	10,743	
Changes in proportion and differences between contributions and proportionate share of contributions	62,556	26,890
Contributions subsequent to the measurement date	99,096	
Total	\$ 201,289	\$ 229,852
EGOP- Component units	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience		\$ 26,933
Changes of assumptions	\$ 14,174	72,631
Difference between project and actual earnings on plan investments	5,270	
Changes in proportion and differences between contributions and proportionate share of contributions	31,338	67,004
Contributions subsequent to the measurement date	49,514	
Total	\$ 100,296	\$ 166,568

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):

EGOP- Primary government	
For the year ended June 30:	
2022	\$ (25,482)
2023	(25,482)
2024	(25,482)
2025	(25,600)
2026	(22,692)
Thereafter	(2,921)
EGOP- Component units	
For the year ended June 30:	
2022	\$ (22,596)
2023	(22,596)
2024	(22,596)
2025	(22,654)
2026	(22,401)
Thereafter	(2,943)

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, 2020, 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	9,209	6,248
Inactive employees entitled to but not yet receiving benefit payments	5,792	3,130
Active employees	27,089	19,791
	<u>42,090</u>	<u>29,169</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 \$4.8 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 \$125.8 million and \$80.4 million, related to benefits offered to primary government and component unit employees, respectively,

was measured as of June 30, 2020, and was determined by an actuarial valuation as of July 1, 2020.

Actuarial assumptions—The total OPEB liability in the July 1, 2020, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.10 percent
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Healthcare cost trend rates	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, 2020, valuations were the same as those employed in the July 1, 2017, Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS) for Group 1 employees. 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 Employees and Healthy Annuitants Mortality Table projected generationally with Scale MP-2016 from the central year for pre-retirement. 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 2.21 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 as shown on the Bond Buyer GO 20-Bond Municipal Bond Index.

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

TNP Primary government		Total OPEB Liability
		(a)
Balances at June 30, 2019		\$ 107,046
Changes for the year:		
Service cost		1,599
Interest		3,719
Differences between expected and actual experience		(535)
Change in assumptions		19,166
Changes in proportion and differences between contributions and proportionate share of contributions		(225)
Benefit payments		(4,955)
Net changes		18,769
Balances at June 30, 2020		\$ 125,815
TNP Component units		Total OPEB Liability
		(a)
Balances at June 30, 2019		\$ 68,000
Changes for the year:		
Service cost		1,022
Interest		2,376
Differences between expected and actual experience		(342)
Change in assumptions		12,244
Changes in proportion and differences between contributions and proportionate share of contributions		225
Benefit payments		(3,148)
Net changes		12,377
Balances at June 30, 2020		\$ 80,377

Changes in assumptions—The discount rate was changed from 3.51 percent as of the beginning of the measurement period to 2.21 percent as of June 30, 2020. This change in assumption increased the total OPEB liability by 17.5 percent. Other changes include a slight decrease in the long-term inflation rate and updated medical and drug trend rates. These changes had minimal impact on 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

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calculated using a discount rate that is 1-percentage-point lower (1.21 percent) or 1-percentage-point higher (3.21 percent) than the current discount rate (expressed in thousands):

	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Primary government	\$ 144,000	\$ 125,815	\$ 110,803
Component units	91,490	80,377	71,147

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, 2021, the state recognized OPEB expense of \$6.2 million and \$4.5 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, 2021, 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):

TNP Primary government	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience		\$ 2,803
Changes of assumptions	\$ 17,453	4,297
Changes in proportion and differences between contributions and proportionate share of contributions	1,217	2,245
Payments subsequent to the measurement date	4,812	
Total	\$ 23,482	\$ 9,345
TNP Component units	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience		\$ 1,791
Changes of assumptions	\$ 11,150	2,745
Changes in proportion and differences between contributions and proportionate share of contributions	2,245	1,217
Payments subsequent to the measurement date	2,543	
Total	\$ 15,938	\$ 5,753

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):

TNP Primary government	
For the year ended June 30:	
2022	\$ 832
2023	832
2024	832
2025	2,560
2026	3,120
Thereafter	1,149
TNP Component units	
For the year ended June 30:	
2022	\$ 1,115
2023	1,115
2024	1,116
2025	1,742
2026	1,795
Thereafter	759

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, 2021, the state paid \$14 million and \$11.7 million to the TGOP and TNP, respectively, for OPEB benefits as they came due.

Actuarial assumptions—The total OPEB liability in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.10 percent
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Healthcare cost trend rates	Health trend for the TGOP is 9.02 percent in 2021, decreasing annually to an ultimate rate of 4.50 percent for 2031 and later years. 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, 2020, valuations were the same as those employed in the July 1, 2017, Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS) for Group 1 employees. 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 Employees and Healthy Annuitants Mortality Table projected generationally with Scale MP-2016 from the central year for pre-retirement. 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 2.21 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 as shown on the Bond Buyer GO 20-Bond Municipal Bond 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 (1.21 percent) or 1-percentage-point higher (3.21 percent) than the current discount rate (expressed in thousands):

	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Share of collective total OPEB liability- TGOP	\$ 279,110	\$ 260,059	\$ 241,751
Share of collective total OPEB liability- TNP	312,833	266,093	228,593

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 (8.02 percent decreasing to 3.50 percent) or 1-percentage-point higher (10.02 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 (8.02% decreasing to 3.50%)	Trend Rates (9.02% decreasing to 4.50%)	1% Increase (10.02% decreasing to 5.50%)
Share of collective total OPEB liability- TGOP	\$ 230,788	\$ 260,059	\$ 294,665

2. Total OPEB Liability

At June 30, 2021, the state reported a liability of \$260.1 million and \$266.1 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, 2020, by an actuarial valuation dated July 1, 2020. 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, 2020, the state’s proportion of the collective total Local Education Agency employer liabilities for the TGOP and TNP was 28.2 percent and 76.2 percent, respectively. This resulted in a change in proportion from the prior measurement date of (.13) percent and 3.5 percent to the TGOP and TNP, respectively.

Changes in assumptions—The discount rate was changed from 3.51 percent as of the beginning of the measurement period to 2.21 percent as of June 30, 2020. This change in assumption increased the total OPEB liability. Other changes in assumptions include adjustments to initial per capita costs and health trend rates, as well as a slight decrease in the inflation rate.

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

OPEB expense— For the year ended June 30, 2021, the state recognized OPEB expense of \$18.7 million and \$19.1 million in the TGOP and TNP, respectively, related to special funding situations. At June 30, 2021, 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 Outflows of Resources	Deferred Inflows of Resources
	Differences between actual and expected experience	\$ 8,659
Changes of assumptions	28,698	20,515
Changes in proportion and differences between benefits paid and proportionate share of benefits paid	11,486	12,994
Payments subsequent to the measurement date	14,001	
Total	\$ 62,844	\$ 55,353
TNP	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 6,554	\$ 15,465
Changes of assumptions	51,798	19,369
Changes in proportion and differences between benefits paid and proportionate share of benefits paid	72,663	1,671
Payments subsequent to the measurement date	11,728	
Total	\$ 142,743	\$ 36,505

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):

TGOP	
For the year ended June 30:	
2022	\$ (1,267)
2023	(1,267)
2024	(1,267)
2025	(1,267)
2026	(1,235)
Thereafter	(207)
TNP	
For the year ended June 30:	
2022	\$ 16,411
2023	16,411
2024	16,452
2025	16,633
2026	10,092
Thereafter	18,511

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, information on plan investments, 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, 2021, the annual money-weighted rate of return on investments was 29.76 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, 2021, were as follows (expressed in thousands):

Total OPEB liability	\$ 1,153,592
Plan fiduciary net position	(446,656)
Net OPEB liability	<u>\$ 706,936</u>
Plan fiduciary net position as a percentage of the total OPEB liability	38.72%

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 (expressed in thousands).

	1% Decrease (5%)	Discount Rate (6%)	1% Increase (7%)
Net OPEB Liability	\$ 788,057	\$ 706,936	\$ 632,173

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 (8.02 percent decreasing to 3.50 percent) or 1-percentage-point higher (10.02 percent decreasing to 5.50 percent) than the current healthcare cost trend rate (expressed in thousands).

	Healthcare Cost		
	1% Decrease (8.02% decreasing to 3.50%)	Trend Rates (9.02% decreasing to 4.50%)	1% Increase (10.02% decreasing to 5.50%)
Net OPEB Liability	\$ 600,835	\$ 706,936	\$ 829,454

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%
PLUS			
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, 2020, 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	60,183
Inactive employees entitled to but not yet receiving benefits	39,152
Active employees	35,025
	134,360

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, 2021, employer contributions by the state were \$301 million based on an average rate of 20.74 percent of covered payroll. For the year ended June 30, 2021, employer contributions by the four previously mentioned component units were \$125.9 million based on an average rate of 20.24 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, 2020, 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, 2020, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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 pension plan investment expenses, including inflation
Cost-of-living adjustment	2.25 percent

Mortality rates were based on customized tables based on actual experience, including a projection of mortality improvement using Scale MP-2019, with static projection to 6 years beyond the valuation date.

The actuarial assumptions used in the June 30, 2020, 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%
		100%

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.

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

Primary Government	Total Pension	Plan Fiduciary	Net Pension
	Liability	Net Position	Liability (Asset)
	(a)	(b)	(a)-(b)
Balance at 6/30/19	\$ 11,877,038	\$ 10,888,087	\$ 988,951
Effects of change in proportion	43,478	39,857	3,621
Adjusted balance at 6/30/2019	11,920,516	10,927,944	992,572
Changes for the year:			
Service cost	120,580		120,580
Interest	847,695		847,695
Differences between expected and actual experience	27,728		27,728
Contributions-employer		305,873	(305,873)
Contributions-employees		263	(263)
Net investment income		532,295	(532,295)
Benefit payments, including refunds of employee contributions	(697,506)	(697,506)	
Administrative expense		(2,228)	2,228
Other		848	(848)
Net changes	\$ 298,497	\$ 139,545	\$ 158,952
Balance at 6/30/20	<u>\$ 12,219,013</u>	<u>\$ 11,067,489</u>	<u>\$ 1,151,524</u>

Component Units	Total Pension	Plan Fiduciary	Net Pension
	Liability	Net Position	Liability (Asset)
	(a)	(b)	(a)-(b)
Balance at 6/30/19	\$ 5,082,703	\$ 4,659,488	\$ 423,215
Effects of change in proportion	(43,478)	(39,857)	(3,621)
Adjusted balance at 6/30/2019	5,039,225	4,619,631	419,594
Changes for the year:			
Service cost	50,973		50,973
Interest	358,351		358,351
Differences between expected and actual experience	11,722		11,722
Contributions-employer		129,304	(129,304)
Contributions-employees		111	(111)
Net investment income		225,020	(225,020)
Benefit payments, including refunds of employee contributions	(294,861)	(294,861)	
Administrative expense		(942)	942
Other		358	(358)
Net changes	\$ 126,185	\$ 58,990	\$ 67,195
Balance at 6/30/20	<u>\$ 5,165,410</u>	<u>\$ 4,678,621</u>	<u>\$ 486,789</u>

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):

State of Tennessee

Primary Government

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net pension liability (asset)	\$ 2,552,316	\$ 1,151,524	\$ (29,832)

Year Ended June 30:

2022	\$ (25,735)
2023	30,091
2024	44,916
2025	49,149
	\$ 98,421

Component Units

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net pension liability (asset)	\$ 1,078,955	\$ 486,789	\$ (12,611)

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

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, 2021, the state and the four mentioned component units recognized pension expense of \$346.1 million and \$140.9 million, respectively.

Deferred outflows of resources and deferred inflows of resources—For the year ended June 30, 2021, 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):

Component Units	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 14,041	\$ 4,422
Net difference between projected and actual earnings on pension plan investments	\$ 30,251	
Effects of change in proportion	\$ 128	\$ 4,235
Contributions subsequent to the measurement date of June 30, 2020	\$ 125,947	

Primary Government

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 33,216	\$ 10,461
Net difference between projected and actual earnings on pension plan investments	\$ 71,559	
Effects of change in proportion	\$ 4,235	\$ 128
Contributions subsequent to the measurement date of June 30, 2020	\$ 301,037	

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2020,” 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):

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2020,” 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:

2022	\$ (13,710)
2023	9,708
2024	18,988
2025	20,777
	\$ 35,763

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, 2021, the state reported a payable of \$10.1 million and the four mentioned component units reported a payable of \$10.3 million for the outstanding amount of contributions to the pension plan required at year ended June 30, 2021.

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, 2020, 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	38
Inactive employees entitled to but not yet receiving benefits	16,179
Active employees	25,017
	41,234

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, 2021, to the State and Higher Education Employee Retirement Plan were \$15.4 million, which is 1.89 percent of covered payroll. Employer contributions by the four previously mentioned component units were \$7.4 million, which is 1.80 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, 2020, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date.

Actuarial assumptions—The total pension liability as of June 30, 2020, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

State of Tennessee

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 pension plan investment expenses, including inflation
Cost-of-living adjustment	2.25 percent

Mortality rates were based on customized tables based on actual experience, including a projection of mortality improvement using Scale MP-2019 (generational projection).

The actuarial assumptions used in the June 30, 2020, 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%
		100%

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.

State of Tennessee

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

Primary Government	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at 6/30/19	\$ 128,492	\$ 157,222	\$ (28,730)
Effects of change in proportion	(1,287)	(1,574)	287
Adjusted balance at 6/30/2019	127,205	155,648	(28,443)
Changes for the year:			
Service cost	49,305		49,305
Interest	12,678		12,678
Differences between expected and actual experience	1,317		1,317
Contributions-employer		13,579	(13,579)
Contributions-employees		37,976	(37,976)
Net investment income		8,882	(8,882)
Benefit payments, including refunds of employee contributions	(3,285)	(3,285)	
Administrative expense		(1,469)	1,469
Other		36	(36)
Net changes	\$ 60,015	\$ 55,719	\$ 4,296
Balance at 6/30/20	<u>\$ 187,220</u>	<u>\$ 211,367</u>	<u>\$ (24,147)</u>

Component Units	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at 6/30/19	\$ 57,016	\$ 69,764	\$ (12,748)
Effects of change in proportion	1,287	1,574	(287)
Adjusted balance at 6/30/2019	58,303	71,338	(13,035)
Changes for the year:			
Service cost	22,598		22,598
Interest	5,811		5,811
Differences between expected and actual experience	603		603
Contributions-employer		6,224	(6,224)
Contributions-employees		17,405	(17,405)
Net investment income		4,071	(4,071)
Benefit payments, including refunds of employee contributions	(1,506)	(1,506)	
Administrative expense		(673)	673
Other		17	(17)
Net changes	\$ 27,506	\$ 25,538	\$ 1,968
Balance at 6/30/20	<u>\$ 85,809</u>	<u>\$ 96,876</u>	<u>\$ (11,067)</u>

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)	\$ 23,278	\$ (24,147)	\$ (59,951)

Component Units

	Current		
	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Net pension liability (asset)	\$ 10,669	\$ (11,067)	\$ (27,477)

Year Ended June 30:	
2022	\$ 614
2023	922
2024	1,091
2025	1,230
2026	356
Thereafter	714
	<u>\$ 4,927</u>

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

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, 2021, the state and the four previously mentioned component units recognized pension expense of \$13.2 million and \$5.9 million, respectively.

Deferred outflows of resources and deferred inflows of resources—For the year ended June 30, 2021, 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):

Primary Government	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,699	\$ 763
Assumption changes	\$ 674	
Net difference between projected and actual earnings on pension plan investments	\$ 2,485	
Effects of change in proportion	\$ 926	\$ 94
Contributions subsequent to the measurement date of June 30, 2020	\$ 15,398	

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2020,” 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):

Component Units	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 779	\$ 350
Assumption changes	\$ 309	
Net difference between projected and actual earnings on pension plan investments	\$ 1,139	
Effects of change in proportion	\$ 94	\$ 926
Contributions subsequent to the measurement date of June 30, 2020	\$ 7,392	

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2020,” 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:	
2022	\$ 112
2023	253
2024	330
2025	394
2026	(5)
Thereafter	(39)
	<u>\$ 1,045</u>

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, 2021, the state reported a payable of \$561 thousand and the four previously mentioned component units reported a payable of \$668 thousand for the outstanding amount of contributions to the pension plan required at year ended June 30, 2021.

C. Defined Contribution Plan

The Tennessee Department of Treasury sponsors and, through third-party service providers, administers two defined contribution pension plans.

Optional Retirement Plan (ORP) – The ORP 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 may be 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. As of June 30, 2021, there were 36,593 ORP accounts with balances, of those 12,921 are from active members.

Employer and employee contribution amounts are set in statute and made on a pre-tax basis. 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, plus 1 percent on the part of the employee's base salary in excess of 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. For fiscal year ended June 30, 2021, the State of Tennessee institutions of higher education recognized pension expenses of \$99.5 million for their contributions to the ORP and reported a related total liability of \$2.4 million at June 30, 2021.

Members are immediately 100 percent vested in the employer contributions made pursuant to the ORP. The Tennessee Department of Treasury has selected 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.

State of Tennessee 401(k) Plan – The State of Tennessee 401(k) Plan is a defined contribution plan established pursuant to the Internal Revenue Code,

Section 401(k). IRC Sections 401(k) establishes participation, contribution, and withdrawal provisions for the plan. The plan is available to state and higher education employees, K-12 public school employees, and employees of political subdivisions that elect to participate. A 401(k) participant directs contributions to specific investment products made available by the plan's service provider.

The plan is completely voluntary for employees hired prior to July 1, 2014. Pursuant to Public Chapter No. 259 of Public Acts of 2013, employees of the state and its higher education institutions and local education agencies 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. For the fiscal year ended June 30, 2021, 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. 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. Employees will vest immediately to both the employee and the employer match.

During fiscal year ended June 30, 2021, the plan had 106,008 active members from the state and its higher education institutions, 53,630 from the local education agencies, and 12,240 from the political subdivisions. For fiscal year ended June 30, 2021, the state and the four mentioned component units recognized pension expenses of \$94.5 million for its contributions to the Section 401(k) plans and reported a related liability of \$4.5 million at June 30, 2021.

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 pool fund, a custodial 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, 2021, consist of funds belonging to entities outside of the state's financial reporting entity, and have been included as a separate external investment pool fund, a custodial 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 \$38.6 million. This would have a .095% impact on the budget.

B. Gain Contingencies

a. 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. 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 receive each year from this settlement, remains indeterminate.

b. Opioid Settlement

Tennessee has participated in agreements with different companies to resolve legal claims against them for their role in the opioid crisis. Tennessee was one of 47 states that settled a suit with a consulting firm for the company's role in helping opioid companies promote their drugs. Additionally, there is a pending agreement with an opioid manufacturer and another pending agreement with three major pharmaceutical distributors. Whether these agreements become effective depends on whether a critical threshold of political subdivisions join the settlements. Additionally, estimations of amounts to be received in the future will be dependent upon the level of participation by local cities and counties.

c. Unemployment Compensation

Since the unprecedented increase in claims resulting from the economic impact of the coronavirus disease pandemic, unemployment insurance programs have become a target for fraud with significant numbers of imposter claims being filed with stolen or synthetic identities. A fraud overpayment occurs when a claimant knowingly gives false information or withholds information and as a result receives benefits that should not have been received. Recoveries of overpayments because of fraudulent claims are not considered realizable beyond a reasonable doubt (or recognized in the Employment Security Fund) until collected or until the overpayment has been investigated and confirmed to be the result of a knowing and willful act or concealment of facts.

Tennessee law provides severe penalties for any individual who commits benefit payment fraud. The benefits received must be repaid plus penalties and interest. In addition, the claimant shall remain disqualified from future benefits so long as any

portion of the overpayment or interest on the overpayment is still outstanding. The offense is a felony and upon conviction, an individual may be fined up to \$3,000 and sentenced to prison for one to six years.

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 \$2.8 million for remediation activities and had an expected recovery of \$53 thousand from responsible parties. At June 30, 2021, the state had a pollution remediation obligation of \$54.1 million and an estimated potential recovery of \$4.7 million from other responsible parties.

D. Federal Grants

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.

An audit of the Medical Assistance Program (TennCare) has resulted in likely questioned costs that could be determined to be disallowances by the U.S. Department of Health and Human Services (HHS). These questioned costs relate to expenditures for uncompensated cost of care (UCC) at public hospitals for Medicaid enrollees and uninsured patients. The HHS Centers for Medicare and Medicaid Services (CMS) have not acted upon the audit findings which include \$359.5 million to \$767.5 million of questioned costs.

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

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

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

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, 2021.

Tax Abatement Program	Amount of Taxes Abated (in thousands)
Manufacturing and Industrial Machinery Program	\$50,740
Job Creation Program	98,178
Community Investment Program	58,013
Development Opportunity Program	7,782

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 \$927 million.

Subsequent to June 30, the Tennessee State School Bond Authority has issued \$20 million in revolving credit facility.

Subsequent to June 30, the University of Tennessee merged with Martin Methodist College located in Pulaski Tennessee. This merger creates the University of Tennessee's fifth campus, UT Southern. At June 30, 2021, Martin Methodist College had total assets of \$36.5 million, total liabilities of \$7.4 million, and total net assets of \$29.1 million.

Note 22

Impairments and Insurance Recoveries

For the year ended June 30, 2021, a total impairment loss of \$3.4 million was included in the health and social services function due to software development stoppages.

Note 23

Subsequent Events

A. Primary government

Subsequent to June 30, the state issued \$15 million in tax-exempt general obligation commercial paper. In July 2021, the state issued 2021 Series A tax-exempt general obligation bonds in the amount of \$168 million at a premium of \$43.4 million, 2021 Series B refunding taxable general obligation bonds in the amount of \$491 million at par. The Series A issuance was used to redeem commercial paper, fund certain capital projects, and refund a portion of 2011 Series B and 2012 Series B. The Series B issuance was used to redeem a portion of 2009 Series D, 2011 Series A, 2012 Series A, 2014 Series A, 2014 Series B, and 2015 Series A.

Subsequent to June 30, the state made a one-time additional contribution of \$250 million to the Public Employee Retirement Plan for the state and higher education employees.

B. Component units

Subsequent to June 30, the Tennessee Housing Development Agency had the following revenue bond issuances: 2021-2 in September 2021 in the amount of \$100 million, and 2021-3 in December 2021 in the amount of \$175 million.

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REQUIRED SUPPLEMENTARY INFORMATION

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
06/30/21	3.368
06/30/20	3.289
06/30/19	3.006

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
06/30/21	\$ 547,685	\$ 582,408
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

* Actual and estimated maintenance/preservation expenses are determined using the accrual basis of accounting.

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
06/30/21	\$ 54,000	\$ 84,646
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

* Actual and estimated maintenance/preservation expenses are determined using the accrual basis of accounting.

B. Bridges

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)				
CLOSED EMPLOYEE GROUP OPEB PLAN				
Primary Government				
	2018	2019	2020	2021
Total OPEB liability				
Service cost	\$ 47,219	\$ 42,521	\$ 44,521	\$ 26,249
Interest	28,003	32,021	34,324	46,916
Changes of benefit terms	-	-	-	-
Differences between actual and expected experience	-	(37,420)	(14,447)	(25,201)
Changes of assumptions	(40,226)	46,108	(149,693)	(25,485)
Changes in proportion and differences between contributions and proportionate share of contributions	-	(29,514)	20,618	(4,221)
Benefit payments	(61,649)	(57,061)	(61,238)	(54,077)
Net change in total OPEB liability	(26,653)	(3,345)	(125,915)	(35,819)
Total OPEB liability-beginning	942,627	915,974	912,629	786,714
Total OPEB liability-ending (a)	<u>\$ 915,974</u>	<u>\$ 912,629</u>	<u>\$ 786,714</u>	<u>\$ 750,895</u>
Plan fiduciary net position				
Contributions-employer	\$ -	\$ -	\$ 260,984	\$ 103,683
Net investment income	-	-	3,487	(2,975)
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	(59,031)	(1,541)
Benefit payments, including refunds of employee contributions	-	-	(61,238)	(54,077)
Net change in plan fiduciary net position	-	-	144,202	45,090
Plan fiduciary net position-beginning	-	-	-	144,202
Plan fiduciary net position-ending (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 144,202</u>	<u>\$ 189,292</u>
Net OPEB liability - ending (a)-(b)	<u>\$ 915,974</u>	<u>\$ 912,629</u>	<u>\$ 642,512</u>	<u>\$ 561,603</u>
Covered-employee payroll	\$ 1,369,106	\$ 1,416,041	\$ 1,463,373	\$ 1,414,478
Net OPEB liability as a percentage of covered-employee payroll	66.90%	64.45%	43.91%	39.70%
<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

State of Tennessee Other Postemployment Benefits Schedule of Changes in the Net OPEB Liability and Related Ratios (expressed in thousands)				
CLOSED EMPLOYEE GROUP OPEB PLAN				
Component Units				
	2018	2019	2020	2021
Total OPEB liability				
Service cost	\$ 21,990	\$ 22,020	\$ 21,458	\$ 12,876
Interest	13,041	16,582	16,543	23,015
Changes of benefit terms	-	-	-	-
Differences between actual and expected experience	-	(19,378)	(6,963)	(12,362)
Changes of assumptions	(18,733)	23,877	(72,147)	(12,502)
Changes in proportion and differences between contributions and proportionate share of contributions	-	29,514	(20,618)	4,221
Benefit payments	(28,710)	(26,573)	(31,713)	(26,063)
Net change in total OPEB liability	(12,412)	46,042	(93,440)	(10,815)
Total OPEB liability-beginning	438,979	426,567	472,609	379,169
Total OPEB liability-ending (a)	<u>\$ 426,567</u>	<u>\$ 472,609</u>	<u>\$ 379,169</u>	<u>\$ 368,354</u>
Plan fiduciary net position				
Contributions-employer	\$ -	\$ -	\$ 40,502	\$ 49,339
Net investment income	-	-	1,681	(1,460)
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	59,031	1,541
Benefit payments, including refunds of employee contributions	-	-	(31,713)	(26,063)
Net change in plan fiduciary net position	-	-	69,501	23,357
Plan fiduciary net position-beginning	-	-	-	69,501
Plan fiduciary net position-ending (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,501</u>	<u>\$ 92,858</u>
Net OPEB liability - ending (a)-(b)	<u>\$ 426,567</u>	<u>\$ 472,609</u>	<u>\$ 309,668</u>	<u>\$ 275,496</u>
Covered-employee payroll	\$ 1,353,254	\$ 1,339,543	\$ 1,260,809	\$ 1,183,016
Net OPEB liability as a percentage of covered-employee payroll	31.52%	35.28%	24.56%	23.29%
<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

State of Tennessee Other Postemployment Benefits Schedule of Changes in the Total OPEB Liability and Related Ratios (expressed in thousands)				
CLOSED TENNESSEE OPEB PLAN				
Primary Government				
	2018	2019	2020	2021
Total OPEB liability				
Service cost	\$ 2,560	\$ 2,046	\$ 1,480	\$ 1,599
Interest	3,455	3,790	3,792	3,719
Changes of benefit terms	-	-	-	-
Differences between actual and expected experience	-	(3,200)	(870)	(535)
Changes of assumptions	(9,094)	(743)	1,843	19,166
Changes in proportion and differences between contributions and proportionate share of contributions	-	(3,531)	1,591	(225)
Benefit payments	(4,588)	(4,696)	(4,833)	(4,955)
Net change in total OPEB liability	(7,667)	(6,334)	3,003	18,769
Total OPEB liability-beginning	118,044	110,377	104,043	107,046
Total OPEB liability-ending	<u>\$ 110,377</u>	<u>\$ 104,043</u>	<u>\$ 107,046</u>	<u>\$ 125,815</u>
Covered-employee payroll	\$ 1,420,835	\$ 1,541,486	\$ 1,575,865	\$ 1,561,360
Total OPEB liability as a percentage of covered-employee payroll	7.77%	6.75%	6.79%	8.06%
Component Units				
	2018	2019	2020	2021
Total OPEB liability				
Service cost	\$ 1,551	\$ 1,353	\$ 940	\$ 1,022
Interest	2,093	2,507	2,409	2,376
Changes of benefit terms	-	-	-	-
Differences between actual and expected experience	-	(2,117)	(553)	(342)
Changes of assumptions	(5,511)	(492)	1,171	12,244
Changes in proportion and differences between contributions and proportionate share of contributions	-	3,531	(1,591)	225
Benefit payments	(2,780)	(2,845)	(3,197)	(3,148)
Net change in total OPEB liability	(4,647)	1,937	(821)	12,377
Total OPEB liability-beginning	71,531	66,884	68,821	68,000
Total OPEB liability-ending	<u>\$ 66,884</u>	<u>\$ 68,821</u>	<u>\$ 68,000</u>	<u>\$ 80,377</u>
Covered-employee payroll	\$ 1,574,315	\$ 1,524,863	\$ 1,484,617	\$ 1,414,167
Total OPEB liability as a percentage of covered-employee payroll	4.25%	4.51%	4.58%	5.68%
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

State of Tennessee			
Other Postemployment Benefits			
Schedule of Contributions to State of Tennessee Postemployment Benefits Trust			
(expressed in thousands)			
CLOSED EMPLOYEE GROUP OPEB PLAN			
Primary Government			
	2019	2020	2021
Actuarially determined contribution	\$ 88,739	\$ 95,731	\$ 87,287
Contributions in relation to the actuarially determined contribution	260,984	103,683	99,096
Contribution deficiency (excess)	(172,245)	(7,952)	(11,809)
Covered-employee payroll	\$ 1,463,373	\$ 1,414,478	\$ 1,371,486
Total OPEB contributions as a percentage of covered-employee payroll	17.83%	7.33%	7.23%
Component Units			
	2019	2020	2021
Actuarially determined contribution	\$ 47,071	\$ 49,665	\$ 49,787
Contributions in relation to the actuarially determined contribution	40,502	49,339	49,514
Contribution deficiency (excess)	6,569	326	273
Covered-employee payroll	\$ 1,260,809	\$ 1,183,016	\$ 1,117,645
Total OPEB contributions as a percentage of covered-employee payroll	3.21%	4.17%	4.43%
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	16 years
Asset valuation	Market value on measurement date
Inflation	2.10 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. RP-2014 Employees and Healthy Annuitants mortality table projected generationally with MP-2016 from the central year for pre-retirement. For post-retirement the tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females.

C. Schedule of the State's Proportionate Share of the Collective Total OPEB Liability

State of Tennessee Other Postemployment Benefits Schedule of the State's Proportionate Share of the Collective Total OPEB Liability Special Funding Situation (expressed in thousands)				
CLOSED TEACHER GROUP OPEB PLAN				
	2018	2019	2020	2021
State's proportion of the collective total OPEB liability	29%	26%	28%	28%
State's proportionate share of the collective total OPEB liability	\$ 256,924	\$ 216,247	\$ 232,297	\$ 260,059
CLOSED TENNESSEE OPEB PLAN				
	2018	2019	2020	2021
State's proportion of the collective total OPEB liability	54%	75%	73%	76%
State's proportionate share of the collective total OPEB liability	\$ 215,044	\$ 206,298	\$ 222,668	\$ 266,093
<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	2021
Total pension liability							
Service cost	\$ 201,090	\$ 200,001	\$ 193,571	\$ 183,931	\$ 181,736	\$ 175,903	\$ 171,553
Interest	1,024,003	1,044,475	1,089,027	1,117,928	1,146,606	1,180,782	1,206,046
Differences between actual and expected experience	(186,051)	170,534	(30,039)	97,904	83,828	(29,767)	39,450
Changes of assumptions				406,329			
Benefit payments, including refunds of employee contributions	(741,380)	(788,612)	(840,494)	(874,626)	(914,064)	(955,844)	(992,367)
Net change in total pension liability	297,662	626,398	412,065	931,466	498,106	371,074	424,682
Total pension liability-beginning	13,822,970	14,120,632	14,747,030	15,159,095	16,090,561	\$16,588,667	\$16,959,741
Total pension liability-ending (a)	\$ 14,120,632	\$ 14,747,030	\$ 15,159,095	\$ 16,090,561	\$16,588,667	\$ 16,959,741	\$ 17,384,423
Plan fiduciary net position							
Contributions-employer	\$410,608	\$392,466	\$366,962	\$360,337	\$436,666	\$433,581	\$435,177
Contributions-employee	1,676	915	1,176	625	406	864	374
Net investment income	1,931,471	407,762	350,633	1,481,770	1,167,919	1,096,732	757,315
Benefit payments, including refunds of employee contributions	(741,380)	(788,612)	(840,494)	(874,626)	(914,064)	(955,844)	(992,367)
Administrative expense	(2,791)	(2,803)	(3,654)	(3,741)	(3,930)	(3,420)	(3,170)
Other	-	17,333	2,158	2,067	(14,702)	2,411	1,206
Net change in plan fiduciary net position	1,599,584	27,061	(123,219)	966,432	672,295	574,324	198,535
Plan fiduciary net position-beginning	11,831,098	13,430,682	13,457,743	13,334,524	14,300,956	\$14,973,251	\$15,547,575
Plan fiduciary net position-ending (b)	\$ 13,430,682	\$ 13,457,743	\$ 13,334,524	\$ 14,300,956	\$14,973,251	\$ 15,547,575	\$ 15,746,110
Net pension liability (asset)-ending (a)-(b)	\$ 689,950	\$ 1,289,287	\$ 1,824,571	\$ 1,789,605	\$ 1,615,416	\$ 1,412,166	\$ 1,638,313
Plan fiduciary net position as a percentage of total pension liability	95.11%	91.26%	87.96%	88.88%	90.26%	91.67%	90.58%
Covered payroll	\$ 2,658,354	\$ 2,540,327	\$ 2,375,501	\$ 2,333,672	\$ 2,280,469	\$ 2,213,382	\$ 2,173,446
Net pension liability (asset) as a percentage of covered payroll	25.95%	50.75%	76.81%	76.69%	70.84%	63.80%	75.38%
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

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 State and Higher Education Employee Retirement Plan of TCRS (expressed in thousands)						
	2016	2017	2018	2019	2020	2021
Total pension liability						
Service cost	\$ 7,431	\$ 18,693	\$ 33,132	\$ 46,815	\$ 57,928	\$ 71,903
Interest	279	1,883	4,504	8,091	12,715	18,489
Differences between actual and expected experience	(1,164)	689	272	451	(931)	1,920
Changes of assumptions			1,638			
Benefit payments, including refunds of employee contributions	(10)	(233)	(1,290)	(2,079)	(3,306)	(4,791)
Net change in total pension liability	6,536	21,032	38,256	53,278	66,406	87,521
Total pension liability-beginning		6,536	27,568	65,824	\$119,102	\$185,508
Total pension liability-ending (a)	\$ 6,536	\$ 27,568	\$ 65,824	\$ 119,102	\$ 185,508	\$ 273,029
Plan fiduciary net position						
Contributions-employer	\$4,214	\$11,923	\$20,449	\$28,663	\$15,572	\$19,803
Contributions-employee	5,154	15,113	25,927	36,495	45,105	55,381
Net investment income	142	600	6,595	9,733	13,806	12,953
Benefit payments, including refunds of employee contributions	(10)	(233)	(1,290)	(2,079)	(3,306)	(4,791)
Administrative expense	(183)	(726)	(1,244)	(1,699)	(1,869)	(2,142)
Other			134			53
Net change in plan fiduciary net position	9,317	26,677	50,571	71,113	69,308	81,257
Plan fiduciary net position-beginning		9,317	35,994	86,565	157,678	226,986
Plan fiduciary net position-ending (b)	\$ 9,317	\$ 35,994	\$ 86,565	\$ 157,678	\$ 226,986	\$ 308,243
Net pension liability (asset)-ending (a)-(b)	\$ (2,781)	\$ (8,426)	\$ (20,741)	\$ (38,576)	\$ (41,478)	\$ (35,214)
Plan fiduciary net position as a percentage of total pension liability	142.55%	130.56%	131.51%	132.39%	122.36%	112.90%
Covered payroll	\$ 107,086	\$ 305,424	\$ 518,664	\$ 727,339	\$ 900,952	\$ 1,105,290
Net pension liability (asset) as a percentage of covered payroll	(2.60%)	(2.76%)	(4.00%)	(5.30%)	(4.60%)	(3.19%)
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

Schedule of the State of Tennessee's Contributions Closed State and Higher Education Employee Pension Plan (expressed in thousands)									
	2014	2015	2016	2017	2018	2019	2020	2021	
Actuarially determined contribution	\$ 410,608	\$ 392,466	\$ 366,114	\$ 360,434	\$ 435,455	\$ 433,581	\$ 435,177	\$ 426,985	
Contributions in relation of the actuarially determined contribution	410,608	392,466	366,114	360,434	435,455	433,581	435,177	426,985	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Covered payroll	\$ 2,658,354	\$ 2,540,327	\$ 2,375,501	\$ 2,333,672	\$ 2,280,469	\$ 2,213,382	\$ 2,173,446	\$ 2,073,599	
Contributions as a percentage of covered payroll	15.45%	15.45%	15.41%	15.44%	19.09%	19.59%	20.02%	20.59%	
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 2021 were calculated based on the June 30, 2019, 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

Schedule of the State of Tennessee's Contributions State and Higher Education Employee Retirement Plan (expressed in thousands)								
	2015	2016	2017	2018	2019	2020	2021	
Actuarially determined contribution	\$ 2,142	\$ 6,446	\$ 6,232	\$ 9,820	\$ 15,572	\$ 19,803	\$ 22,790	
Contributions in relation of the actuarially determined contribution	4,255	12,016	20,339	28,611	15,572	19,803	22,790	
Contribution deficiency (excess)	\$ (2,113)	\$ (5,570)	\$ (14,107)	\$ (18,791)	\$ -	\$ -	\$ -	
Covered payroll	\$ 107,086	\$ 305,424	\$ 518,664	\$ 727,339	\$ 900,952	\$ 1,105,290	\$ 1,223,688	
Contributions as a percentage of covered payroll	3.97%	3.93%	3.92%	3.93%	1.73%	1.79%	1.86%	
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 2021 were calculated based on the June 30, 2019, 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

State of Tennessee Postemployment Benefits Trust Schedule of Changes in the Closed EGOP's Net OPEB Liability and Related Ratios (expressed in thousands)			
	2019	2020	2021
Total OPEB liability			
Service cost	\$65,979	\$40,419	\$40,282
Interest	50,851	72,620	70,591
Changes in benefit terms	-	-	-
Differences between actual and expected experience	-	(37,425)	(25,926)
Changes of assumptions	(199,731)	(31,242)	(29,109)
Benefit payments, including refunds of employee contributions	(92,951)	(80,140)	(75,864)
Net change in total OPEB liability	(\$175,852)	(\$35,768)	(\$20,026)
Total OPEB liability-beginning	1,385,238	1,209,386	1,173,618
Total OPEB liability-ending (a)	<u>\$1,209,386</u>	<u>\$1,173,618</u>	<u>\$1,153,592</u>
Plan fiduciary net position			
Contributions-employer	\$301,486	\$153,022	\$148,609
Net investment income	5,167	(4,435)	91,762
Benefit payments, including refunds of employee contributions	(92,951)	(80,140)	(75,864)
Administrative expense	-	-	-
Net change in plan fiduciary net position	213,702	68,447	\$164,507
Plan fiduciary net position-beginning	-	213,702	282,149
Plan fiduciary net position-ending (b)	<u>\$213,702</u>	<u>\$282,149</u>	<u>\$446,656</u>
Net OPEB liability-ending (a)-(b)	<u>\$995,684</u>	<u>\$891,469</u>	<u>\$706,936</u>
Plan fiduciary net position as a percentage of total OPEB liability	17.67%	24.04%	38.72%
<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

Schedule of Employer Contributions to the State of Tennessee Postemployment Benefits Trust (expressed in thousands)			
	2019	2020	2021
Actuarially determined contribution	\$135,810	\$145,397	\$137,075
Contributions in relation of the actuarially determined contribution	301,486	153,022	148,609
Contribution deficiency (excess)	(\$165,676)	(\$7,625)	(\$11,534)
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	16 years
Asset valuation	Market value on measurement date
Inflation	2.10 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. RP-2014 Employees and Healthy Annuitants mortality table projected generationally with MP-2016 from the central year for pre-retirement. For post-retirement the tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females.

C. Schedule of Investment Returns

Schedule of Investment Returns			
State of Tennessee Postemployment Benefits Trust			
	2019	2020	2021
Annual money-weighted rate of return, net of investment expense	6%	-0.95%	29.76%
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, 2021
(Expressed in Thousands)

	General			
	Budgeted Amounts		Actual (Budgetary Basis)	Variance With Final Budget
	Original Budget	Final Budget		
REVENUES				
Taxes	\$ 8,151,316	\$ 8,151,316	\$ 10,106,246	\$ 1,954,930
Licenses, fines, fees, and permits	516,527	516,527	522,173	5,646
Investment income	63,700	63,700	25,755	(37,945)
Federal	12,539,402	15,724,373	15,230,077	(494,296)
Departmental services	2,082,651	2,256,896	2,449,724	192,828
Other	188,682	188,682	275,280	86,598
Total revenues	<u>23,542,278</u>	<u>26,901,494</u>	<u>28,609,255</u>	<u>1,707,761</u>
EXPENDITURES				
General government				
Legislative	117,209	118,083	51,429	66,654
Secretary of State	74,430	74,969	44,585	30,384
Comptroller	154,035	155,158	111,211	43,947
Treasurer	43,256	57,405	43,999	13,406
Governor	5,892	5,892	5,324	568
Commissions	111,455	128,728	102,019	26,709
Finance and Administration	1,006,358	1,504,587	527,980	976,607
General Services	81,160	51,196	29,902	21,294
Revenue	136,440	511,746	420,983	90,763
Miscellaneous Appropriations	2,793	2,793	-	2,793
Health and social services				
Veterans Services	9,477	9,197	7,602	1,595
Labor and Workforce Development	334,220	350,139	246,148	103,991
TennCare	13,728,247	13,749,261	13,076,166	673,095
Mental Health	442,512	460,437	419,087	41,350
Intellectual Disabilities	222,828	222,184	191,535	30,649
Health	843,859	1,517,662	1,104,327	413,335
Human Services	3,219,895	4,296,469	3,997,222	299,247
Children's Services	978,691	986,301	917,748	68,553
Law, justice, and public safety				
Judicial	437,031	446,527	408,966	37,561
Correction	1,157,752	1,128,126	1,007,223	120,903
Probation and Paroles	9,024	8,588	8,298	290
Military	117,611	463,692	417,234	46,458
Bureau of Criminal Investigation	97,230	97,176	90,878	6,298
Safety	293,120	297,105	255,952	41,153
Recreation and resources development				
Agriculture	138,979	247,111	203,007	44,104
Tourist Development	35,304	62,429	54,429	8,000
Environment and Conservation	337,969	352,575	262,429	90,146
Economic and Community Development	720,520	869,299	277,816	591,483
Regulation of business and professions				
Commerce and Insurance	111,452	112,691	97,261	15,430
Financial Institutions	31,210	31,160	20,800	10,360
Total expenditures	<u>24,999,959</u>	<u>28,318,686</u>	<u>24,401,560</u>	<u>3,917,126</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,457,681)</u>	<u>(1,417,192)</u>	<u>4,207,695</u>	<u>5,624,887</u>
OTHER FINANCING SOURCES (USES)				
Insurance claims recoveries	(672)	673	673	-
Transfers in	73,580	57,021	57,021	-
Transfers out	(1,967,014)	(537,019)	(537,019)	-
Total other financing sources (uses)	<u>(1,894,106)</u>	<u>(479,325)</u>	<u>(479,325)</u>	<u>-</u>
Net change in fund balances	(3,351,787)	(1,896,517)	3,728,370	5,624,887
Fund balances (budgetary basis), July 1, restated	5,602,545	5,602,545	5,602,545	-
Fund balances (budgetary basis), June 30	<u>\$ 2,250,758</u>	<u>\$ 3,706,028</u>	<u>\$ 9,330,915</u>	<u>\$ 5,624,887</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, 2021
(Expressed in Thousands)

Education

	Budgeted Amounts			
	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget
REVENUES				
Taxes	\$ 5,536,400	\$ 5,536,400	\$ 6,692,907	\$ 1,156,507
Licenses, fines, fees, and permits	2,962	2,962	4,662	1,700
Investment income	175	175	194	19
Federal	1,555,348	3,265,131	1,645,133	(1,619,998)
Departmental services	92,242	318,098	144,680	(173,418)
Other	403,020	403,020	500,266	97,246
Total revenues	7,590,147	9,525,786	8,987,842	(537,944)
EXPENDITURES				
Education	6,947,227	9,020,036	7,086,287	1,933,749
Higher education	2,203,170	2,147,517	2,119,346	28,171
Total expenditures	9,150,397	11,167,553	9,205,633	1,961,920
Excess (deficiency) of revenues over (under) expenditures	(1,560,250)	(1,641,767)	(217,791)	1,423,976
OTHER FINANCING SOURCES (USES)				
Transfers in	1,842,493	1,842,493	412,498	(1,429,995)
Transfers out	(80,622)	(119,534)	(119,534)	-
Total other financing sources (uses)	1,761,871	1,722,959	292,964	(1,429,995)
Net change in fund balance	201,621	81,192	75,173	(6,019)
Fund balances (budgetary basis), July 1, restated	363,731	363,731	363,731	-
Fund balances (budgetary basis), June 30	\$ 565,352	\$ 444,923	\$ 438,904	\$ (6,019)

Highway

	Budgeted Amounts			
	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget
REVENUES				
Taxes	\$ 716,000	\$ 716,000	\$ 726,647	\$ 10,647
Licenses, fines, fees, and permits	310,344	310,344	323,231	12,887
Federal	1,041,382	4,146,898	1,047,434	(3,099,464)
Departmental services	38,761	210,021	42,672	(167,349)
Other	10,975	10,975	10,197	(778)
Total revenues	2,117,462	5,394,238	2,150,181	(3,244,057)
EXPENDITURES				
Transportation	3,400,326	6,683,414	2,135,196	4,548,218
Total expenditures	3,400,326	6,683,414	2,135,196	4,548,218
Excess (deficiency) of revenues over (under) expenditures	(1,282,864)	(1,289,176)	14,985	1,304,161
OTHER FINANCING SOURCES (USES)				
Bond authorizations	124,000	50,000	-	(50,000)
Transfers in	-	80,412	80,412	-
Transfers out	(2,771)	(2,771)	(2,771)	-
Total other financing sources (uses)	121,229	127,641	77,641	(50,000)
Net change in fund balance	(1,161,635)	(1,161,535)	92,626	1,254,161
Fund balances (budgetary basis), July 1	1,162,594	1,162,594	1,162,594	-
Fund balances (budgetary basis), June 30	\$ 959	\$ 1,059	\$ 1,255,220	\$ 1,254,161

State Shared Taxes

	Budgeted Amounts			
	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget
REVENUES				
Taxes	\$ 1,416,985	\$ 1,416,985	\$ 1,416,985	\$ -
Licenses, fines, fees, and permits	220	220	220	-
Total revenues	1,417,205	1,417,205	1,417,205	-
EXPENDITURES				
General government	1,417,205	1,417,205	1,417,205	-
Total expenditures	1,417,205	1,417,205	1,417,205	-
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-

STATE OF TENNESSEE
Required Supplementary Information
Note to RSI
For the Fiscal Year Ended June 30, 2021
(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
Revenues	
Actual amount (budgetary basis)	\$ 8,987,842
The revenues for the Tennessee Promise Scholarship Endowment Fund are not included in the annually adopted budget.	111,190
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 9,099,032
Expenditures	
Actual amount (budgetary basis)	\$ 9,205,633
The expenditures for the Tennessee Promise Scholarship Endowment Fund are not included in the annually adopted budget.	31,194
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 9,236,827
Other financing sources (uses)	
Actual amount (budgetary basis)	\$ 292,964
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.	80,622
Total other financing sources (uses) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 373,586

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, Opioid Abatement Fund 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, 2021. In order to provide sufficient funding for several programs during the year, supplemental appropriations of \$102.7 million were required.

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SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

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, 2021
(Expressed in Thousands)

	Special Revenue Funds	Debt Service Fund	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 407,166	\$ 8,528	\$ 47,387	\$ 463,081
Investments	17,904	-	491,187	509,091
Receivables, net	41,029	8,114	1,230	50,373
Due from other funds	44	-	-	44
Due from component units	-	-	1,391	1,391
Loans receivable	-	4,119	-	4,119
Prepayments and others	20	-	-	20
Total assets	\$ 466,163	\$ 20,761	\$ 541,195	\$ 1,028,119
LIABILITIES				
Accounts payable and accruals	72,711	68	1,158	73,937
Due to other funds	198	-	-	198
Due to component units	1,196	-	2,564	3,760
Unearned revenue	8	-	-	8
Total liabilities	74,113	68	3,722	77,903
DEFERRED INFLOWS OF RESOURCES	1,270	4,593	-	5,863
FUND BALANCES				
Nonspendable				
Permanent fund and endowment corpus	\$ -	\$ -	\$ 197,414	\$ 197,414
Restricted	190,972	-	340,059	531,031
Committed	199,808	-	-	199,808
Assigned	-	16,100	-	16,100
Total fund balances	390,780	16,100	537,473	944,353
Total liabilities, deferred inflows of resources and fund balances	\$ 466,163	\$ 20,761	\$ 541,195	\$ 1,028,119

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, 2021
(Expressed in Thousands)

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Permanent Funds</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES				
Taxes:				
Sales and use	\$ -	\$ 78,865	\$ -	\$ 78,865
Fuel	21,895	74,000	-	95,895
Business	-	186,635	-	186,635
Other	55,825	-	-	55,825
Licenses, fines, fees, and permits	283,952	2,700	5,200	291,852
Investment income	(139)	-	86,514	86,375
Federal	54,828	-	-	54,828
Departmental services	28,287	984	-	29,271
Other	<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>
Total revenues	<u>444,649</u>	<u>343,184</u>	<u>91,714</u>	<u>879,547</u>
EXPENDITURES				
General government	34,300	-	-	34,300
Education	-	-	8,816	8,816
Law, justice and public safety	6,556	-	-	6,556
Recreation and resources development	214,424	-	29	214,453
Regulation of business and professions	143,891	-	-	143,891
Debt service:				
Principal	-	142,111	-	142,111
Interest	-	67,305	-	67,305
Debt issuance costs	<u>-</u>	<u>1,581</u>	<u>-</u>	<u>1,581</u>
Total expenditures	<u>399,171</u>	<u>210,997</u>	<u>8,845</u>	<u>619,013</u>
Excess (deficiency) of revenues over (under) expenditures	<u>45,478</u>	<u>132,187</u>	<u>82,869</u>	<u>260,534</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	3,380	3,707	-	7,087
Transfers out	<u>(465)</u>	<u>(137,222)</u>	<u>-</u>	<u>(137,687)</u>
Total other financing sources (uses)	<u>2,915</u>	<u>(133,515)</u>	<u>-</u>	<u>(130,600)</u>
Net change in fund balances	48,393	(1,328)	82,869	129,934
Fund balances, July 1, restated	<u>342,387</u>	<u>17,428</u>	<u>454,604</u>	<u>814,419</u>
Fund balances, June 30	<u>\$ 390,780</u>	<u>\$ 16,100</u>	<u>\$ 537,473</u>	<u>\$ 944,353</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, 2021
(Expressed in Thousands)

	Debt Service Fund		
	Budget	Actual (Budgetary Basis)	Variance
REVENUES			
Taxes	\$ 339,500	\$ 339,500	\$ -
Licenses, fines, fees, and permits	2,700	2,700	-
Departmental services	984	984	-
Total revenues	343,184	343,184	-
EXPENDITURES			
Debt service	210,998	210,997	1
Total expenditures	210,998	210,997	1
Excess (deficiency) of revenues over (under) expenditures	132,186	132,187	1
OTHER FINANCING SOURCES (USES)			
Transfers in	3,707	3,707	-
Transfers out	(137,222)	(137,222)	-
Total other financing sources (uses)	(133,515)	(133,515)	-
Net change in fund balances	(1,329)	(1,328)	1
Fund balances (budgetary basis), July 1	17,428	17,428	-
Fund balances (budgetary basis), June 30	\$ 16,099	\$ 16,100	\$ 1

NONMAJOR SPECIAL REVENUE FUNDS

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.

Vehicle Tag and Analogous Fees—This fund is to account for the collection and disbursement of revenues produced from the sale or renewal of special purpose motor vehicle registration plates and other state fees that are allocated to nonprofit and other external organizations as authorized by state statute.

Opioid Abatement Fund—This fund is to account for expenses incurred for purposes of funding and supporting opioid abatement and remediation purposes and related administrative costs. This fund is the designated repository of funds that are either dedicated to opioid abatement or remediation or are otherwise directed to abatement or remediation and that are received by the state pursuant to a judgement on opioid-related claims, a recovery in bankruptcy on opioid-related claims, or a settlement of opioid-related claims.

STATE OF TENNESSEE
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2021
(Expressed in Thousands)

	<u>Wildlife Resources Agency</u>	<u>Criminal Injuries Compensation</u>	<u>Solid Waste</u>	<u>Help America Vote</u>
ASSETS				
Cash and cash equivalents	\$ 77,936	\$ 7,424	\$ 6,309	\$ 45,999
Investments	17,904	-	-	-
Receivables, net	9,865	5,624	631	2
Due from other funds	-	-	-	-
Prepayments and others	-	-	-	-
Total assets	<u>\$ 105,705</u>	<u>\$ 13,048</u>	<u>\$ 6,940</u>	<u>\$ 46,001</u>
LIABILITIES				
Accounts payable and accruals	5,066	6,840	907	41,427
Due to other funds	144	10	-	-
Due to component units	1,116	-	-	-
Unearned revenue	-	-	-	-
Total liabilities	<u>6,326</u>	<u>6,850</u>	<u>907</u>	<u>41,427</u>
DEFERRED INFLOWS OF RESOURCES				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted	\$ 80,081	\$ -	\$ -	\$ 4,574
Committed	<u>19,298</u>	<u>6,198</u>	<u>6,033</u>	<u>-</u>
Total fund balances	<u>99,379</u>	<u>6,198</u>	<u>6,033</u>	<u>4,574</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 105,705</u>	<u>\$ 13,048</u>	<u>\$ 6,940</u>	<u>\$ 46,001</u>

STATE OF TENNESSEE
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2021
(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>	<u>Driver Education</u>
\$ 44,433	\$ 7,143	\$ 67,252	\$ 5,297	\$ 58,999	\$ 22,924	\$ 1,365
-	-	-	-	-	-	-
-	124	4,747	10	1,933	13,639	63
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 44,433</u>	<u>\$ 7,267</u>	<u>\$ 71,999</u>	<u>\$ 5,307</u>	<u>\$ 60,932</u>	<u>\$ 36,563</u>	<u>\$ 1,428</u>
1	343	3,950	69	4,507	1,036	16
-	-	-	-	-	44	-
-	-	-	-	-	-	-
-	-	-	7	-	-	-
<u>1</u>	<u>343</u>	<u>3,950</u>	<u>76</u>	<u>4,507</u>	<u>1,080</u>	<u>16</u>
-	-	-	-	-	-	-
\$ -	\$ 51	\$ -	\$ 5,231	\$ 56,425	\$ 29,960	\$ -
<u>44,432</u>	<u>6,873</u>	<u>68,049</u>	<u>-</u>	<u>-</u>	<u>5,523</u>	<u>1,412</u>
<u>44,432</u>	<u>6,924</u>	<u>68,049</u>	<u>5,231</u>	<u>56,425</u>	<u>35,483</u>	<u>1,412</u>
<u>\$ 44,433</u>	<u>\$ 7,267</u>	<u>\$ 71,999</u>	<u>\$ 5,307</u>	<u>\$ 60,932</u>	<u>\$ 36,563</u>	<u>\$ 1,428</u>

STATE OF TENNESSEE
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2021
(Expressed in Thousands)

	<u>Abandoned Land Program</u>	<u>Agricultural Non- Point Water Pollution</u>	<u>Salvage Title Enforcement</u>	<u>Agricultural Promotion Boards</u>
ASSETS				
Cash and cash equivalents	\$ 6,574	\$ 13,534	\$ 3,595	\$ 613
Investments	-	-	-	-
Receivables, net	6	1,267	-	45
Due from other funds	-	-	-	-
Prepayments and others	-	-	-	20
Total assets	<u>\$ 6,580</u>	<u>\$ 14,801</u>	<u>\$ 3,595</u>	<u>\$ 678</u>
LIABILITIES				
Accounts payable and accruals	148	729	60	101
Due to other funds	-	-	-	-
Due to component units	-	80	-	-
Unearned revenue	-	-	-	-
Total liabilities	<u>148</u>	<u>809</u>	<u>60</u>	<u>101</u>
DEFERRED INFLOWS OF RESOURCES				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted	\$ 6,028	\$ -	\$ -	-
Committed	404	13,992	3,535	577
Total fund balances	<u>6,432</u>	<u>13,992</u>	<u>3,535</u>	<u>577</u>
Total liabilities and fund balances	<u>\$ 6,580</u>	<u>\$ 14,801</u>	<u>\$ 3,595</u>	<u>\$ 678</u>

STATE OF TENNESSEE
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2021
(Expressed in Thousands)

<u>Drycleaner's Environmental Response</u>	<u>Agricultural Regulatory Fund</u>	<u>Tennessee Public Utility Commission</u>	<u>Fraud and Economic Crime</u>	<u>Vehicle Tag and Analogous Fees</u>	<u>Opioid Abatement Fund</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 865	\$ 11,489	\$ 7,591	\$ 3,280	\$ 1,931	\$ 12,613	\$ 407,166
-	-	-	-	-	-	17,904
-	3	3	-	462	2,605	41,029
-	-	44	-	-	-	44
-	-	-	-	-	-	20
<u>\$ 865</u>	<u>\$ 11,492</u>	<u>\$ 7,638</u>	<u>\$ 3,280</u>	<u>\$ 2,393</u>	<u>\$ 15,218</u>	<u>\$ 466,163</u>
15	-	277	-	1,893	5,326	72,711
-	-	-	-	-	-	198
-	-	-	-	-	-	1,196
-	-	1	-	-	-	8
<u>15</u>	<u>-</u>	<u>278</u>	<u>-</u>	<u>1,893</u>	<u>5,326</u>	<u>74,113</u>
-	-	-	-	-	1,270	1,270
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,622	\$ 190,972
<u>850</u>	<u>11,492</u>	<u>7,360</u>	<u>3,280</u>	<u>500</u>	<u>-</u>	<u>199,808</u>
<u>850</u>	<u>11,492</u>	<u>7,360</u>	<u>3,280</u>	<u>500</u>	<u>8,622</u>	<u>390,780</u>
<u>\$ 865</u>	<u>\$ 11,492</u>	<u>\$ 7,638</u>	<u>\$ 3,280</u>	<u>\$ 2,393</u>	<u>\$ 15,218</u>	<u>\$ 466,163</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, 2021
(Expressed in Thousands)

	<u>Wildlife Resources</u>	<u>Criminal Injuries</u>	<u>Solid Waste</u>	<u>Help America</u>
	<u>Agency</u>	<u>Compensation</u>		<u>Vote</u>
REVENUES				
Taxes:				
Fuel	\$ 2,767	\$ -	\$ -	-
Other	20,843	-	2,403	-
Licenses, fines, fees, and permits	51,944	6,976	6,565	-
Investment income	(320)	4	4	4
Federal	34,722	5,151	1	7,780
Departmental services	22,059	-	38	-
Other	-	1	-	-
Total revenues	<u>132,015</u>	<u>12,132</u>	<u>9,011</u>	<u>7,784</u>
EXPENDITURES				
General government	-	12,109	-	7,864
Law, justice and public safety	-	-	-	-
Recreation and resources development	113,611	-	3,911	-
Regulation of business and professions	-	-	-	-
Total expenditures	<u>113,611</u>	<u>12,109</u>	<u>3,911</u>	<u>7,864</u>
Excess (deficiency) of revenues over (under) expenditures	<u>18,404</u>	<u>23</u>	<u>5,100</u>	<u>(80)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,852	-	18	-
Transfers out	(215)	-	-	-
Total other financing sources (uses)	<u>1,637</u>	<u>-</u>	<u>18</u>	<u>-</u>
Net change in fund balances	20,041	23	5,118	(80)
Fund balances, July 1, restated	79,338	6,175	915	4,654
Fund balances, June 30	<u>\$ 99,379</u>	<u>\$ 6,198</u>	<u>\$ 6,033</u>	<u>\$ 4,574</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, 2021
(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>	<u>Driver Education</u>
\$ -	\$ -	\$ -	\$ -	\$ 19,128	\$ -	\$ -
-	-	20,843	-	-	-	-
48,900	134	-	5,550	2,230	127,301	621
29	5	47	4	44	17	-
-	964	2,002	-	1,293	1,564	-
-	4,336	-	310	86	2	-
-	-	-	-	-	-	-
<u>48,929</u>	<u>5,439</u>	<u>22,892</u>	<u>5,864</u>	<u>22,781</u>	<u>128,884</u>	<u>621</u>
-	-	-	-	-	-	-
-	-	-	5,770	-	-	490
40,643	6,743	10,763	-	19,924	-	-
-	-	-	-	-	143,891	-
<u>40,643</u>	<u>6,743</u>	<u>10,763</u>	<u>5,770</u>	<u>19,924</u>	<u>143,891</u>	<u>490</u>
8,286	(1,304)	12,129	94	2,857	(15,007)	131
-	1,089	-	71	170	21	11
-	-	(250)	-	-	-	-
-	<u>1,089</u>	<u>(250)</u>	<u>71</u>	<u>170</u>	<u>21</u>	<u>11</u>
8,286	(215)	11,879	165	3,027	(14,986)	142
36,146	7,139	56,170	5,066	53,398	50,469	1,270
<u>\$ 44,432</u>	<u>\$ 6,924</u>	<u>\$ 68,049</u>	<u>\$ 5,231</u>	<u>\$ 56,425</u>	<u>\$ 35,483</u>	<u>\$ 1,412</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, 2021
(Expressed in Thousands)

	<u>Abandoned Land Program</u>	<u>Agricultural Non- Point Water Pollution</u>	<u>Salvage Title Enforcement</u>	<u>Agricultural Promotion Boards</u>
REVENUES				
Taxes:				
Fuel	\$ -	\$ -	\$ -	-
Other	-	9,620	-	910
Licenses, fines, fees, and permits	21	-	2,507	-
Investment income	5	8	-	1
Federal	374	-	2	-
Departmental services	-	-	-	7
Other	-	-	-	-
Total revenues	<u>400</u>	<u>9,628</u>	<u>2,509</u>	<u>918</u>
EXPENDITURES				
General government	-	-	1,956	-
Law, justice and public safety	-	-	-	-
Recreation and resources development	66	5,983	-	998
Regulation of business and professions	-	-	-	-
Total expenditures	<u>66</u>	<u>5,983</u>	<u>1,956</u>	<u>998</u>
Excess (deficiency) of revenues over (under) expenditures	<u>334</u>	<u>3,645</u>	<u>553</u>	<u>(80)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1	-	36	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>1</u>	<u>-</u>	<u>36</u>	<u>-</u>
Net change in fund balances	335	3,645	589	(80)
Fund balances, July 1, restated	6,097	10,347	2,946	657
Fund balances, June 30	<u>\$ 6,432</u>	<u>\$ 13,992</u>	<u>\$ 3,535</u>	<u>\$ 577</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, 2021
(Expressed in Thousands)

Drycleaner's Environmental Response	Agricultural Regulatory Fund	Tennessee Public Utility Commission	Fraud and Economic Crime	Vehicle Tag and Analogous Fees	Opioid Abatement Fund	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	21,895
-	-	-	-	1,206	-	55,825
485	12,206	5,174	432	4,284	8,622	283,952
1	8	-	-	-	-	(139)
-	-	975	-	-	-	54,828
-	39	1,410	-	-	-	28,287
-	-	-	-	-	-	1
<u>486</u>	<u>12,253</u>	<u>7,559</u>	<u>432</u>	<u>5,490</u>	<u>8,622</u>	<u>444,649</u>
-	-	6,881	-	5,490	-	34,300
-	-	-	296	-	-	6,556
390	11,392	-	-	-	-	214,424
-	-	-	-	-	-	143,891
<u>390</u>	<u>11,392</u>	<u>6,881</u>	<u>296</u>	<u>5,490</u>	<u>-</u>	<u>399,171</u>
<u>96</u>	<u>861</u>	<u>678</u>	<u>136</u>	<u>-</u>	<u>8,622</u>	<u>45,478</u>
5	-	106	-	-	-	3,380
-	-	-	-	-	-	(465)
<u>5</u>	<u>-</u>	<u>106</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,915</u>
101	861	784	136	-	8,622	48,393
749	10,631	6,576	3,144	500	-	342,387
<u>\$ 850</u>	<u>\$ 11,492</u>	<u>\$ 7,360</u>	<u>\$ 3,280</u>	<u>\$ 500</u>	<u>\$ 8,622</u>	<u>\$ 390,780</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, 2021
(Expressed in Thousands)

Wildlife Resources Agency			
	Budget	Actual (Budgetary Basis)	Variance
REVENUES			
Taxes	\$ 17,450	\$ 23,610	\$ 6,160
Licenses, fines, fees, and permits	51,502	51,944	442
Investment income (loss)	-	(320)	(320)
Federal	30,445	34,722	4,277
Departmental services	13,837	22,059	8,222
Other	-	-	-
Total revenues	113,234	132,015	18,781
EXPENDITURES			
Judicial	-	-	-
Secretary of State	-	-	-
Treasurer	-	-	-
Commissions	-	-	-
Finance and Administration	-	-	-
Safety	-	-	-
Agriculture	-	-	-
Environment and Conservation	-	-	-
Wildlife Resources	124,725	113,611	11,114
Commerce and Insurance	-	-	-
Revenue	-	-	-
Total expenditures	124,725	113,611	11,114
Excess (deficiency) of revenues over (under) expenditures	(11,491)	18,404	29,895
OTHER FINANCING SOURCES (USES)			
Transfers in	1,852	1,852	-
Transfers out	(215)	(215)	-
Total other financing sources (uses)	1,637	1,637	-
Net change in fund balances	(9,854)	20,041	29,895
Fund balances (budgetary basis), July 1	79,338	79,338	-
Fund balances (budgetary basis), June 30	\$ 69,484	\$ 99,379	\$ 29,895

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, 2021
(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>
\$ -	\$ -	\$ -	\$ 2,558	\$ 2,403	\$ (155)
12,237	6,976	(5,261)	5,749	6,565	816
-	4	4	-	4	4
4,138	5,151	1,013	-	1	1
-	-	-	1	38	37
10	1	(9)	-	-	-
<u>16,385</u>	<u>12,132</u>	<u>(4,253)</u>	<u>8,308</u>	<u>9,011</u>	<u>703</u>
-	-	-	-	-	-
-	-	-	-	-	-
16,385	12,109	4,276	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	8,308	3,911	4,397
-	-	-	-	-	-
-	-	-	-	-	-
<u>16,385</u>	<u>12,109</u>	<u>4,276</u>	<u>8,308</u>	<u>3,911</u>	<u>4,397</u>
-	23	23	-	5,100	5,100
-	-	-	18	18	-
-	-	-	-	-	-
-	-	-	18	18	-
-	23	23	18	5,118	5,100
6,175	6,175	-	915	915	-
<u>\$ 6,175</u>	<u>\$ 6,198</u>	<u>\$ 23</u>	<u>\$ 933</u>	<u>\$ 6,033</u>	<u>\$ 5,100</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, 2021
(Expressed in Thousands)

	Help America Vote		
	Budget	Actual (Budgetary Basis)	Variance
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses, fines, fees, and permits	-	-	-
Investment income	-	4	4
Federal	26,500	7,780	(18,720)
Departmental services	-	-	-
Other	-	-	-
Total revenues	26,500	7,784	(18,716)
EXPENDITURES			
Judicial	-	-	-
Secretary of State	27,500	7,864	19,636
Treasurer	-	-	-
Commissions	-	-	-
Finance and Administration	-	-	-
Safety	-	-	-
Agriculture	-	-	-
Environment and Conservation	-	-	-
Wildlife Resources	-	-	-
Commerce and Insurance	-	-	-
Revenue	-	-	-
Total expenditures	27,500	7,864	19,636
Excess (deficiency) of revenues over (under) expenditures	(1,000)	(80)	920
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	(1,000)	(80)	920
Fund balances (budgetary basis), July 1	4,654	4,654	-
Fund balances (budgetary basis), June 30	\$ 3,654	\$ 4,574	\$ 920

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, 2021
(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>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
54,829	48,900	(5,929)	-	134	134
-	29	29	-	5	5
-	-	-	1,891	964	(927)
-	-	-	4,404	4,336	(68)
-	-	-	-	-	-
<u>54,829</u>	<u>48,929</u>	<u>(5,900)</u>	<u>6,295</u>	<u>5,439</u>	<u>(856)</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
54,829	40,643	14,186	10,327	6,743	3,584
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>54,829</u>	<u>40,643</u>	<u>14,186</u>	<u>10,327</u>	<u>6,743</u>	<u>3,584</u>
-	8,286	8,286	(4,032)	(1,304)	2,728
-	-	-	1,089	1,089	-
-	-	-	-	-	-
-	-	-	<u>1,089</u>	<u>1,089</u>	-
-	8,286	8,286	(2,943)	(215)	2,728
36,146	36,146	-	7,139	7,139	-
<u>\$ 36,146</u>	<u>\$ 44,432</u>	<u>\$ 8,286</u>	<u>\$ 4,196</u>	<u>\$ 6,924</u>	<u>\$ 2,728</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, 2021
(Expressed in Thousands)

	Parks Acquisition		
	Budget	Actual (Budgetary Basis)	Variance
REVENUES			
Taxes	\$ 6,931	\$ 20,843	\$ 13,912
Licenses, fines, fees, and permits	-	-	-
Investment income	-	47	47
Federal	2,000	2,002	2
Departmental services	-	-	-
Other	-	-	-
Total revenues	8,931	22,892	13,961
EXPENDITURES			
Judicial	-	-	-
Secretary of State	-	-	-
Treasurer	-	-	-
Commissions	-	-	-
Finance and Administration	-	-	-
Safety	-	-	-
Agriculture	-	-	-
Environment and Conservation	12,931	10,763	2,168
Wildlife Resources	-	-	-
Commerce and Insurance	-	-	-
Revenue	-	-	-
Total expenditures	12,931	10,763	2,168
Excess (deficiency) of revenues over (under) expenditures	(4,000)	12,129	16,129
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	(250)	(250)	-
Total other financing sources (uses)	(250)	(250)	-
Net change in fund balances	(4,250)	11,879	16,129
Fund balances (budgetary basis), July 1	56,170	56,170	-
Fund balances (budgetary basis), June 30	\$ 51,920	\$ 68,049	\$ 16,129

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, 2021
(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>
\$ -	\$ -	\$ -	\$ 18,951	\$ 19,128	\$ 177
5,489	5,550	61	4,443	2,230	(2,213)
-	4	5	-	44	44
-	-	-	1,973	1,293	(680)
-	310	310	-	86	86
-	-	-	-	-	-
<u>5,489</u>	<u>5,864</u>	<u>375</u>	<u>25,367</u>	<u>22,781</u>	<u>(2,586)</u>
5,935	5,770	165	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	25,618	19,924	5,694
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>5,935</u>	<u>5,770</u>	<u>165</u>	<u>25,618</u>	<u>19,924</u>	<u>5,694</u>
<u>(446)</u>	<u>94</u>	<u>540</u>	<u>(251)</u>	<u>2,857</u>	<u>3,108</u>
71	71	-	170	170	-
-	-	-	-	-	-
<u>71</u>	<u>71</u>	<u>-</u>	<u>170</u>	<u>170</u>	<u>-</u>
(375)	165	540	(81)	3,027	3,108
<u>5,066</u>	<u>5,066</u>	<u>-</u>	<u>53,398</u>	<u>53,398</u>	<u>-</u>
<u>\$ 4,691</u>	<u>\$ 5,231</u>	<u>\$ 540</u>	<u>\$ 53,317</u>	<u>\$ 56,425</u>	<u>\$ 3,108</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, 2021
(Expressed in Thousands)

Enhanced Emergency 911 Service			
	Budget	Actual (Budgetary Basis)	Variance
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses, fines, fees, and permits	112,114	127,301	15,187
Investment income	-	17	17
Federal	-	1,564	1,564
Departmental services	-	2	2
Other	-	-	-
Total revenues	112,114	128,884	16,770
EXPENDITURES			
Judicial	-	-	-
Secretary of State	-	-	-
Treasurer	-	-	-
Commissions	-	-	-
Finance and Administration	-	-	-
Safety	-	-	-
Agriculture	-	-	-
Environment and Conservation	-	-	-
Wildlife Resources	-	-	-
Commerce and Insurance	149,392	143,891	5,501
Revenue	-	-	-
Total expenditures	149,392	143,891	5,501
Excess (deficiency) of revenues over (under) expenditures	(37,278)	(15,007)	22,271
OTHER FINANCING SOURCES (USES)			
Transfers in	21	21	-
Transfers out	-	-	-
Total other financing sources (uses)	21	21	-
Net change in fund balances	(37,257)	(14,986)	22,271
Fund balances (budgetary basis), July 1	50,469	50,469	-
Fund balances (budgetary basis), June 30	\$ 13,212	\$ 35,483	\$ 22,271

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, 2021
(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>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
828	621	(207)	500	21	(479)
-	-	-	-	5	5
-	-	-	918	374	(544)
-	-	-	-	-	-
<u>828</u>	<u>621</u>	<u>(207)</u>	<u>1,418</u>	<u>400</u>	<u>(1,018)</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
829	490	339	-	-	-
-	-	-	-	-	-
-	-	-	1,418	66	1,352
-	-	-	-	-	-
-	-	-	-	-	-
<u>829</u>	<u>490</u>	<u>339</u>	<u>1,418</u>	<u>66</u>	<u>1,352</u>
<u>(1)</u>	<u>131</u>	<u>132</u>	<u>-</u>	<u>334</u>	<u>334</u>
11	11	-	1	1	-
-	-	-	-	-	-
<u>11</u>	<u>11</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>-</u>
10	142	132	1	335	334
<u>1,270</u>	<u>1,270</u>	<u>-</u>	<u>6,097</u>	<u>6,097</u>	<u>-</u>
<u>\$ 1,280</u>	<u>\$ 1,412</u>	<u>\$ 132</u>	<u>\$ 6,098</u>	<u>\$ 6,432</u>	<u>\$ 334</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, 2021
(Expressed in Thousands)

	Agricultural Non-Point Water Pollution		
	Budget	Actual (Budgetary Basis)	Variance
REVENUES			
Taxes	\$ 3,188	\$ 9,620	\$ 6,432
Licenses, fines, fees, and permits	-	-	-
Investment income	-	8	8
Federal	-	-	-
Departmental services	-	-	-
Other	-	-	-
Total revenues	3,188	9,628	6,440
EXPENDITURES			
Judicial	-	-	-
Secretary of State	-	-	-
Treasurer	-	-	-
Commissions	-	-	-
Finance and Administration	-	-	-
Safety	-	-	-
Agriculture	10,188	5,983	4,205
Environment and Conservation	-	-	-
Wildlife Resources	-	-	-
Commerce and Insurance	-	-	-
Revenue	-	-	-
Total expenditures	10,188	5,983	4,205
Excess (deficiency) of revenues over (under) expenditures	(7,000)	3,645	10,645
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	(7,000)	3,645	10,645
Fund balances (budgetary basis), July 1	10,347	10,347	-
Fund balances (budgetary basis), June 30	\$ 3,347	\$ 13,992	\$ 10,645

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, 2021
(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>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,941	2,507	566	1,939	485	(1,454)
-	-	-	-	1	1
-	2	2	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,941</u>	<u>2,509</u>	<u>568</u>	<u>1,939</u>	<u>486</u>	<u>(1,453)</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	1,940	390	1,550
-	-	-	-	-	-
-	-	-	-	-	-
<u>2,342</u>	<u>1,956</u>	<u>386</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>2,342</u>	<u>1,956</u>	<u>386</u>	<u>1,940</u>	<u>390</u>	<u>1,550</u>
<u>(401)</u>	<u>553</u>	<u>954</u>	<u>(1)</u>	<u>96</u>	<u>97</u>
36	36	-	5	5	-
-	-	-	-	-	-
<u>36</u>	<u>36</u>	<u>-</u>	<u>5</u>	<u>5</u>	<u>-</u>
(365)	589	954	4	101	97
<u>2,946</u>	<u>2,946</u>	<u>-</u>	<u>749</u>	<u>749</u>	<u>-</u>
<u>\$ 2,581</u>	<u>\$ 3,535</u>	<u>\$ 954</u>	<u>\$ 753</u>	<u>\$ 850</u>	<u>\$ 97</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, 2021
(Expressed in Thousands)

Agricultural Regulatory Fund			
	Budget	Actual (Budgetary Basis)	Variance
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses, fines, fees, and permits	11,272	12,206	934
Investment income	-	8	8
Federal	-	-	-
Departmental services	2	39	37
Other	-	-	-
Total revenues	11,274	12,253	979
EXPENDITURES			
Judicial	-	-	-
Secretary of State	-	-	-
Treasurer	-	-	-
Commissions	-	-	-
Finance and Administration	-	-	-
Safety	-	-	-
Agriculture	11,392	11,392	-
Environment and Conservation	-	-	-
Wildlife Resources	-	-	-
Commerce and Insurance	-	-	-
Revenue	-	-	-
Total expenditures	11,392	11,392	-
Excess (deficiency) of revenues over (under) expenditures	(118)	861	979
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	(118)	861	979
Fund balances (budgetary basis), July 1	10,631	10,631	-
Fund balances (budgetary basis), June 30	\$ 10,513	\$ 11,492	\$ 979

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, 2021
(Expressed in Thousands)

<u>Tennessee Public Utility Commission</u>			<u>Vehicle Tag and Analogous Fees</u>		
<u>Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance</u>	<u>Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance</u>
\$ -	\$ -	\$ -	\$ 1,206	\$ 1,206	\$ -
7,004	5,174	(1,830)	4,284	4,284	-
-	-	-	-	-	-
969	975	6	-	-	-
1,431	1,410	(21)	-	-	-
-	-	-	-	-	-
<u>9,404</u>	<u>7,559</u>	<u>(1,845)</u>	<u>5,490</u>	<u>5,490</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
9,404	6,881	2,523	-	-	-
-	-	-	5,490	5,490	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>9,404</u>	<u>6,881</u>	<u>2,523</u>	<u>5,490</u>	<u>5,490</u>	<u>-</u>
-	678	678	-	-	-
106	106	-	-	-	-
-	-	-	-	-	-
<u>106</u>	<u>106</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
106	784	678	-	-	-
6,576	6,576	-	500	500	-
<u>\$ 6,682</u>	<u>\$ 7,360</u>	<u>\$ 678</u>	<u>\$ 500</u>	<u>\$ 500</u>	<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, 2021
(Expressed in Thousands)

Total Nonmajor Special Revenue Funds			
	Budget	Actual (Budgetary Basis)	Variance
REVENUES			
Taxes	\$ 50,284	\$ 76,810	\$ 26,526
Licenses, fines, fees, and permits	274,131	274,898	767
Investment income (loss)	-	(140)	(140)
Federal	68,834	54,828	(14,006)
Departmental services	19,675	28,280	8,605
Other	10	1	(9)
Total revenues	412,934	434,677	21,743
EXPENDITURES			
Judicial	5,935	5,770	165
Secretary of State	27,500	7,864	19,636
Treasurer	16,385	12,109	4,276
Commissions	9,404	6,881	2,523
Finance and Administration	5,490	5,490	-
Safety	829	490	339
Agriculture	21,580	17,375	4,205
Environment and Conservation	115,371	82,440	32,931
Wildlife Resources	124,725	113,611	11,114
Commerce and Insurance	149,392	143,891	5,501
Revenue	2,342	1,956	386
Total expenditures	478,953	397,877	81,076
Excess (deficiency) of revenues over (under) expenditures	(66,019)	36,800	102,819
OTHER FINANCING SOURCES (USES)			
Transfers in	3,380	3,380	-
Transfers out	(465)	(465)	-
Total other financing sources (uses)	2,915	2,915	-
Net change in fund balances	(63,104)	39,715	102,819
Fund balances (budgetary basis), July 1	338,586	338,586	-
Fund balances (budgetary basis), June 30	\$ 275,482	\$ 378,301	\$ 102,819

PERMANENT FUNDS

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, 2021
(Expressed in Thousands)

	<u>Chairs of Excellence</u>	<u>Other Permanent Funds</u>	<u>Total Permanent Funds</u>
ASSETS			
Cash and cash equivalents	\$ 6,328	\$ 41,059	\$ 47,387
Investments	435,518	55,669	491,187
Receivables, net	1,216	14	1,230
Due from component units	<u>1,391</u>	<u>-</u>	<u>1,391</u>
Total assets	<u>\$ 444,453</u>	<u>\$ 96,742</u>	<u>\$ 541,195</u>
LIABILITIES			
Accounts payable and accruals	1,158	-	1,158
Due to component units	<u>2,564</u>	<u>-</u>	<u>2,564</u>
Total liabilities	<u>3,722</u>	<u>-</u>	<u>3,722</u>
FUND BALANCES			
Nonspendable			
Permanent fund and endowment corpus	\$ 104,362	\$ 93,052	\$ 197,414
Restricted	<u>336,369</u>	<u>3,690</u>	<u>340,059</u>
Total fund balances	<u>440,731</u>	<u>96,742</u>	<u>537,473</u>
Total liabilities and fund balances	<u>\$ 444,453</u>	<u>\$ 96,742</u>	<u>\$ 541,195</u>

STATE OF TENNESSEE
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Permanent Funds
For the Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

	<u>Chairs of Excellence</u>	<u>Other Permanent Funds</u>	<u>Total Permanent Funds</u>
REVENUES			
Licenses, fines, fees, and permits	\$ -	\$ 5,200	\$ 5,200
Investment income	<u>87,598</u>	<u>(1,084)</u>	<u>86,514</u>
Total revenues	<u>87,598</u>	<u>4,116</u>	<u>91,714</u>
EXPENDITURES			
Education	8,816	-	8,816
Recreation and resources development	<u>-</u>	<u>29</u>	<u>29</u>
Total expenditures	<u>8,816</u>	<u>29</u>	<u>8,845</u>
Excess (deficiency) of revenues over (under) expenditures	<u>78,782</u>	<u>4,087</u>	<u>82,869</u>
Net change in fund balances	78,782	4,087	82,869
Fund balances, July 1, restated	<u>361,949</u>	<u>92,655</u>	<u>454,604</u>
Fund balances, June 30	<u>\$ 440,731</u>	<u>\$ 96,742</u>	<u>\$ 537,473</u>

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NONMAJOR ENTERPRISE FUNDS

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.

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, 2021
(Expressed in Thousands)

	<u>Teacher Group Insurance</u>	<u>Local Government Group Insurance</u>	<u>Drinking Water</u>	<u>Grain Indemnity</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 255,203	\$ 53,954	\$ 106,226	\$ 10,131
Receivables:				
Accounts receivable	1,954	610	-	-
Loans receivable	<u>-</u>	<u>-</u>	<u>7,754</u>	<u>-</u>
Total current assets	<u>257,157</u>	<u>54,564</u>	<u>113,980</u>	<u>10,131</u>
Noncurrent assets:				
Loans receivable	<u>-</u>	<u>-</u>	<u>99,190</u>	<u>-</u>
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>99,190</u>	<u>-</u>
Total assets	<u>257,157</u>	<u>54,564</u>	<u>213,170</u>	<u>10,131</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accruals	48,903	16,210	3	-
Unearned revenue	<u>101</u>	<u>71</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>49,004</u>	<u>16,281</u>	<u>3</u>	<u>-</u>
Noncurrent liabilities:				
Others	<u>-</u>	<u>-</u>	<u>3,271</u>	<u>-</u>
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>3,271</u>	<u>-</u>
Total liabilities	<u>49,004</u>	<u>16,281</u>	<u>3,274</u>	<u>-</u>
NET POSITION				
Unrestricted	<u>208,153</u>	<u>38,283</u>	<u>209,896</u>	<u>10,131</u>
Total net position	<u>\$ 208,153</u>	<u>\$ 38,283</u>	<u>\$ 209,896</u>	<u>\$ 10,131</u>

STATE OF TENNESSEE
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2021
(Expressed in Thousands)

<u>Energy Efficient Schools Initiative</u>	<u>Client Protection</u>	<u>Total Nonmajor Enterprise Funds</u>
\$ 16,690	\$ 1,479	\$ 443,683
-	-	2,564
<u>10,408</u>	<u>-</u>	<u>18,162</u>
<u>27,098</u>	<u>1,479</u>	<u>464,409</u>
<u>57,109</u>	<u>-</u>	<u>156,299</u>
<u>57,109</u>	<u>-</u>	<u>156,299</u>
<u>84,207</u>	<u>1,479</u>	<u>620,708</u>
-	31	65,147
<u>37</u>	<u>-</u>	<u>209</u>
<u>37</u>	<u>31</u>	<u>65,356</u>
<u>-</u>	<u>-</u>	<u>3,271</u>
<u>-</u>	<u>-</u>	<u>3,271</u>
<u>37</u>	<u>31</u>	<u>68,627</u>
<u>84,170</u>	<u>1,448</u>	<u>552,081</u>
<u>\$ 84,170</u>	<u>\$ 1,448</u>	<u>\$ 552,081</u>

STATE OF TENNESSEE
Combining Statement of Revenues, Expenses, and
Changes in Net Position
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

	<u>Teacher Group Insurance</u>	<u>Local Government Group Insurance</u>	<u>Drinking Water</u>	<u>Grain Indemnity</u>
Operating revenues				
Charges for services	\$ -	\$ -	\$ 1,482	\$ -
Investment income	-	-	61	-
Premiums	<u>566,354</u>	<u>161,926</u>	<u>-</u>	<u>-</u>
Total operating revenues	<u>566,354</u>	<u>161,926</u>	<u>1,543</u>	<u>-</u>
Operating expenses				
Contractual services	25,734	8,213	737	140
Benefits	544,612	169,060	-	-
Other	<u>3,997</u>	<u>1,256</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>574,343</u>	<u>178,529</u>	<u>737</u>	<u>140</u>
Operating income (loss)	<u>(7,989)</u>	<u>(16,603)</u>	<u>806</u>	<u>(140)</u>
Nonoperating revenues (expenses)				
Grants	-	-	4,894	-
Interest income	174	41	-	8
Other	<u>-</u>	<u>-</u>	<u>(920)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>174</u>	<u>41</u>	<u>3,974</u>	<u>8</u>
Income (loss) before contributions and transfers	(7,815)	(16,562)	4,780	(132)
Transfers in	-	-	4,594	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	(7,815)	(16,562)	9,374	(132)
Net position, July 1, restated	<u>215,968</u>	<u>54,845</u>	<u>200,522</u>	<u>10,263</u>
Net position, June 30	<u>\$ 208,153</u>	<u>\$ 38,283</u>	<u>\$ 209,896</u>	<u>\$ 10,131</u>

STATE OF TENNESSEE
Combining Statement of Revenues, Expenses, and
Changes in Net Position
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

<u>Energy Efficient Schools Initiative</u>	<u>Client Protection</u>	<u>Total Nonmajor Enterprise Funds</u>
\$ 726	\$ 287	\$ 2,495
14	-	75
<u>-</u>	<u>-</u>	<u>728,280</u>
<u>740</u>	<u>287</u>	<u>730,850</u>
30	695	35,549
-	-	713,672
<u>-</u>	<u>-</u>	<u>5,253</u>
<u>30</u>	<u>695</u>	<u>754,474</u>
<u>710</u>	<u>(408)</u>	<u>(23,624)</u>
-	-	4,894
-	1	224
<u>-</u>	<u>-</u>	<u>(920)</u>
<u>-</u>	<u>1</u>	<u>4,198</u>
710	(407)	(19,426)
-	-	4,594
<u>(600)</u>	<u>-</u>	<u>(600)</u>
110	(407)	(15,432)
<u>84,060</u>	<u>1,855</u>	<u>567,513</u>
<u>\$ 84,170</u>	<u>\$ 1,448</u>	<u>\$ 552,081</u>

STATE OF TENNESSEE
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

	<u>Teacher Group Insurance</u>	<u>Local Government Group Insurance</u>	<u>Drinking Water</u>	<u>Grain Indemnity</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 573,037	\$ 165,452	\$ -	\$ -
Payments to suppliers	(565,054)	(174,933)	-	-
Payments for interfund services used	(599)	(131)	(737)	(140)
Net cash provided by (used for) operating activities	<u>7,384</u>	<u>(9,612)</u>	<u>(737)</u>	<u>(140)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating grants received	-	-	4,894	-
Transfers in	-	-	4,594	-
Transfers out	-	-	-	-
Net cash provided by (used for) noncapital financing activities	<u>-</u>	<u>-</u>	<u>9,488</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Loans issued and other disbursements to borrowers	-	-	(7,595)	-
Collection of loan principal	-	-	27,075	-
Interest received	174	41	1,546	8
Net cash provided by (used for) investing activities	<u>174</u>	<u>41</u>	<u>21,026</u>	<u>8</u>
Net increase (decrease) in cash and cash equivalents	7,558	(9,571)	29,777	(132)
Cash and cash equivalents, July 1, restated	<u>247,645</u>	<u>63,525</u>	<u>76,449</u>	<u>10,263</u>
Cash and cash equivalents, June 30	<u>\$ 255,203</u>	<u>\$ 53,954</u>	<u>\$ 106,226</u>	<u>\$ 10,131</u>
Reconciliation of operating income to net cash provided by (used for) operating activities				
Operating income (loss)	<u>\$ (7,989)</u>	<u>\$ (16,603)</u>	<u>\$ 806</u>	<u>\$ (140)</u>
Adjustment to reconcile operating income (loss) to net cash from operating activities:				
Interest income	-	-	(1,482)	-
Investment income	-	-	(61)	-
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:				
(Increase) decrease in receivables	6,074	1,879	-	-
Increase (decrease) in accounts payable	9,271	5,084	-	-
Increase (decrease) in unearned revenue	28	28	-	-
Total adjustments	<u>15,373</u>	<u>6,991</u>	<u>(1,543)</u>	<u>-</u>
Net cash provided by (used for) operating activities	<u>\$ 7,384</u>	<u>\$ (9,612)</u>	<u>\$ (737)</u>	<u>\$ (140)</u>

STATE OF TENNESSEE
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

Energy Efficient Schools Initiative	Client Protection	Total Nonmajor Enterprise Funds
\$ 30	\$ 287	\$ 738,806
-	(664)	(740,651)
(30)	-	(1,637)
-	(377)	(3,482)
-	-	4,894
-	-	4,594
(600)	-	(600)
(600)	-	8,888
(12,090)	-	(19,685)
10,851	-	37,926
595	1	2,365
(644)	1	20,606
(1,244)	(376)	26,012
17,934	1,855	417,671
\$ 16,690	\$ 1,479	\$ 443,683
\$ 710	\$ (408)	\$ (23,624)
(696)	-	(2,178)
(14)	-	(75)
-	-	7,953
-	31	14,386
-	-	56
(710)	31	20,142
\$ -	\$ (377)	\$ (3,482)

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INTERNAL SERVICE FUNDS

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.

Central Procurement Office—A division of the Department of General Services, is responsible for the procurement of supplies, equipment, and certain specialized services.

Distribution Center—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, 2021
(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>
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 108,600	\$ 234,195	\$ 56,245	\$ 1,239	\$ 329,828	\$ 271,864
Receivables, net	1,251	319	39	-	554	2,720
Due from other funds	238	-	-	-	505	-
Due from component units	-	43	-	-	9	-
Inventories, at cost	354	-	-	235	-	-
Prepayments	-	-	-	14	-	-
Total current assets	<u>110,443</u>	<u>234,557</u>	<u>56,284</u>	<u>1,488</u>	<u>330,896</u>	<u>274,584</u>
Noncurrent assets:						
Due from other funds	9	-	-	-	-	-
Net investment in capital leases	-	-	-	-	5,575	-
Restricted net pension assets	928	-	10	24	-	-
Capital assets:						
Land, at cost	-	-	-	-	62,414	-
Structures and improvements, at cost	-	-	-	-	881,735	-
Machinery and equipment, at cost	69,849	-	189,742	3,224	2,246	-
Less: Accumulated depreciation	(47,747)	-	(114,350)	(2,402)	(306,643)	-
Construction in progress	-	-	-	-	11,961	-
Total noncurrent assets	<u>23,039</u>	<u>-</u>	<u>75,402</u>	<u>846</u>	<u>657,288</u>	<u>-</u>
Total assets	<u>133,482</u>	<u>234,557</u>	<u>131,686</u>	<u>2,334</u>	<u>988,184</u>	<u>274,584</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>24,345</u>	<u>-</u>	<u>276</u>	<u>543</u>	<u>1,606</u>	<u>-</u>
LIABILITIES						
Current liabilities:						
Accounts payable	15,403	621	2,959	404	11,043	74,278
Accrued payroll and related deductions	8,376	-	90	181	-	-
Due to other funds	-	12	-	11	3	1
Due to component units	-	59	-	-	7	57
Lease obligations payable	-	-	-	-	472	-
Bond payable	-	-	-	-	13,349	-
Unearned revenue	-	1	-	-	-	42,212
Others	-	83,835	-	-	-	-
Total current liabilities	<u>23,779</u>	<u>84,528</u>	<u>3,049</u>	<u>596</u>	<u>24,874</u>	<u>116,548</u>
Noncurrent liabilities:						
Pension	40,782	-	441	1,031	-	-
Lease obligations payable	-	-	-	-	6,149	-
Commercial paper payable	-	-	-	-	63,332	-
Bonds payable	-	-	-	-	123,740	-
Others	17,037	109,667	290	482	-	-
Total noncurrent liabilities	<u>57,819</u>	<u>109,667</u>	<u>731</u>	<u>1,513</u>	<u>193,221</u>	<u>-</u>
Total liabilities	<u>81,598</u>	<u>194,195</u>	<u>3,780</u>	<u>2,109</u>	<u>218,095</u>	<u>116,548</u>
DEFERRED INFLOWS OF RESOURCES	<u>5,988</u>	<u>-</u>	<u>327</u>	<u>331</u>	<u>34</u>	<u>-</u>
NET POSITION						
Net investment in capital assets	22,102	-	75,392	822	446,243	-
Restricted for:						
Capital projects	-	-	-	-	1,276	-
Pensions	928	-	10	24	-	-
Unrestricted	47,211	40,362	52,453	(409)	324,142	158,036
Total net position	<u>\$ 70,241</u>	<u>\$ 40,362</u>	<u>\$ 127,855</u>	<u>\$ 437</u>	<u>\$ 771,661</u>	<u>\$ 158,036</u>

STATE OF TENNESSEE
Combining Statement of Net Position
Internal Service Funds
June 30, 2021
(Expressed in Thousands)

	Postal Services	Central Procurement Office	Distribution Center	Records Management	Human Resources	Division of Accounts	TRICOR	Edison	Total Internal Service Funds
\$	4,061	\$ 3,074	\$ 1,368	\$ 101	\$ 11,246	\$ 17,860	\$ 6,233	\$ 32,411	\$ 1,078,325
	2	569	4	-	-	2	1,231	-	6,691
	-	-	-	-	-	-	-	-	743
	-	-	-	11	-	-	-	-	63
	168	-	25	-	-	-	2,107	-	2,889
	408	-	-	-	-	-	-	-	422
	<u>4,639</u>	<u>3,643</u>	<u>1,397</u>	<u>112</u>	<u>11,246</u>	<u>17,862</u>	<u>9,571</u>	<u>32,411</u>	<u>1,089,133</u>
	-	-	-	-	-	-	-	-	9
	-	-	-	-	-	-	-	-	5,575
	20	60	9	4	72	200	40	109	1,476
	-	-	-	-	-	-	746	-	63,160
	-	-	-	-	-	-	2,950	-	884,685
	4,735	21	77	12	170	400	9,369	113,511	393,356
	(3,895)	(19)	(77)	(12)	(126)	(391)	(6,147)	(111,999)	(593,808)
	-	-	-	-	-	-	140	-	12,101
	<u>860</u>	<u>62</u>	<u>9</u>	<u>4</u>	<u>116</u>	<u>209</u>	<u>7,098</u>	<u>1,621</u>	<u>766,554</u>
	<u>5,499</u>	<u>3,705</u>	<u>1,406</u>	<u>116</u>	<u>11,362</u>	<u>18,071</u>	<u>16,669</u>	<u>34,032</u>	<u>1,855,687</u>
	<u>236</u>	<u>987</u>	<u>394</u>	<u>144</u>	<u>2,963</u>	<u>12,523</u>	<u>1,132</u>	<u>2,764</u>	<u>47,913</u>
	303	171	16	36	103	258	1,323	1,284	108,202
	98	425	81	40	937	2,642	431	1,059	14,360
	-	-	-	-	46	-	-	-	73
	-	-	-	1	180	-	-	-	304
	-	-	-	-	-	-	-	-	472
	-	-	-	-	-	-	-	-	13,349
	-	-	-	-	-	-	-	-	42,213
	-	-	-	-	-	-	-	-	83,835
	<u>401</u>	<u>596</u>	<u>97</u>	<u>77</u>	<u>1,266</u>	<u>2,900</u>	<u>1,754</u>	<u>2,343</u>	<u>262,808</u>
	386	2,148	504	221	4,470	16,281	2,543	4,887	73,694
	-	-	-	-	-	-	-	-	6,149
	-	-	-	-	-	-	-	-	63,332
	-	-	-	-	-	-	-	-	123,740
	<u>209</u>	<u>713</u>	<u>306</u>	<u>98</u>	<u>1,979</u>	<u>7,595</u>	<u>1,045</u>	<u>2,719</u>	<u>142,140</u>
	<u>595</u>	<u>2,861</u>	<u>810</u>	<u>319</u>	<u>6,449</u>	<u>23,876</u>	<u>3,588</u>	<u>7,606</u>	<u>409,055</u>
	<u>996</u>	<u>3,457</u>	<u>907</u>	<u>396</u>	<u>7,715</u>	<u>26,776</u>	<u>5,342</u>	<u>9,949</u>	<u>671,863</u>
	<u>272</u>	<u>306</u>	<u>372</u>	<u>35</u>	<u>1,574</u>	<u>2,280</u>	<u>616</u>	<u>754</u>	<u>12,889</u>
	840	2	-	-	44	9	7,058	1,512	554,024
	-	-	-	-	-	-	-	-	1,276
	20	60	9	4	72	200	40	109	1,476
	<u>3,607</u>	<u>867</u>	<u>512</u>	<u>(175)</u>	<u>4,920</u>	<u>1,329</u>	<u>4,745</u>	<u>24,472</u>	<u>662,072</u>
\$	<u>4,467</u>	<u>929</u>	<u>521</u>	<u>(171)</u>	<u>5,036</u>	<u>1,538</u>	<u>11,843</u>	<u>26,093</u>	<u>1,218,848</u>

STATE OF TENNESSEE
Combining Statement of Revenues, Expenses, and
Changes in Net Position
Internal Service Funds
For the Fiscal Year Ended June 30, 2021
(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	\$ 261,499	\$ 59,263	\$ 46,406	\$ 5,502	\$ 158,443	\$ 1,000
Premiums	-	-	-	-	-	777,737
Total operating revenues	<u>261,499</u>	<u>59,263</u>	<u>46,406</u>	<u>5,502</u>	<u>158,443</u>	<u>778,737</u>
Operating expenses						
Personal services	124,453	-	1,227	2,911	-	-
Contractual services	129,833	12,425	4,889	2,856	89,554	37,253
Materials and supplies	11,519	-	15,264	835	1,943	-
Rentals and insurance	12	20,104	9,247	10	45,611	-
Depreciation and amortization	12,068	-	17,043	412	17,209	-
Benefits	-	25,470	126	-	-	826,058
Other	4,744	-	-	2	6	4,963
Total operating expenses	<u>282,629</u>	<u>57,999</u>	<u>47,796</u>	<u>7,026</u>	<u>154,323</u>	<u>868,274</u>
Operating income (loss)	<u>(21,130)</u>	<u>1,264</u>	<u>(1,390)</u>	<u>(1,524)</u>	<u>4,120</u>	<u>(89,537)</u>
Nonoperating revenues (expenses)						
Insurance claims recoveries	-	-	227	-	201	-
Gain on sales of capital assets	-	-	-	-	(256)	-
Interest income	-	171	-	-	249	232
Interest expense	-	-	-	-	(5,815)	-
Total nonoperating revenues (expenses)	<u>-</u>	<u>171</u>	<u>227</u>	<u>-</u>	<u>(5,621)</u>	<u>232</u>
Income (loss) before contributions and transfers	<u>(21,130)</u>	<u>1,435</u>	<u>(1,163)</u>	<u>(1,524)</u>	<u>(1,501)</u>	<u>(89,305)</u>
Capital contributions	-	-	636	-	206	-
Transfers in	7,846	-	4,671	394	13,082	-
Transfers out	<u>(16)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19)</u>	<u>-</u>
Change in net position	<u>(13,300)</u>	<u>1,435</u>	<u>4,144</u>	<u>(1,130)</u>	<u>11,768</u>	<u>(89,305)</u>
Net position, July 1	<u>83,541</u>	<u>38,927</u>	<u>123,711</u>	<u>1,567</u>	<u>759,893</u>	<u>247,341</u>
Net position, June 30	<u>\$ 70,241</u>	<u>\$ 40,362</u>	<u>\$ 127,855</u>	<u>\$ 437</u>	<u>\$ 771,661</u>	<u>\$ 158,036</u>

STATE OF TENNESSEE
Combining Statement of Revenues, Expenses, and
Changes in Net Position
Internal Service Funds
For the Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

<u>Postal Services</u>	<u>Central Procurement Office</u>	<u>Distribution Center</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>
\$ 16,078	\$ 10,510	\$ 3,113	\$ 1,123	\$ 15,074	\$ 43,607	\$ 23,442	\$ 24,435	\$ 669,495
-	-	-	-	-	-	-	-	777,737
<u>16,078</u>	<u>10,510</u>	<u>3,113</u>	<u>1,123</u>	<u>15,074</u>	<u>43,607</u>	<u>23,442</u>	<u>24,435</u>	<u>1,447,232</u>
1,592	6,162	1,471	606	14,435	45,007	6,437	14,587	218,888
2,010	3,784	1,072	588	1,853	4,326	8,882	8,980	308,305
12,028	1	693	2	71	94	6,620	122	49,192
110	6	2	1	14	8	145	3	75,273
178	1	-	-	17	2	520	954	48,404
-	-	-	-	-	-	-	-	851,654
-	3	5	-	14	4	332	2	10,075
<u>15,918</u>	<u>9,957</u>	<u>3,243</u>	<u>1,197</u>	<u>16,404</u>	<u>49,441</u>	<u>22,936</u>	<u>24,648</u>	<u>1,561,791</u>
<u>160</u>	<u>553</u>	<u>(130)</u>	<u>(74)</u>	<u>(1,330)</u>	<u>(5,834)</u>	<u>506</u>	<u>(213)</u>	<u>(114,559)</u>
-	-	-	-	-	-	2,728	-	3,156
-	-	-	-	-	-	(149)	-	(405)
-	-	-	-	-	-	-	-	652
-	-	-	-	-	-	-	-	(5,815)
-	-	-	-	-	-	2,579	-	(2,412)
160	553	(130)	(74)	(1,330)	(5,834)	3,085	(213)	(116,971)
-	-	-	-	-	-	-	-	842
45	37	58	9	223	3,175	86	153	29,779
-	-	-	-	-	-	-	-	(35)
205	590	(72)	(65)	(1,107)	(2,659)	3,171	(60)	(86,385)
<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>
<u>\$ 4,467</u>	<u>\$ 929</u>	<u>\$ 521</u>	<u>\$ (171)</u>	<u>\$ 5,036</u>	<u>\$ 1,538</u>	<u>\$ 11,843</u>	<u>\$ 26,093</u>	<u>\$ 1,218,848</u>

STATE OF TENNESSEE
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

	Strategic Technology Solutions	Risk Management	Motor Vehicle Management	General Services Printing	Facilities Revolving Fund	Employee Group Insurance
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 8,032	\$ 19,943	\$ 560	\$ 26	\$ 6,129	\$ 360,906
Receipts from interfund services provided	253,723	39,389	43,578	5,476	149,658	464,817
Payments to suppliers	(129,384)	(48,601)	(25,611)	(2,432)	(68,139)	(888,178)
Payments to employees	(118,621)	-	(1,282)	(3,007)	-	(2,385)
Payments for interfund services used	(15,102)	(7,927)	(4,809)	(1,059)	(73,901)	(1,563)
Net cash provided by (used for) operating activities	<u>(1,352)</u>	<u>2,804</u>	<u>12,436</u>	<u>(996)</u>	<u>13,747</u>	<u>(66,403)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers in	7,827	-	4,671	394	13,066	-
Net cash provided by (used for) noncapital financing activities	<u>7,827</u>	<u>-</u>	<u>4,671</u>	<u>394</u>	<u>13,066</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of capital assets	(5,465)	-	(20,770)	-	(45,851)	-
Bond and commercial paper proceeds	-	-	-	-	58,278	-
Proceeds from sale of capital assets	-	-	5,045	-	580	-
Insurance claims recoveries	-	-	227	-	201	-
Principal payments	-	-	-	-	(23,731)	-
Interest paid	-	-	-	-	(7,089)	-
Net cash provided by (used for) capital and related financing activities	<u>(5,465)</u>	<u>-</u>	<u>(15,498)</u>	<u>-</u>	<u>(17,612)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received	-	171	-	-	250	232
Net cash provided by (used for) investing activities	<u>-</u>	<u>171</u>	<u>-</u>	<u>-</u>	<u>250</u>	<u>232</u>
Net increase (decrease) in cash and cash equivalents	1,010	2,975	1,609	(602)	9,451	(66,171)
Cash and cash equivalents, July 1	<u>107,590</u>	<u>231,220</u>	<u>54,636</u>	<u>1,841</u>	<u>320,377</u>	<u>338,035</u>
Cash and cash equivalents, June 30	<u>\$ 108,600</u>	<u>\$ 234,195</u>	<u>\$ 56,245</u>	<u>\$ 1,239</u>	<u>\$ 329,828</u>	<u>\$ 271,864</u>
Reconciliation of operating income to net cash provided by (used for) operating activities						
Operating income (loss)	\$ (21,130)	\$ 1,264	\$ (1,390)	\$ (1,524)	\$ 4,120	\$ (89,537)
Adjustment to reconcile operating income (loss) to net cash from operating activities:						
Depreciation and amortization	12,068	-	17,043	412	17,209	-
Loss (gain) on disposal of capital assets	4,652	-	(2,376)	-	-	-
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:						
(Increase) decrease in receivables	(145)	(122)	42	-	25	9,149
(Increase) decrease in due from other funds	402	-	-	-	725	-
(Increase) decrease in due from component units	-	68	-	-	(9)	-
(Increase) decrease in inventories	49	-	-	36	-	-
(Increases) decreases in assets held for sale	-	-	65	-	-	-
(Increase) decrease in prepaids	-	-	-	(14)	-	-
(Increase) decrease in net pension assets	125	-	1	7	-	-
(Increase) decrease in deferred outflows of resources	4,873	-	(6)	(24)	-	-
Increase (decrease) in accounts payable	3,257	1,530	(844)	222	(4,882)	13,789
Increase (decrease) in due to other funds	(457)	8	(4)	(2)	(50)	(9)
Increase (decrease) in due to component units	-	56	-	-	6	(18)
Increase (decrease) in deferred inflows of resources	(5,046)	-	(95)	(109)	-	-
Increase (decrease) in unearned revenue	-	-	-	-	(3,397)	223
Total adjustments	<u>19,778</u>	<u>1,540</u>	<u>13,826</u>	<u>528</u>	<u>9,627</u>	<u>23,134</u>
Net cash provided by (used for) operating activities	<u>\$ (1,352)</u>	<u>\$ 2,804</u>	<u>\$ 12,436</u>	<u>\$ (996)</u>	<u>\$ 13,747</u>	<u>\$ (66,403)</u>
Schedule of noncash investing, capital, and financing activities						
Contributions of capital assets	\$ -	\$ -	\$ 636	\$ -	\$ 206	\$ -
Assets acquired by transfer	19	-	-	-	16	-
Capital assets disposed of by transfer	(16)	-	-	-	(19)	-
Amortization of bond premium	-	-	-	-	2,030	-
Amortization of bond discount	-	-	-	-	(986)	-
Total noncash capital and related financing activities	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ 636</u>	<u>\$ -</u>	<u>\$ 1,247</u>	<u>\$ -</u>

STATE OF TENNESSEE
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

	Postal Services	Central Procurement Office	Distribution Center	Records Management	Human Resources	Division of Accounts	TRICOR	Edison	Total Internal Service Funds
\$	42	\$ 4,078	\$ 664	\$ 64	\$ 94	\$ 117	\$ 10,459	\$ 132	\$ 411,246
	16,036	6,814	2,462	1,060	14,979	43,521	12,748	24,303	1,078,564
	(12,792)	(1,358)	(853)	(494)	(758)	(801)	(14,743)	(6,400)	(1,200,544)
	(1,715)	(6,084)	(1,558)	(587)	(14,494)	(41,747)	(6,519)	(14,464)	(212,463)
	(1,181)	(3,264)	(881)	(114)	(1,123)	(3,650)	(1,746)	(2,376)	(118,696)
	<u>390</u>	<u>186</u>	<u>(166)</u>	<u>(71)</u>	<u>(1,302)</u>	<u>(2,560)</u>	<u>199</u>	<u>1,195</u>	<u>(41,893)</u>
	<u>45</u>	<u>37</u>	<u>58</u>	<u>9</u>	<u>223</u>	<u>3,175</u>	<u>86</u>	<u>153</u>	<u>29,744</u>
	<u>45</u>	<u>37</u>	<u>58</u>	<u>9</u>	<u>223</u>	<u>3,175</u>	<u>86</u>	<u>153</u>	<u>29,744</u>
	(143)	-	-	-	-	-	(2,517)	(170)	(74,916)
	-	-	-	-	-	-	-	-	58,278
	-	-	-	-	-	-	36	-	5,661
	-	-	-	-	-	-	2,728	-	3,156
	-	-	-	-	-	-	-	-	(23,731)
	-	-	-	-	-	-	-	-	(7,089)
	<u>(143)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>247</u>	<u>(170)</u>	<u>(38,641)</u>
	-	-	-	-	-	-	-	-	653
	-	-	-	-	-	-	-	-	653
	292	223	(108)	(62)	(1,079)	615	532	1,178	(50,137)
	<u>3,769</u>	<u>2,851</u>	<u>1,476</u>	<u>163</u>	<u>12,325</u>	<u>17,245</u>	<u>5,701</u>	<u>31,233</u>	<u>1,128,462</u>
\$	<u>4,061</u>	<u>3,074</u>	<u>1,368</u>	<u>101</u>	<u>11,246</u>	<u>17,860</u>	<u>6,233</u>	<u>32,411</u>	<u>1,078,325</u>
\$	160	\$ 553	\$ (130)	\$ (74)	\$ (1,330)	\$ (5,834)	\$ 506	\$ (213)	\$ (114,559)
	178	1	-	-	17	2	520	954	48,404
	-	-	-	-	-	-	-	-	2,276
	-	383	12	-	-	-	(235)	-	9,109
	-	-	-	-	-	30	-	1	1,158
	-	-	-	1	-	-	-	-	60
	(1)	-	54	-	-	-	(791)	-	(653)
	-	-	-	-	-	-	-	-	65
	(22)	-	-	-	-	-	622	-	586
	2	14	-	1	26	(1)	7	23	205
	4	47	(8)	(23)	(324)	1,327	39	(383)	5,522
	156	(468)	(1)	46	767	3,502	59	1,444	18,577
	(4)	(22)	(5)	(3)	(84)	(174)	(99)	(53)	(958)
	-	-	-	-	180	-	-	-	224
	(83)	(322)	(88)	(19)	(554)	(1,412)	(429)	(578)	(8,735)
	-	-	-	-	-	-	-	-	(3,174)
	<u>230</u>	<u>(367)</u>	<u>(36)</u>	<u>3</u>	<u>28</u>	<u>3,274</u>	<u>(307)</u>	<u>1,408</u>	<u>72,666</u>
\$	<u>390</u>	<u>186</u>	<u>(166)</u>	<u>(71)</u>	<u>(1,302)</u>	<u>(2,560)</u>	<u>199</u>	<u>1,195</u>	<u>(41,893)</u>
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 842
	-	-	-	-	-	-	-	-	35
	-	-	-	-	-	-	-	-	(35)
	-	-	-	-	-	-	-	-	2,030
	-	-	-	-	-	-	-	-	(986)
\$	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,886</u>

FIDUCIARY FUNDS

The Fiduciary Funds are used to account for assets held by the state in a fiduciary capacity. The state reports three trusted types of fiduciary funds: pension and other employee benefit trust funds, investment trust funds, and private-purpose trust funds. The state also reports custodial type funds, which are non-trusted arrangements.

PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS:

1. PENSION TRUST FUNDS

- **The Tennessee Consolidated Retirement System (TCRS)** 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 an actuarial valuation.

- The Public Employee Retirement Plan covers employees of the state and its higher education institutions and employees of political subdivisions in Tennessee.
- The Teacher Legacy Pension Plan covers employees of local education agencies who were hired before July 1, 2014.
- The Teacher Hybrid Pension Plan covers employees of local education agencies who were hired after June 30, 2014.

- **Defined Contribution Pension Plan Fund**—A pension trust fund administered by Treasury. The State of Tennessee 401(k) Plan, the Optional Retirement Program (ORP) for higher education institutions, and the 3121 plans are collectively reported as the Defined Contribution Pension Plan Fund, a fiduciary component unit. The Defined Contribution Pension Plan Fund accounts for participant earnings deferred in accordance with Internal Revenue Code Sections 401(k), 401(a), and 3121, and are offered to employees of the state, the state's higher education institutions, and local and education agencies. Employer and employee contribution amounts are set in statute and made on a pre-tax basis.

2. OTHER EMPLOYEE BENEFITS TRUST FUNDS

- **The Deferred Compensation Plan Fund**— An employee benefit trust fund accounts for participant earnings deferred in accordance with Internal Revenue Code Section 457. The plan is administered by Treasury and is offered to state and higher education institution employees. K-12 teachers may participate in the 457(b) Plan if their local board of education has elected to offer the plan. This fund is a fiduciary component unit.
- **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 Benefits 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.
- **Higher Education 403(b) Plan Fund**— An employee benefit trust fund accounts for the participant earnings deferred in accordance with Internal Revenue Code Sections 403(b) for employees of higher education institutions within the meaning of Section 170(b)(1)(A)(ii) of the Internal Revenue Code. The State University and Community College System (SUCCS) and the University of Tennessee established 403(b) Retirement Plans (Plan), effective January 1, 2009. Effective October 9, 2019, pursuant to Tennessee Code Annotated, Section 8-25-104, the State of Tennessee assumed sponsorship of both plans and the Chair of the Board of Trustees for the Tennessee Consolidated Retirement System became the Administrator of the Plans. The Plans are governmental plans within the meaning of Code Section 414(d) and Section 3(32) of the Employee Retirement Income Security Act of 1974.

INVESTMENT TRUST FUNDS:

- **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 local government and local education agency retirement accounts.

PRIVATE-PURPOSE TRUST FUNDS:

- **College Savings Plan**— This fund accounts for the activity in the college savings plan created in September 2012 named 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.

- **Other**—These funds account for trust arrangements under which the principal and income benefit individuals or private organizations. These funds include funds from liquidated assets of domestic insurance companies that are in receivership and held for the benefit of policy holders, creditors, and other claimants. Other funds also include funds held in individual accounts under the state’s Achieving a Better Life Experience (ABLE) Act program.

CUSTODIAL FUNDS:

- **Local Government Tax Fund**—The purpose of this fund is to account for local levied taxes collected by the state and distributed to the various counties and cities of the state.
- **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”).
- **Custodial Accounts**—This fund is used to account for monies held by the State that are not in trusts or equivalent arrangements. The monies belong to individuals or other organizations. These include patient and resident trusts, restitution recoveries pending distribution and other various funds.
- **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 and post-65 retired employees of the state and its higher education institutions are included.

STATE OF TENNESSEE
Combining Statement of Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
June 30, 2021
(Expressed in Thousands)

	<u>Public Employee Retirement Plan</u>	<u>Teacher Legacy Pension Plan</u>	<u>Teacher Hybrid Pension Plan</u>	<u>Defined Contribution Pension Plan Fund</u>
ASSETS				
Cash and cash equivalents	\$ 12,508	\$ 11,481	\$ 223	\$ 56,514
Cash collateral on loaned securities	1,617,076	1,484,262	28,784	-
Receivables:				
Account	-	-	-	-
Employer contributions	40,268	35,505	2,957	-
Member contributions	10,296	17,980	7,394	-
Loans receivable	-	-	-	31,620
Other	-	-	-	-
Investments, at fair value:				
Mutual funds	-	-	-	9,825,845
Real estate	-	-	-	-
TRGT pooled funds	33,767,815	30,994,378	601,069	86,409
Other	-	-	-	7,294
Capital assets, at cost:				
Machinery and equipment	19,187	17,611	342	-
Less - accumulated depreciation	(14,297)	(13,123)	(254)	-
Total assets	<u>35,452,853</u>	<u>32,548,094</u>	<u>640,515</u>	<u>10,007,682</u>
LIABILITIES				
Accounts payable and accruals	15,880	14,099	572	-
Securities lending collateral	<u>1,617,076</u>	<u>1,484,262</u>	<u>28,784</u>	<u>-</u>
Total liabilities	<u>1,632,956</u>	<u>1,498,361</u>	<u>29,356</u>	<u>-</u>
NET POSITION				
Restricted for				
Pension benefits	33,819,897	31,049,733	611,159	10,007,682
Employee salary deferrals	-	-	-	-
Other postemployment benefits	-	-	-	-
Employees' flexible benefits	-	-	-	-
Total net position	<u>\$ 33,819,897</u>	<u>\$ 31,049,733</u>	<u>\$ 611,159</u>	<u>\$ 10,007,682</u>

STATE OF TENNESSEE
Combining Statement of Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
June 30, 2021
(Expressed in Thousands)

Deferred Compensation Plan Fund	Higher Education 403(b) Plan Fund	Other Employee Benefit Trust Funds	Total Pension (and Other Employee Benefit) Trust Funds
\$ 480	\$ 9,646	\$ 35,862	\$ 126,714
-	-	-	3,130,122
-	-	2	2
-	-	-	78,730
-	-	-	35,670
134	-	-	31,754
-	-	871	871
743,496	945,826	416,557	11,931,724
-	40	-	40
15,839	-	-	65,465,510
2,108	-	-	9,402
-	-	-	37,140
-	-	-	(27,674)
<u>762,057</u>	<u>955,512</u>	<u>453,292</u>	<u>80,820,005</u>
-	-	5,379	35,930
<u>-</u>	<u>-</u>	<u>-</u>	<u>3,130,122</u>
<u>-</u>	<u>-</u>	<u>5,379</u>	<u>3,166,052</u>
-	-	-	75,488,471
762,057	955,512	-	1,717,569
-	-	446,656	446,656
-	-	1,257	1,257
<u>\$ 762,057</u>	<u>\$ 955,512</u>	<u>\$ 447,913</u>	<u>\$ 77,653,953</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, 2021
(Expressed in Thousands)

	<u>Public Employee Retirement Plan</u>	<u>Teacher Legacy Pension Plan</u>	<u>Teacher Hybrid Pension Plan</u>	<u>Defined Contribution Pension Plan Fund</u>
ADDITIONS				
Contributions:				
Members	\$ 162,282	\$ 164,845	\$ 72,213	\$ 231,214
Employers	723,254	337,067	29,153	279,097
Transfers in from other plans	-	-	-	35,530
Other	1,076	-	-	238
Total contributions	<u>886,612</u>	<u>501,912</u>	<u>101,366</u>	<u>546,079</u>
Investment income:				
Net increase (decrease) in fair value of investments	7,033,366	6,481,587	116,123	1,872,023
Interest and dividends	-	-	-	275,662
Securities lending income	7,338	6,762	121	-
Total investment income (loss)	<u>7,040,704</u>	<u>6,488,349</u>	<u>116,244</u>	<u>2,147,685</u>
Less: Investment expenses	(34,102)	(31,426)	(563)	-
Securities lending expense	<u>(1,301)</u>	<u>(1,198)</u>	<u>(21)</u>	<u>-</u>
Net investment income (loss)	<u>7,005,301</u>	<u>6,455,725</u>	<u>115,660</u>	<u>2,147,685</u>
Total additions	<u>7,891,913</u>	<u>6,957,637</u>	<u>217,026</u>	<u>2,693,764</u>
DEDUCTIONS				
Benefit payments	1,524,681	1,340,897	104	524,521
Medical payments	-	-	-	-
Deceased member benefit payments	2,790	2,771	80	13,037
Other	-	-	-	-
Member/claimant distributions	24,240	15,880	4,069	-
Administrative expenses	12,680	4,589	2,560	10,923
Total deductions	<u>1,564,391</u>	<u>1,364,137</u>	<u>6,813</u>	<u>548,481</u>
Change in net position	6,327,522	5,593,500	210,213	2,145,283
Net position, July 1, restated	<u>27,492,375</u>	<u>25,456,233</u>	<u>400,946</u>	<u>7,862,399</u>
Net position, June 30	<u>\$ 33,819,897</u>	<u>\$ 31,049,733</u>	<u>\$ 611,159</u>	<u>\$ 10,007,682</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, 2021
(Expressed in Thousands)

<u>Deferred Compensation Plan Fund</u>	<u>Higher Education 403(b) Plan Fund</u>	<u>Other Employee Benefit Trust Funds</u>	<u>Total Pension (and Other Employee Benefit) Trust Funds</u>
\$ 41,133	\$ 18,475	\$ 5,599	\$ 695,761
19	-	148,609	1,517,199
3,837	21,748	-	61,115
-	3	-	1,317
<u>44,989</u>	<u>40,226</u>	<u>154,208</u>	<u>2,275,392</u>
130,652	169,765	87,507	15,891,023
28,340	10,385	8,060	322,447
-	-	-	14,221
<u>158,992</u>	<u>180,150</u>	<u>95,567</u>	<u>16,227,691</u>
-	-	-	(66,091)
-	-	-	(2,520)
<u>158,992</u>	<u>180,150</u>	<u>95,567</u>	<u>16,159,080</u>
<u>203,981</u>	<u>220,376</u>	<u>249,775</u>	<u>18,434,472</u>
40,437	66,028	-	3,496,668
-	-	75,864	75,864
2,205	-	-	20,883
-	-	5,540	5,540
-	-	-	44,189
<u>1,134</u>	<u>-</u>	<u>3,907</u>	<u>35,793</u>
<u>43,776</u>	<u>66,028</u>	<u>85,311</u>	<u>3,678,937</u>
160,205	154,348	164,464	14,755,535
<u>601,852</u>	<u>801,164</u>	<u>283,449</u>	<u>62,898,418</u>
<u>\$ 762,057</u>	<u>\$ 955,512</u>	<u>\$ 447,913</u>	<u>\$ 77,653,953</u>

STATE OF TENNESSEE
Combining Statement of Fiduciary Net Position
Investment Trust Funds
June 30, 2021
(Expressed in Thousands)

**External Retirement
Investment Fund**

ASSETS

Receivables:		
Investments sold	3,674	
Investments, at fair value:		
Private equities	3,742	
TRGT pooled funds	292,312	
Total assets	299,728	

NET POSITION

Amounts held in trust for:		
Pool participants	299,728	
Total net position	\$ 299,728	

STATE OF TENNESSEE
Combining Statement of Changes in Fiduciary Net Position
Investment Trust Funds
For the Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

	External Retirement Investment Fund
ADDITIONS	
Investment income:	
Net increase in fair value of investments	(79)
Interest	\$ 54,517
Total investment income	54,438
Less: Investment expenses	(257)
Net investment income	54,181
Capital share transactions:	
Shares sold	59,295
Less: Shares redeemed	(9,828)
Net capital share transactions	49,467
Total additions	103,648
DEDUCTIONS	
Administrative expenses	87
Total deductions	87
Change in net position	103,561
Net position, July 1, restated	196,167
Net position, June 30	\$ 299,728

STATE OF TENNESSEE
Combining Statement of Fiduciary Net Position
Private-Purpose Trust Funds
June 30, 2021
(Expressed in Thousands)

	<u>College Savings Plan</u>	<u>Other</u>	<u>Total Private-Purpose Trust Funds</u>
ASSETS			
Cash and cash equivalent	\$ 8,657	\$ 12,528	\$ 21,185
Investments, at fair value:			
Mutual funds	<u>258,331</u>	<u>24,438</u>	<u>282,769</u>
Total assets	<u>266,988</u>	<u>36,966</u>	<u>303,954</u>
LIABILITIES			
Accounts payable and accruals	<u>-</u>	<u>34</u>	<u>34</u>
Total liabilities	<u>-</u>	<u>34</u>	<u>34</u>
NET POSITION			
Restricted for:			
Individuals, organizations and other governments	<u>266,988</u>	<u>36,932</u>	<u>303,920</u>
Total net position	<u>\$ 266,988</u>	<u>\$ 36,932</u>	<u>\$ 303,920</u>

STATE OF TENNESSEE
Combining Statement of Changes in Fiduciary Net Position
Private-Purpose Trust Funds
For the Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

	<u>College Savings Plan</u>	<u>Other</u>	<u>Total Private-Purpose Trust Funds</u>
ADDITIONS			
Contributions:			
Federal	\$ -	\$ 193	\$ 193
Private	38,257	10,089	48,346
Other	<u>140</u>	<u>2,126</u>	<u>2,266</u>
Total contributions	<u>38,397</u>	<u>12,408</u>	<u>50,805</u>
Investment income:			
Net increase/(decrease) in fair value of investments	53,915	5,448	59,363
Interest	<u>-</u>	<u>1</u>	<u>1</u>
Total investment income	<u>53,915</u>	<u>5,449</u>	<u>59,364</u>
Total additions	<u>92,312</u>	<u>17,857</u>	<u>110,169</u>
DEDUCTIONS			
Payments made under trust agreements	12,949	3,618	16,567
Member/claimant distributions	-	131	131
Administrative expenses	<u>437</u>	<u>137</u>	<u>574</u>
Total deductions	<u>13,386</u>	<u>3,886</u>	<u>17,272</u>
Change in net position	78,926	13,971	92,897
Net position, July 1, restated	<u>188,062</u>	<u>22,961</u>	<u>211,023</u>
Net position, June 30	<u>\$ 266,988</u>	<u>\$ 36,932</u>	<u>\$ 303,920</u>

STATE OF TENNESSEE
Combining Statement of Fiduciary Net Position
Custodial Funds
June 30, 2021
(Expressed in Thousands)

	<u>Retiree Health Funds</u>	<u>Local Government Tax Fund</u>	<u>Custodial Accounts</u>	<u>Total Custodial Funds</u>
ASSETS				
Cash and cash equivalents	\$ 23,791	\$ 407,582	\$ 87,083	\$ 518,456
Receivables:				
Account	1	-	-	1
Taxes	-	381,062	-	381,062
Interest and dividends	-	-	-	-
Other	512	-	-	512
Due from other funds	-	-	10	10
Investments, at fair value:				
Government bonds	-	-	-	-
Investments, at amortized cost:				
Short-term investments	-	-	-	-
Total assets	<u>24,304</u>	<u>788,644</u>	<u>87,093</u>	<u>900,041</u>
LIABILITIES				
Accounts payable and accruals	5,618	-	38	5,656
Due to other governments	-	<u>788,644</u>	<u>36,837</u>	<u>825,481</u>
Total liabilities	<u>5,618</u>	<u>788,644</u>	<u>36,875</u>	<u>831,137</u>
NET POSITION				
Restricted for:				
Individuals, organizations and other governments	18,686	-	50,218	68,904
Amounts held in custody for:				
Pool participants	-	-	-	-
Total net position	<u>\$ 18,686</u>	<u>\$ -</u>	<u>\$ 50,218</u>	<u>\$ 68,904</u>

STATE OF TENNESSEE
Combining Statement of Fiduciary Net Position
Custodial Funds
June 30, 2021
(Expressed in Thousands)

External Investment Pools		
Local Government Investment Pool	Intermediate Term Investment Fund	Total External Investment Pools
\$ 2,023,121	\$ 5,289	\$ 2,028,410
-	-	-
-	-	-
-	18	18
-	-	-
-	-	-
-	6,740	6,740
<u>2,015,953</u>	<u>-</u>	<u>2,015,953</u>
<u>4,039,074</u>	<u>12,047</u>	<u>4,051,121</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
<u>4,039,074</u>	<u>12,047</u>	<u>4,051,121</u>
<u>\$ 4,039,074</u>	<u>\$ 12,047</u>	<u>\$ 4,051,121</u>

STATE OF TENNESSEE
Combining Statement of Changes in Fiduciary Net Position
Custodial Funds
For the Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

	<u>Retiree Health Funds</u>	<u>Local Government Tax Fund</u>	<u>Custodial Accounts</u>	<u>Total Custodial Funds</u>
ADDITIONS				
Contributions:				
Members	\$ 90,275	\$ -	\$ -	\$ 90,275
Total contributions	<u>90,275</u>	<u>-</u>	<u>-</u>	<u>90,275</u>
Investment income:				
Net increase/(decrease) in fair value of investments	-	-	-	-
Interest	<u>40</u>	<u>-</u>	<u>12</u>	<u>52</u>
Total investment income	<u>40</u>	<u>-</u>	<u>12</u>	<u>52</u>
Less: Investment expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net investment income	<u>40</u>	<u>-</u>	<u>12</u>	<u>52</u>
Tax and fee collections for other governments	-	3,696,662	690	3,697,352
Member resources	19,035	-	748,586	767,621
Capital share transactions:				
Shares sold	-	-	-	-
Less: Shares redeemed	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net capital share transactions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total additions	<u>109,350</u>	<u>3,696,662</u>	<u>749,288</u>	<u>4,555,300</u>
DEDUCTIONS				
Medical payments	98,951	-	-	98,951
Member/claimant distributions	3,903	-	746,631	750,534
Payments of taxes and fees to other governments	-	3,696,662	690	3,697,352
Administrative expenses	<u>5,554</u>	<u>-</u>	<u>4,415</u>	<u>9,969</u>
Total deductions	<u>108,408</u>	<u>3,696,662</u>	<u>751,736</u>	<u>4,556,806</u>
Change in net position	942	-	(2,448)	(1,506)
Net position, July 1, restated	<u>17,744</u>	<u>-</u>	<u>52,666</u>	<u>70,410</u>
Net position, June 30	<u>\$ 18,686</u>	<u>\$ -</u>	<u>\$ 50,218</u>	<u>\$ 68,904</u>

STATE OF TENNESSEE
Combining Statement of Changes in Fiduciary Net Position
Custodial Funds
For the Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

External Investment Pools		
Local Government Investment Pool	Intermediate Term Investment Fund	Total External Investment Pools
\$ _____ -	\$ _____ -	\$ _____ -
_____ -	_____ -	_____ -
-	(27)	(27)
7,809	47	7,856
7,809	20	7,829
(1,731)	-	(1,731)
6,078	20	6,098
-	-	-
-	-	-
5,439,744	-	5,439,744
(5,516,738)	-	(5,516,738)
(76,994)	-	(76,994)
(70,916)	20	(70,896)
-	-	-
-	-	-
-	-	-
-	6	6
-	6	6
(70,916)	14	(70,902)
4,109,990	12,033	4,122,023
<u>\$ 4,039,074</u>	<u>\$ 12,047</u>	<u>\$ 4,051,121</u>

COMPONENT UNITS

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 Annual Comprehensive 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, 2021
(Expressed in Thousands)

	<u>Governmental Fund Types</u>		<u>Proprietary Fund Types</u>			
	<u>Tennessee Student Assistance Corporation</u>	<u>Tennessee Community Services Agency</u>	<u>Tennessee Housing Development Agency</u>	<u>Tennessee Education Lottery</u>	<u>State University and Community College System</u>	<u>University of Tennessee</u>
ASSETS						
Cash and cash equivalents	\$ 2,905	\$ 72	\$ 355,161	\$ 179,112	\$ 1,134,649	\$ 1,300,850
Investments	-	-	96,032	-	348,929	61,023
Receivables, net	4,193	15	86,635	89,397	95,713	56,610
Due from primary government	-	732	6	-	21,646	65,169
Inventories, at cost	-	-	-	-	3,122	7,293
Prepayments	-	3	-	9,322	12,895	3,305
Loans receivable	-	-	2,868,339	-	-	-
Other	-	-	24,856	-	5,546	5,177
Restricted assets:						
Cash and cash equivalents	-	-	64,239	530	304,600	287,588
Investments	-	-	121,397	-	758,080	1,623,148
Receivables, net	-	-	322	-	175,586	307,712
Net pension assets	13	7,144	230	-	6,135	4,689
Other	-	-	-	-	942	-
Capital assets:						
Land, at cost	-	-	-	-	177,554	100,093
Infrastructure	-	-	-	-	630,706	263,591
Structures and improvements, at cost	-	-	-	2,635	4,118,641	3,693,447
Machinery and equipment, at cost	16	13	10,706	6,684	580,797	676,214
Less accumulated depreciation	(16)	(8)	(5,535)	(7,451)	(2,160,029)	(1,994,244)
Construction in progress	-	-	-	-	205,208	300,045
Total assets	<u>7,111</u>	<u>7,971</u>	<u>3,622,388</u>	<u>280,229</u>	<u>6,420,720</u>	<u>6,761,710</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>903</u>	<u>782</u>	<u>4,103</u>	<u>-</u>	<u>181,058</u>	<u>142,317</u>
LIABILITIES						
Accounts payable and accruals	343	120	94,809	121,201	169,023	225,643
Due to primary government	-	49	-	153,600	9,975	1,448
Unearned revenue	-	-	1,395	2,888	84,105	70,851
Other	-	-	1,778	-	9,521	17,650
Noncurrent liabilities:						
Due within one year	209	99	107,685	869	59,055	76,864
Due in more than one year	2,835	230	2,870,046	1,641	1,255,146	1,569,900
Total liabilities	<u>3,387</u>	<u>498</u>	<u>3,075,713</u>	<u>280,199</u>	<u>1,586,825</u>	<u>1,962,356</u>
DEFERRED INFLOWS OF RESOURCES	<u>379</u>	<u>470</u>	<u>2,107</u>	<u>-</u>	<u>102,503</u>	<u>120,607</u>
NET POSITION						
Net investment in capital assets	-	5	5,171	1,868	2,778,791	1,908,862
Restricted for:						
Debt service	-	-	-	-	17,278	1,151
Capital projects	-	-	-	-	57,577	63,749
Single family bond programs	-	-	470,431	-	-	-
Pensions	13	7,144	230	-	6,135	4,689
Other	4,150	-	23,859	30	475,270	682,488
Permanent and endowment:						
Expendable	-	-	-	-	23,053	262,337
Nonexpendable	-	-	-	-	470,156	1,092,516
Unrestricted	85	636	48,980	(1,868)	1,084,190	805,272
Total net position	<u>\$ 4,248</u>	<u>\$ 7,785</u>	<u>\$ 548,671</u>	<u>\$ 30</u>	<u>\$ 4,912,450</u>	<u>\$ 4,821,064</u>

STATE OF TENNESSEE
Combining Statement of Net Position
Component Units
June 30, 2021
(Expressed in Thousands)

Proprietary Fund Types					
Local Development Authority	Tennessee Veterans' Homes Board	Tennessee State School Bond Authority	Certified Cotton Growers'	Access Tennessee Insurance Plan	Total Component Units
\$ 16,215	\$ 21,761	\$ 36,778	\$ 922	\$ 46,667	\$ 3,095,092
-	-	-	3,894	-	509,878
-	3,521	14,110	35	-	350,229
-	752	-	-	-	88,305
-	509	-	-	-	10,924
-	377	-	-	-	25,902
2,394	-	1,987,830	-	-	4,858,563
-	716	-	8	-	36,303
272	3,863	6,665	-	-	667,757
-	-	273,406	-	-	2,776,031
-	-	-	-	-	483,620
-	1,425	-	-	-	19,636
-	-	-	-	-	942
-	2,467	-	-	-	280,114
-	3,734	-	-	-	898,031
-	53,596	-	-	-	7,868,319
-	4,714	-	-	-	1,279,144
-	(23,440)	-	-	-	(4,190,723)
-	9,449	-	-	-	514,702
<u>18,881</u>	<u>83,444</u>	<u>2,318,789</u>	<u>4,859</u>	<u>46,667</u>	<u>19,572,769</u>
-	3,276	38,486	-	-	370,925
139	1,842	16,335	242	13	629,710
-	863	-	-	-	165,935
-	-	2,173	-	-	161,412
-	141	-	-	-	29,090
220	1,004	78,960	-	-	324,965
<u>1,023</u>	<u>3,066</u>	<u>2,230,787</u>	<u>-</u>	<u>-</u>	<u>7,934,674</u>
<u>1,382</u>	<u>6,916</u>	<u>2,328,255</u>	<u>242</u>	<u>13</u>	<u>9,245,786</u>
-	886	1,313	-	-	228,265
-	46,943	-	-	-	4,741,640
-	429	-	-	-	18,858
-	-	-	-	-	121,326
-	-	-	-	-	470,431
-	1,425	-	-	-	19,636
-	10,733	-	-	-	1,196,530
-	-	-	-	-	285,390
-	-	-	-	-	1,562,672
<u>17,499</u>	<u>19,388</u>	<u>27,707</u>	<u>4,617</u>	<u>46,654</u>	<u>2,053,160</u>
<u>\$ 17,499</u>	<u>\$ 78,918</u>	<u>\$ 27,707</u>	<u>\$ 4,617</u>	<u>\$ 46,654</u>	<u>\$ 10,469,643</u>

STATE OF TENNESSEE
Combining Statement of Activities
Component Units
For the Year Ended June 30, 2021
(Expressed in Thousands)

<u>Functions/Programs</u>	<u>Program Revenues</u>				Net (Expense) Revenue and Changes in Net Position
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Component units					
Higher education institutions:					
State University and Community College System	\$ 2,838,153	\$ 909,502	\$ 1,151,820	\$ 175,066	\$ (601,765)
University of Tennessee	<u>2,430,154</u>	<u>836,710</u>	<u>1,323,919</u>	<u>117,307</u>	<u>(152,218)</u>
Total higher education institutions	<u>5,268,307</u>	<u>1,746,212</u>	<u>2,475,739</u>	<u>292,373</u>	<u>(753,983)</u>
Loan programs:					
Tennessee Student Assistance Corporation	115,696	5,357	486	-	(109,853)
Tennessee Housing Development Agency	533,614	164,147	382,474	-	13,007
Local Development Authority	212	667	13	-	468
Tennessee State School Bond Authority	<u>77,208</u>	<u>62,959</u>	<u>(7,043)</u>	-	<u>(21,292)</u>
Total loan programs	<u>726,730</u>	<u>233,130</u>	<u>375,930</u>	-	<u>(117,670)</u>
Tennessee Education Lottery	<u>1,945,963</u>	<u>1,945,939</u>	<u>28</u>	-	<u>4</u>
Other programs:					
Tennessee Community Services Agency	4,601	1,381	3,021	-	(199)
Access Tennessee Insurance Plan	1,293	45	-	-	(1,248)
Tennessee Veterans' Homes Board	54,979	43,535	13,040	6,254	7,850
Certified Cotton Growers'	<u>418</u>	<u>409</u>	<u>-</u>	<u>-</u>	<u>(9)</u>
Total other programs	<u>61,291</u>	<u>45,370</u>	<u>16,061</u>	<u>6,254</u>	<u>6,394</u>
Total	<u>\$ 8,002,291</u>	<u>\$ 3,970,651</u>	<u>\$ 2,867,758</u>	<u>\$ 298,627</u>	<u>\$ (865,255)</u>

STATE OF TENNESSEE
Combining Statement of Activities
Component Units
For the Year Ended June 30, 2021
(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, restated</u>	<u>Net Position June 30</u>
\$ 929,981	\$ 83,027	\$ 166,355	\$ 3,051	\$ 21,800	\$ 602,449	\$ 4,310,001	\$ 4,912,450
<u>652,390</u>	<u>-</u>	<u>25,733</u>	<u>1,362</u>	<u>101,099</u>	<u>628,366</u>	<u>4,192,698</u>	<u>4,821,064</u>
<u>1,582,371</u>	<u>83,027</u>	<u>192,088</u>	<u>4,413</u>	<u>122,899</u>	<u>1,230,815</u>	<u>8,502,699</u>	<u>9,733,514</u>
109,099	-	-	-	-	(754)	5,002	4,248
277	-	20	-	-	13,304	535,367	548,671
-	-	-	-	-	468	17,031	17,499
<u>-</u>	<u>9,708</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,584)</u>	<u>39,291</u>	<u>27,707</u>
<u>109,376</u>	<u>9,708</u>	<u>20</u>	<u>-</u>	<u>-</u>	<u>1,434</u>	<u>596,691</u>	<u>598,125</u>
<u>-</u>	<u>-</u>	<u>400</u>	<u>-</u>	<u>-</u>	<u>404</u>	<u>(374)</u>	<u>30</u>
-	-	-	-	-	(199)	7,984	7,785
-	-	37	-	-	(1,211)	47,865	46,654
-	24	-	-	-	7,874	71,044	78,918
<u>-</u>	<u>-</u>	<u>73</u>	<u>-</u>	<u>-</u>	<u>64</u>	<u>4,553</u>	<u>4,617</u>
<u>-</u>	<u>24</u>	<u>110</u>	<u>-</u>	<u>-</u>	<u>6,528</u>	<u>131,446</u>	<u>137,974</u>
<u>\$ 1,691,747</u>	<u>\$ 92,759</u>	<u>\$ 192,618</u>	<u>\$ 4,413</u>	<u>\$ 122,899</u>	<u>\$ 1,239,181</u>	<u>\$ 9,230,462</u>	<u>\$ 10,469,643</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, 2021
(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>
Operating revenues					
Charges for services	\$ 164,147	\$ 1,944,873	\$ 886,494	\$ 813,390	\$ 667
Investment income	276	-	6,563	7,039	13
Grants and contributions	-	-	261,549	569,484	-
Other	-	1,066	78,282	93,862	-
Total operating revenues	<u>164,423</u>	<u>1,945,939</u>	<u>1,232,888</u>	<u>1,483,775</u>	<u>680</u>
Operating expenses					
Personal services	24,172	16,551	1,751,995	1,614,753	-
Contractual services	15,959	180,709	-	-	142
Mortgage service fees	-	-	-	-	-
Materials and supplies	1,195	-	610,526	519,573	-
Rentals and insurance	51	1,775	-	-	-
Interest	80,015	-	-	-	70
Depreciation and amortization	4,972	882	130,199	152,404	-
Lottery prizes	-	1,236,252	-	-	-
Nursing home services	-	-	-	-	-
Scholarships and fellowships	-	-	318,586	96,792	-
Benefits	-	-	-	-	-
Other	14,939	8,261	-	-	-
Total operating expenses	<u>141,303</u>	<u>1,444,430</u>	<u>2,811,306</u>	<u>2,383,522</u>	<u>212</u>
Operating income (loss)	<u>23,120</u>	<u>501,509</u>	<u>(1,578,418)</u>	<u>(899,747)</u>	<u>468</u>
Nonoperating revenues (expenses)					
Grant income	382,218	-	880,539	324,905	-
Grant expense	(392,311)	-	-	-	-
Interest expense	-	-	(18,959)	(39,516)	-
Interest income	-	400	165,031	378,549	-
Payments from primary government	277	-	929,981	652,390	-
Grants and contributions	-	-	-	7,082	-
Gifts	-	-	8,236	(8,805)	-
Payments to primary government	-	(501,510)	-	-	-
Other	-	5	18,318	(6,248)	-
Total nonoperating revenues (expenses)	<u>(9,816)</u>	<u>(501,105)</u>	<u>1,983,146</u>	<u>1,308,357</u>	<u>-</u>
Income (loss) before capital grants and contributions	13,304	404	404,728	408,610	468
Capital payments from primary government					
Capital grants and gifts	-	-	170,286	104,509	-
Additions to permanent endowments	-	-	5,635	12,798	-
Other	-	-	21,800	101,099	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,350</u>	<u>-</u>
Change in net position	13,304	404	602,449	628,366	468
Net position, July 1, restated	<u>535,367</u>	<u>(374)</u>	<u>4,310,001</u>	<u>4,192,698</u>	<u>17,031</u>
Net position, June 30	<u>\$ 548,671</u>	<u>\$ 30</u>	<u>\$ 4,912,450</u>	<u>\$ 4,821,064</u>	<u>\$ 17,499</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, 2021
(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>
\$ 42,832	\$ 62,959	\$ 409	\$ 45	\$ 3,915,816
-	(7,043)	-	-	6,848
-	-	-	-	831,033
702	-	-	-	173,912
<u>43,534</u>	<u>55,916</u>	<u>409</u>	<u>45</u>	<u>4,927,609</u>
26,387	-	-	-	3,433,858
-	2,217	418	173	199,618
-	-	-	-	-
-	-	-	-	1,131,294
-	-	-	1,120	2,946
-	61,860	-	-	141,945
1,842	-	-	-	290,299
-	-	-	-	1,236,252
26,630	-	-	-	26,630
-	-	-	-	415,378
-	-	-	-	-
-	13,131	-	-	36,331
<u>54,859</u>	<u>77,208</u>	<u>418</u>	<u>1,293</u>	<u>6,914,551</u>
<u>(11,325)</u>	<u>(21,292)</u>	<u>(9)</u>	<u>(1,248)</u>	<u>(1,986,942)</u>
13,012	9,708	-	-	1,610,382
-	-	-	-	(392,311)
(109)	-	-	-	(58,584)
28	-	73	37	544,118
-	-	-	-	1,582,648
-	-	-	-	7,082
24	-	-	-	(545)
-	-	-	-	(501,510)
(10)	-	-	-	12,065
<u>12,945</u>	<u>9,708</u>	<u>73</u>	<u>37</u>	<u>2,803,345</u>
1,620	(11,584)	64	(1,211)	816,403
6,254	-	-	-	281,049
-	-	-	-	18,433
-	-	-	-	122,899
-	-	-	-	1,350
7,874	(11,584)	64	(1,211)	1,240,134
<u>71,044</u>	<u>39,291</u>	<u>4,553</u>	<u>47,865</u>	<u>9,217,476</u>
<u>\$ 78,918</u>	<u>\$ 27,707</u>	<u>\$ 4,617</u>	<u>\$ 46,654</u>	<u>\$ 10,457,610</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, 2021
(Expressed in Thousands)

	<u>Tennessee Student Assistance Corporation</u>	<u>Tennessee Community Services Agency</u>	<u>Total Governmental Fund Type Component Units</u>
REVENUES			
Interest on investments	\$ 417	\$ -	\$ 417
Departmental services	114,457	4,402	118,859
Other	68	-	68
Total revenues	<u>114,942</u>	<u>4,402</u>	<u>119,344</u>
EXPENDITURES			
Education	115,655	(1)	115,654
Health and social services	-	4,395	4,395
Total expenditures	<u>115,655</u>	<u>4,394</u>	<u>120,049</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(713)</u>	<u>8</u>	<u>(705)</u>
Fund balances, July 1	<u>7,468</u>	<u>645</u>	<u>8,113</u>
Fund balances, June 30	<u>\$ 6,755</u>	<u>\$ 653</u>	<u>\$ 7,408</u>
Reconciliation to net position:			
Fund balances per above	\$ 6,755	\$ 653	\$ 7,408
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	-	5	5
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund.	(480)	(193)	(673)
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>(2,027)</u>	<u>7,320</u>	<u>5,293</u>
Net position on statement of net position	<u>\$ 4,248</u>	<u>\$ 7,785</u>	<u>\$ 12,033</u>

SUPPLEMENTARY SCHEDULES

STATE OF TENNESSEE
Debt Service Requirements to Maturity
General Obligation Bonds
June 30, 2021

Schedule 1

(Expressed in Thousands)

For the Year Ended June 30	General Long-Term Debt			Facilities Revolving Fund Debt		
	Principal	Interest	Total Require- ments	Principal	Interest	Total Require- ments
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	\$ 1,436,291	\$ 401,501	\$ 1,837,792	\$ 119,254	\$ 30,008	\$ 149,262

STATE OF TENNESSEE
Schedule of Outstanding Debt
All Fund Types
For the Last Five Fiscal Years

Schedule 2

(Expressed in Thousands)

	June 30				
	2017	2018	2019	2020	2021
Internal service funds:					
General obligation commercial paper	\$ 12,788	\$ 13,767	\$ 25,130	\$ 15,063	\$ 63,332
Facilities Revolving Fund general obligation bonds	<u>167,529</u>	<u>156,640</u>	<u>142,172</u>	<u>132,553</u>	<u>119,254</u>
	<u>180,317</u>	<u>170,407</u>	<u>167,302</u>	<u>147,616</u>	<u>182,586</u>
General long-term debt:					
General obligation bonds	1,738,001	1,741,155	1,596,443	1,578,402	1,436,291
General obligation commercial paper	<u>180,168</u>	<u>151,409</u>	<u>212,266</u>	<u>105,933</u>	<u>144,011</u>
	<u>1,918,169</u>	<u>1,892,564</u>	<u>1,808,709</u>	<u>1,684,335</u>	<u>1,580,302</u>
Totals for primary government	<u>\$ 2,098,486</u>	<u>\$ 2,062,971</u>	<u>\$ 1,976,011</u>	<u>\$ 1,831,951</u>	<u>\$ 1,762,888</u>

STATE OF TENNESSEE
Schedule of General Obligation
Commercial Paper Outstanding- By Purpose
All Fund Types
June 30, 2021

Schedule 3

(Expressed in Thousands)

General obligation commercial paper - Tax exempt	\$ 167,880
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.	
General obligation commercial paper - Taxable	<u>39,463</u>
Purpose: To finance improvements to certain other projects and grants to local governments when tax-exempt is not the ideal funding source.	
Total Outstanding	<u>\$ 207,343</u>

STATE OF TENNESSEE
Schedule of Outstanding Debt
Component Units
For the Last Five Fiscal Years

Schedule 4

(Expressed in Thousands)

	June 30				
	2017	2018	2019	2020	2021
Component units:					
Local Development Authority bonds	\$ 3,130	\$ 2,521	\$ 2,003	\$ 1,543	\$ 1,243
Tennessee Housing Development Agency bonds	1,944,050	2,089,025	2,575,725	2,816,040	2,909,404
Veterans' Homes Board loan	5,106	4,255	3,763	3,391	3,011
Tennessee State School Bond Authority bonds	2,002,387	2,208,003	2,125,541	2,288,441	2,194,228
Tennessee State School Bond Authority revolving credit	188,152	95,299	178,739	74,481	115,521
University of Tennessee notes	75	55	-	-	-
University of Tennessee bonds	68,283	65,676	62,987	60,247	57,432
State University and Community College System notes	840	1,372	1,370	6,046	1,089
State University and Community College System commercial paper	3,222	2,722	2,037	1,577	1,108
State University and Community College System loans	-	-	-	730	75
	<u>\$ 4,215,245</u>	<u>\$ 4,468,928</u>	<u>\$ 4,952,165</u>	<u>\$ 5,252,496</u>	<u>\$ 5,283,111</u>

STATE OF TENNESSEE
Comparative Schedules of Revenues by Source
General Fund
For the Fiscal Years Ended June 30, 2021 and 2020
(Expressed in Thousands)

Schedule 5

<u>Revenue by Source</u>	For the Year Ended	
	June 30, 2021	June 30, 2020
Taxes:		
Sales and use	\$ 4,057,986	\$ 3,988,573
Gasoline	9,336	9,348
Motor fuel	2,206	2,065
Gasoline inspection	743	706
Total fuel taxes	12,285	12,119
Franchise	1,204,481	986,264
Excise	2,035,940	1,684,492
Gross receipts	215,171	387,246
Beer	12,041	14,836
Alcoholic beverage	69,410	75,824
Mixed drink	-	57,606
Tobacco	29,100	29,207
Business	156,002	278,896
Insurance companies premium	1,108,406	1,047,167
Retaliatory	14,183	11,731
Workers compensation premium	35,939	36,533
Enhanced coverage	602,351	707,370
Medicaid provider	10,923	10,988
Fantasy Sports	265	290
Other	831	1,254
Total business tax	5,495,043	5,329,704
Income	56,245	150,709
Privilege	484,165	377,586
Inheritance and estate	503	1,438
Other	19	5,629
Total other taxes	540,932	535,362
Total taxes	10,106,246	9,865,758
Licenses, fines, fees and permits:		
Motor vehicle registration	53,839	50,846
Motor vehicle title registration fees	20,944	19,531
Drivers licenses	28,638	35,865
Arrests, fines and fees	5,688	7,012
Regulatory board fees	176,897	179,724
Other	236,167	205,623
Total licenses, fines, fees and permits	522,173	498,601
Investment income	25,755	122,768
Federal	15,230,077	11,576,654
Departmental services:		
Charges to the public	309,033	284,655
Interdepartmental charges	1,033,126	886,217
Charges to cities, counties, etc.	1,107,039	1,030,473
Other	526	1,057
Total departmental services	2,449,724	2,202,402
Other	275,280	228,257
Total revenues by source	\$ 28,609,255	\$ 24,494,440

STATE OF TENNESSEE
Comparative Schedules of Expenditures by
Function and Department
General Fund
For the Fiscal Years Ended June 30, 2021 and 2020
(Expressed in Thousands)

Schedule 6

<u>Expenditures by Function and Department</u>	For the Year Ended	
	June 30, 2021	June 30, 2020
General government:		
Legislative	\$ 51,429	\$ 48,688
Secretary of State	44,585	43,082
Comptroller	111,211	108,808
Treasurer	43,999	54,980
Governor	5,324	5,233
Commissions	102,019	91,518
Finance and Administration	527,980	186,331
General Services	29,902	29,404
Revenue	420,983	117,486
Total general government	1,337,432	685,530
Health and social services:		
Veterans Services	7,602	7,908
Labor and Workforce Development	246,148	182,838
TennCare	13,076,166	12,551,724
Mental Health	419,087	406,863
Intellectual Disabilities	191,535	146,245
Health	1,104,327	752,592
Human Services	3,997,222	2,373,112
Children's Services	917,748	933,456
Total health and social services	19,959,835	17,354,738
Law, justice and public safety:		
Judicial	408,966	412,334
Correction	1,007,223	1,030,535
Probation and Paroles	8,298	8,520
Military	417,234	264,835
Bureau of Criminal Investigation	90,878	91,901
Safety	255,952	257,759
Total law, justice and public safety	2,188,551	2,065,884
Recreation and resource development:		
Agriculture	203,007	180,164
Tourist Development	54,429	26,800
Environment and Conservation	262,429	235,101
Economic and Community Development	277,816	172,375
Total recreation and resources development	797,681	614,440
Regulation of business and professions:		
Commerce and Insurance	97,261	96,358
Financial Institutions	20,800	21,817
Total regulation of business and professions	118,061	118,175
Intergovernmental revenue sharing	-	1,000,870
Total expenditures by function and department	\$ 24,401,560	\$ 21,839,637

STATISTICAL SECTION

STATISTICAL SECTION

This part of the State of Tennessee’s annual comprehensive 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.

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the state’s financial performance and well-being have changed over time.	232
Revenue Capacity These schedules contain information to help the reader assess the state’s most significant local revenue sources, the sales tax.	237
Debt Capacity 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.	239
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the state’s financial activities take place.	241
Operating Information 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.	242
Component Units 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.	245
National Federation of Municipal Analysts Recommended Disclosures for State Debt	250

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive 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)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
FOR THE FISCAL YEAR ENDED JUNE 30,										
Expenses										
Governmental activities:										
General government (3)	\$ 942,465	\$ 987,800	\$ 959,641	\$ 858,569	\$ 981,862	\$ 961,058	\$ 870,036	\$ 937,895	\$ 1,143,546	\$ 3,267,910
Education	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	9,495,761
Health and social services	13,952,342	14,079,899	13,912,421	14,258,216	14,930,669	14,976,007	15,192,989	15,168,397	16,603,681	19,105,994
Law, justice, and public safety	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	2,255,348
Recreation and resources development	646,494	554,421	646,781	666,997	665,491	628,906	716,104	719,649	786,375	935,195
Regulation of business and professions	126,395	158,228	158,644	175,667	194,662	205,684	215,749	217,075	211,446	252,866
Transportation	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	1,328,049
Intergovernmental revenue sharing (3)	851,535	844,628	897,312	980,258	1,045,095	1,073,737	1,309,519	1,388,848	1,407,229	51,097
Interest on long-term debt	62,119	71,933	67,520	60,622	60,891	58,503	62,430	62,928	58,733	-
Payments to fiduciary fund	58,453	22,386	827	400	680	664	372	-	-	-
Total governmental activities expenses	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	36,692,220
Business-type activities:										
Employment security (1)	1,232,324	750,529	451,470	289,415	241,852	232,690	222,988	205,234	3,969,607	3,931,631
Insurance programs	540,746	544,250	541,205	556,634	585,757	620,734	620,005	672,422	677,269	755,012
Loan programs	1,757	1,577	1,469	1,493	1,865	1,710	1,705	1,613	1,842	1,879
Other	620	163	76	68	367	216	1,014	305	83	695
Total business-type activities expenses	1,775,447	1,296,519	994,220	847,610	829,841	855,350	845,712	879,574	4,648,801	4,687,217
Total primary government expenses	\$ 28,013,568	\$ 27,700,999	\$ 27,759,435	\$ 27,799,611	\$ 28,867,794	\$ 29,662,675	\$ 30,445,412	\$ 31,274,206	\$ 37,393,093	\$ 41,379,437
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 673,945	\$ 775,135	\$ 812,528	\$ 787,280	\$ 796,608	\$ 784,087	\$ 1,019,219	\$ 1,045,776	\$ 1,066,858	\$ 1,188,460
Education	56,898	85,722	73,276	58,961	50,274	40,849	38,385	30,633	70,672	67,395
Health and social services	772,850	714,788	756,038	957,133	1,030,133	1,189,026	1,071,646	1,130,530	1,248,321	1,299,646
Law, justice, and public safety	125,879	139,622	140,123	137,905	161,110	168,808	161,132	159,868	153,575	150,230
Recreation and resources development	151,545	154,422	145,672	153,788	164,390	169,896	175,065	184,084	175,672	195,412
Regulation of business and professions	168,590	154,896	165,611	182,959	200,087	194,108	214,121	203,660	208,333	234,485
Transportation	29,601	35,470	31,863	45,840	56,466	59,301	63,670	65,208	57,902	60,841
Operating grants and contributions (4)	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	17,898,087
Capital grants and contributions	903,281	772,061	762,251	727,573	686,774	695,029	738,173	725,242	948,533	844,303
Total governmental activities program revenues	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	21,938,859
Business-type activities:										
Charges for services:										
Employment security	769,446	632,408	370,752	343,808	290,005	288,964	260,627	256,943	286,104	265,762
Insurance programs	542,756	569,982	598,209	581,436	565,174	599,635	652,846	702,429	719,987	728,280
Loan programs	15,600	12,450	8,897	8,865	9,214	10,255	11,386	11,850	12,233	12,135
Other	133	231	221	230	239	236	342	155	342	287
Operating grants and contributions (2)	749,005	327,928	134,026	64,053	85,287	57,418	88,198	76,576	3,696,938	3,599,778
Total business-type activities program revenues	2,076,940	1,542,999	1,112,105	998,392	949,919	956,508	1,013,299	1,047,953	4,715,604	4,606,242
Total primary government program revenues	\$ 16,857,046	\$ 16,073,848	\$ 15,355,329	\$ 15,341,243	\$ 16,026,031	\$ 15,999,787	\$ 16,559,351	\$ 16,567,889	\$ 22,102,395	\$ 26,545,101
Net (Expense)/Revenue										
Governmental activities	\$ (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)	\$ (14,753,361)
Business-type activities	301,493	246,480	117,885	150,782	120,078	101,158	167,587	168,379	66,803	(80,975)
Total primary government net expense	\$ (11,156,522)	\$ (11,627,151)	\$ (12,404,106)	\$ (12,458,368)	\$ (12,841,763)	\$ (13,662,888)	\$ (13,886,061)	\$ (14,706,317)	\$ (15,290,698)	\$ (14,834,336)

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,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Sales and use	\$ 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	\$ 11,052,798
Fuel	842,133	834,956	843,164	862,156	899,631	915,415	1,099,342	1,170,828	1,189,072	1,216,037
Business	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	6,275,672
Other	608,762	648,193	641,244	719,370	722,040	627,070	624,585	607,748	543,952	672,243
Unrestricted investment earnings	772	4,144	7,079	6,121	15,076	36,148	84,104	151,602	108,918	9,376
Miscellaneous	253,489	282,705	221,138	224,064	243,432	234,586	284,299	193,899	239,300	282,720
Contributions to permanent funds	174	180	547	136	170	2,624	142	145	143	143
Transfers	(4,655)	(4,256)	(4,622)	(8,046)	(1,096)	(5,290)	(4,715)	(18,521)	(7,558)	(8,611)
Total governmental activities	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	19,500,378
Business-type activities:										
Transfers	4,655	4,256	4,622	8,046	1,096	5,290	4,715	18,521	7,558	8,611
Total business-type activities	4,655	4,256	4,622	8,046	1,096	5,290	4,715	18,521	7,558	8,611
Total primary government general revenues and other changes in net position	\$ 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	\$ 19,508,989
Changes in Net Position										
Governmental activities	\$ 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	\$ 4,747,017
Business-type activities	306,148	250,736	122,507	158,828	121,174	106,448	172,302	186,900	74,361	(72,364)
Total primary government	\$ 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	\$ 4,674,653

- (1) The increase in expenses in the employment security program between fiscal years 2019 and 2020 is 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.
- (3) The increase in expenses for general government between fiscal years 2020 and 2021 is primarily due to changes made because of the implementation of GASBS 84. Amounts previously reported in intergovernmental revenue sharing is now reported as general government.
- (4) The increase in operating grants and contributions between fiscal years 2020 and 2021 is primarily because of increased COVID funding received from the federal government.

STATE OF TENNESSEE
FINANCIAL TRENDS - NET POSITION BY COMPONENT
 LAST TEN FISCAL YEARS
 (accrual basis of accounting, expressed in thousands)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
FOR THE FISCAL YEAR ENDED JUNE 30,										
Governmental activities										
Net investment in capital assets (3)	\$ 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	\$ 32,396,815
Restricted	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	2,866,255
Unrestricted (1)(2)(4)	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	7,753,855
Total governmental activities net position	\$ 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	\$ 43,016,925
Business-type activities										
Net investment in capital assets	\$ 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	\$ 2,973,131
Unrestricted	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	2,973,131
Total business-type activities net position	\$ 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	\$ 2,973,131
Primary Government										
Net investment in capital assets	\$ 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	\$ 32,396,815
Restricted	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	2,866,255
Unrestricted	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	10,726,986
Total primary government net position	\$ 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	\$ 45,990,056

- (1) The increase in unrestricted net position between fiscal years 2015 and 2016 is mostly attributable to the increase in cash and cash equivalents caused by an 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 is 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 is 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 is mostly attributable to an increase in infrastructure.
- (4) The increase in unrestricted net position between fiscal years 2020 and 2021 is attributable to the increase in cash and cash equivalents caused by an increase in tax revenue.

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,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Fund										
Nonspendable	\$ 18,609	\$ 21,349	\$ 21,075	\$ 20,184	\$ 18,765	\$ 25,117	\$ 21,208	\$ 23,489	\$ 31,111	\$ 65,465
Restricted	63,192	73,346	68,331	69,540	71,304	73,855	73,202	92,579	102,123	165,341
Committed	286,918	355,546	281,969	302,603	314,545	334,316	372,189	362,881	487,351	640,562
Assigned (1)	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	4,688,970
Unassigned (2)	698,663	476,264	567,286	885,215	1,224,464	1,008,428	1,410,118	1,651,697	1,676,074	3,770,577
Total general fund	\$ 2,318,059	\$ 2,512,469	\$ 2,077,157	\$ 2,563,487	\$ 3,241,079	\$ 3,704,870	\$ 3,825,806	\$ 4,428,825	\$ 5,562,357	\$ 9,330,915
All Other Governmental Funds										
Nonspendable	\$ 147,468	\$ 150,579	\$ 153,004	\$ 519,590	\$ 525,078	\$ 531,981	\$ 536,481	\$ 561,387	\$ 569,348	\$ 586,808
Restricted	980,972	990,317	1,024,350	575,853	1,020,805	1,207,452	1,507,973	1,583,287	1,667,138	2,152,028
Committed	344,696	398,864	396,298	389,401	373,312	336,412	379,483	391,014	436,241	439,218
Assigned	672,610	575,300	759,845	736,691	787,006	1,148,144	1,596,551	1,612,649	1,552,641	1,258,390
Unassigned										
Total all other governmental funds	\$ 2,145,746	\$ 2,115,060	\$ 2,333,497	\$ 2,221,535	\$ 2,706,201	\$ 3,223,989	\$ 4,020,488	\$ 4,148,337	\$ 4,225,368	\$ 4,436,444

(1) The increase in assigned fund balance for the general fund between fiscal years 2019 and 2020 is primarily because of an increase in the reserve for supplemental appropriation and an increase in carry forwards. The increase in assigned fund balance between the fiscal years 2020 and 2021 is primarily because of increases in carry forwards, supplemental appropriations, and the civil defense reserve.

(2) The increase in unassigned fund balance for the general fund between fiscal years 2020 and 2021 is primarily because of an increase between the reserve fluctuations and future requirements.

STATE OF TENNESSEE
FINANCIAL TRENDS - CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (modified accrual basis of accounting, expressed in thousands)

	FOR THE FISCAL YEAR ENDED JUNE 30,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues										
Taxes	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	19,360,005
Licenses, fees, and permits	731,752	725,785	727,158	799,462	913,535	973,810	1,058,073	1,081,355	1,055,468	1,142,138
Interest on investments	17,411	35,987	67,117	27,865	56,708	89,231	119,676	234,307	187,336	221,890
Federal (7)	12,334,526	12,085,185	11,250,878	11,601,522	12,126,450	11,919,967	12,245,029	12,098,767	13,820,131	17,989,966
Departmental services	2,077,429	1,933,141	1,994,334	2,108,043	2,170,683	2,392,179	2,342,471	2,333,469	2,501,103	2,747,234
Other	595,305	650,555	604,536	584,672	647,996	622,690	734,459	659,714	677,192	787,568
Total revenues	28,036,351	28,015,024	27,906,517	28,839,248	30,452,312	31,145,158	32,194,076	32,779,029	35,417,696	42,248,601
Expenditures										
Current:										
General government (5)	575,919	538,243	553,807	565,415	573,475	654,354	683,678	689,119	710,720	2,788,937
Education	6,828,619	6,875,325	7,182,444	7,140,936	7,322,279	7,778,143	8,134,979	8,364,522	8,557,814	9,245,643
Health and social services	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	19,959,835
Law, justice, and public safety	1,528,766	1,499,452	1,559,028	1,552,156	1,618,669	1,693,161	1,772,563	1,868,133	2,072,747	2,195,107
Recreation and resources development	705,043	655,168	711,526	757,166	777,748	736,884	797,848	824,557	849,015	1,012,134
Regulation of business and professions	135,877	135,877	164,673	187,360	205,830	215,733	222,903	229,082	224,307	261,952
Transportation	1,952,887	1,864,946	1,753,381	1,708,328	1,672,379	1,728,331	1,910,831	2,017,320	2,208,900	2,135,196
Intergovernmental revenue sharing (5)	851,535	844,628	897,312	980,258	1,045,095	1,073,737	1,309,519	1,388,848	1,407,229	
Debt services:										
Principal	115,935	274,858	142,643	313,050	246,503	296,444	267,376	153,111	292,993	150,764
Interest	65,471	76,091	75,165	68,325	67,409	71,817	75,163	75,165	73,246	67,305
Debt issuance costs	4,793	2,659	1,452	1,741	2,324	2,225	2,193	1,741	2,093	1,581
Capital outlay	483,279	513,999	491,077	406,596	469,307	462,231	339,789	408,337	562,098	521,160
Total expenditures	28,056,123	27,980,275	28,022,873	28,587,544	29,601,729	30,366,626	31,392,703	32,024,587	34,315,900	38,339,614
Revenues over (under) expenditures	(19,772)	35,349	(116,356)	251,704	850,583	776,532	801,373	754,442	1,101,796	3,908,987
Other Financing Sources (Uses)										
Bonds and commercial paper issued	637,868	2,901,778	91,281	143,200	447,222	274,348	243,419	69,256	187,650	46,732
Commercial paper redeemed	(201,235)									
Insurance claim recoveries	2,734	1,061	1,335	1,597	1,288	725	1,058	367	1,099	673
Premium on bond sale	37,069			10,308	53,170	42,335	25,282			315
Refunding bonds issued (1)	464,809	25,713		81,321	98,390	214,452	36,059			
Refunding bond premium (1)	88,775	11,672		(81,092)	(98,159)	(214,016)	(35,976)			
Refunding payment to escrow (1)	(552,898)	(25,473)								
Other										
Proceeds from pledged revenue	58,453	22,183	472							
Transfers in (6)	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	677,894
Transfers out (2) (3) (4)	(1,366,400)	(1,545,068)	(1,763,423)	(1,206,423)	(1,419,467)	(1,824,459)	(2,225,529)	(1,619,426)	(2,062,633)	(716,389)
Total other financing sources (uses)	454,876	142,126	(108,555)	122,664	311,675	205,047	72,846	333	108,767	8,910
Net Change in Fund Balances	435,104	177,475	(224,911)	374,368	1,162,258	981,579	874,219	754,775	1,210,563	3,917,897
Debt Service as a Percentage of Noncapital Expenditures	0.6910%	1.3065%	0.8050%	1.3743%	1.0971%	1.2523%	1.1326%	0.7406%	1.1082%	0.5900%

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 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.
- (2) The decrease in transfers out between 2014 and 2015 is due primarily to a reduction of transfers out from the general fund to the capital projects fund, to the debt service fund, and transfers out for the leasing of buildings.
- (3) The decrease in transfers out between 2018 and 2019 is due primarily to a reduction of transfers out from the general fund to the capital projects fund, to the facilities revolving fund, and to the highway fund.
- (4) The decrease in transfers out between 2020 and 2021 is due primarily to a reduction of transfers out from the general fund to the capital projects fund, to the facilities revolving fund, and to the highway fund.
- (5) The increase in general government expenditures between 2020 and 2021 is due primarily to changes made because of the implementation of GASBS 84. Amounts previously reported as intergovernmental revenue sharing is now reported in general government.
- (6) The decrease in transfers in between 2020 and 2021 is due primarily to a reduction of transfers in to the capital projects fund and the education fund from the general fund.
- (7) The increase in federal revenue between 2020 and 2021 is due primarily to COVID funding.

Schedule 5

STATE OF TENNESSEE
REVENUE CAPACITY - TAXABLE SALES BY CLASSIFICATION
LAST TEN CALENDAR YEARS
(expressed in millions)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Auto dealers	\$ 8,429	\$ 9,275	\$ 9,827	\$ 10,558	\$ 11,789	\$ 12,609	\$ 12,868	\$ 13,336	\$ 13,920	\$ 14,066
Purchases from manufacturers	4,009	4,042	4,170	4,460	4,876	5,205	5,478	5,938	6,448	6,781
Miscellaneous durable goods	15,583	16,372	16,804	17,582	18,614	20,127	21,351	22,638	24,017	26,087
Eating and drinking places	9,507	10,197	10,576	11,196	12,032	12,612	12,916	13,685	15,099	13,101
Food stores	9,216	9,690	10,249	10,696	11,102	11,513	12,120	12,791	13,208	14,503
Liquor stores	728	793	836	894	971	975	908	973	1,056	1,314
Hotels and motels	2,333	2,488	2,539	2,881	3,223	3,600	3,606	3,834	4,712	2,990
Other retail and service	28,756	30,178	31,134	32,884	34,916	36,531	38,036	41,281	43,604	47,165
Miscellaneous nondurable goods	7,987	8,423	8,693	9,046	9,466	9,902	9,874	10,414	10,796	10,325
Transportation, communication	7,085	6,560	6,396	6,306	6,491	6,388	8,094	8,819	8,810	7,792
Total taxable sales	\$ 93,633	\$ 98,018	\$ 101,224	\$ 106,463	\$ 113,480	\$ 119,462	\$ 125,251	\$ 133,709	\$ 141,670	\$ 144,124

Source: An Economic Report to the Governor of the State of Tennessee January 2021

Schedule 6

STATE OF TENNESSEE
REVENUE CAPACITY - SALES AND USE TAX RATES
LAST TEN FISCAL YEARS

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
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%	5.25%	5.00%	5.00%	5.00%	4.00%	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)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
FOR THE FISCAL YEAR ENDED JUNE 30,										
Retail:										
Building materials	\$ 355,263	\$ 354,513	\$ 371,086	\$ 392,853	\$ 430,312	\$ 468,750	\$ 492,326	\$ 528,112	\$ 585,686	\$ 737,200
General merchandise	840,896	836,055	845,407	854,971	889,297	895,864	881,916	883,068	911,558	983,751
Food stores	539,402	546,972	555,692	579,660	595,739	618,427	571,341	580,520	629,611	658,854
Auto dealers and service stations	830,875	869,748	933,751	1,013,333	1,123,746	1,177,213	1,184,189	1,230,277	1,273,167	1,481,269
Apparel and accessory stores	205,480	215,308	217,170	228,680	238,993	239,541	242,207	254,355	232,224	276,847
Furniture and home furnishings	224,096	221,025	228,231	250,667	268,657	281,955	291,561	301,500	302,089	340,370
Eating and drinking places	653,210	681,255	706,095	757,929	809,367	838,150	845,819	928,084	911,187	963,720
Miscellaneous retail stores	613,097	637,761	664,927	736,728	812,020	818,129	848,254	895,942	973,829	1,366,377
Total retail	4,262,319	4,362,637	4,522,359	4,814,821	5,168,131	5,338,029	5,357,613	5,601,838	5,819,351	6,808,388
Services:										
Hotels and lodging places	160,868	164,403	175,227	198,123	224,621	236,505	238,462	278,372	258,284	227,242
Personal services	47,932	49,145	49,724	52,239	52,236	52,465	53,561	56,184	51,283	51,064
Business services	249,083	260,000	273,397	276,961	298,046	304,629	322,692	381,851	420,766	564,858
Auto repair, services, and parking	176,923	172,698	178,693	189,611	204,497	208,532	215,481	235,740	254,280	265,114
Miscellaneous repair services	24,384	25,636	26,807	27,823	31,070	32,770	32,560	35,385	42,269	61,923
Motion pictures	18,972	18,323	18,900	18,160	19,341	19,517	18,459	22,196	21,255	14,584
Amusement services	63,922	69,280	73,891	81,249	90,027	96,706	103,495	118,017	113,024	101,452
Health services	15,122	10,750	15,463	14,956	17,232	17,497	17,497	21,853	21,853	24,937
Other services	42,200	37,140	40,659	45,803	46,006	43,365	41,153	61,805	64,392	59,312
Total services	799,406	807,375	852,761	904,925	983,076	1,011,986	1,043,360	1,206,824	1,247,406	1,370,486
Non-retail, non-services:										
Agriculture, forestry, fishing	7,257	7,096	7,304	7,189	7,957	7,959	7,835	7,886	8,886	11,165
Mining	6,491	5,814	6,765	6,822	7,727	7,787	8,153	9,005	10,016	14,202
Construction	49,782	51,094	54,483	56,717	65,278	65,093	76,564	77,913	93,038	93,659
Manufacturing	255,062	256,157	264,955	289,940	317,036	336,122	350,115	386,048	411,045	489,582
Transportation	43,525	40,728	29,009	35,272	33,769	31,262	35,741	42,624	64,255	18,516
Communications	416,347	387,780	379,013	393,980	391,511	416,319	524,788	530,000	496,669	477,608
Electric, gas, and sanitary services	239,531	239,441	245,644	252,014	247,867	260,315	263,119	269,974	263,079	265,472
Wholesale trade	438,113	436,411	447,524	460,079	499,421	527,466	551,886	606,481	621,583	697,362
Finance, insurance, real estate	13,847	14,620	15,207	18,676	22,661	29,816	32,953	37,674	40,508	47,400
Total non-retail, non-services	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	2,114,966
County Clerk	134,188	133,101	143,818	152,856	172,516	184,186	194,694	206,532	205,404	294,318
Consumer Use Tax	6,334	4,293	5,636	6,006	6,138	5,774	9,354	10,714	15,865	12,536
Flood Relief Tax Rebate	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Disaster Relief Tax Rebate	(121)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Unclassified (1) (2)	208,275	258,465	279,555	278,851	305,095	321,652	431,459	417,390	359,511	420,623
Grand Total	\$ 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	\$ 11,021,317
Grand total as a percent of annual aggregate state tax collections	60.62%	59.76%	61.62%	60.53%	61.08%	61.05%	61.01%	61.22%	63.96%	59.97%

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
 (1) 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.
 (2) 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,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Governmental activities debt:										
General obligation bonds	\$ 2,112,602	\$ 2,172,650	\$ 1,996,458	\$ 1,960,437	\$ 2,124,897	\$ 2,162,881	\$ 2,160,357	\$ 1,979,589	\$ 1,949,715	\$ 1,771,713
General obligation commercial paper	197,770	215,146	324,366	197,686	245,536	192,956	165,176	237,396	120,996	207,343
Capital leases	14,666	13,790	21,798	20,599	20,943	19,394	17,900	16,538	14,783	11,904
Amortities							400	700	1,700	1,800
Total governmental activities debt	\$ 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	\$ 1,992,760
Business-type activities debt:										
General obligation bonds	\$ 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	\$ 1,992,760
Total business-type activities debt										
Total primary government debt	\$ 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	\$ 1,992,760

Debt Ratios										
Personal income	\$ 245,018,000	\$ 256,814,000	\$ 266,467,000	\$ 277,316,000	\$ 287,851,000	\$ 298,646,000	\$ 318,668,000	\$ 333,927,000	\$ 346,376,000	N/A
Ratio of total debt to personal income	0.96%	0.94%	0.88%	0.79%	0.83%	0.80%	0.74%	0.67%	0.60%	
Population	6,456	6,496	6,549	6,600	6,651	6,716	6,770	6,829	6,887	N/A
Net general bonded debt per capita	\$ 358	\$ 368	\$ 354	\$ 327	\$ 359	\$ 354	\$ 344	\$ 327	\$ 303	
General Bonded Debt:										
General obligation bonds	\$ 2,112,602	\$ 2,172,650	\$ 1,996,458	\$ 1,960,437	\$ 2,124,897	\$ 2,162,881	\$ 2,160,357	\$ 1,979,589	\$ 1,949,715	\$ 1,771,713
General obligation commercial paper	197,770	215,146	324,366	197,686	245,536	192,956	165,176	237,396	120,996	207,343
Assets restricted for debt principal										
Total net bonded debt	\$ 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	\$ 1,979,056
Debt Ratios										
Ratio of net bonded debt to total of pledged revenues	41.65%	43.11%	42.55%	50.24%	49.20%	52.98%	57.70%	60.52%	68.79%	83.69%

Source: State of Tennessee Annual Comprehensive 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, 2020 to:

General fund	\$ 12,249,865 *
Debt service fund	330,100 *
Highway fund	992,553 *
Total allocated revenues	<u>\$ 13,572,518</u>

Legal debt service limit (10% of total allocated revenues)
 1,357,252

Less: maximum annual debt service at June 30, 2021
221,214 *

Legal debt service margin
\$ 1,136,038

* Obtained from the Division of State Government Finance

FOR THE FISCAL YEAR ENDED JUNE 30.

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Debt limit	\$ 641,583	\$ 686,288	\$ 648,934	\$ 637,424	\$ 1,168,731	\$ 1,240,437	\$ 1,291,287	\$ 1,325,575	\$ 1,399,146	\$ 1,357,252
Total net debt service applicable to limit	209,820	243,779	227,401	225,620	241,023	240,693	238,098	229,977	228,126	221,214
Legal debt service margin	<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>	<u>\$ 1,136,038</u>
Legal debt service margin as a percentage of the debt limit	67.30%	64.48%	64.96%	64.60%	79.38%	80.60%	81.56%	82.65%	83.70%	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)

	Collections for Fiscal Year 2021		Fiscal Year 2021 Pledged Amount
	Portion Pledged	Governmental Fund Types	
Gasoline tax	25%	\$ 841,299	\$ 210,325
Petroleum products fee	100%	68,283	68,283
Motor vehicle registration fee	50%	310,415	155,208
Franchise tax	100%	1,222,480	1,222,480
		<u>\$ 2,442,477</u>	<u>\$ 1,656,295</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)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Population	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)	6,887 (est)
Total 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	\$ 346,376,000
Per capita personal income	\$ 38,233	\$ 39,682	\$ 40,734	\$ 42,241	\$ 44,209	\$ 46,805	\$ 47,472	\$ 49,490	\$ 52,049	\$ 54,225
Unemployment rate	9.1%	8.0%	8.2%	6.9%	5.9%	4.8%	3.0%	3.7%	3.5%	7.4%
Unemployment rate by sector:										
Trade, Transportation, and Utilities	12.9%	11.6%	12.3%	11.9%	7.8%	9.3%	8.8%	5.6%	5.2%	N/A
Government	4.4%	5.6%	5.1%	3.3%	0.2%	0.8%	2.3%	0.9%	1.8%	N/A
Education and Health Services	5.0%	4.9%	5.1%	4.6%	2.6%	3.5%	2.3%	2.3%	1.9%	N/A
Professional and Business Services	11.8%	7.3%	10.1%	8.0%	7.0%	4.6%	5.1%	5.0%	4.6%	N/A
Manufacturing	10.2%	7.7%	6.6%	6.9%	5.7%	7.9%	3.7%	3.5%	3.9%	N/A
Leisure and Hospitality	14.3%	12.2%	7.6%	7.0%	9.4%	6.4%	5.1%	7.4%	4.8%	N/A
Financial Activities	8.0%	4.2%	5.4%	2.4%	3.0%	2.1%	1.6%	0.8%	1.4%	N/A
Natural Resources, Mining, and Construction	20.1%	25.3%	19.2%	9.3%	8.3%	5.3%	3.5%	3.3%	3.1%	N/A
Other Services	8.0%	7.8%	6.3%	4.1%	7.2%	2.8%	1.6%	1.2%	2.8%	N/A
Information	2.8%	6.3%	6.8%	6.6%	N/A	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 2021

Notes: N/A means not available

STATE OF TENNESSEE
 DEMOGRAPHIC AND ECONOMIC INFORMATION
 FOR THE LAST CALENDAR YEAR
 (expressed in percentage)

Calendar Year 2020	Unemployment Rate
January	3.8%
February	3.8%
March	3.2%
April	15.0%
May	10.7%
June	10.1%
July	10.1%
August	8.6%
September	6.4%
October	7.2%
November	5.0%
December	6.2%

Monthly Unemployment Rate

Source: <https://www.jobs4tn.gov>

**STATE OF TENNESSEE
DEMOGRAPHIC AND ECONOMIC INFORMATION - EMPLOYMENT BY INDUSTRY
PRIOR YEAR AND NINE YEARS AGO**

Industry	2020			2011		
	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	636,900	1	21.19%	561,600	1	21.10%
Government	429,300	3	14.28%	425,600	2	15.99%
Education and Health Services	433,700	2	14.43%	386,200	3	14.51%
Professional and Business Services	408,800	4	13.60%	324,200	4	12.18%
Manufacturing	327,800	5	10.90%	302,400	5	11.36%
Leisure and Hospitality	304,400	6	10.13%	267,600	6	10.05%
Financial Activities	174,200	7	5.79%	139,200	7	5.23%
Natural Resources, Mining, and Construction	131,700	8	4.38%	108,700	8	4.08%
Other Services	115,500	9	3.84%	102,100	9	3.84%
Information	43,800	10	1.46%	44,000	10	1.65%
Total	3,006,100		100.00%	2,661,600		100.00%
Total State Employment	3,222,137			2,845,020		

Source: An Economic Report to the Governor of the State of Tennessee January 2021 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	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	General government	4,705	4,703	4,327	4,299	4,348	4,740	5,126	5,471	5,503
Education	1,128	1,259	1,118	1,122	1,167	1,357	1,332	1,317	1,130	1,129
Health and social services	17,453	17,036	16,735	16,209	15,546	15,449	15,366	15,098	15,635	15,033
Law, justice and public safety	10,592	10,940	11,249	10,826	10,675	10,839	10,707	10,518	10,836	10,321
Recreation and resources development	3,515	3,458	3,431	3,441	3,377	3,394	3,420	3,363	3,377	3,354
Regulation of business and professions	706	711	724	716	688	685	696	725	669	668
Transportation	3,809	3,678	3,439	3,355	3,487	3,838	3,953	4,078	4,070	4,008
Total	41,908	41,785	41,023	39,968	39,288	40,302	40,600	40,570	41,220	39,943

Source: Department of Human Resources

STATE OF TENNESSEE
OPERATING INFORMATION - CAPITAL ASSET STATISTICS BY FUNCTION
FOR THE LAST TEN FISCAL YEARS

Function	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General government										
Motor pool vehicles	6,530	6,280	6,181	4,462	4,374	4,265	4,272	4,268	4,207	4,430
Buildings	110	110	97	81	78	79	83	83	81	82
Machinery and equipment	4,121	5,895	6,772	6,745	6,896	7,117	7,222	7,211	7,345	7,450
Education										
Number of residential schools	5	5	5	5	5	5	5	5	4	4
Machinery and equipment	307	229	222	187	211	209	245	242	242	238
Health and social services										
Buildings	314	330	346	340	346	345	345	343	342	326
Machinery and equipment	2,862	3,020	3,357	3,499	3,746	3,957	3,602	3,645	3,589	3,714
Law, justice and public safety										
Correctional facilities	19	20	20	20	19	18	18	18	18	18
Armories	83	83	83	82	82	82	81	81	81	81
Machinery and equipment	4,506	5,246	6,441	6,452	6,803	6,772	6,934	7,136	7,586	8,012
Recreation and resources development										
Acreage of state parks	191,563	184,521	188,573	189,102	190,941	200,248	201,925	203,213	210,012	207,296
Machinery and equipment	3,075	3,220	3,198	3,245	3,256	3,344	3,387	3,435	3,522	3,625
Regulation of business and professions										
Machinery and equipment	151	169	230	240	841	836	816	820	751	704
Transportation										
State highways (in miles)	13,877	13,884	13,898	13,884	13,877	13,884	13,890	13,890	14,464	14,467
Bridges, state and local highways	19,659	19,729	19,746	19,776	19,793	19,840	19,858	19,903	19,918	20,010
Facilities	122	122	122	122	122	122	123	122	122	122
Buildings	754	754	755	754	752	758	769	742	772	779

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	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General government										
Tax returns processed (1)	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	2,411,391
New corporate charters registered	9,618	9,702	9,781	10,325	10,857	10,794	11,092	11,474	11,337	10,483
Investment return on total portfolio	0.12%	0.11%	0.12%	0.23%	0.50%	1.05%	2.05%	1.83%	0.21%	0.07%
Residential and commercial property reappraisals completed	185,965	1,495,789	640,264	338,538	547,191	1,389,649	549,487	484,498	341,527	1,501,060
Education										
Number of public schools (K-12)	1,784	1,797	1,823	1,811	1,833	1,819	1,749	1,836	1,837	N/A
Enrollment of public schools (K-12)	935,317	995,256	993,841	995,892	997,893	999,701	975,222	971,956	980,537	N/A
Number of high school graduates from public schools	62,157	62,019	61,838	62,632	64,079	64,987	64,855	61,817	61,550	N/A
Health and social services										
TenCare enrollees	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	1,590,298
Supplemental Nutrition Assistance Program	1,200,000	1,200,000	1,280,000	1,191,500	1,094,644	1,037,928	931,658	889,451	846,867	856,022
Percentage of population (3)	18.74%	18.59%	19.70%	18.19%	16.59%	15.61%	13.87%	13.14%	12.40%	12.43%
Temporary assistance recipients	57,000	57,000	57,000	37,041	29,889	25,496	21,732	19,030	15,746	13,170
Percentage of population (3)	0.89%	0.88%	0.88%	0.57%	0.45%	0.38%	0.32%	0.28%	0.23%	0.19%
Children in state custody (2)	8,533	8,960	8,552	8,538	8,436	8,235	8,688	9,040	8,387	8,887
Percentage of population (3)	0.13%	0.14%	0.13%	0.13%	0.13%	0.12%	0.13%	0.13%	0.12%	0.13%
Mental health institutes average daily census	517	480	479	493	488	506	492	452	431	453
Law, justice and public safety										
Correctional institutions average daily census	29,231	29,654	29,758	29,571	29,103	29,729	30,242	30,453	29,447	25,459
Department of Safety citations issued	340,575	381,588	419,122	414,310	432,832	447,417	473,410	412,046	267,662	231,336
Drivers licenses issued	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	1,524,740
Recreation and resources development										
Hunting/fishing licenses and boats registered	586,839	538,971	569,447	577,577	537,412	511,673	556,892	562,821	541,159	791,685
Wetland acres acquired	1,604	1,127	1,598	1,029,38	2,050	8,610	2,103	1,540	604	1,130
Number of visitors to state parks	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	38,479,604
Air pollution monitoring sites	32	41	40	33	36	32	30	28	27	27
Regulation of business and professions										
Fire safety inspections	27,058	25,601	27,724	16,508	14,037	13,742	13,959	17,046	15,948	15,993
Consumer affairs written complaints	5,541	5,407	5,447	4,654	3,821	3,704	3,783	4,283	3,966	3,806
Transportation										
Lane miles resurfaced	2,298	2,596	2,447	2,239	2,219	2,585	2,914	2,234	1,991	2,041
HELP program services provided	130,941	118,773	124,823	113,429	135,058	145,755	128,311	132,617	124,726	108,943

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							
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)
2012	\$ 584,147	\$ 411,729	\$	\$ 51,469	2012	\$ 259,510	\$ 85,464	\$	\$ 8,589
2013	619,399	432,656		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
2021	818,094	673,823		72,059	2021	291,477	125,090		14,682

Austin Peay State University		Middle 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)
2012	\$ 85,043	\$ 26,108	\$	\$ 3,330	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	199,239	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	50,503		6,171	2020	256,646	107,749		18,122
2021	109,841	51,600		5,144	2021	256,405	108,818		16,529

East 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)
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	139,379	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	248,232	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
2021	235,241	117,664		13,737	2021	106,342	52,074		3,696

(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)

Tennessee Technological University						
Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2012	\$ 100,915	\$ 35,086	\$	\$ 3,102	\$ 10,626	\$ 6,305
2013	110,217	37,289		3,479	10,647	6,744
2014	93,241	39,560		4,079	9,151	7,369
2015	112,938	38,394		4,052	8,992	7,446
2016	99,705	39,297		4,077	9,098	8,097
2017	126,856	42,671		4,094	9,327	8,632
2018	127,641	47,231		4,038	9,938	9,397
2019	126,042	55,021		3,782	10,486	9,737
2020	129,056	60,098		6,183	10,467	10,409
2021	128,559	61,455		9,675	10,468	10,817

Dyersburg State Community College						
Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2012	\$ 16,009	\$ 10,222				
2013	14,918	10,625				
2014	13,749	11,166				
2015	13,088	10,825				
2016	15,166	11,645				
2017	15,855	12,406				
2018	15,936	13,574				
2019	16,718	14,231				
2020	18,065	14,879				
2021	17,371	15,010				

Jackson State Community College						
Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2012	\$ 36,319	\$ 19,810		\$ 285		
2013	36,895	21,485		351		
2014	32,676	26,144		374		
2015	33,207	26,063		301		
2016	34,152	27,541		279		
2017	33,350	29,342		283		
2018	33,654	31,145		287		
2019	34,472	31,960		282		
2020	33,811	33,363		286		
2021	29,852	33,398		268		

Chattanooga State Community College						
Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2012	\$ 11,373	\$ 8,721		\$ 45		
2013	11,377	8,686		45		
2014	11,513	8,898		45		
2015	11,264	8,864		44		
2016	11,059	9,160		44		
2017	11,294	9,762		44		
2018	10,636	10,998		44		
2019	11,739	11,155		44		
2020	12,698	12,179		41		
2021	13,319	12,050		41		

Columbia State Community College						
Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2012	\$ 15,296	\$ 11,004		\$		\$ 18
2013	15,792	11,069				112
2014	15,232	12,408				127
2015	16,058	12,193				127
2016	17,358	13,065				127
2017	18,508	13,910				127
2018	20,421	14,967				218
2019	22,455	15,786				339
2020	23,267	16,666				339
2021	23,011	17,693				339

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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)

Motlow State Community College		Nashville State Community College		Roane State Community College		Southwest Tennessee 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)
2012	\$ 14,494	\$ 9,380			2012	\$ 21,580	\$ 14,943		
2013	14,062	10,124			2013	21,902	15,265		
2014	14,056	10,702			2014	21,902	17,480		
2015	15,314	10,451			2015	20,819	17,102		
2016	17,814	11,032			2016	20,689	17,803		
2017	20,370	11,752			2017	21,167	18,959		
2018	22,208	13,305			2018	21,282	20,956		
2019	23,702	15,048			2019	22,469	22,410		
2020	25,091	17,376			2020	22,764	23,847		
2021	22,640	19,525			2021	21,119	24,188		

Northeast State 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)
2012	\$ 13,934	\$ 11,582			2012	\$ 36,322	\$ 18,147		
2013	12,654	12,676			2013	44,992	20,414		
2014	17,593	13,310			2014	35,680	23,560		
2015	18,701	13,857			2015	18,775	24,306		
2016	22,271	15,082			2016	35,347	25,680		
2017	20,413	16,075			2017	37,677	27,373		
2018	19,521	18,153			2018	41,952	30,504		
2019	20,943	19,701			2019	42,050	32,887		
2020	20,893	20,883			2020	41,081	34,611		
2021	18,626	23,194			2021	40,583	35,794		

(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)

Volunteer State Community College				Walters 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)
2012	\$ 26,812	\$ 15,019	\$	\$	2012	\$ 23,034	\$ 15,429	\$	\$
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	21,933		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
2021	31,794	28,090			2021	24,222	25,704		95

Source: Comptroller of the Treasury,
Division of State Government 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, 2021**

Schedule 16

<u>Institution</u>	<u>Debt Service Fees</u>	<u>In-State Student Tuition</u>	<u>Non-Resident Student Tuition</u>	<u>Average Board Charge</u>	<u>Average Room Charge</u>
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 Government Finance

**STATE OF TENNESSEE
PRINCIPAL AMOUNT OF DEBT OUTSTANDING BY INSTITUTION
COMPONENT UNITS
COLLEGE AND UNIVERSITY FUNDS
JUNE 30, 2021
(expressed in thousands)**

Schedule 17

<u>Institution</u>	<u>Second Program Bonds</u>	<u>Commercial Paper</u>	<u>Total Debt</u>
University of Tennessee	\$ 984,829	\$ 51,398	\$ 1,036,227
Austin Peay State University	78,377	586	78,963
East Tennessee State University	162,027		162,027
Middle Tennessee State University	151,878	1,800	153,678
Tennessee State University	20,311	40,334	60,645
Tennessee Technological University	86,844	5,985	92,829
University of Memphis	171,073		171,073
Chattanooga State Community College	1,540		1,540
Cleveland State Community College	79		79
Columbia State Community College	3,355		3,355
Nashville State Community College	67		67
Pellissippi State Community College	158		158
Southwest Tennessee Community College	592		592
Walters State Community College		4,200	4,200
	<u>\$ 1,661,130</u>	<u>\$ 104,303</u>	<u>\$ 1,765,433</u>

Source: Comptroller of the Treasury,
Division of State Government 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 ACFR; 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 ACFRs, but current-year budgeted and actual TennCare expenditures were presented in each of the State’s ACFRs (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 Annual Comprehensive Financial Report and the annual comprehensive 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. 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, 2021, 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 1995 Law), the state does not have statutory authority to guarantee the debt of local governments. The 1995 Law 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. The 1995 Law also authorizes the state Comptroller to approve the issuance of tax and revenue anticipation notes by cities and counties in cases of economic distress due to a natural disaster certified by the Federal Emergency Management Agency (FEMA). The proceeds may be used to pay for operating expenditures and may remain outstanding beyond the close of the fiscal year the notes are issued. At June 30, 2021, two counties had outstanding notes issued pursuant to this law. These notes were

directly related to economic stress resulting from the COVID-19 pandemic, declared by FEMA on April 2, 2020, as a major natural disaster for the State of Tennessee (DR-4514). Both notes are scheduled to be paid prior to June 30, 2022. Pursuant to the Local Government Public Obligations Act of 1986, the state Comptroller has authority to approve the extension of tax and revenue anticipation notes issued to fund annual appropriations when a county or city is not able to repay the notes by the end of the fiscal year. At June 30, 2021, two counties had extension notes outstanding, with one of those counties fully repaying its notes shortly after year end. The remaining county plans to repay the notes that mature each year through year 2025 as they become due. Financial distress at this county is related to its county-owned hospital that is in the process of being sold. A city or county that receives approval to issue extension notes is subject to additional oversight from the state Comptroller until the local government regains financial stability

- 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.

- o 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.

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: [erg2021.pdf \(utk.edu\)](http://erg2021.pdf(utk.edu))
- 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, 2021				
(Thousands of U.S. Dollars)				
	Returns Filed	Total (%)	Tax Collections	Total (%)
Retail Trade and Services:				
Building Materials	30,652	2.01%	\$737,200	6.69%
General Merchandise	81,885	5.37%	\$983,751	8.93%
Food Stores	79,307	5.20%	\$658,854	5.98%
Auto Dealers and Service Station:	102,754	6.74%	\$1,481,269	13.44%
Apparel and Accessory Stores	54,554	3.58%	\$276,847	2.51%
Furniture and Home Furnishings	45,228	2.96%	\$340,370	3.09%
Eating and Drinking Places	210,688	13.81%	\$963,720	8.74%
Miscellaneous Retail Stores	241,430	15.83%	\$1,366,377	12.40%
Services	329,944	21.63%	\$1,370,487	12.43%
All Other:				
Non-Retail, Non-Services	251,750	16.50%	\$2,114,967	19.19%
County Clerk	1,259	0.08%	\$294,318	2.67%
Consumer Use Tax	8,357	0.55%	\$12,536	0.11%
Unclassified	87,624	5.74%	\$420,623	3.82%
Total	1,525,433	100.00%	\$11,021,317	100.00%

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 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.

ACKNOWLEDGEMENTS

DEPARTMENT OF FINANCE AND ADMINISTRATION

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Eugene Neubert, Deputy Commissioner, F&A Operations

Mikel J. Corricelli, Chief of Accounts

The Annual Comprehensive 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.