Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2019

TN Tennessee State Government

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2019

Tennessee Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2019

BILL LEE, Governor

DEPARTMENT OF AUDIT
JUSTIN P. WILSON, Comptroller of the Treasury
Division of State Audit
DEBORAH V. LOVELESS, Director

DEPARTMENT OF FINANCE AND ADMINISTRATION
STUART MCWHORTER, Commissioner
Division of Accounts
MIKEL J. CORRICELLI, Chief of Accounts

Front Cover: Nashville Skyline
Photograph obtained from Tennessee Department of General Services, Printing and Media Services

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STATE OF TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2019

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INTRODUCTORY SECTION

TN Department of Finance & Administration

December 19, 2019

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

As part of its responsibility under Tennessee Code Annotated 4-3-1007 to maintain a system of general accounts embracing all the financial transactions of state government, the Department of Finance and Administration is pleased to submit to you the Comprehensive Annual Financial Report (CAFR) for the State of Tennessee's fiscal year ended June 30, 2019. 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 office. The data and information presented is believed to be accurate in all material respects, and, all disclosures that are necessary to enable the reader to obtain a thorough understanding of the state's financial activities have been included.

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

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

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

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

Department of Finance and Administration • State Capitol • Nashville, Tennessee 37243
https://www.tn.gov/finance.html

State Profile

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

The geographic diversity of Tennessee has generated a variety of economic, social, and cultural patterns that have led residents to perceive the state in terms of three “grand divisions”: East, Middle, 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. East Tennessee's landscape is dominated by the Appalachian mountain chain, including the Great Smoky Mountains. Middle Tennessee, which includes the state's capital city of Nashville, is dominated by rolling hills and fertile stream valleys. West Tennessee, located between the Tennessee and the Mississippi Rivers, is characterized by relatively flat topography. Except for the Memphis metropolitan area, land use in this region is mostly agricultural.

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. The criteria for inclusion in the reporting entity and its presentation are defined by GASB in its GASB Codification Section 2100. 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 to the General Assembly a recommended budget.

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 is showing signs of cooling which should be expected at this point in the long-lived business cycle expansion that began in the summer of 2009. U.S. gross domestic product (GDP) growth has slowed and is now hovering in the vicinity of 2 percent on a quarterly and annual basis. The nation's manufacturing sector is showing signs of contraction, with production levels falling and monthly employment contracting. In Tennessee, growth is slowing as well. Nonfarm job growth has now slipped under 2 percent, though the manufacturing sector has yet to shed jobs. Tennessee's GDP has slowed along with the nation's path of output. The good news is that the longest economic expansion in history continues.

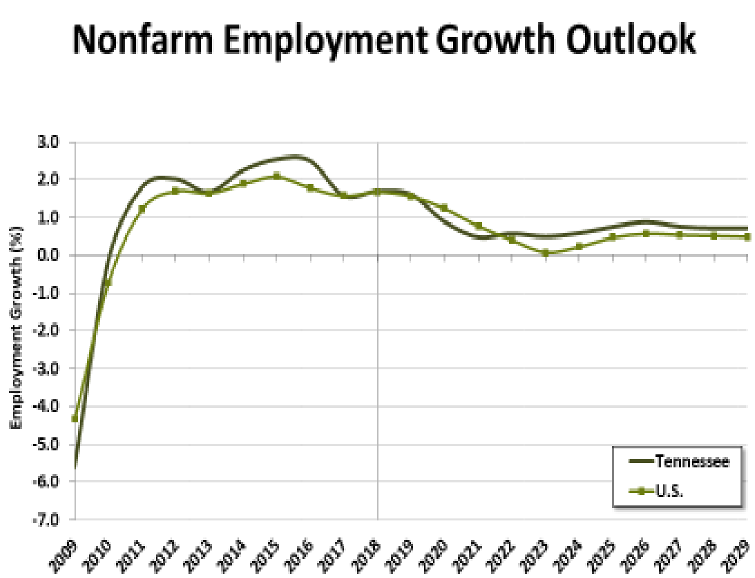
Slower growth is consistent with the state and national economies operating at full employment. A good sign of full employment is the unemployment rate. In 2018, the state unemployment rate stood at 3.5 percent while the national rate was 3.9 percent. These are rather remarkable rates of unemployment that signal increasing scarcity in labor markets. There has been considerable discussion in the business media and among policymakers and analysts regarding the slowdown in the economy. The media, in particular, point to trade wars and tariffs as the culprit. While trade wars deserve part of the blame, the primary reason for slower growth is the maturity of the economic expansion and the limited capacity of markets—in particular the labor market—to support stronger gains. The path of U.S. business fixed investment offers important insights. When growth prospects are bright and the economy is expanding at a strong pace, business investment is strong to meet the growing demand for business equipment and consumer products. When job growth slows, income slows in turn. This reduces the growth in the demand for new goods and services, and thus diminishes the need for additional business production capacity. U.S. business fixed investment contracted in the first through third quarters of 2019.

This slower growth environment is *not* a call for recession. If one took the view of many in the media, a recession is imminent because we have not had a recession for over a decade. The absence of a recession is not a sufficient basis for outright contraction. Recessions arise from policy mistakes, like tightening monetary policy too aggressively, or a surprise shock, like the financial and housing market crisis that led to the Great Recession. Such necessary ingredients for recession are absent today; one is hard pressed to identify any major economic threat that could derail the current expansion. At the same time, with GDP growth hovering at or just below 2 percent, a historically modest shock would be sufficient to induce an economic downturn. The next recession, like previous recessions, will likely be caused by a single shock or series of market shocks that are not obvious today.

Over the course of the next two years, growth will moderate as the expansion loses some steam. In the early 2020s, the economy is expected to revert to trend growth, consistent with the long-term factors like labor force and productivity growth that define the trajectory of overall growth. In general, this longer-term outlook will also be characterized by growth that is relatively modest by historical standards. The two key factors holding back longer term growth were mentioned immediately above: slower growth in the labor force due to demographic factors and ongoing slow growth in productivity.

Tennessee and the U.S. are each expected to see real GDP growth of 2.1 percent in 2020, with growth then falling below 2 percent for the next several years. Personal income growth will slow as well because of slower job growth which translates into slower growth in wage and salary income. Unemployment rates have likely bottomed out. The state unemployment rate is expected to rise from its projected 3.4 percent rate in 2019 to 3.5 percent.

While the employment outlook is muted, the labor market continues to be in fine health. As shown in the following figure, growth will moderate compared to previous years of the economic expansion, but remain positive. Expect nonfarm employment to be up 0.9 percent in Tennessee in 2020, slightly below the nation's pace of job creation. Job growth will slow further in 2021 and 2022. The manufacturing sector for the U.S. is expected to lose jobs in 2020, while Tennessee's industrial job losses will be delayed to 2021. Unfortunately, both U.S. and Tennessee manufacturing jobs are expected to then contract for the foreseeable future.



Source: Bureau of Labor Statistics, IHS Markit™, and Boyd Center for Business and Economic Research

Tax expenditures (exemptions, deductions and abatements)
(*Prepared by Tennessee Departments of Revenue and Economic and Community Development*)

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 take into account the impact of a change in a particular tax provision on taxpayer behavior that may impact other taxes (i.e. secondary or feedback effects).

Tennessee's 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). Business relocations and expansions are encouraged through a variety of statutory tax credits. These credits support hiring and investment, drive wage growth, and make Tennessee businesses more productive in an ever increasing, competitive global market. Tennessee's tax credits are one of many factors companies evaluate and compare across different locations in site selection decisions. They, along with other grant and incentive programs, are used as part of overall incentive packages that allow Tennessee to compete for significant business investments.

TNECD's vision (and the goal of Tennessee's governor) is to improve the economic success of all Tennesseans by assisting in the creation of job opportunities throughout the state, and Tennessee's job growth and economic development success speak to the effectiveness of state incentives in achieving this vision. Between 2015 and the third quarter of 2019, TNECD secured more than 101,000 new job commitments and $21.8 billion in investment from companies locating or expanding across the state were secured. Job creation is taking place all across Tennessee with over 36,000 new job commitments in rural counties over the last five years.

One way TNECD aims to support net new job creation and capital investment is through its FastTrack grant programs. These programs are designed to help offset costs companies incur in job training, infrastructure development, and a variety of other expenses associated with expansion and relocation activity. During the first three quarters of 2019, TNECD located 77 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 generate 31,784 new job opportunities across the state. This includes 11,567 jobs directly created by the company expansion and recruitment activity as well as 20,217 indirect and induced jobs from across the supplier network and other industries as a result of expanded economic growth.

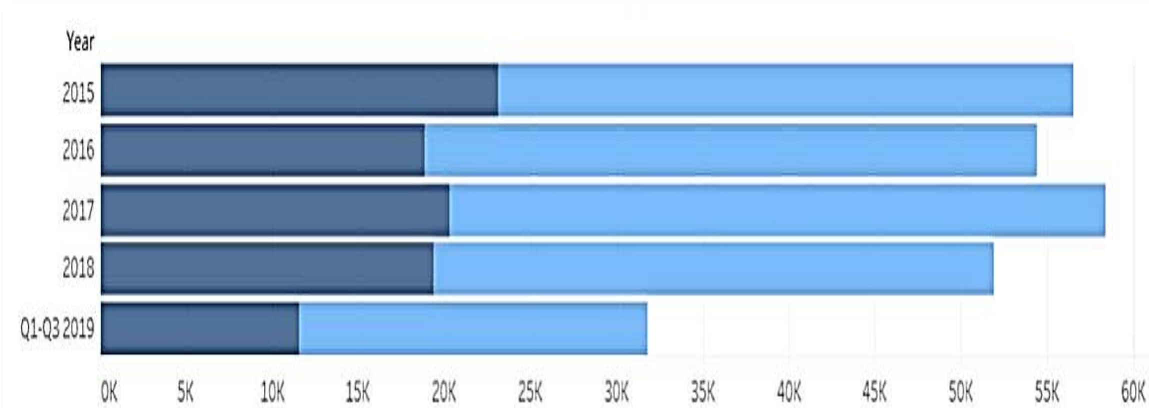
Over the next ten years, TNECD forecasts these projects will increase Tennessee's economic output by $57 billion and generate $14.0 billion in new salaries.

The state's investments in projects during the first three quarters of 2019 have a projected annual rate of return of 30.2 percent. The costs of incentives are projected to be returned to the state in 3.2 years as a result of additional revenues the projects will generate. (These return on investment figures take into consideration additional costs of providing state services as well as tax credits companies may be eligible for.)

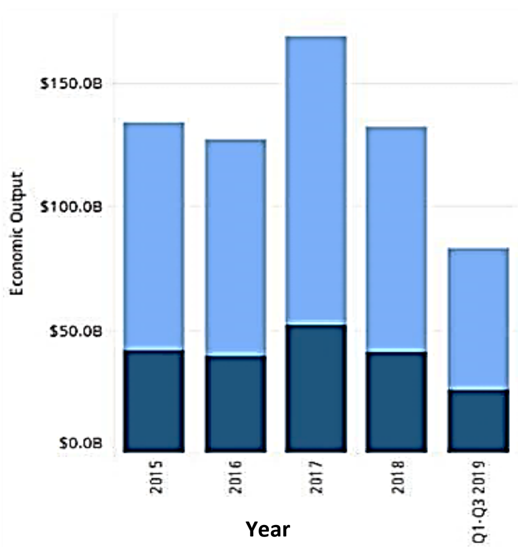
The state is proactive in its analysis of its incentive packages and the economic benefits, and it operates in a fiscally responsible way when recruiting new business and supporting existing business growth. TNECD has developed a key performance indicator (KPI) transparency platform to provide current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

TNECD's OpenECD website https://www.tn.gov/transparenttn/open-ecd.html has been designed to provide the above mentioned, as well as additional information and documents pertaining to TNECD grants and incentives in a user-friendly manner.

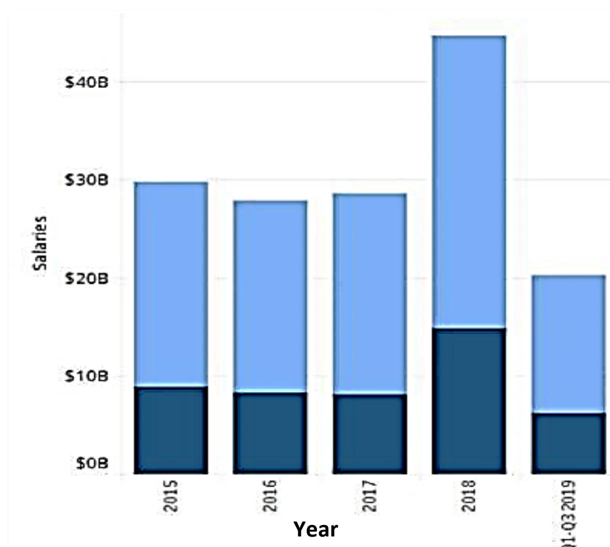
Total New Jobs (10-Year Projection)



Economic Output (10-Year Projection)



Total New Salaries (10-Year Projection)



Direct **Indirect and Induced**

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

More Tennesseans are working now than ever before. Statewide unemployment has held below 4.0 percent since April 2017.

Tennessee's GDP totaled $365.6 billion in 2018, the highest level in state history. During the past decade, Tennessee's economy has grown 18.7 percent, the largest growth rate in the Southeast and 12th in the country. Tennessee's real GDP growth rate during this time is over 40 percent higher than the rate of the Southeast as a whole. This economic growth has also led to higher household income levels in Tennessee. In the last five years, the median household income in Tennessee increased by an inflation-adjusted 22.2 percent. In addition, Tennessee's personal income per capita grew 19.0 percent over the last five years.

Long-term financial planning and relevant financial policies

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

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

- The state has the flexibility to adjust benefits and premium sharing provisions provided by insurance plans and to adjust the various other post-employment benefit (OPEB) plan options and operations on an annual basis. To help ensure the fiscal integrity and sustainability of employee health insurance benefits for current, former and future employees, the state eliminated retiree insurance and the associated subsidies for state, higher education, local education and local government employees first hired, and elected officials first elected, after July 1, 2015.

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

- 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 meet state tax revenue shortfalls. 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 $875 million on June 30, 2019, the highest level in state history, and, the state's current year budget includes a historic deposit of $225 million (bringing this reserve balance to $1.1 billion).

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

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

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

  The 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 SPIF and actively managed and designed to invest in longer-term instruments in order to benefit from the normal steepness of the yield curve.

- The state is authorized to issue general obligation tax revenue anticipation notes (TRANS) in anticipation of tax revenues in the then current fiscal year of the state. The state constitution prohibits, however, the issuance of debt for operating purposes maturing beyond the end of a fiscal year. Accordingly, any TRANS issued in a fiscal year must be repaid by the end of the same fiscal year. The state has not heretofore issued TRANS and has no current intent to do so.

- The state may issue general obligation bonds for one or more purposes authorized by the General Assembly of the state, however, the term of the bonds authorized and issued cannot exceed the expected life of the project being financed. Bond anticipation notes have been authorized to be issued for the purposes of all existing bond authorizations.

- The state's current practice is to annually budget for 5 percent of all authorized and unissued general obligation bonds to account for assumed principal redemption (on the basis of an assumed 20-year, level-principal issue), plus an amount for assumed interest currently at a rate of 6 percent annually.

  Independent of the appropriation act process discussed earlier in this letter, state law appropriates on a direct and continuing basis, 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 through the use of sound, prudent, and conservative debt management practices adopted by the executive and legislative branches of government. Such practices include funding a portion of the state's capital program with surplus cash, cancellation of bond authorizations in lieu of issuing debt, creating and maintaining a "rainy day fund" to offset unanticipated revenue shortfalls, and the adoption of state statutes designed to control the issuance of excessive debt. The state continues to maintain a relative low debt burden, and access to the capital markets remains strong.

- Tennessee does not borrow money to fund transportation projects. Transportation initiatives instead follow a “pay-as-you-go” philosophy that utilizes bond authorizations as a cash management tool to accelerate projects in anticipation of expected revenues over a project’s horizon. The bonds are authorized but remain unissued. (No general obligation bonds have been issued for these purposes since 1977.) The authorization allows the Tennessee Department of Transportation (TDOT) to obligate projects and get them started. Project costs are then paid throughout the year using TDOT’s current cash flow. TDOT manages the project costs and has developed a model to project the cumulative cash requirement of multiple projects at different stages of construction and maintenance. The model projects TDOT’s cash balance and indicates when additional bonds can be authorized or, if expected revenue failed to meet targets, whether the bonds must be sold to cover expenses.

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

- The Tennessee Governmental Accountability Act of 2013 requires that a system of strategic planning, program performance measures and performance audits be used to measure the effectiveness and efficiency of governmental services. The information generated by the system is intended to inform the public and assist the General Assembly in making meaningful decisions about the allocation of scarce resources in meeting vital needs.

- Monthly financial data on revenues and expenditures is provided to the governor and agency heads. Significant variations from budget are required to be researched and commented upon by agency heads. The governor may affect spending reductions to offset unforeseen revenue shortfalls or unanticipated expenditure requirements for particular programs. These spending reductions can take the form of deferred equipment purchases, hiring freezes, and similar cutbacks. The governor may also call special sessions of the General Assembly at any time to address financial or other emergencies.

- All state departments and institutions of higher education must under Tennessee law perform an annual management assessment of risk. Implementation guidance requires that this assessment utilize enterprise risk management practices that align with the Committee of Sponsoring Organizations of the Treadway Commission’s (COSO) enterprise risk management (ERM) framework, and, incorporate the Standards for Internal Control in the Federal Government’s (known as the Green Book) adaption of COSO’s Internal Control – Integrated Framework (2013). The guidance emphasizes the need to integrate and coordinate risk management and strong and effective internal control into existing business activities and as an integral part of managing a state department or institution of higher education.

Major (legislative/budget) initiatives

The passage of Tennessee's fiscal year 2020 budget marked the first unanimous budget approval from the General Assembly since 2011. The $38.5 billion balanced budget maintains Tennessee's sound fiscal practices by not taking on any new debt, continuing to reduce unnecessary spending through state government efficiencies, and putting, as previously mentioned in this letter, a record investment in the state's emergency savings account, better known as the "rainy day fund". Such fiscally conservative practices have resulted in Tennessee being consistently ranked among the best managed states in the nation.

Included key initiatives work towards strengthening public education and school choice, enhancing workforce development, addressing criminal justice reform and public safety, promoting good government and developing solutions for rural Tennessee. Notably, this budget also includes a full repeal of the gym tax, the elimination of sales and use taxes on agricultural trailers and a reduction in professional privilege tax. The General Assembly has cut or reduced taxes every year since 2011 (including a reduction of the sales tax on food by nearly 30 percent).

Highlights of the 2019 legislative session include the following (additional information about several of these can be found in the "Facts, Decisions, or Conditions with Expected Future Impact" section of this report's MD&A):

- Creation of the Governor's Investment in Vocational Education (GIVE) program to expand access to vocational and technical training to students. The GIVE initiative is a two-pronged approach that utilizes regional partnerships to develop work-based learning and apprenticeship opportunities. GIVE also provides funding for high school juniors and seniors to utilize four, fully-funded dual enrollment credits for trade and technical programs.

- Establishment of the Tennessee's Education Savings Account Pilot Program. This is the state's first voucher and second private school choice program. With this program, planned for a 2020-21 school year launch, eligible students assigned to schools in Davidson County, Shelby County, or the Achievement School District can use existing state and local basic education program funds toward expenses, such as tuition or fees, at participating private schools.

- Establishment of the Governor's Office of Faith-Based and Community Initiatives. This office/initiative was launched with the awareness that government is not the answer to our problems and with the recognition that faith communities are called to feed the hungry, visit the sick and imprisoned, care for our neighbors and provide healing to those who are suffering. The mission is to bring these faithful, compassionate people together with state and local governments, find new ways to solve some of our toughest issues and leverage opportunities that contribute to the flourishing of Tennessee communities.

- Action to expand online sales tax collections by authorizing the enforcement of the state's rule requiring out-of-state dealers whose sales to Tennessee consumers exceed $500,000 during the previous 12-month period to collect and remit sales and use tax.

- Passage of the Tennessee Sports Gaming Act, making online sports gambling legal in Tennessee (and making Tennessee the only state in the nation to give players the opportunity to bet on mobile apps, while still outlawing physical gaming operations). The requirements and processes necessary for the licensing and regulation of online sports wagering in the state are currently being created.

- Adoption of legislation directing the state to request federal permission to convert its Medicaid program to block grant funding (whereby the federal share of medical assistance funding is turned into an allotment that is tailored to meet the need of the state and is indexed for inflation and population growth). If federal approval is granted, the General Assembly must approve any block grant waiver agreement prior to implementation. Should the measure succeed, Tennessee would become the first, and only, state to fund its Medicaid health care program through a block grant.

Awards and Acknowledgements

Certificate of Achievement Award

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Tennessee for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2018. This was the thirty-ninth 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.

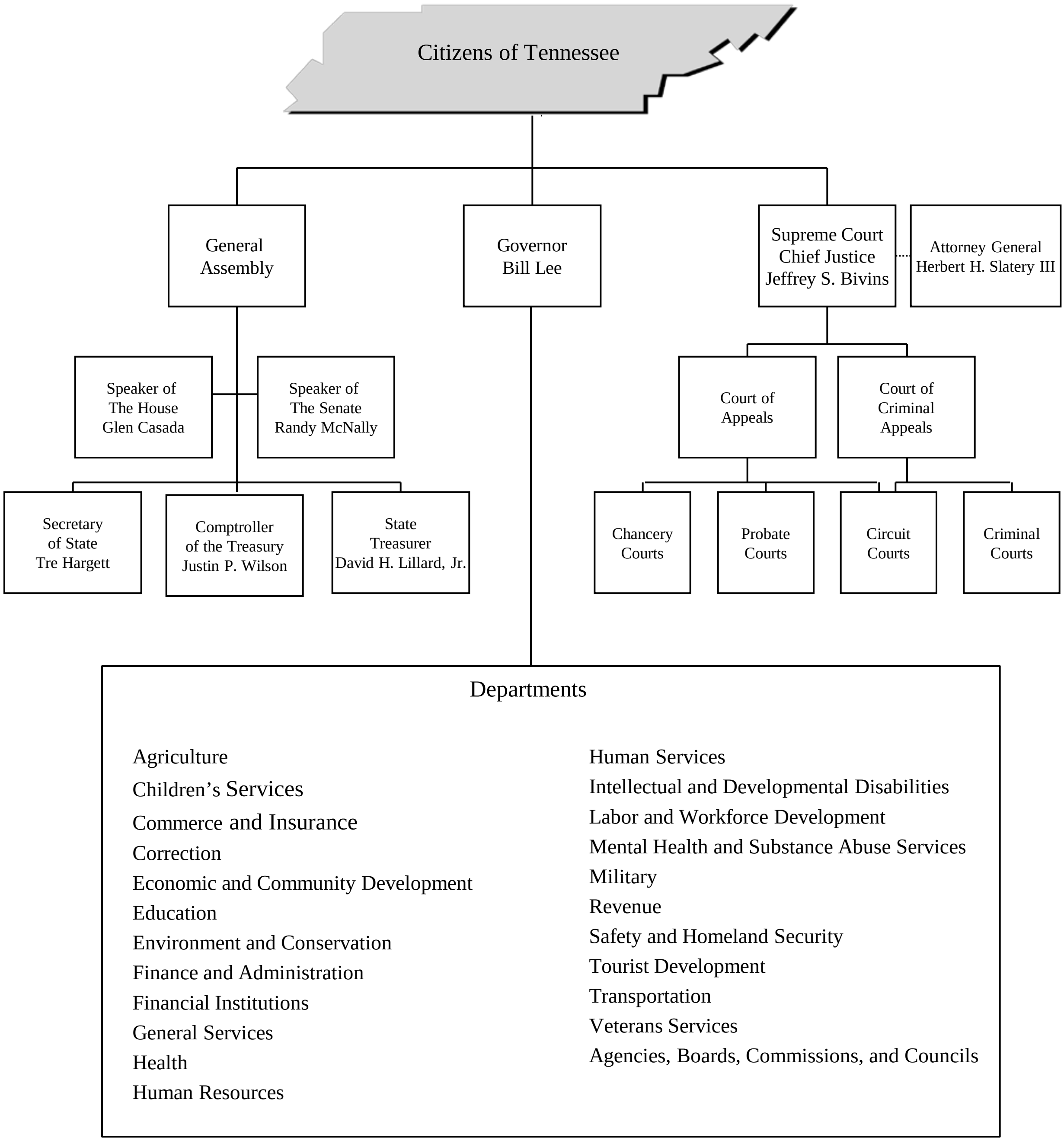
We express our sincere appreciation to these individuals; acknowledge the Governor and the members of the Legislature for their interest and support in planning and conducting the financial operations of the state in a very responsible and progressive manner; and, reaffirm our commitment to continue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

Respectfully submitted,

Stuart C. McWhorter
Commissioner

Mikel J. Corricelli
Chief of Accounts

STATE OF TENNESSEE
ORGANIZATION CHART
As of June 30, 2019



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Tennessee

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrill

Executive Director/CEO

FINANCIAL SECTION

Justin P. Wilson
Comptroller

Jason E. Mumpower
Deputy Comptroller

Independent Auditor's Report

Members of the General Assembly
The Honorable Bill Lee, Governor

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Tennessee, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Tennessee as of June 30, 2019, and the

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

Emphasis of Matter

As discussed in Note 5, the Tennessee Retiree Group Trust investment pool has investments valued at $10.2 billion, whose fair values have been estimated by management in the absence of readily determinable fair values. These investments make up 0.1% of net position of the general fund, 18.7% of net position of pension and other employee benefit trust funds, 0.08% of net position of investment trust funds, and 2.1% of total assets of agency funds. In addition, the financial statements of the University of Tennessee, a discretely presented component unit, include investments valued at $838.1 million (9.7% 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 19, 2019, 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.

Deborah V. Loveless

Deborah V. Loveless, CPA, Director
Division of State Audit
December 19, 2019

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Our management discussion and analysis (MD&A) of the State of Tennessee's (the state's) financial performance provides an overview of the state's financial activities for the year ended June 30, 2019. Please read it as a narrative introduction to the financial statements that follow. The information included here should be considered along with the transmittal letter which can be found on pages 2-12 of this report. MD&A includes a description of the basic financial statements for government, condensed financial information along with analyses of balances and financial position, descriptions of significant asset and debt activity, discussions of budgetary matters and significant issues affecting financial position.

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, 2019, by $39.3 billion (net position). Of this amount, $6.7 billion represents unrestricted net position, which may be used to meet the state's ongoing obligations to citizens and creditors while $30.4 billion represents net investment in capital assets.

Changes in Net Position– The state's net position increased by $2.1 billion. The increase was the result of a significant increase in tax revenue collections from business and sales tax as well as an increase in capital assets.

Component units–Component units reported total net position of $8.6 billion, an increase of $612.6 million.

Fund Level

At June 30, 2019, the state's governmental funds reported combined ending fund balances of $8.6 billion, an increase of $754.8 million (see discussion on page 24) compared to the prior year. Of the combined fund balance, approximately $6.3 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, $875 million of this amount is set aside in a revenue fluctuation account (rainy day fund).

Long-Term Debt

The state's total debt decreased by $108.5 million during the fiscal year to a total of $2.2 billion. This change is primarily due to the fact that no bonds were issued during the fiscal year. The commercial paper balance increased by $72.2 million over the fiscal year. This increase combined with the payment of principal during the fiscal year accounts for the decrease in long-term debt.

USING THIS ANNUAL REPORT

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

Reporting the State as a Whole

The Statement of Net Position and the Statement of Activities

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

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

- Governmental activities–general government; education; health and social services; law, justice and public safety; recreation and resources development; regulation of business and professions; transportation; intergovernmental revenue sharing; payments to fiduciary funds and interest on long-term debt.

- Business-type activities–employment security, insurance programs, loan programs and other.

- Component units–major discretely presented component units include the Tennessee Housing Development Agency, the Tennessee Education Lottery Corporation, the State University and Community College System, and the University of Tennessee. Although these and other smaller entities are legally separate, these "component units" are important because the state is financially accountable for them.

Reporting the State's Most Significant Funds

Fund financial statements

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

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

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

- Notes to the financial statements. Notes to the financial statements are also included and provide essential information to understand the financial statements. They are an integral part of the financial statements and focus on the primary government and its activities. Some information is provided for significant component units. The notes to the financial statements can be found on pages 52-126.

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 $39.3 billion as of June 30, 2019.

By far, the largest portion of the state's net position (77 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.

An additional portion of the state's net position (6 percent) is restricted and represents resources that are subject to either external restrictions or legislative restrictions on how they may be used. The remaining balance is unrestricted net position ($6.7 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 tax revenue collections, unrestricted net position increased by $1.2 billion (22 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	
	2019	2018*	2019	2018*	2019	2018*
Current and other assets	$ 12,465,649	$11,626,421	$ 3,107,200	$ 2,927,574	$15,572,849	$14,553,995
Capital assets	30,963,680	30,232,576	-	-	30,963,680	30,232,576
Total assets	43,429,329	41,858,997	3,107,200	2,927,574	46,536,529	44,786,571
Deferred ouflows of resources	1,033,253	780,735	-	-	1,033,253	780,735
Current and other liabilities	2,502,281	2,394,973	101,876	109,353	2,604,157	2,504,326
Noncurrent liabilities	5,420,314	5,717,618	11,582	11,379	5,431,896	5,728,997
Total liabilities	7,922,595	8,112,591	113,458	120,732	8,036,053	8,233,323
Deferred inflows of resources	233,737	124,786	-	-	233,737	124,786
Net position:						
Net investment in capital assets	30,355,607	29,616,706	-	-	30,355,607	29,616,706
Restricted	2,210,725	2,081,564	-	-	2,210,725	2,081,564
Unrestricted	3,739,918	2,704,085	2,993,742	2,806,842	6,733,660	5,510,927
Total net position	$ 36,306,250	$34,402,355	$ 2,993,742	$ 2,806,842	$39,299,992	$37,209,197

* The 2018 amounts presented here have not been restated for prior period adjustments. Complete information necessary to fully restate the 2018 amounts was not available. See Note 4.

State of Tennessee
Changes in Net Position
For the Fiscal Year Ended June 30
(Expressed in Thousands)

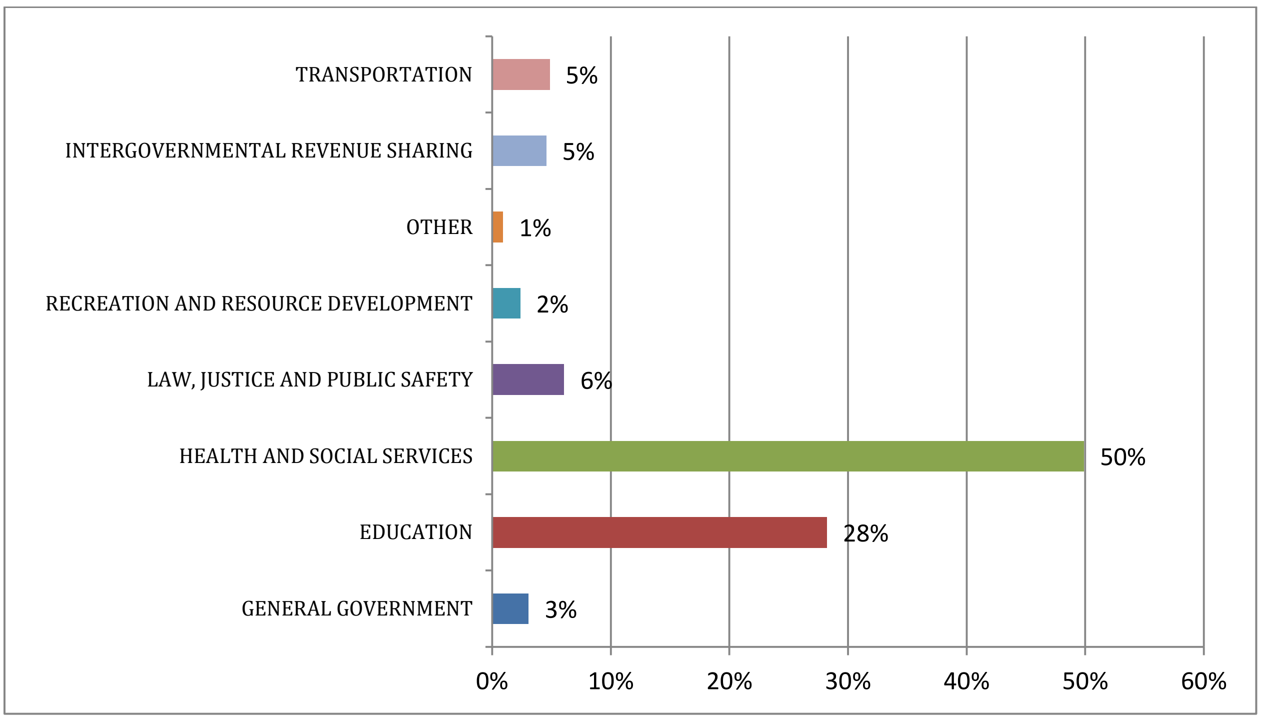
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018*	2019	2018*	2019	2018*
Revenues:						
Program revenues:						
Charges for services	$ 2,819,759	$ 2,743,238	$ 971,377	$ 925,101	$ 3,791,136	$ 3,668,339
Operating grants and contributions	11,974,935	12,064,641	76,576	88,198	12,051,511	12,152,839
Capital grants and contributions	725,242	738,173	-	-	725,242	738,173
General revenues:						
Sales Taxes	9,351,611	8,831,333			9,351,611	8,831,333
Other taxes	7,104,702	6,919,940			7,104,702	6,919,940
Other	345,502	368,403			345,502	368,403
Total revenues	32,321,751	31,665,728	1,047,953	1,013,299	33,369,704	32,679,027
Expenses:						
General government	937,895	870,036			937,895	870,036
Education	8,576,479	8,234,390			8,576,479	8,234,390
Health and social services	15,168,397	15,192,989			15,168,397	15,192,989
Law, justice and public safety	1,848,904	1,784,864			1,848,904	1,784,864
Recreation and resources					-	-
development	719,649	716,104			719,649	716,104
Regulation of business and					-	-
professions	217,075	215,749			217,075	215,749
Transportation	1,474,457	1,213,247			1,474,457	1,213,247
Intergovernmental revenue sharing	1,388,848	1,309,519			1,388,848	1,309,519
Interest on long-term debt	62,928	62,430			62,928	62,430
Payments to fiduciary funds	-	372			-	372
Employment security			205,234	222,988	205,234	222,988
Insurance programs			672,422	620,005	672,422	620,005
Loan programs			1,613	1,705	1,613	1,705
Other			305	1,014	305	1,014
Total expenses	30,394,632	29,599,700	879,574	845,712	31,274,206	30,445,412
Increase in net position						
before contributions and transfers	1,927,119	2,066,028	168,379	167,587	2,095,498	2,233,615
Transfers	(18,521)	(4,715)	18,521	4,715	-	-
Contributions to permanent funds	145	142			145	142
Increase (decrease) in net position	1,908,743	2,061,455	186,900	172,302	2,095,643	2,233,757
Net position, July 1	34,397,507	32,340,900	2,806,842	2,634,540	37,204,349	34,975,440
Net position, June 30	$ 36,306,250	$ 34,402,355	$ 2,993,742	$ 2,806,842	$ 39,299,992	$ 37,209,197

* The 2018 amounts presented here have not been restated for prior period adjustments. Complete information necessary to fully restate the 2018 amounts was not available. See Note 4.

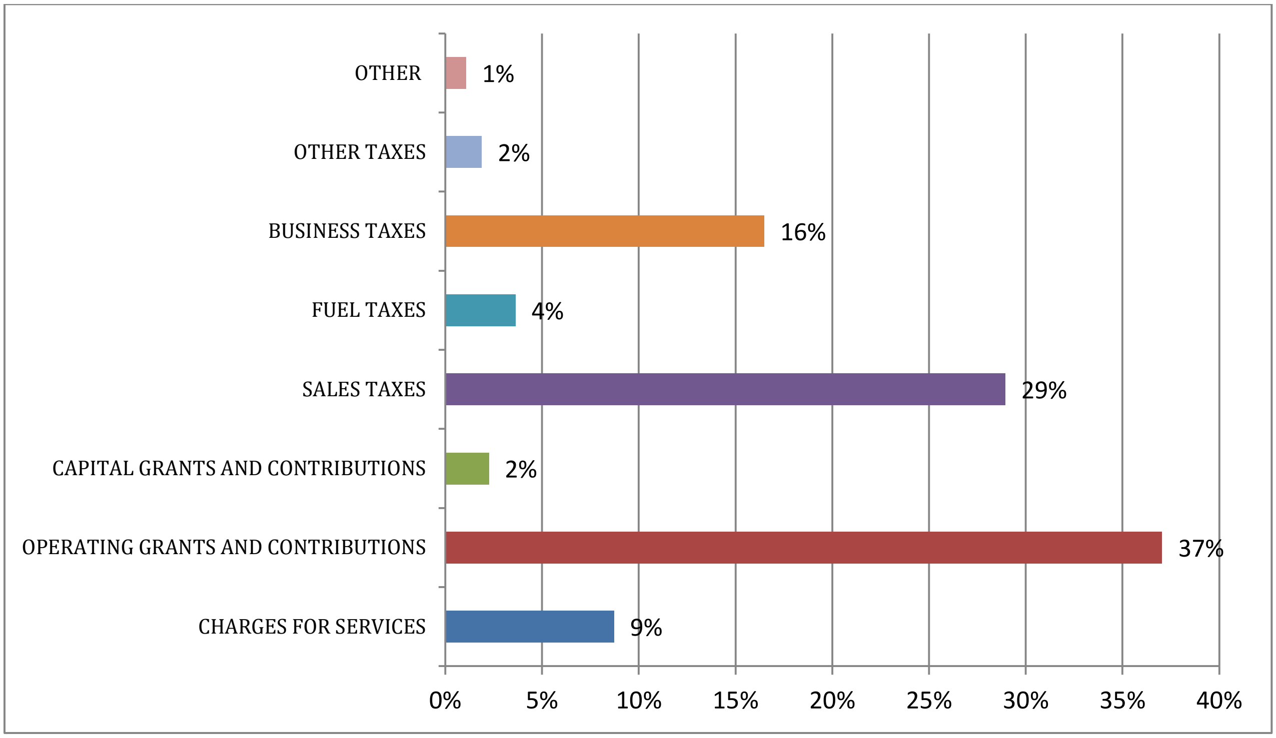
Governmental activities. Net position of the state's governmental activities increased by $1.9 billion (6 percent). This increase accounts for 91 percent of the total increase in net position of the primary government and is primarily the result of an increase in tax revenue as well as the capitalization of $321.6 million in expenses related to roadways and bridges and not recording depreciation expense for these assets.

Business-type activities. Net position of the state's business-type activities increased by $186.9 million (6.7 percent). This is primarily the result of the Employment Security Trust fund and Teacher Group Insurance fund experiencing an increase in net position of $125.1 million. The Employment Security Trust fund increase of $93.9 million is not considered to be significant and is generally due to a decrease in unemployment benefits paid as a result of a continued lower unemployment rate. The Teacher Group Insurance fund increase of $31.2 million is considered to be significant and is primarily due to increased premium revenues received. Insurance premiums are set at a rate that estimates the future benefit payments based on prior claims cost. If claims do not rise to the estimated levels, higher than anticipated increases to fund balance will occur. The Nonmajor Enterprise funds' activity resulted in a $10.6 million increase in net position. When the increase to the Teacher Group Insurance fund is removed, the other Nonmajor Enterprise funds activity resulted in a $20.6 million decrease in net position which is primarily attributable to an increase in transfers out during the year from the Drinking Water Loan program to the Sewer Treatment Loan program. This transfer was made due to the higher demand for clean water loans in the Sewer Treatment program.

EXPENSES BY FUNCTION-GOVERNMENTAL ACTIVITIES



REVENUES BY SOURCE-GOVERNMENTAL ACTIVITIES



THE STATE'S FUNDS

At June 30, 2019, 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 $875 million or 4 percent of the general fund's expenditures.

The general fund reported a $604 million increase in fund balance. The decline in the demand for capital subsidies (transfers) made to the capital projects fund and an increase in state tax revenues were key contributing factors. In the prior year, the General fund transferred $630.9 million for capital appropriations and only $235.5 million in the current year.

The education fund reported an overall increase for inflows of $269.4 million (3.3%) and an increase of outflows of $230.4 million (2.8%). Most of the increase in outflows was due to the increased funding for the state's Basic Education Program (K-12 funding), for compensation enhancements and increases for retirement contributions for teachers and other positions in the local education agencies, for a salary pool for higher education employees, for rising healthcare costs for K-12 and higher education employees, for higher education institutions' outcome- based formula growth, and to provide for equipment for community colleges and colleges of applied technology.

The overall fund balance increased in the education fund by $106.3 million. The majority of fund balance is restricted for student financial assistance. Of the $886.6 million fund balance in the education fund, $361.4 million is not available for future use because it is legally or contractually required to be maintained intact and $455.8 million is legally restricted or committed for specific purposes. Refer to Note 14, Governmental Fund Balances on page 93, for additional information regarding those specific purposes.

The highway fund inflows increased by $19.7 million and outflows increased $129.3 million. Expenditures increased primarily as a result of TDOT changing how expenses are estimated that have not been submitted by vendors. This change also led to the increase in related grant revenue.

The capital projects fund had an $18.5 million decrease in fund balance. The majority of this decrease is due to a decrease in revenues from appropriation transfers and the absence of the issuance of any bonds to be used for anticipated future capital project expenditures. The decrease in appropriations is due to improved economic conditions leading to an increase in general revenue collections. Inflows to the fund decreased by $611.2 million, when compared to the previous year, outflows also decreased by $43.8 million. The decrease in expenditures is due to a general decrease in capital outlay for current projects. Expenditures for capital projects are subject to various conditions that slow down construction progress. The restricted fund balance of $43.7 million does not significantly affect the availability of fund resources for future use.

The total plan net position of the pension trust funds are $52.3 billion, an increase of approximately $2.6 billion from the prior year. The increase was primarily the result of improvements in the financial markets; the pension trust funds incurred a net investment gain of $3.7 billion.

During the reporting period, the State of Tennessee Postemployment Benefits Trust was established for the purpose of advance funding the state's OPEB liabilities for state and component unit retirees participating in the Employee Group OPEB plan. During this initial year, employers made contributions to the trust in the amount of $301.5 million. Total benefit and administrative expenses paid by the fund during this initial year was $92.9 million. Total net position of the trust at June 30, 2019 is $213.7 million.

General Fund Budgetary Highlights

Federal revenue collections were below estimated levels (approx. 15%) primarily due to a continuing decline in the Supplemental Nutrition Assistance Program (SNAP) and the Temporary Assistance for Needy Families (TANF) program caseloads at the Department of Human Services (DHS). Because these programs are significantly funded by federal revenue, DHS's federal revenue saw a decrease of $580 million as a result of the decline in SNAP caseloads and $119 million as a result of the decline in TANF caseloads. The decline in TANF caseloads also led to a $27 million decline in the Child Care Development Fund (CCDF). The Department of Economic and Community Development had a decline in federal revenue due to the Community Development Block grant Disaster Recovery program (SANDY) ramping down in FY19. The Department of Health experienced a decrease in Women, Infant and Children (WIC) food participants which led to a $31 million dollar unexpected decline in federal revenue. Lastly, at TennCare, there was a $233 million dollar savings resulting from pharmacy rebates. These rebates offset federal revenue and therefore, underestimation of the rebates resulted in an overestimation of federal revenue. In addition, TennCare also was under-collected with Medicare services due to a significantly lower rate than anticipated. The savings in CoverKids is attributable to underspending due to lower enrollment as well as reduced medical billing.

Actual expenditures in Agriculture, Children Services, Labor and Workforce Development, Economic and Community Development, and the TennCare program 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 as well as some of these projects including federal funding which contributed to the overestimate in federal revenue. As previously mentioned, the Department of Human Services experienced a favorable expenditure variance due to a decline in expenditures in the SNAP and TANF programs. Corrections had high employee vacancy and turnover of staff in the prisons and the local jail population was lower than projected creating a savings.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The state's investment in capital assets at June 30, 2019, of $31 billion, net of $2.2 billion accumulated depreciation, consisted of the following:

Capital Assets-Primary Government
(Expressed in Thousands)

	Governmental Activities	
	2019	2018
Land	$ 2,491,648	$ 2,400,724
Infrastructure	24,838,797	24,687,389
Construction in progress	1,177,808	973,284
Structures and improvements	2,971,468	2,797,582
Machinery and equipment	1,588,292	1,245,327
Software in development	66,575	188,482
Subtotal	33,134,588	32,292,788
Accumulated depreciation	(2,170,908)	(2,060,212)
Total	$ 30,963,680	$ 30,232,576

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 2018 to 2019 by approximately 2.4 percent. The change was primarily due to increases of infrastructure (highways and bridges) and increases in construction in progress related to infrastructure projects. Infrastructure increased in total by $151.4 million, the majority of which resulted from highway and bridge projects completed and capitalized. Construction in progress for highways and bridges increased by $595.6 million and decreased (projects completed and capitalized) by $321.6 million. Infrastructure right-of-way acreage increased the land classification by $83 million. The change in machinery and equipment of $343 million resulted largely from a $308 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 8,415 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 128), 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 0.16 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 2018-2019 reflects a $407.6 million decrease 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 $215.9 million for higher education projects, $47 million for correction facilities, $24.3 million for maintenance of existing state facilities and $30.7 million for a local wastewater improvement project at the Memphis Regional Megasite.

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 6/30/19
Highway	$ 840,700
Higher Education	198,488
General Government	287,787
Total	$ 1,326,975

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	
	6/30/2019	6/30/2018
Bonds, net	$1,979,589	$2,160,357
Commercial Paper	237,396	165,176
Total	$2,216,985	$2,325,533

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, 2019, the state's maximum allowable debt service of $1.3 billion was well above the maximum annual debt service of $230 million, with a legal debt service margin of $1.1 billion.

FACTS, DECISIONS, OR CONDITIONS WITH EXPECTED FUTURE IMPACT

Unemployment and Jobs Growth
In October 2019, the state's unemployment rate was 3.4 percent. Between October 2018 and October 2019, Tennessee's nonfarm employment increased by 38,900 jobs. The latest statistics show the number of nonfarm jobs dropped by 5,100 between September and October of this year. The largest decreases occurred in the professional/business services and other services sectors.

Medicaid Block Grant:
A new law was approved this year calling for Tennessee's Governor, through its Commissioner of Finance and Administration, to request a block grant waiver from the Centers for Medicare and Medicaid Services (CMS) to better serve recipients of the state's TennCare program. The purpose is to provide the state an opportunity to develop an effective and innovative plan that is specific to the healthcare needs of all Tennesseans, while lowering costs and increasing access to patient-centered care. The proposal submitted in November 2019 to the federal government is altering Tennessee's federal funding (66 percent of its total Medicaid budget) into an annual lump sum (drug expenses would be excluded from the new program and benefits or eligibility levels would not change). Because the block grant would be based on future performance and experience, it is not possible to provide specific or exact revenue numbers. However, based on prior experience and already achieved savings per budget neutrality, the state should realize significant additional federal funding. It is estimated to take anywhere from six to nine months for the federal government to make a final decision on the Tennessee's block grant proposal.

Tax Initiatives and Changes
Legislative action to expand online sales tax collections is projected to increase FY 2020 state tax revenues by $44.7 million and city/county local option sales tax revenues by another $17.7 million. SB165/HB 667 gives the Department of Revenue the go-ahead to implement a 2016 rule to collect sales tax from online retailers with at least $500,000 in Tennessee sales. The $44.7 million FY 2020 revenue estimate assumes collections begin October 1, 2019. In future years, the state is expected to collect $59.6 million in state revenue and $23.6 million in local revenue.

The General Assembly passed a new law permitting online sports betting in Tennessee subject to state taxes and oversight. In May of 2018, the U.S. Supreme Court struck down a 1992 federal ban on sports betting. This ruling effectively returned the power to regulate sports betting to the states. SB 16/HB 1 is expected to increase state revenues by $30.8 million in FY 2020 and $52.3 million in FY 2021 and beyond by making sports betting vendors pay a licensing fee and monthly tax. The funds are earmarked for the Lottery for Education Account, the Tennessee Promise Scholarship Endowment Fund, administrative costs, and gambling addiction services within the Department of Mental Health and Substance Abuse Services.

SB 0398/HB 1262 limits the professions to which the professional privilege tax applies to beginning with privilege taxes due and payable after May 31, 2020. This is expected to result in an annual decrease in state revenue of $22.3 million beginning in FY 2021.

Reserve for Revenue Fluctuation (Rainy Day) Fund
A historic deposit of $225 million to the Tennessee rainy day fund will result in an all-time record high reserve of $1.1 billion by June 30, 2020.

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.

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BASIC FINANCIAL STATEMENTS

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STATE OF TENNESSEE
Statement of Net Position
June 30, 2019
(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Total Component Units
ASSETS				
Cash and cash equivalents	$ 8,081,088	$ 827,740	$ 8,908,828	$ 2,524,357
Cash on deposit with fiscal agent	-	1,278,576	1,278,576	-
Investments	806,395	-	806,395	418,724
Receivables, net	2,901,878	121,146	3,023,024	318,124
Internal balances	1,595	(1,595)	-	-
Due from primary government	-	-	-	60,142
Due from component units	124,948	-	124,948	-
Inventories, at cost	48,411	-	48,411	10,020
Prepayments	11,594	-	11,594	25,124
Loans receivable, net	8,450	881,333	889,783	4,587,740
Net investment in capital leases	6,910	-	6,910	-
Fair value of derivatives	-	-	-	325
Other	-	-	-	26,187
Restricted assets:				
Cash and cash equivalents	70,866	-	70,866	681,968
Investments	376,130	-	376,130	2,203,195
Receivables, net	-	-	-	407,188
Net pension assets	27,384	-	27,384	20,493
Other	-	-	-	4,589
Capital assets:				
Land, at cost	2,491,648	-	2,491,648	273,485
Infrastructure	24,838,797	-	24,838,797	791,020
Structures and improvements, at cost	2,971,468	-	2,971,468	7,040,065
Machinery and equipment, at cost	1,588,292	-	1,588,292	1,188,343
Less-accumulated depreciation	(2,170,908)	-	(2,170,908)	(3,745,987)
Construction in progress	1,177,808	-	1,177,808	491,394
Software in development	66,575	-	66,575	-
Total assets	43,429,329	3,107,200	46,536,529	17,326,496
DEFERRED OUTFLOWS OF RESOURCES	1,033,253	-	1,033,253	418,459
LIABILITIES				
Accounts payable and other current liabilities	1,964,854	84,523	2,049,377	575,017
Due to primary government	-	-	-	124,948
Due to component units	49,745	-	49,745	-
Unearned revenue	460,501	17,353	477,854	155,035
Fair value of derivatives	-	-	-	-
Payable from restricted assets	16,784	-	16,784	-
Due to component units from restricted assets	10,397	-	10,397	-
Other	-	-	-	35,721
Noncurrent liabilities:				
Due within one year	593,665	-	593,665	389,835
Due in more than one year	4,826,649	11,582	4,838,231	7,716,029
Total liabilities	7,922,595	113,458	8,036,053	8,996,585
DEFERRED INFLOWS OF RESOURCES	233,737	-	233,737	104,281
NET POSITION				
Net investment in capital assets	30,355,607	-	30,355,607	4,177,163
Restricted for:				
Highway projects	712,002	-	712,002	-
Student financial assistance	169,065	-	169,065	-
Natural and wildlife resources	61,853	-	61,853	-
Capital projects	43,685	-	43,685	115,923
Single family bond programs	-	-	-	434,893
Regulatory activities	52,307	-	52,307	-
Pensions	27,384	-	27,384	20,493
Other	133,473	-	133,473	931,648
Permanent and endowment funds				
Expendable	481,412	-	481,412	160,598
Nonexpendable	529,544	-	529,544	1,327,688
Unrestricted	3,739,918	2,993,742	6,733,660	1,475,683
Total net position	$ 36,306,250	$ 2,993,742	$ 39,299,992	$ 8,644,089

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, 2019
(Expressed in Thousands)

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	$ 937,895	$ 1,045,776	$ 70,083	$ 843
Education	8,576,479	30,633	1,712,107	-
Health and social services	15,168,397	1,130,530	9,679,597	2,850
Law, justice and public safety	1,848,904	159,868	169,928	7,081
Recreation and resources development	719,649	184,084	167,557	1,112
Regulation of business and professions	217,075	203,660	1,459	-
Transportation	1,474,457	65,208	174,204	713,356
Intergovernmental revenue sharing	1,388,848	-	-	-
Interest	62,928	-	-	-
Payments to fiduciary fund	-	-	-	-
Total governmental activities	30,394,632	2,819,759	11,974,935	725,242
Business-type activities:				
Employment security	205,234	256,943	42,196	-
Insurance programs	672,422	702,429	5,180	-
Loan programs	1,613	11,850	29,162	-
Other	305	155	38	-
Total business-type activities	879,574	971,377	76,576	-
Total primary government	$ 31,274,206	$ 3,791,136	$ 12,051,511	$ 725,242
Component units:				
Higher education institutions	$ 5,149,253	$ 1,844,373	$ 1,822,424	$ 299,363
Loan programs	661,549	214,302	377,387	-
Lottery programs	1,695,563	1,693,351	28	-
Other	64,948	62,090	3,317	-
Total component units	$ 7,571,313	$ 3,814,116	$ 2,203,156	$ 299,363
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, 2019
(Expressed in Thousands)

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-Type Activities	Total Primary Government	Component Units
$ 178,807	$ -	$ 178,807	$ -
(6,833,739)	-	(6,833,739)	-
(4,355,420)	-	(4,355,420)	-
(1,512,027)	-	(1,512,027)	-
(366,896)	-	(366,896)	-
(11,956)	-	(11,956)	-
(521,689)	-	(521,689)	-
(1,388,848)	-	(1,388,848)	-
(62,928)	-	(62,928)	-
-	-	-	-
(14,874,696)	-	(14,874,696)	-
-	93,905	93,905	-
-	35,187	35,187	-
-	39,399	39,399	-
-	(112)	(112)	-
-	168,379	168,379	-
(14,874,696)	168,379	(14,706,317)	-
-	-		
-	-		
-	-	-	(1,183,093)
-	-	-	(69,860)
-	-	-	(2,184)
-	-	-	459
-	-	-	(1,254,678)
9,351,611	-	9,351,611	-
1,170,828	-	1,170,828	-
5,326,127	-	5,326,127	-
607,747	-	607,747	-
-	-	-	1,603,555
-	-	-	75,510
151,603	-	151,603	101,444
193,899	-	193,899	6,159
145	-	145	80,644
(18,521)	18,521	-	-
16,783,439	18,521	16,801,960	1,867,312
1,908,743	186,900	2,095,643	612,634
34,397,507	2,806,842	37,204,349	8,031,455
$ 36,306,250	$ 2,993,742	$ 39,299,992	$ 8,644,089

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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. Effective July 1, 1986, the Department of Transportation began earning interest on certain unspent monies for a new highway construction program, while the general fund earns the interest on the other highway program monies.

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

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

STATE OF TENNESSEE

Balance Sheet

Governmental Funds
June 30, 2019
(Expressed in Thousands)

	General	Education	Highway	Capital Projects
ASSETS				
Cash and cash equivalents	$ 3,917,727	$ 5,184	$ 1,117,574	$ 1,466,067
Investments	159,511	231,389	-	-
Receivables, net	1,857,693	717,050	246,000	2,124
Due from other funds	214,779	4,239	37	485
Due from component units	228	119,331	-	4,706
Inventories, at cost	13,312	81	31,761	-
Loans receivable, net	1,823	-	826	-
Prepayments and others	12,245	-	-	-
Restricted assets:				
Cash and cash equivalents	-	-	-	70,866
Investments	14,749	361,381	-	-
Total assets	$ 6,192,067	$ 1,438,655	$ 1,396,198	$ 1,544,248
LIABILITIES				
Accounts payable and accruals	1,125,645	264,316	270,413	47,009
Due to other funds	14,991	212,749	1,200	383
Due to component units	12,125	17,758	1,633	14,759
Payable from restricted assets	-	-	-	16,784
Due to component units from restricted assets	-	-	-	10,397
Unearned revenue	411,014	77	4,818	-
Total liabilities	1,563,775	494,900	278,064	89,332
DEFERRED INFLOWS OF RESOURCES	199,467	57,127	51,423	-
FUND BALANCES				
Nonspendable				
Inventories	$ 13,312	$ 82	$ 31,761	$ -
Long term portion of accounts receivable	10,177	-	-	-
Permanent fund and endowment corpus	-	361,381	-	-
Restricted	92,579	439,799	695,439	43,685
Committed	362,881	15,967	223,878	-
Assigned	2,298,179	69,399	115,633	1,411,231
Unassigned	1,651,697	-	-	-
Total fund balances	4,428,825	886,628	1,066,711	1,454,916
Total liabilities, deferred inflows of resources and fund balances	$ 6,192,067	$ 1,438,655	$ 1,396,198	$ 1,544,248

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

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

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

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

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

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

Net position of governmental activities

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

STATE OF TENNESSEE
Balance Sheet
Governmental Funds
June 30, 2019
(Expressed in Thousands)

Nonmajor Governmental Funds	Total Governmental Funds
$ 354,989	$ 6,861,541
415,495	806,395
65,346	2,888,213
60	219,600
670	124,935
-	45,154
5,801	8,450
24	12,269
-	70,866
-	376,130
$ 842,385	$ 11,413,553
92,037	1,799,420
611	229,934
3,160	49,435
-	16,784
-	10,397
6	415,915
95,814	2,521,885
6,489	314,506
$ -	$ 45,155
-	10,177
168,163	529,544
404,364	1,675,866
151,169	753,895
16,386	3,910,828
-	1,651,697
740,082	8,577,162
$ 842,385	
	30,341,940
	314,221
	1,300,202
	(1,798,223)
	(2,429,052)
	$ 36,306,250

STATE OF TENNESSEE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2019
(Expressed in Thousands)

	General	Education	Highway	Capital Projects
REVENUES				
Taxes:				
Sales and use	$ 3,888,105	$ 5,355,875	$ 27,908	$ -
Fuel	12,820	-	1,055,351	-
Business	4,765,749	280,816	7,235	-
Other	583,799	143	-	-
Licenses, fines, fees, and permits	511,619	2,595	313,989	-
Investment income	154,441	46,256	-	-
Federal	10,024,723	1,137,053	876,970	7,081
Departmental services	2,081,654	150,335	37,647	41,216
Other	178,283	447,202	14,219	-
Total revenues	22,201,193	7,420,275	2,333,319	48,297
EXPENDITURES				
General government	661,758	-	-	-
Education	-	8,355,510	-	-
Health and social services	16,007,652	-	-	-
Law, justice and public safety	1,861,062	-	-	-
Recreation and resources development	581,459	-	-	-
Regulation of business and professions	115,111	-	-	-
Transportation	-	-	2,017,320	-
Intergovernmental revenue sharing	987,931	-	400,917	-
Debt service:				
Principal	-	-	-	8,400
Interest	-	-	-	-
Debt issuance costs	-	-	-	-
Capital outlay	-	-	-	408,337
Total expenditures	20,214,973	8,355,510	2,418,237	416,737
Excess (deficiency) of revenues over (under) expenditures	1,986,220	(935,235)	(84,918)	(368,440)
OTHER FINANCING SOURCES (USES)				
Bonds and commercial paper issued	-	-	-	69,256
Insurance claims recoveries	366	-	-	-
Transfers in	46,925	1,092,496	115,016	284,590
Transfers out	(1,429,204)	(51,011)	(2,663)	(3,895)
Total other financing sources (uses)	(1,381,913)	1,041,485	112,353	349,951
Net change in fund balances	604,307	106,250	27,435	(18,489)
Fund balances, July 1, restated	3,824,518	780,378	1,039,276	1,473,405
Fund balances, June 30	$ 4,428,825	$ 886,628	$ 1,066,711	$ 1,454,916

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, 2019

(Expressed in Thousands)

Nonmajor Governmental Funds	Total Governmental Funds
$ 65,930	$ 9,337,818
102,657	1,170,828
202,039	5,255,839
42,990	626,932
253,152	1,081,355
33,610	234,307
52,940	12,098,767
22,617	2,333,469
10	639,714
775,945	32,779,029
27,361	689,119
9,012	8,364,522
-	16,007,652
7,071	1,868,133
240,098	821,557
113,971	229,082
-	2,017,320
-	1,388,848
144,711	153,111
75,165	75,165
1,741	1,741
-	408,337
619,130	32,024,587
156,815	754,442
-	69,256
-	366
11,109	1,550,136
(132,652)	(1,619,425)
(121,543)	333
35,272	754,775
704,810	7,822,387
$ 740,082	$ 8,577,162

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, 2019
(Expressed in Thousands)

Net change in fund balances - total governmental funds	$ 754,775
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.	833,821
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.	65,050
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.	83,855
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.	182,418
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.	(11,176)
Changes in net position of governmental activities	$ 1,908,743

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, 2019
(Expressed in Thousands)

	Business Type Activities - Enterprise Funds				
	Sewer Treatment Loan	Employment Security	Nonmajor Enterprise Funds	Total	Governmental Activities- Internal Service Funds
ASSETS					
Current assets:					
Cash and cash equivalents	$ 448,803	$ -	$ 378,937	$ 827,740	$ 1,219,547
Cash on deposit with fiscal agent	-	1,278,576	-	1,278,576	-
Receivables:					
Accounts receivable	-	112,545	8,601	121,146	13,665
Loans receivable	36,042	-	18,246	54,288	-
Due from other funds	-	222	-	222	881
Due from component units	-	-	-	-	13
Inventories, at cost	-	-	-	-	3,257
Prepayments	-	-	-	-	97
Total current assets	484,845	1,391,343	405,784	2,281,972	1,237,460
Noncurrent assets:					
Loans receivable	646,925	-	180,120	827,045	-
Due from other funds	-	-	-	-	313
Net investment in capital leases	-	-	-	-	6,910
Restricted net pension assets	-	-	-	-	446
Capital assets:					
Land, at cost	-	-	-	-	58,661
Structures and improvements, at cost	-	-	-	-	674,520
Machinery and equipment, at cost	-	-	-	-	390,480
Less: Accumulated depreciation	-	-	-	-	(566,248)
Construction in progress	-	-	-	-	62,639
Software in development	-	-	-	-	1,688
Total noncurrent assets	646,925	-	180,120	827,045	629,409
Total assets	1,131,770	1,391,343	585,904	3,109,017	1,866,869
DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-	58,858
LIABILITIES					
Current liabilities:					
Accounts payable and accruals	173	25,625	58,725	84,523	132,071
Due to other funds	-	1,817	-	1,817	1,455
Due to component units	-	-	-	-	310
Lease obligations payable	-	-	-	-	381
Bond payable	-	-	-	-	13,964
Unearned revenue	-	17,188	165	17,353	44,586
Others	-	-	-	-	42,897
Total current liabilities	173	44,630	58,890	103,693	235,664
Noncurrent liabilities:					
Pension	-	-	-	-	58,910
Lease obligations payable	-	-	-	-	7,042
Commercial paper payable	-	-	-	-	25,130
Bonds payable	-	-	-	-	149,233
Others	7,923	-	3,659	11,582	143,020
Total noncurrent liabilities	7,923	-	3,659	11,582	383,335
Total liabilities	8,096	44,630	62,549	115,275	618,999
DEFERRED INFLOWS OF RESOURCES	-	-	-	-	6,526
NET POSITION					
Net investment in capital assets	-	-	-	-	429,552
Restricted for:					
Capital projects	-	-	-	-	5,588
Pensions	-	-	-	-	446
Unrestricted	1,123,674	1,346,713	523,355	2,993,742	864,616
Total net position	$ 1,123,674	$ 1,346,713	$ 523,355	$ 2,993,742	$ 1,300,202

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, 2019
(Expressed in Thousands)

	Business Type Activities - Enterprise Funds				
	Sewer Treatment Loan	Employment Security	Nonmajor Enterprise Funds	Total	Governmental Activities- Internal Service Funds
Operating revenues					
Charges for services	$ 9,442	$ -	$ 3,841	$ 13,283	$ 624,160
Investment income	9,188	-	2,533	11,721	-
Premiums	-	256,943	701,151	958,094	747,584
Total operating revenues	18,630	256,943	707,525	983,098	1,371,744
Operating expenses					
Personal services	-	-	-	-	195,016
Contractual services	1,036	-	32,811	33,847	302,724
Materials and supplies	-	-	1	1	57,400
Rentals and insurance	-	-	-	-	62,308
Depreciation and amortization	-	-	-	-	45,830
Benefits	-	205,234	635,823	841,057	780,602
Other	-	-	4,669	4,669	6,205
Total operating expenses	1,036	205,234	673,304	879,574	1,450,085
Operating income (loss)	17,594	51,709	34,221	103,524	(78,341)
Nonoperating revenues (expenses)					
Grants	18,751	14,051	1,217	34,019	-
Insurance claims recoveries	-	-	-	-	648
Gain on sales of capital assets	-	-	-	-	4,972
Interest income	-	28,145	5,218	33,363	21,275
Interest expense	-	-	-	-	(6,946)
Other	(1,487)	-	(1,040)	(2,527)	-
Total nonoperating revenues (expenses)	17,264	42,196	5,395	64,855	19,949
Income (loss) before contributions and transfers	34,858	93,905	39,616	168,379	(58,392)
Capital contributions	-	-	-	-	863
Transfers in	47,497	-	14,846	62,343	50,874
Transfers out	-	-	(43,822)	(43,822)	(4,521)
Change in net position	82,355	93,905	10,640	186,900	(11,176)
Net position, July 1, restated	1,041,319	1,252,808	512,715	2,806,842	1,311,378
Net position, June 30	$ 1,123,674	$ 1,346,713	$ 523,355	$ 2,993,742	$ 1,300,202

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, 2019
(Expressed in Thousands)

	Business Type Activities - Enterprise Funds				
	Sewer Treatment Loan	Employment Security	Nonmajor Enterprise Funds	Total	Governmental Activities- Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	$ -	$ 259,115	$ 711,580	$ 970,695	$ 417,420
Receipts from interfund services provided	-	1,904	-	1,904	997,254
Payments to suppliers	-	1	(682,606)	(682,605)	(1,081,968)
Payments to employees	-	-	(1)	(1)	(197,357)
Payments for unemployment benefits	-	(188,228)	-	(188,228)	-
Payments for interfund services used	(1,036)	(1)	(1,394)	(2,431)	(158,659)
Net cash provided by (used for) operating activities	(1,036)	72,791	27,579	99,334	(23,310)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating grants received	18,751	1,078	1,217	21,046	-
Negative cash balance implicitly financed	-	410	-	410	-
Transfers in	47,497	-	14,846	62,343	50,653
Transfers out	-	-	(43,822)	(43,822)	-
Net cash provided by (used for) noncapital financing activities	66,248	1,488	(27,759)	39,977	50,653
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of capital assets	-	-	-	-	(121,351)
Bond and commercial paper proceeds	-	-	-	-	15,744
Proceeds from sale of capital assets	-	-	-	-	7,793
Insurance claims recoveries	-	-	-	-	648
Bond issuance cost	-	-	-	-	-
Principal payments	-	-	-	-	(18,848)
Interest paid	-	-	-	-	(8,002)
Net cash provided by (used for) capital and related financing activities	-	-	-	-	(124,016)
CASH FLOWS FROM INVESTING ACTIVITIES					
Loans issued and other disbursements to borrowers	(96,207)	-	(29,693)	(125,900)	-
Collection of loan principal	37,112	-	18,036	55,148	-
Interest received	18,803	28,145	10,046	56,994	21,275
Net cash provided by (used for) investing activities	(40,292)	28,145	(1,611)	(13,758)	21,275
Net increase (decrease) in cash and cash equivalents	24,920	102,424	(1,791)	125,553	(75,398)
Cash and cash equivalents, July 1, restated	423,883	1,176,152	380,728	1,980,763	1,294,945
Cash and cash equivalents, June 30	$ 448,803	$ 1,278,576	$ 378,937	$ 2,106,316	$ 1,219,547

(continued on next page)

STATE OF TENNESSEE
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2019
(Expressed in Thousands)

(continued from previous page)

	Business Type Activities - Enterprise Funds				
	Sewer Treatment Loan	Employment Security	Nonmajor Enterprise Funds	Total	Governmental Activities- Internal Service Funds
Reconciliation of operating income to net cash provided by (used for) operating activities					
Operating income (loss)	$ 17,594	$ 51,709	$ 34,221	$ 103,524	$ (78,341)
Adjustment to reconcile operating income (loss) to net cash from operating activities:					
Depreciation and amortization	-	-	-	-	45,830
Loss on disposal of capital assets	-	-	-	-	1,134
Bond issuance costs	-	-	-	-	-
Interest income	(9,442)	-	(2,378)	(11,820)	-
Investment income	(9,188)	-	(2,533)	(11,721)	-
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:					
(Increase) decrease in receivables	-	18,066	(4,273)	13,793	(1,426)
(Increase) decrease in due from other funds	-	180	-	180	135
(Increase) decrease in due from component units	-	-	-	-	(13)
(Increase) decrease in inventories	-	-	-	-	(106)
(Increase) decrease in prepaids	-	-	-	-	167
(Increase) decrease in net pension assets	-	-	-	-	(284)
(Increase) decrease in deferred outflows of resources	-	-	-	-	(12,791)
Increase (decrease) in accounts payable	-	976	2,527	3,503	31,046
Increase (decrease) in due to other funds	-	(1)	-	(1)	(7,357)
Increase (decrease) in due to component units	-	-	-	-	164
Increase (decrease) in deferred inflows of resources	-	-	-	-	2,466
Increase (decrease) in unearned revenue	-	1,861	15	1,876	(3,934)
Total adjustments	(18,630)	21,082	(6,642)	(4,190)	55,031
Net cash provided by (used for) operating activities	$ (1,036)	$ 72,791	$ 27,579	$ 99,334	$ (23,310)
Schedule of noncash investing, capital, and financing activities					
Contributions of capital assets	$ -	$ -	$ -	$ -	$ 863
Assets acquired by transfer	-	-	-	-	222
Capital assets disposed of by transfer	-	-	-	-	(4,521)
Amortization of bond premium	-	-	-	-	1,987
Amortization of bond discount	-	-	-	-	(1,041)
Total noncash capital and related financing activities	$ -	$ -	$ -	$ -	$ (2,490)

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.

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

STATE OF TENNESSEE
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019
(Expressed in Thousands)

	Pension and Other Employee Benefit Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds	Agency Funds
ASSETS				
Cash and cash equivalents	$ 55,560	$ 1,748,951	$ 46,201	$ 534,344
Cash collateral on loaned securities	3,689,733	-	-	-
Receivables:				
Account	-	-	-	1,516
Taxes	-	-	54	477,426
Interest and dividends	189	603	2	-
Due from other governments	57,245	2,280	-	-
Other	31,211	-	-	-
Due from other funds	12,188	-	-	2
Due from component units	11,475	-	-	-
Investments, at fair value:				
Government bonds	-	74,968	395	-
Corporate bonds	-	-	1	-
Mutual funds	187,488	-	177,994	5,449
TRGT pooled funds	52,012,464	56,411	-	134,573
Investments, at amortized cost:				
Short-term investments	-	1,401,788	-	-
Capital assets, at cost:				
Machinery and equipment	37,139	-	-	-
Less - accumulated depreciation	(20,247)	-	-	-
Total assets	56,074,445	3,285,001	224,647	1,153,310
LIABILITIES				
Accounts payable and accruals	35,450	-	2,291	893,194
Securities lending collateral	3,689,733	-	-	-
Amount held in custody for others	-	-	-	260,116
Total liabilities	3,725,183	-	2,291	1,153,310
NET POSITION				
Restricted for				
Pensions	52,134,632	-	-	
Other postemployment benefits	213,702	-	-	
Employees' flexible benefits	928	-	-	
Individuals, organizations and other governments	-	-	222,356	
Amounts held in trust for				
Pool participants	-	3,285,001	-	
Total net position	$ 52,349,262	$ 3,285,001	$ 222,356	

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, 2019
(Expressed in Thousands)

	Pension and Other Employee Benefit Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds
ADDITIONS			
Contributions:			
Members	$ 365,786	$ -	$ -
Employers	1,403,404	-	-
Federal	-	-	7,620
Private	-	-	35,638
State	-	-	117
Other	2,479	-	15,849
Total contributions	1,771,669	-	59,224
Investment income:			
Net increase/(decrease) in fair value of investments	3,692,742	-	9,851
Interest and dividends	4,041	64,265	1,271
Securities lending income	120,095	-	-
Total investment income	3,816,878	64,265	11,122
Less: Investment expenses	(58,470)	(1,100)	-
Securities lending expense	(97,596)	-	-
Net investment income	3,660,812	63,165	11,122
Capital share transactions:			
Shares sold	-	5,645,728	-
Less: Shares redeemed	-	(4,655,451)	-
Net capital share transactions	-	990,277	-
Total additions	5,432,481	1,053,442	70,346
DEDUCTIONS			
Annuity benefits	2,639,941	-	-
Other postemployment benefits	88,858	-	-
Death benefits	5,478	-	-
Other	5,632	-	35,327
Refunds	42,760	-	7,044
Administrative expenses	23,967	-	2,194
Total deductions	2,806,636	-	44,565
Change in net position	2,625,845	1,053,442	25,781
Net position, July 1	49,723,417	2,231,559	196,575
Net position, June 30	$ 52,349,262	$ 3,285,001	$ 222,356

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, 2019

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 Unit

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

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 centers of applied technology. Each of the universities is governed by an independent board appointed by the governor. The board of the community colleges and technology centers is comprised of state officials and appointees by the governor. The state provides substantial funding to these entities.

6. **University of Tennessee Board of Trustees (UT)** (Proprietary Fund Type) is responsible for the operation of the University of Tennessee, located primarily on four campuses across the state. The Board is appointed by the governor and the state provides a substantial amount of the funding.

7. **Tennessee Local Development Authority (TLDA)** (Proprietary Fund Type) provides financing assistance to local governments through the issuance of bonds and notes. In addition, the Authority assists non-profit corporations in the construction of mental health, developmental disabilities, or alcohol and drug facilities. The majority of the board consists of state officials. Any deficiency in the statutory reserve will be included in the governor's recommended budget submitted to the General Assembly for consideration.

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

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

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

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

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

Tennessee Housing Development Agency Andrew Jackson Building, 3rd floor 502 Deaderick Street Nashville, TN 37243	**Tennessee Local Development Authority** Cordell Hull Building 425 Fifth Avenue North Nashville, TN 37243
Tennessee Veterans' Homes Board 345 Compton Road Murfreesboro, TN 37130	**Tennessee State School Bond Authority** Cordell Hull Building 425 Fifth Avenue North 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.

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 $215,427 for 2019 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 2019 membership dues.

3. **The Interstate Mining Compact** has 24 member states. Tennessee paid $20,493 for 2019 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 2019 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 2019 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 2019 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 $12,117 for 2019 membership dues.

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

11. **The Physical Therapy Licensure Compact** is comprised of 25 states.

12. **The Interstate Commission of Emergency Medical Services Personnel Practice** is comprised of 18 states.

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

D. Joint Ventures

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

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

Tennessee-Tombigbee Waterway Development Compact	2018	2017
Current assets	$ 523	$ 548
Capital assets, less depreciation	297	310
Total assets	820	858
Total liabilities	129	160
Net position	691	698
Total liabilities and net position	$ 820	$ 858
Revenues	$ 326	$ 392
Expenses	333	353
Excess of revenues over expenses	(7)	39
Beginning net position	698	659
Ending net position	$ 691	$ 698

E. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

The state reports the following major governmental funds:

- **General Fund.** This is the state's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

- **Education Fund.** This fund accounts for financial transactions and balances associated with K-12 and higher education programs including the activities of the Tennessee Promise Scholarship Endowment Fund. Funding for these programs is accomplished primarily from dedicated sales and services taxes, federal monies received from the U.S. Department of Education, and net lottery proceeds.

- **Highway Fund.** The Highway fund accounts for financial transactions and balances associated with programs of the Department of Transportation. Funding for these programs is accomplished primarily from dedicated highway user taxes and fees and funds received from the various federal transportation agencies.
- **Capital Projects Fund.** This fund accounts for financial transactions and balances associated with the acquisition or construction of major governmental capital assets. These capital assets are financed principally with long-term bonds.

The state reports the following major proprietary funds:

- **Sewer Treatment Loan Fund.** This fund accounts for loans made to local governments and utility districts for the construction of sewage treatment facilities.

- **Employment Security Fund.** This fund accounts for the collection of unemployment insurance premiums from employers and the payment of unemployment benefits to eligible claimants.

Additionally, the state reports the following fund types:

- **Internal Service Funds.** These account for services provided to other departments or agencies of the state, or to other governments, on a cost reimbursement basis. Internal service fund services include the provision of information technology, facilities management, fleet services, risk management, employee health insurance, accounting services, and purchasing services. Other services include human resource management, printing, postal, products produced by Department of Correction inmates, warehousing of supplies, and records management.

- **Fiduciary Funds.** These funds are used to account for resources legally held in trust. Fiduciary activities include the following funds:

    1. **Pension and Other Employee Benefit Trust Funds** – account for activities and balances of the defined benefit pension plans administered by the Tennessee Consolidated Retirement System, the employee flexible benefits plan, and the state and higher education defined benefit other postemployment healthcare trust.

    2. **Investment Trust Funds** – account for deposits belonging to entities outside of the state's financial reporting entity.

    3. **Private Purpose Trust Funds** – account for contributions made to 1) *College Savings Plans* – funds created under Section 529 of the Internal Revenue Code; 2) *Children in State Custody* – funds held from various sources to benefit children in state custody; 3) *Oak Ridge Monitoring* – a trust funded by the federal government for the purpose of monitoring the Oak Ridge landfill for radioactive leakage; 4) *TNInvestco* – accounts for proceeds held and used to carry out the provisions of the Tennessee Small Business Investment Company Credit Act; 5) *Insurance Receiverships* – account for the distribution of assets to claimants as ordered by the court, and 6) *Other* small funds.

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

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

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

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

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

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

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

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

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

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

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

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

Component units that issue revenue bonds – Tennessee Housing Development Agency, Tennessee State School Bond Authority, and Tennessee Local Development Authority – report restricted cash to 1) satisfy bond covenant requirements, 2) reflect unspent bond, commercial paper, or note proceeds, and 3) reflect resources set aside to meet future debt service payments. In addition to restricted cash, Tennessee Housing Development Agency and Tennessee State School Bond Authority also report restricted investments for the same purposes previously mentioned. In addition, Tennessee Housing Development Agency also reports restricted receivables for the same purposes mentioned. The State University and Community College System and the University of Tennessee report restricted cash, investments, and receivables for those that come with certain restrictions from donors, lenders, or grantors. 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 has restricted assets related to loan agreements and other restricted assets that are the property of the homes' residents.

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

Capital Assets—Capital assets, which include land, buildings and building improvements, machinery and equipment (e.g., furniture and fixtures, vehicles, works of art and historical treasures), infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) and intangibles (e.g., internally generated computer software, patents, trademarks, copyrights, and easements), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, with the exception of infrastructure, land and internally generated intangibles, are defined by the state as assets with an initial individual cost of $5,000 or more and an estimated useful life of three years or more. Infrastructure assets and land are capitalized regardless of cost or useful life. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Internally generated intangibles are capitalized if the total estimated project costs are $1 million or more, and have an estimated useful life of three years or more. Capitalized assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Capitalized assets, except for land and infrastructure, are depreciated over their useful lives.

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

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

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

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

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

Deferred Outflows/Inflows—Deferred outflows of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The primary government has three items that qualify for reporting in this category. The first is the result of four pension related factors. The first factor is contributions made subsequent to the measurement date, the second factor is the difference between the actual and expected economic and demographic factors that were less favorable than anticipated, the third is the net effect from changes in actuarial assumptions, and the fourth factor is the change in proportionate share of net pension liabilities and assets. The second item is refunding of debt. The third item is related to the estimate of the state's Other Postemployment Benefit (OPEB) liabilities. In the governmental activities column of the government-wide statement of net position, the state reported $32.1 million for refunding of debt, $314.4 million for employer contributions made after the measurement date, $102.6 million for differences between expected and actual experience, $142.7 million for changes in actuarial assumptions, $3.8 million for the changes in proportionate shares, and $437.7 million for various factors related to the estimate of the state's OPEB liabilities.

Deferred inflows of resources represent an acquisition of net position that applies to a future period, and so will not be recognized as an inflow of resources (revenue) until that time. The primary government has four items that qualify for reporting in this category. The first item is the result of three pension related factors. The first factor is the difference between the actual and expected economic and demographic factors that were more favorable than anticipated, the second factor is the change in proportionate share of net pension liabilities and assets, and the third factor is investment returns were more than projected. In the governmental activities column of the government-wide statement of net position, the state reported $44.2 million for these three pension related factors mentioned.

The other three items are related to debt refunding, capital lease activities, and the estimate of the state's OPEB liabilities in which the state reported $1.5 million, $285 thousand, and $187.8 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 ($247.3 million), federal grants ($56.6 million), and other sources ($10.6 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, 2019, the state reported $1.1 billion of net pension liability, $27.4 million of net pension asset, $563.5 million of deferred outflows of resources, $44.2 million of deferred inflows of resources, and $262.3 million of pension expenses.

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 $2.2 billion restricted by the primary government, $333.5 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 $2.5 billion difference are as follows (expressed in thousands):

Bonds payable	$ (1,596,443)
Plus: premium on bonds issued (to be amortized as interest expense)	(219,949)
Net deferred outflows/inflows of resources for bond refundings (to be amortized as interest expense)	26,979
Commercial paper payable	(212,266)
Accrued interest payable	(28,648)
Capital leases payable	(8,936)
Claims and judgments	(33,619)
Compensated absences	(278,544)
Pollution remediation	(56,858)
Other long-term liabilities and accounts payable	(20,768)
Net adjustment to reduce fund balance—total governmental funds to arrive at net position—governmental activities	$ (2,429,052)

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 $833.8 million difference are as follows (expressed in thousands):

Capital outlay	$ 966,145
Depreciation expense	(132,324)
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	$ 833,821

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 $83.9 million difference are as follows (expressed in thousands):

Debt issued or incurred:	
Issuance of commercial paper	$ 69,256
Debt reduced:	
General obligation debt	(144,711)
Commercial paper redeemed	(8,400)
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	$ (83,855)

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 $182.4 million difference are as follows (expressed in thousands):

Pension	$ (52,838)
Compensated absences	9,022
Claims and judgments	(9,728)
Accrued interest	59
Capital lease	(1,237)
Other postemployment benefits	(284,634)
Pollution remediation	(671)
Pledged tax credits	(4,392)
Loss on disposal of capital assets	174,357
Amortization of bond premiums	(19,601)
Amortization of deferred outflows/inflows of resources	7,245
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	$ (182,418)

NOTE 3

Deficit Fund Equity

The records management fund, an internal service fund, has a total net position deficit of $147 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.*

NOTE 4

Accounting and Reporting Changes

A. Prior Period Adjustments and Reclassifications

Primary Government

- In the previous year, the highway fund, a major governmental fund, understated inventories by $19.1 million, grant receivables by $29.6 million, accrued liabilities by $53.5 million and deferred inflows of resources by $17.8 million. This resulted in an overstatement of fund balance by $22.6 million. This error also led to an additional understatement of grant revenues reported under the economic resources measurement focus and the accrual basis of accounting by $17.8 million. The net effect of the overstatement on net position of governmental activities was $4.8 million.

- In this fiscal year, business solutions development, an agency of the state previously reported as part of the general fund, began to be reported with the strategic technology solutions, an internal service fund. As a result, $1.3 million of beginning fund balance was reclassified from the general fund to the strategic technology solutions fund. In addition, the related $10.3 million of pension, compensated absences, and other post-employment benefit obligations reported under the economic resources measurement focus and the accrual basis of accounting was also restated to the strategic technology solutions fund. These restatements led to a reduction of $1.3 million and $9 million in fund balance and net position of the general fund and the strategic technology solutions fund, respectively.

Component Units

- The State University and Community College System and its foundations recorded prior-period adjustments for a net increase to net position of $24.1 million for unrecorded gifts, adjustments to accounts receivable allowance for doubtful accounts and other adjustments.

- The University of Tennessee recorded a prior-period adjustment for a net decrease to net position of $25.2 million for an overstatement in lease receivable and an understatement of lease revenue.

The following schedule enumerates adjustments for the fiscal year ended June 30, 2019, (expressed in thousands):

	6/30/18 Net Position as Reported	Adjustments to Net Position	6/30/18 Net Position as Restated
Government-wide statements:			
Primary government			
Governmental activities	$ 34,402,355	$ (4,848)	$ 34,397,507
Total primary government	$ 34,402,355	$ (4,848)	$ 34,397,507
Fund level statements:			
General	3,825,806	(1,288)	3,824,518
Highway	1,061,895	(22,619)	1,039,276
Strategic technology solutions	101,109	(8,969)	92,140
	$ 4,988,810	$ (32,876)	$ 4,955,934
Component Units	8,032,670	(1,215)	8,031,455
Total component units	$ 8,032,670	$ (1,215)	$ 8,031,455

B. Reporting Changes

During the fiscal year ended June 30, 2019, the state implemented the following new accounting standards issued by the Governmental Accounting Standards Board (GASB).

- GASBS 83, *Certain Asset Retirement Obligations*, establishes accounting and financial reporting standards for certain assets' retirement obligations. The implementation of this standard did not have an impact on the financial statements or note disclosures.

- GASBS 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements,* establishes additional note disclosure requirements related to debt obligations. The implementation of this standard required additional note disclosures.

NOTE 5

Deposits and Investments

A. Primary Government

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

The State Pooled Investment Fund is authorized by statute to invest funds in accordance with policy guidelines approved by the Funding Board. The current resolution of the Funding Board gives the Treasurer approval to invest in U.S. Direct Obligations, U.S. Agency Securities, U.S. Instrumentality Securities, repurchase or reverse repurchase agreements, collateralized certificates of deposit in authorized state depositories, prime commercial paper, prime bankers' acceptances and securities lending agreements. Investments in derivatives type securities and investments of high risk are prohibited. There are no limitations or restrictions on participant withdrawals with the exception of a 24-hour notice for withdrawals exceeding $5 million.

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

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

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

As of June 30, 2019, the state's investments for all funds were as follows (expressed in thousands):

POOLED INVESTMENT AND OTHER FUNDS INVESTMENTS

Credit Quality Rating	SPIF	TRGT	ITIF	State Funds Investment Portfolios	Education Fund	COE	College Savings Plans	Insurance Receiverships Fund	Other private purpose trust funds	Employee Group OPEB Trust	Total
AAA		$626,504			$1,652	$ 2,434					$ 630,590
AA	$122,589	453,876			130	3,879					580,474
A		1,149,465			111	3,329					1,152,905
BBB		2,986,260			334	10,003					2,996,597
BB		331,563									331,563
B		77,768									77,768
CCC		22,714									22,714
CC		250									250
C		852									852
D		772									772
NR	9,245,703	4,655,038	$74,968		11,183	37,558	$88,680	$396	$4,737		14,118,263
A1 (Commercial paper)	718,914										718,914
	10,087,206	10,305,062	74,968		13,410	57,203	88,680	396	4,737		20,631,662
Government agencies and obligations[1]	1,364,182	5,363,229		$228,943	3,466	62,365					7,022,185
Total debt investments	11,451,388	15,668,291	74,968	228,943	16,876	119,568	88,680	396	4,737		27,653,847
Non Fixed Income Assets											
Equity		26,213,047			575,894	226,494					27,015,435
Equity mutual funds							77,780	195	6,602	$187,488	272,065
Preferred stock		52,213									52,213
Real estate		4,252,118									4,252,118
Private equities		3,287,938									3,287,938
Strategic lending		2,677,891									2,677,891
Derivatives (not rated)		789									789
Certificate of deposit classified as short term	172,660	-									172,660
Short-term investment fund at custodian	-	(6,127)									(6,127)
Accrued income included in assets	-	-									
Less: short term	(5,533,978)	(1,133,837)									(6,667,815)
Total investments	$ 6,090,070	$ 51,012,323	$ 74,968	$ 228,943	$ 592,770	$ 346,062	$ 166,460	$ 591	$ 11,339	$ 187,488	$ 58,711,014
Net noninvestment assets		1,211,777									
Pool's net position[2]		$ 52,224,100									

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, 2019, are included in the previous schedule. Securities are rated using Standard and Poor's and/or Moody's and are presented above using the Standard and Poor's rating scale. State statutes provide a process for financial institutions desiring to act as state depositories to be approved by the State Treasurer. Statutes also provide for the Commissioner of Financial Institutions to advise, on a timely basis, the Treasurer and the Commissioner of Finance and Administration of the condition of each state bank and state chartered savings and loan association, including his recommendations regarding its condition and safety as a state depository. Similar provisions apply to federally chartered banks and savings and loan associations designated as state depositories. This process ensures that institutions whose financial status is uncertain are monitored for collateral sufficiency. All certificates of deposit are required by policy to be placed directly with state depositories. All repurchase agreements are done with primary dealers in government securities which have executed a master repurchase agreement with the state.

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

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

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

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

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

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

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

Concentration of Credit Risk

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

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

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

As of June 30, 2019, SPIF, COE, and Intermediate Term Investment Fund 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	$ 2,827,884	24.69
International Bank for Recon & Dev	2,643,209	23.08
Federal Farm Credit Banks	3,191,761	27.87

Chairs of Excellence (COE)

Issuer Organization	Fair Value	Percentage
Federal National Mortgage Association	$26,788	7.74

Intermediate Term Investment Fund (ITIF)

Issuer Organization	Fair Value	Percentage
Federal Home Loan Bank	$ 15,008	20.02
Federal Home Loan Mortgage Corp	59,960	79.98

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 days (60) 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 days (120) 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, 2019, the weighted average maturity of the pool was forty-one (41) days and the weighted average life of the pool was seventy-four (74) 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, 2019, 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	$ 9,368,292	1.45
U.S. Government Treasuries	1,364,182	2.88
Commercial paper	718,914	0.80

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, 2019, 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	$ 74,968	2.71

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. The fixed income portfolio, however, is benchmarked against the FTSE Large Pension Fund Baseline Bond Index and tends to have a duration within a range around that index.

Tennessee Retiree Group Trust Debt Investments June 30, 2019 (expressed in thousands)		
Investment Type	Fair Value	Effective Duration (Years)
Debt Investments:		
Government Fixed Income		
Government Agencies	$ 118,293	6.48
Government Bonds	3,881,094	14.76
Government Inflation Indexed	489,810	8.31
Government Mortgage-Backed	3,917,948	2.82
Government Asset-Backed	105,371	6.29
Municipal Bonds	59,168	10.23
Corporate Fixed Income		
Collateralized Mortgage Obligations		
Commercial Mortgage Backed	629,266	3.36
Asset Backed Securities	876,571	1.02
Corporate Bonds	4,450,807	10.72
Short Term		
Commercial Paper		
Short Term Bills and Notes	1,139,963	0.00
Total Debt Investments	$ 15,668,291	

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, 2019 (expressed in thousands)		
Investment Type	Fair Value	Effective Duration (Years)
Debt Investments		
U.S. Government		
U.S. Government Treasuries	$ 23,823	8.53
U.S. TIPS	33,641	8.11
U.S. Agencies	1,919	7.08
Government Mortgage-Backed	36,427	2.46
Government Asset-Backed	3,786	6.31
Municipal Bonds	3,080	2.66
Corporate Fixed Income		
Corporate Mortgage-Backed	1,026	4.70
Corporate Bonds	14,169	7.73
Corporate Asset-Backed	1,697	1.50
Total Debt Investments	$119,568	

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, 2019 (expressed in thousands)		
Investment Type	Fair Value	Effective Duration (Years)
Debt Investments		
U.S. Government		
U.S. Government Treasuries	$ 796	8.53
U.S. TIPS	1,124	8.11
U.S. Agencies	64	7.08
Government Mortgage-Backed	12,218	3.35
Government Asset-Backed	436	5.05
Municipal Bonds	103	2.66
Corporate Fixed Income		
Corporate Mortgage-Backed	541	1.55
Corporate Bonds	1,537	5.28
Corporate Asset-Backed	57	1.50
Total Debt Investments	$ 16,876	

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

College Savings Plans Debt Investments June 30, 2019 (expressed in thousands)		
Fund Name Blended	Fair Value	Effective Duration (Years)
Vanguard Wellington Investor Shares	$ 32,102	7.09
Vanguard LifeStrategy Conservative Growth Fund	16,084	6.58
Vanguard LifeStrategy Income Fund	11,675	6.58
Fixed Income		
Vanguard Total Bond Market Institutional Shares	9,849	6.00
Vanguard Intermediate-Term Investment-Grade Fund Admiral Shares	1,915	5.45
DFA Inflation-Protected Securities Portfolio Institutional Class	1,012	7.31
Vanguard Intermediate-Term Treasury Admiral Shares	1,142	5.31
Vanguard Total Bond Market Index Fund	14,901	6.20
Total Debt Investments	$ 88,680	

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

Insurance Receiverships Fund June 30, 2019 (expressed in thousands)		
Investment Type	Fair Value	Effective Duration (Years)
Corporate bonds	$ 1	0.99
Government bonds	395	6.11

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

State Funds Investment Portfolio June 30, 2019 (expressed in thousands)		
Investment Type	Fair Value	Effective Duration (Years)
U.S. Government	$ 112,896	5.73
Government Mortgage-Backed	116,047	26.95

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

Other private purpose trusts
June 30, 2019 (expressed in thousands)

Fund Name Blended	Fair Value	Effective Duration (Years)
Vanguard Wellington Investor Shares	$ 1,636	7.09
Vanguard LifeStrategy Conservative Growth Fund	1,337	6.58
Vanguard LifeStrategy Income Fund	392	6.58
Fixed Income		
Vanguard Total Bond Market Institutional Shares	600	6.00
Vanguard Intermediate-Term Investment-Grade Fund Admiral Shares	286	5.45
DFA Inflation-Protected Securities Portfolio Institutional Class	211	7.31
Vanguard Intermediate-Term Treasury Admiral Shares	275	5.31
Total Debt Investments	$ 4,737	

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, 2019, was as follows (expressed in thousands):

Currency	Total Fair Value	Equity	Cash
Australian Dollar	$ 394,697	$ 394,311	$ 386
British Pound Sterling	1,421,101	1,419,582	1,519
Canadian Dollar	1,189,449	1,176,442	13,007
Danish Krone	224,464	223,974	490
Euro Currency	2,332,490	2,328,590	3,900
Hong Kong Dollar	218,593	218,480	113
Japanese Yen	1,445,108	1,436,645	8,463
New Israeli Shekel	13,951	13,951	
New Zealand Dollar	4,855	4,855	
Norwegian Krone	22,551	22,443	108
Singapore Dollar	94,834	94,657	177
Swedish Krona	171,654	171,605	49
Swiss Franc	647,731	647,731	
Total	$ 8,181,478	$ 8,153,266	$ 28,212

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, 2019, 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.

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2019, 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, 2019		
	Financial Statement Classification	Amount	Financial Statement Classification	Amount	Notional Amount
Future Contracts	Investment Income	$ 64,209	Derivative Instruments Receivable	$ 1,459	$ 1,973,634
TBA Mortgage-Backed Securities	Investment Income	$ 789	Derivative Instruments	$ 789	$ 237,232

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, 2019, the TRGT had uninsured and uncollateralized cash deposits of $28.2 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 Employee Group OPEB Trust does not have an explicit policy with regards to Custodial Credit Risk for deposits. As of June 30, 2019, the fund had uninsured and uncollateralized foreign currency deposits equivalent to $30 thousand at its custodian bank.

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.

At June 30, 2019 the TRGT had the following securities on loan and received the cash collateral (expressed in thousands) as shown below:

Securities on Loan	Fair Value of Securities on Loan	Cash/Non Cash Collateral Received
Fixed	$ 1,867,405	$ 1,928,328
Equity	1,720,172	1,776,292
Total	$ 3,587,577	$ 3,704,620

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, 2019, the University's investments were rated as follows (expressed in thousands):

Rated Debt Instruments	Fair Value	Credit Quality Rating: US Treasury/ Agency	Aaa	A1	Baa1
U.S. Treasuries	$ 228	$ 228			
U.S. Treasuries (in pool)	56,849	56,849			
U.S. Agencies	19		$ 19		
U.S. Agencies (in pool)	1,110,908		793,180		
Commercial Paper (in pool)	99,774			$99,774	
Corporate Bonds	360				$ 26
Mutual Funds – Bonds	56,161				
Money Market Mutual Funds	11,188				
Total	$ 1,335,487	$ 57,077	$ 793,199	$ 99,774	$ 26

(Continued) Rated Debt Instruments	Credit Quality Rating: Baa2	Baa3	Unrated
U.S. Treasuries			
U.S. Treasuries (in pool)			
U.S. Agencies			
U.S. Agencies (in pool)			$ 317,728
Commercial Paper (in pool)			
Corporate Bonds	$ 185	$ 99	50
Mutual Funds – Bonds			56,161
Money Market Mutual Funds			11,188
Total	$ 185	$ 99	$ 385,127

Interest Rate Risk

The University does not have a formal policy that addresses interest rate risk. As of June 30, 2019, the University had the following debt investments and maturities (expressed in thousands):

		Investment Maturities (in years)				
Investment Type	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10	Undetermined
U.S. Treasuries	$ 228	$ 3			$ 225	
U.S. Treasuries (in pool)	56,849		$ 56,849			
U.S. Agencies	19			$ 19		
U.S. Agencies (in pool)	1,110,908	169,406	770,609	131,665	39,228	
Commercial Paper (in pool)	99,774	99,774				
Corporate Bonds	360		182	26	152	
Bond Mutual Funds	56,161		3,395	50,998	1,434	$ 334
	$ 1,324,299	$ 269,183	$ 831,035	$ 182,708	$ 41,039	$ 334

University foundations' investments in the amount of $216.756 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 $4.322 million invested in foreign corporate equities at June 30, 2019.

Alternative Investments

In its Consolidated Investment Pool, as part of its endowment assets, the University has investments in one hundred eight limited partnerships, limited companies, corporations, and limited liability corporations. At June 30, 2019, the estimated fair value of these assets is $582.496 million and total capital contributions, less returns of capital, equal $515.678 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. Funds, other than endowment, invest similarly to the state policies. Endowment funds can be invested in equity securities and various other securities given prudent diversification. The System has no formal investment policy that limits its investment choices based on ratings issued by rating agencies. As of June 30, 2019, 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):

			Credit Quality Rating					
Rated Debt Instruments	Fair Value	U.S. Treasury[1]/ Agency	AAA	AA	A	BBB	BB	Not Rated
U.S. Treasuries	$ 116,057	$ 116,057						
U.S. Agencies	135,109	131	$ 1,009	$ 133,969				
Corporate Bonds	17,572		$ 1,614	2,459	$ 7,956	$ 5,543		
Mutual Funds—Bonds	74,500		1,675	500	2,120	1,266	$ 8,647	$60,292
Total Debt Instruments	$ 343,238	$ 116,188	$ 4,298	$ 136,928	$ 10,076	$ 6,809	$ 8,647	$60,292

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, 2019, debt investments and maturities of the system and its foundations (that utilize governmental accounting standards) follow (expressed in thousands):

		Investment Maturities (in years)				
Investment Type	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10	Undetermined
U.S. Treasuries	$116,057	$ 15,758	$ 93,592	$ 6,707		
U.S. Agencies	135,109	30,168	100,089	4,286	$ 566	
Corporate Bonds	17,572	1,868	10,786	4,918		
Mutual Funds—Bonds	74,500	163	4,291	10,600	203	$ 59,243
Total Debt Investments	$343,238	$ 47,957	$208,758	$26,511	$ 769	$ 59,243

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 $329.959 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 par value of total investments must mature within five years. No more than 50 percent of the par 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, 2019, were rated by Standard and Poor's and/or Moody's as follows (expressed in thousands):

			Credit Quality Rating		
Rated Debt Instruments	Fair Value	U.S. Treasury[1]/ Agency	AAA	AA	Not Rated[2]
U.S. Agency Coupon	$ 164,703		$ 14,980	$ 147,578	$ 2,145
U.S. Treasury Coupon	12,693	$ 12,693			
U.S. Agency Discount	199,843				199,843
Total Debt Instruments	$ 377,239	$ 12,693	$ 14,980	$ 147,578	$ 201,988

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, 2019, 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	$ 297,524	78.87
Federal Home Loan Mortgage Corporation	42,331	11.22
Federal National Mortgage Association	22,547	5.98

Interest Rate Risk

As of June 30, 2019, the Agency had the following debt investments and effective duration (expressed in thousands):

Investment Type	Fair Value	Effective Duration (Years)
U.S. Agency Coupon	$ 164,703	1.276
U.S. Treasury Coupon	12,693	1.923
U.S. Agency Discount	199,843	0.034
Total	$ 377,239	

NOTE 6

Fair Value Measurements

A. Primary Government

The fair value of assets held at June 30, 2019, 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).

Investments Measured at Fair Value
(expressed in thousands)

Fund	Investment Aggregation	GAAP Hierarchy Level 1	GAAP Hierarchy Level 2	GAAP Hierarchy Level 3	NAV	Total Investments
Tennessee Retiree	Government Agencies		$ 108,293	$10,000		$ 118,293
Group Trust	Government Bonds	$ 3,814,103	66,991			3,881,094
	Government Inflation Indexed	489,810				489,810
	Government Mortgage Backed		3,906,818	11,130		3,917,948
	Government Asset Backed		105,371			105,371
	Municipal Bonds		59,168			59,168
	Commercial Mortgage Backed		545,068	84,198		629,266
	Corporate Asset Backed Securities		582,667	293,904		876,571
	Corporate Bonds		4,450,768	39		4,450,807
	Corporate Equities	26,188,191		24,856		26,213,047
	Preferred Stocks	46,063	$6,150			52,213
	Limited Partnership Units			552,760	$5,413,069	5,965,829
	Real Estate			3,196,123	1,055,995	4,252,118
	Derivatives		789			789
Education Fund	Mutual Funds	575,894				575,894
	Government Agencies		64			64
	Government Asset Backed		436			436
	Government Bonds	796				796
	Government Mortgage Backed		12,218			12,218
	Index Linked Government Bonds	1,124				1,124
	Municipals		103			103
	Collateralized Mortgage Obligations		34			34
	Corporate Asset Backed		57			57
	Corporate Bonds		1,537			1,537
	Corporate Mortgage Backed Securities		507			507
Chairs of Excellence	Exchange Traded Funds	226,494				226,494
	Government Agencies		1,919			1,919
	Government Asset Backed		3,786			3,786
	Government Bonds	23,823				23,823
	Government Mortgage Backed		36,427			36,427
	Index Linked Government Bonds	33,641				33,641
	Municipals		3,080			3,080
	Collateralized Mortgage Obligations		1,026			1,026
	Corporate Asset Backed		1,694	3		1,697
	Corporate Bonds		14,169			14,169
Employee Group OPEB Trust	Mutual Funds	187,488				187,488
College Savings Plans	Mutual Funds	166,460				166,460
Other private purpose trust funds	Mutual Funds	11,339				11,339
Intermediate Term Investment Fund	Agency Securities		74,968			74,968
Insurance	Mutual Funds	195				195
Receiverships	Government Issues	395				395
	Corporate Bonds		1			1
State Fund Investment	Agency Securities		116,047			116,047
Portfolios	Government Issues	112,896				112,896
Total Investments		$ 31,878,712	$ 10,100,156	$ 4,173,013	$ 6,469,064	$ 52,620,945

***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 principals for investment companies.

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

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

Equity and equity derivative securities classified in Level 1 are valued using last reported sales prices quoted in active markets that can be accessed at the measurement date. Equity and equity derivative securities classified in Level 2 are securities whose values are derived daily from associated traded securities. Equity securities classified in Level 3 are valued with last trade data having limited trading volume.

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

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

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

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

Investments measured at NAV	Strategy	Number of Funds	NAV	Remaining Life	Redemption Terms	Redemption Restrictions
Limited Partnership	Traditional private equity and strategic lending	106	$ 5,413,069	Various	N/A	Various transfer and sale restrictions
Real Estate	Real estate commingled investments	27	1,055,995	N/A	N/A	Various transfer and sale restrictions

Traditional Private Equity and Strategic Lending: The private equity asset class is categorized into two component portfolios: traditional and strategic lending. Generally speaking, the types of private equity strategies include: venture capital, buyout, natural resource, secondaries, special situations, tactical, structured credit, and high yield debt. The majority of these investments have an approximate life of 10 years or greater and are considered illiquid. During the life of the partnerships, distributions are received as underlying partnership investments are realized. Transfer or sales of the partnership interest are restricted over the life of the partnership. The TRGT has no plans to liquidate any of these investments.

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

B. Component Units

University of Tennessee

The university categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The university has the following recurring fair value measurements as of June 30, 2019 (expressed in thousands):

		Fair Value Measurements Using		
Investments and other assets by fair value level	6/30/2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities				
U.S. Treasuries	$ 68,142	$ 11,065	$ 57,077	
U.S. Agencies	1,110,927		1,110,927	
Corporate bonds	360		360	
Corporate commercial paper	99,774			$ 99,774
Total debt securities	1,279,203	11,065	1,168,364	99,774
Corporate stock				
Domestic	21,340	21,263		77
International	4,322	4,322		
Total equity securities	25,662	25,585		77
Pooled investment vehicles (ETFs; Open-end funds with published and non-published values)				
Equity	180,500	180,500		
Bonds	56,161	56,161		
Real Estate	18,442	18,442		
Total pooled investment vehicles	255,103	255,103		
Real estate gifts	2,946			2,946
Assets held by others	6,970			6,970
Other assets	11,237		11,229	8
Private capital investments				
Private equities	103,335			103,335
Private credit/debit	72,971			72,971
Private real assets	144,332			144,332
Private, other	5,861			5,861
Total private capital investments	326,499			326,499
Investments measured at the Net Asset Value (NAV)				
Pooled investment vehicles (other open-end funds)	294,767			
Limited partnerships	82,763			
Hedge funds, long/short equity	79,811			
Hedge funds, credit	33,768			
Hedge funds, diversified	103,284			
Total investments measured at NAV	594,393			
Total investments and cash equivalents	$ 2,502,013			

Debt securities –The fair value of the majority of the debt securities category at June 30, 2019, was determined based on Level 2 and Level 3 inputs. The fair value of U.S. Treasury and Agency securities, as well as corporate bonds was based on Level 2 inputs. Commercial paper holdings were valued using Level 3 inputs. The university utilizes third-party pricing services and guidance provided by custodians and trading counterparties for fair value estimates of these investments. In addition, it takes into account the nature of the securities, trading activity, and availability of comparable securities in the marketplace.

Corporate stock–This category is comprised of common stock and preferred stock, the majority of which are based on Level 1 inputs. This includes both domestic and international holdings. Two preferred stocks totaling $77,150 were valued using Level 3 inputs.

Pooled investment vehicles–These investment categories include exchange-traded funds (EFTs), 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 $2.946 million, the valuation of which is determined by periodic appraisals.

Assets held by others-This category consists of separately invested portfolios of $6.970 million. These are managed externally for the benefit of the university, and pricing is provided by third parties.

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

Private capital investments–The fair value of the private capital category at June 30, 2019, 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 $198.255 million of unfunded commitments at June 30, 2019.

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	$294,767		daily, semi-annually, monthly, quarterly	1 day- 90 days
Hedge funds, long/short equity	79,811		monthly, annually	5 days- 90 days
Hedge funds, credit	33,768		quarterly - annually	95 days- 120 days
Hedge funds, diversified*	103,284		monthly, quarterly	30 days- 90 days
Limited partnerships	82,763	19,812	none, monthly, quarterly	30 days- 90 days

*At fiscal year-end, no investments at NAV were still within the initial lock-up period.

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, 2019 (expressed in thousands):

		Fair Value Measurements Using		
Investments by fair value level	6/30/2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities				
U.S. Treasuries	$ 116,057	$ 112,257	$ 3,800	
U.S. Agencies	135,109	66,119	68,990	
Corporate bonds	17,572	11,367	6,205	
Mutual bond funds	37,089	37,089		
Other	311		311	
Total debt securities	306,138	226,832	79,306	
Equity securities				
Corporate stock	11,460	11,414		$ 46
Mutual equity funds	39,629	39,629		
Real estate	5,192			5,192
Equity REITs	820		820	
Other	7,985	3,420	596	3,969
Total equity securities	65,086	54,463	1,416	9,207
Other assets				
Beneficial interest in split-interest agreement	3,745	3,745		
Total other assets	3,745	3,745		
Investments measured at the Net Asset Value (NAV)				
Mutual bond funds	37,415			
Mutual equity funds	93,898			
Private equities	6,569			
Hedge funds	11,117			
Natural resources	903			
Other	195			
Total investments measured at NAV	150,097			
FASB foundations' investments at fair value	261,152	143,035	63,891	54,226
FASB foundations' investments at NAV	68,807			
Total FASB foundations' investments	329,959			
Total investments and cash equivalents	$ 855,025			

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

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

Investments measured at NAV	NAV	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Mutual bond funds	$ 37,415		Daily, monthly	5 business days
Mutual equity funds	93,898		Daily, monthly	5- 30 business days
Private equities	6,569	$ 1,617	not applicable	not applicable
Hedge funds	11,117		Daily to quarterly	1- 91 calendar days
Natural resources	903	1,989	not applicable	not applicable
Other	195	1,568	not applicable	not applicable

The assets of the multi-strategy equity fund are allocated among strategies in proportions that Commonfund Asset Management Company considers beneficial for a fully diversified public equity portion of an educational endowment. There are currently no redemption restrictions on the multi-strategy equity funds, although they could be put in place in extraordinary circumstances, such as any period during which the New York Stock Exchange is closed other than customary weekend or holiday closings, or during which trading thereon is restricted or there exists any emergency affecting the practicability of disposal of portfolio securities of the fund or the practicability of determining net asset value. It is not probable that the system will sell an investment for an amount different from the NAV per share.

Tennessee Housing Development Agency

The agency categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The agency has the following recurring fair value measurements as of June 30, 2019 (expressed in thousands):

		Fair Value Measurements Using		
Investments by fair value level	6/30/2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities				
Government agencies	$ 164,703		$ 164,703	
Government bonds	12,693	$ 12,693		
Short term bills and notes	199,843		199,843	
Total debt securities	$ 377,239	$ 12,693	$ 364,546	

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, 2019, 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	$ 681,663	$ 1,319,708		$ 2,001,371	$ (143,678)	$ 1,857,693
Education	98,598	611,527	$ 50,621	760,746	(43,696)	717,050
Highway	154,342	90,864	1,018	246,224	(224)	246,000
Capital projects	2,124			2,124		2,124
Nonmajor governmental funds	14,403	24,063	27,405	65,871	(525)	65,346
Internal service funds	15,849		798	16,647	(2,982)	13,665
Total-governmental activities	$ 966,979	$ 2,046,162	$ 79,842	$ 3,092,983	$ (191,105)	$ 2,901,878
Amounts not expected to be collected within one year		$ 175,979				$ 175,979
Business-type activities:						
Employment security	$ 125,063	$ 58,251	$ 4,957	$ 188,271	$ (75,726)	$ 112,545
Nonmajor enterprise funds	8,925			8,925	(324)	8,601
Total-business-type activities	$ 133,988	$ 58,251	$ 4,957	$ 197,196	$ (76,050)	$ 121,146

NOTE 8

Capital Assets

A. Primary Government

Capital asset activity for the year ended June 30, 2019, was as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 2,400,724	$ 91,538	$ (614)	$ 2,491,648
Infrastructure	24,687,389	321,592	(170,184)	24,838,797
Construction in progress	973,284	701,235	(496,711)	1,177,808
Software in development	188,482	186,230	(308,137)	66,575
Capital assets, being depreciated:				
Structures and improvements	2,797,582	179,448	(5,562)	2,971,468
Machinery and equipment	1,245,327	419,121	(76,156)	1,588,292
Total capital assets	32,292,788	1,899,164	(1,057,364)	33,134,588
Less accumulated depreciation for:				
Structures and improvements	(1,233,272)	(65,783)	4,117	(1,294,938)
Machinery and equipment	(826,940)	(112,477)	63,447	(875,970)
Total accumulated depreciation	(2,060,212)	(178,260)	67,564	(2,170,908)
Governmental activities capital assets, net	$ 30,232,576	$ 1,720,904	$ (989,800)	$ 30,963,680

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

Governmental activities:	
General government	$ 14,309
Education	2,778
Health and social services	28,924
Law, justice and public safety	45,750
Recreation and resource development	11,839
Regulation of business and professions	1,212
Transportation	27,513
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	45,935
Total depreciation expense – governmental activities	$ 178,260

Highway Construction Commitments — At June 30, 2019, the Department of Transportation had contractual commitments of approximately $901 million for construction of various highway projects. Funding of these future expenditures is expected to be provided from federal grants ($874.7 million) and general obligation bond proceeds ($26.4 million).

B. Discretely Presented Component Units

Capital asset activity for the year ended June 30, 2019, for the discretely presented component units was as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Component Units:				
Capital assets, not being depreciated:				
Art and collections	$ 12,619	$ 599	$ (564)	$ 12,654
Land	253,378	6,047	(375)	259,050
Construction in progress	499,332	376,049	(383,987)	491,394
Capital assets, being depreciated:				
Infrastructure	755,153	34,858		790,011
Structures and improvements	6,498,075	415,739	(10,738)	6,903,076
Machinery and equipment	1,118,469	98,191	(51,409)	1,165,251
Total capital assets	9,137,026	931,483	(447,073)	9,621,436
Less accumulated depreciation for:				
Infrastructure	(340,778)	(34,319)	4	(375,093)
Structures and improvements	(2,350,884)	(139,699)	5,177	(2,485,406)
Machinery and equipment	(762,561)	(78,143)	49,009	(791,695)
Total accumulated depreciation	(3,454,223)	(252,161)	54,190	(3,652,194)
Component Units capital assets, net	$ 5,682,803	$ 679,322	$ (392,883)	$ 5,969,242

The University of Tennessee foundations and certain State University and Community College System foundations utilize FASB standards; therefore, only the June 30, 2019, balances are available as follows (expressed in thousands):

	Ending Balance
Capital assets, not being depreciated:	
Art and collections	$ 44
Land	14,435
Total capital assets, not being depreciated	14,479
Capital assets, being depreciated:	
Infrastructure	1,009
Structures and improvements	136,989
Machinery and equipment	10,394
Total capital assets being depreciated	148,392
Less: total accumulated depreciation	(93,793)
Total capital assets, being depreciated, net	54,599
Total capital assets, net	$ 69,078

NOTE 9

Interfund Balances, Payables and Receivables

A. Interfund Balances

Interfund balances at June 30, 2019, 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

		General	Education	Highway	Capital Projects	Nonmajor Governmental Funds	Employment Security	Internal Service Funds	Total
	General		$ 212,281	$ 4	$ 383	$ 97	$ 1,817	$ 197	$214,779
	Education	$ 4,239							4,239
	Highway	37							37
	Capital projects	176				83		226	485
D	Nonmajor								
U	governmental								
E	funds					60			60
	Employment								
T	security	222							222
O	Internal service								
	funds	1,099		1				94	1,194
	Fiduciary funds	9,218	468	1,195		371		938	12,190
	Total	$ 14,991	$ 212,749	$ 1,200	$ 383	$ 611	$ 1,817	$ 1,455	$233,206

The $212.3 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, 2019, consisted of the following (expressed in thousands):

Payable From Component Units

		Tennessee Housing Development Agency	Tennessee Education Lottery	State University and Community College System	University of Tennessee	Nonmajor Component Units	Total
	PRIMARY GOVERNMENT:						
P	General			$ 213	$ 8	$ 7	$ 228
A	Education		$ 119,300	31			119,331
Y	Capital Projects			4,706			4,706
A	Nonmajor governmental						
B	funds				670		670
L	Internal service funds			13			13
E	Fiduciary funds	$ 98		5,974	5,206	197	11,475
T							
O							
	Total	$ 98	$ 119,300	$ 10,937	$ 5,884	$ 204	$ 136,423

C. Component Units Receivables

Component units' accounts receivable from the primary government at June 30, 2019 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
State University and Community College System	$ 5,236	$ 12,834	$ 865	$ 1,862	$ 1,073	$ 68	$ 21,938
University of Tennessee	5,497	4,924	768	23,294	2,087	242	36,812
Nonmajor component units	1,392						1,392
Total	$ 12,125	$ 17,758	$ 1,633	$ 25,156	$ 3,160	$ 310	$ 60,142

NOTE 10

Interfund Transfers

Transfers between the various primary government funds for fiscal year ended June 30, 2019, are as follows (expressed in thousands):

	Transfers In									
Transfers Out	General	Education	Highway	Capital Projects	Nonmajor Governmental Funds	Sewer Treatment	Nonmajor Enterprise Funds	Internal Service Funds	Private Purpose Trust Funds	Total
General		$ 1,092,496	$ 34,816	$ 235,523	$ 11,109	$ 4,687	$ 3,846	$ 46,610	$ 117	$ 1,429,204
Education				39,972			11,000	39		51,011
Highway	$ 2,663									2,663
Capital Projects								3,895		3,895
Nonmajor Governmental Funds	43,250		80,200	9,095				107		132,652
Nonmajor Enterprise Funds	1,012					42,810				43,822
Internal Service Funds								223		223
Total	$ 46,925	$ 1,092,496	$ 115,016	$ 284,590	$ 11,109	$ 47,497	$ 14,846	$ 50,874	$ 117	$ 1,663,470

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, 2019, the general fund transferred $1.4 billion to other funds in accordance with statute or budgetary authorizations for the following purposes: $1.1 billion to subsidize the activities of the education fund, $252.4 million for capital outlay expenditures, $20.5 million for highway expenditures, $29.7 million for OPEB expenditures in various funds, $23.5 million to provide appropriations to internal service funds, $452 thousand for interfund services used, $3.7 million for debt service payments, and, $11.7 million to provide appropriations to finance various programs in other funds.

The highway fund received a transfer from the debt service fund for $79 million to cancel authorized and unissued highway bonds. These authorizations were originally recorded in the highway fund to fund a portion of their budget.

The strategic technology solutions fund, an internal service fund, transferred $4 million for the book value of equipment to the full accrual ledger and the Facilities Revolving fund, an internal service fund, transferred $237 thousand to the full accrual ledger for the book value of equipment. These transfers caused this schedule to not match the fund level statements.

NOTE 11

Leases

A. Lease Obligations

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

For the Year(s) Ended June 30	Noncancelable Operating Leases
2020	$ 20,021
2021	16,678
2022	15,573
2023	13,684
2024	14,134
2025-2028	22,736
Total minimum payments required	$ 102,826

Expenditures for rent under leases for the year ended June 30, 2019, amounted to $87.1 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 10 years. The effective interest rates for these leases range from 0.63 percent to 32.12 percent. Most of these leases contain at least one of the following options: (a) the state can, during the term of the lease or any period of extension or holdover, purchase the property or (b) the state can, at the end of the initial lease term, renew its lease or (c) terminate the lease for convenience at any time after the fifth year. The following is an analysis of the leased property under capital leases (expressed in thousands).

		Governmental Activities
Assets:		
Land		$ 158
Buildings	$ 37,821	
Less: accumulated depreciation	(9,926)	27,895
		$ 28,053

At June 30, 2019, 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
2020	$ 1,576	$ 1,145	$ 811	$ 3,532
2021	1,641	1,128	831	3,600
2022	1,694	1,104	852	3,650
2023	1,776	1,065	873	3,714
2024	1,839	1,013	895	3,747
2025-2029	7,833	3,132	4,618	15,583
Total	$ 16,359	$ 8,587	$ 8,880	$ 33,826
Less - interest				(8,587)
Less - executory costs				(8,880)
Present value of net minimum lease payments				$ 16,359

B. Lease Receivables

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

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

Minimum future lease payments to be received as of June 30, 2019 (expressed in thousands):

Year Ended June 30	Total
2020	$ 641
2021	626
2022	411
2023	404
2024	397
2025-2029	1,878
2030-2033	1,345
Total minimum future lease payments	$ 5,702
Net investment in direct financing leases at June 30:	
Minimum lease payments receivable	$ 5,702
Less: executory costs	(879)
Plus: unamortized loss on leases	2,885
Net investment in direct financing lease	$ 7,708

NOTE 12

Long-Term Liabilities

A. General Obligation Bonds

Bonds Payable at June 30, 2019, are shown below (expressed in thousands):

Governmental activities:	Amount
General obligation bonds, 2% to 5%, due in generally decreasing amounts of principal and interest from $109.1 million in 2020 to $8.1 million in 2038	$ 924,545
General obligation refunding bonds, 2009 Series B, 3% to 5%, principal and interest due in amounts from $8.3 million in 2020 to $7.5 million in 2022	22,315
General obligation refunding bonds, 2009 Series D, 4.32% to 4.67%, principal and interest due in amounts from $2.7 million in 2020 to $2.7 million in 2022	7,365
General obligation refunding bonds, 2011 Series B, 3% to 5%, principal and interest due in amounts from $8.2 million in 2020 to $187.8 thousand in 2026	28,580
General obligation refunding bonds, 2011 Series C, 2.93% to 3.53%, principal and interest due in amounts from $2.2 million in 2020 to $1.2 million in 2024	8,120
General obligation refunding bonds, 2012 Series A, 2.50% to 5%, principal and interest due in amounts from $59.4 million in 2020 to $7.3 million in 2028	354,040
General obligation refunding bonds, 2012 Series C, 1.60%, principal and interest due in amounts of $7 million in 2020	6,910
General obligation refunding bonds, 2014 Series B, 5%, principal and interest due in amounts from $4 million in 2020 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 $11.9 million in 2020 to $14.3 million in 2029	88,190
General obligation refunding bonds, 2016 Series B, 5%, principal and interest due in amounts from $6.1 million in 2020 to $9.6 million in 2032	122,105
General obligation refunding bonds, 2016 Series C, 1.12% to 2.67%, principal and interest due in amounts from $2.7 million in 2020 to $2.5 million in 2032	61,870
General obligation refunding bonds, 2018 Series B, 4%, principal and interest due in amounts from $8.5 million in 2020 to $7.1 million in 2024	35,415
Total bonds outstanding	1,738,615
Plus unamortized bond premium	240,974
Total bonds payable	$ 1,979,589

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, 2019, $114.9 million of bonds outstanding are considered defeased.

B. General Obligation Commercial Paper

Governmental activities commercial paper payable at June 30, 2019, is shown below (expressed in thousands):

	Commercial Paper
General obligation commercial paper, interest rates ranging from 1.46% to 1.87% for tax exempt and 2.25% to 2.83% for taxable, varying maturities	$237,396

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

The state has entered into a Standby Commercial Paper Purchase Agreement with the Tennessee Consolidated Retirement System under which TCRS is obligated to purchase newly issued commercial paper issued to pay the principal of other commercial paper. The Program expires and the Standby Purchase Agreement terminates on July 1, 2021. At June 30, 2019, $237.4 million of commercial paper was outstanding ($172.1 million tax exempt and $65.3 million federally taxable). This left an unused commercial paper capacity of $112.6 million. Commercial paper payable under this Program qualifies for reporting as a non-current liability because provisions in the Commercial Paper Resolution permit refinancing the paper on a long-term basis.

C. Pledged Revenues/Collateralized Borrowing

The state has entered into agreements under the Tennessee Small Business Investment Company Credit Act involving future gross premium taxes (or under certain conditions, other taxes imposed upon an insurance company by the state) that qualify for classification as collateralized borrowings. The proceeds of the borrowings are used to create a pool of venture capital funds for investment in early and mid-stage companies in Tennessee, and are being received in exchange for future vested credits against gross premium taxes owed. These credits are intended to represent a payment of taxes, have a limited life of 25 years, and are recorded as a reduction of the liability reported in the statement of net position when used.

The total amount of tax credits to be taken to reduce the liability for the use of the aforementioned tax credits is $19.9 million as of June 30, 2019. For the current year, gross premium tax revenue totaled $977.1 million and credits of $4.3 million were used to reduce the liability for the borrowing. Gross premium taxes have averaged approximately $894.8 million per year over the last five years.

General obligation bonds and commercial paper constitute direct general obligations of the state for the payment of principal and interest on which there is also pledged the full faith and credit of the state; and a charge and lien upon all fees, taxes and other revenues and funds allocated to the state's general fund, debt service fund and highway fund and, if necessary, upon the first fees, taxes, revenues and funds thereafter received and allocated to such funds, unless such fees, taxes, revenues and funds are legally restricted for other purposes. The charge and lien on fees, taxes and other revenues in favor of the bonds is subject to a specific pledge of "Special Taxes" in favor of state general obligation bonds issued prior to July 1, 2013. "Special Taxes" consist of the annual proceeds of a tax of five cents per gallon upon gasoline; the annual proceeds of special tax of one cent per gallon upon petroleum products; one-half of the annual proceeds of motor vehicle registration fees now or hereafter required to be pledged the full faith and credit of the state; and the annual proceeds of the franchise taxes imposed by the franchise tax law of the state. The final maturity of general obligation bonds issued prior to July 1, 2013 is October 1, 2032. Thereafter, or upon the earlier retirement of all general obligation bonds issued prior to July 1, 2013, this pledge of "Special Taxes" will expire. For fiscal year 2019, $1.5 billion or 65 percent of the above revenue streams were pledged for the payment of principal and interest on all general obligation bonds issued prior to July 1, 2013.

D. Debt Service Requirements to Maturity

Debt Service requirements to maturity for all general obligation bonds payable at June 30, 2019, are as follows (expressed in thousands):

For the Year(s)	General Obligation Bonds		Total
Ended June 30	Principal	Interest	Requirements
2020	$ 155,765	$ 74,212	$ 229,977
2021	149,000	67,197	216,197
2022	149,305	60,261	209,566
2023	141,345	53,493	194,838
2024	138,690	47,545	186,235
2025-2029	609,606	157,482	767,088
2030-2034	303,505	53,644	357,149
2035-2038	91,399	7,404	98,803
	$ 1,738,615	$ 521,238	$ 2,259,853

Debt service requirements to maturity for commercial paper payable at June 30, 2019, is as follows (expressed in thousands):

For the Year(s) Ended June 30	Commercial Paper Payable Principal	Commercial Paper Payable Interest	Total Requirements
2020	$ 237,396	$ 1,803	$ 239,199

Debt service requirements to maturity for all emergency first responder annuities at June 30, 2019, are as follows (expressed in thousands):

For the Year(s) Ended June 30	Emergency First Responder Annuity Principal	Emergency First Responder Annuity Interest	Total Requirements
2020	$ 200	$ -	$ 200
2021	200	-	200
2022	200	-	200
2023	100	-	100
	$ 700	$ -	$ 700

E. General Obligation Bonds Authorized and Unissued

A summary of general obligation bonds authorized and unissued at June 30, 2019, is shown below (expressed in thousands). It is anticipated that a significant amount of these bonds will not be issued but will be canceled because of sufficient fund balances.

Purpose	Unissued 07/01/18	Authorized	Canceled	Unissued 06/30/19
Highway	$ 824,800	$124,000	$ 108,100	$ 840,700
Higher Education	199,183		695	198,488
General government	300,567		12,780	287,787
Totals	$1,324,550	$124,000	$ 121,575	$1,326,975

F. Changes in Long-Term Liabilities

A summary of changes in long-term obligations for the year ended June 30, 2019 follows (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities					
Bonds and commercial paper	$ 2,325,533	$ 85,000	$ (193,548)	$ 2,216,985	$ 155,765
Capital leases	17,900		(1,541)	16,359	1,576
Compensated absences	284,606	175,626	(163,674)	296,558	101,185
Emergency responder	400	500	(200)	700	200
Governmental activities Long-term debt	$ 2,628,439	$ 261,126	$ (358,963)	$ 2,530,602	$ 258,726
Other long-term liabilities					
Pension				1,126,997	-
Other postemployment benefits				1,508,038	297,080
Pollution remediation				56,858	2,846
Unstructured claims and judgements				177,823	35,013
Gross premium taxes				19,996	-
Total other long-term liabilities				$ 2,889,712	$ 334,939
Total governmental activities				$ 5,420,314	$ 593,665
Total long-term govermental liabilities				$ 4,826,649	
Business-type activities					
Deposits payable				$ 11,582	

*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 obligations. Claims and judgments are obligations of the highway fund (special revenue fund), risk management fund (internal service fund) and the general fund. Typically, pollution remediation is liquidated from the general fund and highway fund.

NOTE 13

Payables

Payables as of June 30, 2019, were as follows (expressed in thousands):

	Vendors	Salaries and Benefits	Accrued Interest	Due To Other Governments	Other	Total Payables
Governmental activities:						
General	$ 696,575	$ 83,979	$ 28	$ 138,029	$ 216,280	$ 1,134,891
Education	83,711	5,430		175,643		264,784
Highway	139,452	10,483		121,673		271,608
Capital projects	45,421			18,372		63,793
Nonmajor governmental funds	51,224	2,683	28,873	38,248		121,028
Internal service funds	115,452	7,444	2,440	127	71	125,534
Total—governmental activities	$ 1,131,835	$ 110,019	$ 31,341	$ 492,092	$ 216,351	$ 1,981,638
Business-type activities:						
Employment security	$ 1,851			$ 18,605	$ 5,169	$ 25,625
Sewer treatment loan			$ 173			173
Nonmajor enterprise funds	58,600		78	47		58,725
Total—business-type activities	$ 60,451		$ 251	$ 18,652	$ 5,169	$ 84,523

NOTE 14

Governmental Fund Balances

Balances as of June 30, 2019, were as follows (expressed in thousands):

	Restricted Purposes	Committed Purposes	Assigned Purposes
General Fund			
General operations:			
Legislature			$ 40,275
Constitutional offices	$ 555	$ 21,119	112,290
Administrative services		46,890	1,009,192
Children's services			4,164
Public health	31,506	56,144	476,593
Human services	10,712	4,066	52,965
Business and industry development	1,860	1,405	455,026
Judicial	20,655	10,330	4,602
Natural resources	167	29,637	20,041
Public safety	165	18,504	70,665
Agriculture		838	36,910
Employment and business regulation	11,985	167,163	3,217
Other	14,974	6,785	12,239
Total general fund	$ 92,579	$ 362,881	$ 2,298,179
Education Fund			
After school program	$ 33,785		
Lottery for education	169,065		
Energy efficient school initiative	1,493		
TN Promise Scholarship Endowment Fund	233,268		
Other	2,188	$ 15,967	$ 69,399
Total education fund	$ 439,799	$ 15,967	$ 69,399
Highway Fund			
State matching	$ 695,439		
Railway, aeronautics, and waterway program		$ 140,061	
State aid		80,919	
Future highway projects			$ 29,866
Railroad inspection		2,898	
Aeronautics Economic Development			45,597
Other			40,170
Total highway fund	$ 695,439	$ 223,878	$ 115,633
Capital Projects Fund			
Total capital projects fund	$ 43,685		$ 1,411,231
Nonmajor Governmental Funds			
Debt service			$ 16,386
Chairs of excellence	$ 247,602		
Criminal injuries		$ 6,344	
Wildlife resources	49,225	15,599	
Underground storage tanks	55,256	97	
Enhanced emergency 911	40,400	5,024	
Environmental protection		35,169	
Solid and hazardous waste	50	7,347	
Parks acquisition		48,667	
Other	11,831	32,922	
Total nonmajor governmental funds	$ 404,364	$ 151,169	$ 16,386

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 $875 million as of June 30, 2019.

(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, 2019, 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, 2019 (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	$ 3,100,210	$ 225,254	$ 1,216,026	$ 1,204,809	$ 295,612	$ 6,041,911
Due from primary government			21,938	36,812	1,392	60,142
Due from other component units					1,868,690	1,868,690
Restricted assets	193,831	41	1,071,449	1,792,039	260,073	3,317,433
Capital assets, net	3,890	2,409	3,145,444	2,841,452	45,125	6,038,320
Total assets	3,297,931	227,704	5,454,857	5,875,112	2,470,892	17,326,496
Deferred outflows	4,314		207,522	165,411	41,212	418,459
Liabilities						
Accounts payable and other current liabilities	95,589	105,189	257,782	260,372	23,548	742,480
Due to primary government	98	119,300	10,937	5,884	204	136,423
Due to other component units			772,933	1,095,757		1,868,690
Long-term liabilities	2,679,732	3,174	608,488	642,497	2,315,101	6,248,992
Total liabilities	2,775,419	227,663	1,650,140	2,004,510	2,338,853	8,996,585
Deferred inflows	746		42,441	56,118	4,976	104,281
Net position						
Net investment in capital assets	3,890	2,409	2,393,689	1,735,814	41,361	4,177,163
Restricted	453,704	41	812,519	1,701,088	23,891	2,991,243
Unrestricted	68,486	(2,409)	763,590	542,993	103,023	1,475,683
Total net position	$ 526,080	$ 41	$ 3,969,798	$ 3,979,895	$ 168,275	$ 8,644,089

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	$ 468,574	$1,695,563	$ 2,722,464	$ 2,426,789	$ 257,923	$ 7,571,313
Program Revenues						
Charges for services	127,325	1,693,351	997,668	846,705	149,217	3,814,266
Operating grants and contributions	356,358	28	861,691	960,733	24,196	2,203,006
Capital grants and contributions			206,173	93,190		299,363
Total program revenues	483,683	1,693,379	2,065,532	1,900,628	173,413	6,316,635
Net program revenues (expense)	15,109	(2,184)	(656,932)	(526,161)	(84,510)	(1,254,678)
General Revenues						
Payments from primary government	665		877,550	637,540	87,800	1,603,555
Unrestricted grants and contributions			65,701	24	9,785	75,510
Unrestricted investment earnings	416	2,180	34,043	63,579	1,226	101,444
Miscellaneous			3,299	2,860		6,159
Total general revenues	1,081	2,180	980,593	704,003	98,811	1,786,668
Contributions to permanent funds			14,248	66,396		80,644
Change in net position	16,190	(4)	337,909	244,238	14,301	612,634
Net Position- July 1, restated	509,890	45	3,631,889	3,735,657	153,974	8,031,455
Net Position - June 30	$ 526,080	$ 41	$ 3,969,798	$ 3,979,895	$ 168,275	$ 8,644,089

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 $859 million were made to the State University and Community College System and $611 million to UT.
- Capital project expenditures in the amount of $216 million were made for the State University and Community College System and $85.8 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 $26.2 million to reimburse the state for projects that were not a part of the capital appropriations.
- The TELC generated net lottery proceeds of $429.2 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, 2019, the Authority's loan receivable (expressed in thousands) consisted of:

	Current	Noncurrent
State University and Community College System	$ 32,901	$ 739,213
University of Tennessee	41,079	1,047,382
Total	$ 73,980	$ 1,786,595

B. Major Component Units – Long-Term Debt

Tennessee Housing Development Agency (THDA)
Bonds Payable at June 30, 2019, is shown below (expressed in thousands):

Homeownership program revenue bonds, housing finance program bonds, and residential finance program bonds, various series, .25% to 5%, due in amounts of principal and interest ranging from $152 million in 2020 to $9 million in 2050	$ 2,575,725
Plus unamortized bond premium	52,622
Less unamortized bond discount	(30)
Total bonds payable	$ 2,628,317

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, 2019, included the following issues:

- September 2018—Residential Finance program bonds of $149.9 million
- November 2018— Residential Finance program bonds of $225 million
- March 2019—Residential Finance program bonds of $175 million
- June 2019—Residential Finance program bonds of $200 million

Redemption of Bonds and Notes
During the year ended June 30, 2019, bonds were retired at par before maturity in the Homeownership Program in the amount of $32,135,000, in the Housing Finance Program in the amount of $42,875,000, and in the Residential Finance Program in the amount of $127,325,000. The respective carrying values of the bonds were $32,697,175, $43,399,278, and $132,265,183. This resulted in revenue to the Homeownership Program of $562,175, to the Housing Finance Program of $524,278, and to the Residential Finance Program of $4,940,183.

On June 12, 2018, the agency issued $160,000,000 in Residential Finance Program Bonds, Issue 2018-2. On July 1, 2018, the agency used $13,075,000 of these bonds to refund bonds previously issued in the Homeownership Program (this amount consists of $13,075,000 early redemption). The carrying amount of these bonds was $13,075,000. The refunding reduced the agency's debt service by $3,199,665 over the next 11 years, and the agency realized an economic gain (the difference between the present values of the old and new debt service payments) of $1,636,564.

On September 6, 2018, the agency issued $149,900,000 in Residential Finance Program Bonds, Issue 2018-3.

On November 15, 2018, the agency issued $225,000,000 in Residential Finance Program Bonds, Issue 2018-4. On December 1, 2018, the agency used $15,780,000 of these bonds to refund bonds previously issued in the Homeownership Program (this amount consists of $15,780,000 early redemption). The carrying amount of these bonds was $15,780,000. The refunding reduced the agency's debt service by $1,812,556 over the next 8.5 years, and the agency realized an economic gain (the difference between the present values of the old and new debt service payments) of $650,335.

On March 21, 2019, the agency issued $175,000,000 in Residential Finance Program Bonds, Issue 2019-1.

On June 27, 2019, the agency issued $200,000,000 in Residential Finance Program Bonds, Issue 2019-2.

Debt Service requirements to maturity for revenue bonds payable at June 30, 2019, are as follows (expressed in thousands):

For the Year(s)	Revenue Bonds		Total
Ended June 30	Principal	Interest	Requirements
2020	$ 68,485	$ 83,640	$ 152,125
2021	90,130	86,175	176,305
2022	87,560	83,921	171,481
2023	86,115	81,684	167,799
2024	89,300	79,384	168,684
2025-2029	443,255	356,871	800,126
2030-2034	470,480	281,740	752,220
2035-2039	502,215	195,332	697,547
2040-2044	440,795	103,911	544,706
2045-2049	288,565	30,787	319,352
2050	8,825	209	9,034
	$ 2,575,725	$1,383,654	$ 3,959,379

The agency's bond resolutions govern the outstanding bonds payable for all bond programs in the amount of $2,575,725 (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 $2,575,725 (expressed in thousands) are secured by a pledge of all assets in each of the respective bond resolutions.

The agency does not have any unused lines of credit.

C. Nonmajor Component Units – Long-Term Debt

Tennessee Local Development Authority (TLDA)
Bonds Payable at June 30, 2019, is shown below (expressed in thousands):

Revenue bonds, 4% to 4.38%, due in generally decreasing amounts of principal and interest from $516 thousand in 2020 to $21 thousand in 2029	$ 1,970
Plus unamortized bond premium	41
Less unamortized bond discount	(8)
Total bonds payable	$ 2,003

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, 2019, are as follows (expressed in thousands):

For the Year(s)	Revenue Bonds		Total
Ended June 30	Principal	Interest	Requirements
2020	$ 435	$ 81	$ 516
2021	285	63	348
2022	220	52	272
2023	230	43	273
2024	240	34	274
2025-2029	560	42	602
	$ 1,970	$ 315	$ 2,285

Tennessee State School Bond Authority (TSSBA)
Bonds and Revolving Credit Facility Payable at June 30, 2019, are shown below (expressed in thousands):

Revenue bonds, various Series, 0% to 5.9%, due in decreasing amounts of principal and interest from $141.5 million in 2020 to $9.5 million in 2048	$ 1,917,830
Plus unamortized bond premium	207,754
Less unamortized bond discount	(43)
Total bonds payable	$ 2,125,541
Revolving credit facility, interest rates ranging from 2.1% to 3.1%, varying maturities	$ 178,739

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.

Debt Service requirements to maturity for TSSBA's revenue bonds payable at June 30, 2019, are as follows (expressed in thousands):

For the Year(s)	Revenue Bonds		Total
Ended June 30	Principal	Interest	Requirements
2020	$ 73,980	$ 67,475	$ 141,455
2021	101,280	64,432	165,712
2022	71,730	61,423	133,153
2023	72,955	58,254	131,209
2024	69,775	55,159	124,934
2025-2029	730,625	228,052	958,677
2030-2034	285,575	154,660	440,235
2035-2039	250,585	92,182	342,767
2040-2044	198,120	37,418	235,538
2045-2048	63,205	4,890	68,095
	$ 1,917,830	$ 823,945	$ 2,741,775

Revolving Credit Facility Program
The Tennessee State School Bond Authority issues short-term debt to finance certain capital projects for the State of Tennessee's higher education institutions. On March 20, 2014, the Authority entered into a Revolving Credit Agreement (RCA) with Wells Fargo Bank, National Association, and U.S. Bank, National Association. The Revolving Credit Agreement permits loans (the revolving credit facility) to be made from time to time (and prepayments and reborrowings) in an aggregate principal amount outstanding at any time not to exceed $300,000,000. The Revolving Credit Agreement was amended on March 20, 2017, with an expiration date of March 20, 2020. The Revolving Credit Agreement was further amended on April 25, 2018, with an expiration date of March 18, 2021. The revolving credit facility may be issued as tax-exempt or as taxable loans. At the program's inception, the revolving credit facility refinanced certain outstanding commercial paper proceeds that the Authority had previously issued to finance capital projects. At June 30, 2019, $145,304,744 of tax-exempt revolving credit facility and $33,434,413 of taxable revolving credit facility loans were outstanding. At June 30, 2018, $60,569,132 of tax-exempt revolving credit facility and $34,730,169 of taxable revolving credit facility loans were outstanding.

Events of Default
Debt under the Higher Education Facilities Programs is secured by a payment from the annual financing charges by the Tennessee Board of Regents and the Board of Trustees of the University of Tennessee (the "Boards"). In the event the Authority has been notified that one of the Boards has insufficient funds to make a full payment, the Assistant Secretary to the Authority will notify the Commissioner of Finance and Administration that the

Board has failed to pay and request the Commissioner to intercept sufficient available appropriations. The Commissioner will, within one business day, notify his accounting staff to withhold the Legislative appropriations as may be required to make the Board whole with respect to the unpaid annual financing charges.

Debt under the Qualified Zone Academy Bond Program is secured by an annual payment by each borrower. A borrower is a Local Government Unit. In the event a borrower has failed to pay a loan repayment in full, the Assistant Secretary to the Authority will notify the Commissioner of Finance and Administration that the borrower has failed to pay and request the Commissioner to intercept sufficient available state-shared taxes to the borrower. The Commissioner will, within three business days, notify the borrower of the failure to pay. If the borrower fails to remit the full amount within 10 days of the notice the Commissioner will notify his accounting staff to withhold the state-shared taxes as may be required to make the Board whole with respect to the unpaid annual financing charges.

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

If the Authority should default in the payment of the principal, sinking fund installments, or interest the bond resolutions contain a provision that the Trustee may proceed, (1) by suit, action or proceeding at law or in equity in any court of competent jurisdiction, enforce all rights of the Bondowners, including the right to require the Authority to enforce the Agreements and collect the Annual Financing Charges and Legislative Appropriations payable thereunder, or to carry out any other covenant or agreement with Bondowners under the Resolution and to perform its duties under the Act, the Agreements and the Resolution; (2) bring suit upon the Bonds; (3) by action or suit, require the Authority to account as if it were the trustee of an express trust for the Owners of the Bonds; (4) by action or suit, 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 percentum (25%) in principal amount of the Outstanding Bonds, to annul such declaration and consequences, but no such annulment shall extend to or effect any subsequent default or impair or exhaust any right or power consequent thereon.

D. Component Units – Changes in Long-Term Liabilities

A summary of changes in long-term obligations for the year ended June 30, 2019, follows (expressed in thousands):

Changes in Long-term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Revenue bonds and loans payable:					
University of Tennessee (UT) loans payable	$ 1,096,122	$ 40,252	$ (47,914)	$ 1,088,460	$ 41,079
State University and Community College System loans payable	720,269	95,078	(39,782)	775,565	33,113
Tennessee Housing Development Agency (THDA) bonds payable	2,128,712	770,641	(271,036)	2,628,317	101,065
Nonmajor component units bonds and loans payable	2,277,489	90,000	(87,587)	2,279,902	74,789
Nonmajor component units bonds from direct borrowings	32,590		(2,445)	30,145	
Total revenue bonds and loans payable	$ 6,255,182	$ 995,971	$ (448,764)	$ 6,802,389	$ 250,046
UT compensated absences	81,658	52,824	(51,187)	83,295	51,187
UT other postemployment benefits	213,771	49,698	(26,006)	237,463	19,664
UT pension	230,291	182,194	(206,783)	205,702	
UT due to grantors, unearned revenue and annuities payable	52,449	62,212	(67,937)	46,724	
State University and Community College System compensated absences	71,528	47,601	(44,477)	74,652	18,411
State University and Community College System other postemployment benefits	208,339	45,025	(22,446)	230,918	21,364
State University and Community College System pension	299,778	245,166	(271,590)	273,354	
State University and Community College System due to grantors, unearned revenue and other	23,483	733	(1,806)	22,410	
THDA escrow deposits, arbitrage rebate payable, and unearned revenue	13,680	56,837	(30,950)	39,567	23,223
THDA compensated absences	1,366	1,291	(1,157)	1,500	741
THDA other postemployment benefits	3,578	459	(686)	3,351	209
THDA pension	7,659	6,290	(6,952)	6,997	
TELC compensated absences	604	727	(643)	688	688
TELC unearned rent	2,789		(303)	2,486	134
Nonmajor component units compensated absences	1,526	499	(457)	1,568	874
Nonmajor component units other postemployment benefits	1,442	166	(208)	1,400	50
Nonmajor component units pension	2,362	1,847	(2,123)	2,086	
Component units long-term liabilities	$ 7,471,485	$ 1,749,540	$ (1,184,475)	$ 8,036,550	$ 386,591

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 $69.314 million ($3.244 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 35-10-204) permits each institution to authorize for expenditure the net appreciation (realized and unrealized) of the investments of endowment funds. When administering its power to spend net appreciation, the institution is required to consider the institution's long-term and short-term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends, and general economic conditions. Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established.

The University of Tennessee chooses to spend only a portion of the investment income (including changes in the value of investments) each year. Under the spending plan established by the University, 4.5 percent of a seven-year moving average of the fair value of endowment investments has been authorized for expenditure. In fiscal year 2016, the University began transitioning to a seven-year moving average, by adding one year's value to the moving average calculation. This transition was complete in fiscal year 2019. The remaining amount after distributions, if any, is retained to be used in future years when the amount computed using the spending plan exceeds the investment income. At June 30, 2019, net appreciation of $140.980 million is available to be spent, of which $138.025 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, 2019, net appreciation of $19.618 million is available to be spent, of which $19.255 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, 2019, included 122 local education agencies and one education cooperative, with 51,086 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 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):

	2019	2018
Unpaid claims at beginning of year	$ 32,948	$ 32,195
Incurred claims:		
Provision for insured events of the current year	534,001	494,805
Increase (decrease) in provision for insured events of prior years	(1,978)	(4,428)
Total incurred claims expenses	532,023	490,377
Payments:		
Claims attributable to insured events of the current year	501,567	462,033
Claims attributable to insured events of prior years	30,900	27,591
Total payments	532,467	489,624
Total unpaid claims at end of year	$ 32,504	$ 32,948

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, 2019, included 65 counties, 177 municipalities and 125 quasi-governmental organizations, with 16,333 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 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):

	2019	2018
Unpaid claims at beginning of year	$ 7,490	$ 7,941
Incurred claims:		
Provision for insured events of the current year	146,466	125,963
Increase (decrease) in provision for insured events of prior years	1,764	(528)
Total incurred claims expenses	148,230	125,435
Payments:		
Claims attributable to insured events of the current year	136,596	118,554
Claims attributable to insured events of prior years	9,183	7,332
Total payments	145,779	125,886
Total unpaid claims at end of year	$ 9,941	$ 7,490

C. Risk Management Fund

It is the policy of the state not to purchase commercial insurance for the risks associated with casualty losses for general liability, automobile liability, medical malpractice liability and workers' compensation. By statute, the maximum liability for general liability, automobile liability, and medical malpractice liability is $300 thousand per person and $1 million per occurrence. The state's management believes it is more economical to manage these risks internally and set aside assets for claim settlement in its internal service fund, the Risk Management Fund (RMF). The state purchases commercial insurance for real property, crime and fidelity coverage on the state's officials and employees, and cyber liability coverage. For property coverage, the deductible for an individual state agency is the first $25 thousand of losses. The RMF is responsible for property losses for the annual aggregate deductible of $7.5 million for perils other than earthquake and flood. Purchased insurance coverage is responsible for losses exceeding the $7.5 million annual aggregate deductible. For earthquake and flood, there is a deductible of $10 million per occurrence. The maximum insurance coverage is $750 million per year for perils other than earthquake and flood. The maximum flood insurance coverage is $50 million per occurrence, except there is only $25 million of coverage in flood zones A and V. The maximum earthquake insurance coverage is $50 million per occurrence. Settled claims resulting from these risks have not exceeded maximum commercial insurance coverage in any of the past three fiscal years. All agencies and authorities of the state participate in the RMF, except for the Dairy Promotion Board and the Certified Cotton Growers' Organization. The Tennessee Education Lottery Corporation participates in the RMF for general liability purposes but is responsible for its own worker's compensation coverage.

The RMF liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are reevaluated annually to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. The present value of the casualty liability as actuarially determined was $133.69 million (discounted at 1.5 percent) at June 30, 2019 and $134.18 million (discounted at 2.1 percent) at June 30, 2018. The accrued liability for incurred property losses was $10.89 million at June 30, 2019 and $6.13 million at June 30, 2018. The changes in the balances of the claims liabilities during fiscal years 2018 and 2019 were as follows (expressed in thousands):

	2018-2019	2017-2018
Beginning of Fiscal Year Liability	$ 141,230	$ 148,541
Current Year Claims and Changes in Estimates	32,329	23,333
Claim Payments	(28,654)	(30,644)
Balance at Fiscal Year-End	$ 144,905	$ 141,230

The RMF held $186 million in cash at June 30, 2019 and $189 million in cash at June 30, 2018 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, 2019, included 62,061 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):

	2019	2018
Unpaid claims at beginning of year	$ 46,409	$ 45,314
Incurred claims:		
Provision for insured events of the current year	787,454	741,819
Increase (decrease) in provision for insured events of prior years	6,476	(4,481)
Total incurred claims expenses	793,930	737,338
Payments:		
Claims attributable to insured events of the current year	734,530	695,599
Claims attributable to insured events of prior years	51,442	40,644
Total payments	785,972	736,243
Total unpaid claims at end of year	$ 54,367	$ 46,409

E. CoverKids

The CoverKids program was launched in 2007 as part of the federally funded Children's Health Insurance Program (CHIP) and provides healthcare to children and maternity coverage for pregnant women. In accordance with Tennessee Code Annotated 71-3-1103, the CoverKids program serves eligible uninsured children who are not eligible for health care services under any part of Tennessee's Medicaid program. Emphasis is placed on preventive care and the services most needed by children, including vaccinations, physician visits, and hospitalization in addition to vision and dental benefits. Enrollment in the CoverKids program totaled 41,689 at June 30, 2019.

As part of the federally funded CHIP program, CoverKids receives the majority of funding from the Federal Government at an approximately 99/1 ratio match. There are no monthly premiums and the program has no deductibles. Members pay affordable co-pays for services. CoverKids members use the CoverKids Provider Network administered by BlueCare. The following represents changes in those aggregate liabilities during the past two years (expressed in thousands):

	2019	2018
Unpaid claims at beginning of year	$ 7,971	$ 8,226
Incurred claims:		
Provision for insured events of the current year	109,777	145,736
Increase (decrease) in provision for insured events of prior years	11	(156)
Total incurred claims expenses	109,788	145,580
Payments:		
Claims attributable to insured events of the current year	104,423	137,569
Claims attributable to insured events of prior years	8,112	8,266
Total payments	112,535	145,835
Total unpaid claims at end of year	$ 5,224	$ 7,971

NOTE 17

Other Postemployment Benefits (OPEB)

For the year ended June 30, 2019, primary government employers reported $1.5 billion of total OPEB liability, $143.1 million of deferred outflows of resources related to OPEB, $190.2 million of deferred inflows of resources related to OPEB, ($566) thousand of OPEB expense and $297.1 million of deferred outflows of benefits paid subsequent to the measurement date. Component unit employers reported $472.6 million of total OPEB liability, $47.6 million of deferred outflows of resources related to OPEB, $31.9 million of deferred inflows of resources related to OPEB, $40.6 million of OPEB expense, and $40.5 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.

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. During the current measurement period of July 1, 2017-June 30, 2018, this plan was funded on a pay-as-you-go basis and there were no assets accumulating in a trust that met the criteria of paragraph 4 of GASB Statement No. 75. However, during the current fiscal year, the plan was transitioned to a prefunding arrangement where assets will be accumulating in a qualifying trust.

Employees covered by benefit terms–At July 1, 2018, the following employees were covered by the benefit of the EGOP:

	Primary Government	Component Units
Inactive employees currently receiving benefit payments	5,361	2,483
Inactive employees entitled to but not yet receiving benefit payments	91	29
Active employees eligible for benefit payments	28,370	19,992
	33,822	22,504

Annually, an insurance committee, created in accordance with Tennessee Code Annotated (TCA) 8-27-201, establishes the required payments to the plan by member employers and employees. Active members of the Employee Group Insurance Plan and pre-age 65 retired members of the Employee Group OPEB Plan pay the same rate. Claims liabilities of the plans are periodically computed using actuarial and statistical techniques to establish premium rates. While the plan operated on a pay-as-you-go basis, employers made the minimum required payments for retiree costs. However, once the plan transitioned to the prefunding arrangement through the qualifying trust, employers began making contributions to the trust based on an actuarially determined contribution rate (ADC).

2. *Total OPEB Liability*

The primary government and component unit employers total EGOP related OPEB liabilities of $912.6 million and $472.6 million, respectively, was measured as of June 30, 2018, and was determined by an actuarial valuation as of June 30, 2018.

Actuarial assumptions–The total OPEB liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25 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	6.75 percent for 2019, decreasing annually to an ultimate rate of 3.53 percent for 2050 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, 2018, valuations were the same as those employed in the July 1, 2017, Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012-June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for pre-retirement mortality and the RP-2014 Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2 percent load for males and a negative 3 percent load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10 percent load.

Discount rate–The discount rate used to measure the total OPEB liability was 3.62 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 Fidelity 20-Year Municipal GO AA index.

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

EGOP- Primary government	Total OPEB Liability (a)
Balances at June 30, 2017	$ 915,974
Changes for the year:	
Service cost	42,521
Interest	32,021
Changes of benefit terms	-
Differences between expected and actual experience	(37,420)
Change in assumptions	46,108
Changes in proportion and differences between contributions and proportionate share of contributions	(29,514)
Benefit payments	(57,061)
Net changes	(3,345)
Balances at June 30, 2018	$ 912,629

EGOP- Component units	Total OPEB Liability (a)
Balances at June 30, 2017	$ 426,567
Changes for the year:	
Service cost	22,020
Interest	16,582
Changes of benefit terms	-
Differences between expected and actual experience	(19,378)
Change in assumptions	23,877
Changes in proportion and differences between contributions and proportionate share of contributions	29,514
Benefit payments	(26,573)
Net changes	46,042
Balances at June 30, 2018	$ 472,609

Changes in assumptions–The discount rate was changed from 3.56 percent as of the beginning of the measurement period to 3.62 percent as of June 30, 2018. This change in assumption decreased the total OPEB liability. Additionally, the near-term health trend rates was changed from 5.4 percent, 5.3 percent and 5.2 percent for plan years 2019 to 2021, respectively, to 6.75 percent, 6.25 percent and 5.75 percent respectively. Further, the assumed initial per capita costs and premium amounts were revised to reflect rates adopted for the 2019 plan year. These two changes in assumptions increased the total OPEB liability.

Significant changes subsequent to measurement date–During fiscal year 2019, the EGOP was transitioned from a pay-as-you-go funding arrangement to a prefunded arrangement where assets would be deposited and accumulated in a qualifying trust and benefits would be paid directly from the trust assets. In the first year of this arrangement, participating employers made total contributions to the trust of $301.5 million. The trust had a net position of $213.7 million at June 30, 2019. These plan assets will significantly reduce the net OPEB liability recorded by employers in the fiscal year 2020 financial statements.

Sensitivity of the total OPEB liability to changes in the discount rate–The following presents the primary government and component unit employers total OPEB liability related to the EGOP, as well as what the total OPEB liability would be if calculated using a discount rate that is 1-percentage-point lower (2.62 percent) or 1-percentage-point higher (4.62 percent) than the current discount rate (expressed in thousands):

	1% Decrease (2.62%)	Discount Rate (3.62%)	1% Increase (4.62%)
Primary government	$ 973,664	$ 912,629	$ 855,191
Component units	504,216	472,609	442,864

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate–The following presents the primary government and component unit employers total OPEB liability related to the EGOP, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (5.75 percent decreasing to 2.91 percent) or 1-percentage-point higher (7.75 percent decreasing to 4.91 percent) than the current healthcare cost trend rate (expressed in thousands):

	1% Decrease (5.75% decreasing to 2.91%)	Healthcare Cost Trend Rates (6.75% decreasing to 3.91%)	1% Increase (7.75% decreasing to 4.91%)
Primary government	$ 824,241	$ 912,629	$ 1,015,976
Component units	426,836	472,609	526,127

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, 2019, the primary government recognized OPEB expense of $66.9 million. Component unit employers recognized OPEB expense of $40.6 million.

Deferred outflows of resources and deferred inflows of resources—For the fiscal year ended June 30, 2019, 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	$ -	$ 32,622
Changes of assumptions	40,197	29,133
Changes in proportion and differences between contributions and proportionate share of contributions	-	26,785
Contributions subsequent to the measurement date	260,985	-
Total	$ 301,182	$ 88,540

EGOP- Component units	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	$ -	$ 16,893
Changes of assumptions	20,816	15,087
Changes in proportion and differences between contributions and proportionate share of contributions	26,785	-
Contributions subsequent to the measurement date	40,502	-
Total	$ 88,103	$ 31,980

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 total 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:	
2020	$ (7,680)
2021	(7,680)
2022	(7,680)
2023	(7,680)
2024	(7,680)
Thereafter	(9,940)

EGOP- Component units	
For the year ended June 30:	
2020	$ 2,001
2021	2,001
2022	2,001
2023	2,001
2024	2,001
Thereafter	5,614

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, 2018, the following employees of the state and certain component units were covered by the benefit terms of the TNP:

	Primary Government	Component Units
Inactive employees currently receiving benefit payments	10,186	6,395
Inactive employees entitled to but not yet receiving benefit payments	6,913	4,791
Active employees	30,865	22,405
	47,964	33,591

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 $4.6 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 $104 million and $68.8 million, related to benefits offered to primary government and component unit employees, respectively, was measured as of June 30, 2018, and was determined by an actuarial valuation as of June 30, 2018.

Actuarial assumptions–The total OPEB liability in the July 1, 2018, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25 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, 2018, valuations were the same as those employed in the July 1, 2017, Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012-June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for pre-retirement mortality and the RP-2014 Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2 percent load for males and a negative 3 percent load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10 percent load.

Discount rate–The discount rate used to measure the total OPEB liability was 3.62 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 Fidelity 20-Year Municipal GO AA index.

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

TNP Primary government	Total OPEB Liability (a)
Balances at June 30, 2017	$ 110,377
Changes for the year:	
Service cost	2,046
Interest	3,790
Changes of benefit terms	-
Differences between expected and actual experience	(3,200)
Change in assumptions	(743)
Changes in proportion and differences between contributions and proportionate share of contributions	(3,531)
Benefit payments	(4,696)
Net changes	(6,334)
Balances at June 30, 2018	$ 104,043

TNP Component units	Total OPEB Liability (a)
Balances at June 30, 2017	$ 66,884
Changes for the year:	
Service cost	1,353
Interest	2,507
Changes of benefit terms	-
Differences between expected and actual experience	(2,117)
Change in assumptions	(492)
Changes in proportion and differences between contributions and proportionate share of contributions	3,531
Benefit payments	(2,845)
Net changes	1,937
Balances at June 30, 2018	$ 68,821

Changes in assumptions–The discount rate was changed from 3.56 percent as of the beginning of the measurement period to 3.62 percent as of June 30, 2018. This change in assumption decreased the total OPEB liability.

Sensitivity of the total OPEB liability to changes in the discount rate–The following presents the state's total OPEB liability for primary government and component unit retirees participating in the TNP, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.62 percent) or 1-percentage-point higher (4.62 percent) than the current discount rate (expressed in thousands):

	1% Decrease (2.62%)	Discount Rate (3.62%)	1% Increase (4.62%)
Primary government	$ 117,462	$ 104,043	$ 92,772
Component units	77,698	68,821	61,366

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, 2019, the state recognized OPEB expense of $3.4 million and $3.2 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, 2019, 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	$ -	$ 2,708
Changes of assumptions	-	6,943
Changes in proportion and differences between contributions and proportionate share of contributions	-	3,208
Payments subsequent to the measurement date	4,618	-
Total	$ 4,618	$ 12,859

TNP Component units	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	$ -	$ 1,791
Changes of assumptions	-	4,593
Changes in proportion and differences between contributions and proportionate share of contributions	3,208	-
Payments subsequent to the measurement date	2,476	-
Total	$ 5,684	$ 6,384

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:	
2020	$ (2,428)
2021	(2,428)
2022	(2,428)
2023	(2,428)
2024	(2,428)
Thereafter	(719)
TNP Component units	
For the year ended June 30:	
2020	$ (637)
2021	(637)
2022	(637)
2023	(637)
2024	(637)
Thereafter	9

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 chose 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, 2019, the state paid $15.1 million and $13.8 million to the TGOP and TNP, respectively, for OPEB benefits as they came due.

Actuarial assumptions–The total OPEB liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25 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 6.75 percent for 2019, decreasing annually to an ultimate rate of 3.53 percent for 2050 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, 2018, valuations were the same as those employed in the July 1, 2017, Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012-June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for pre-retirement mortality and the RP-2014 Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are White Collar and adjusted with an 11 percent load for males and a negative 2 percent load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10 percent load.

Discount rate–The discount rate used to measure the total OPEB liability was 3.62 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 Fidelity 20-Year Municipal GO AA index.

Sensitivity of proportionate share of collective total OPEB liability to changes in the discount rate–The following presents the state's proportionate share of the collective total OPEB liability for the special funding situations related to the TGOP and TNP, as well as what the share of the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.62 percent) or 1-percentage-point higher (4.62 percent) than the current discount rate (expressed in thousands):

	1% Decrease (2.62%)	Discount Rate (3.62%)	1% Increase (4.62%)
Share of collective total OPEB liability - TGOP	$ 231,801	$ 216,247	$ 201,462
Share of collective total OPEB liability - TNP	239,150	206,298	179,594

Sensitivity of proportionate share of collective total OPEB liability to changes in the healthcare cost trend rate–The following presents the state's proportionate share of the collective total OPEB liability for the special funding situations related to the TGOP, as well as, what the share of the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (5.75 percent decreasing to 2.85 percent) or 1-percentage-point higher (7.75 percent decreasing to 4.85 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):

	1% Decrease (5.75% decreasing to 2.85%)	Healthcare Cost Trend Rates (6.75% decreasing to 3.85%)	1% Increase (7.75% decreasing to 4.85%)
Share of collective total OPEB liability - TGOP	$ 192,513	$ 216,247	$ 244,306

2. Total OPEB Liability

At June 30, 2019, the state reported a liability of $216.2 million and $206.3 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, 2018, by an actuarial valuation dated June 30, 2018. 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, 2018, the state's proportion of the collective total Local Education Agency employer liabilities for the TGOP and TNP was 26.49 percent and 74.51 percent, respectively. This resulted in a change in proportion from the prior measurement date of 2.20 percent and 20.40 percent to the TGOP and TNP, respectively.

Changes in assumptions–The discount rate was changed from 3.56 percent as of the beginning of the measurement period to 3.62 percent as of June 30, 2018.

This change in assumption decreased the total OPEB liability. Additionally, the near-term health trend rates was changed from 5.40 percent, 5.30 percent, and 5.20 percent for plan years 2019 to 2021, respectively, to 6.75 percent, 6.25 percent, and 5.75 percent respectively. This change in assumption increased the total OPEB liability.

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

OPEB expense– For the year ended June 30, 2019, the state recognized OPEB expense of $2.4 million and $76.4 million in the TGOP and TNP, respectively, related to special funding situations. At June 30, 2019, 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	$ -	$ 22,938
Changes of assumptions	6,353	8,908
Changes in proportion and differences between benefits paid and proportionate share of benefits paid	-	14,365
Payments subsequent to the measurement date	15,174	-
Total	$ 21,527	$ 46,211

TNP	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	$ -	$ 9,961
Changes of assumptions	-	26,285
Changes in proportion and differences between benefits paid and proportionate share of benefits paid	93,305	-
Payments subsequent to the measurement date	13,828	-
Total	$ 107,133	$ 36,246

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:	
2020	$ (4,430)
2021	(4,430)
2022	(4,430)
2023	(4,430)
2024	(4,430)
Thereafter	(17,708)

TNP	
For the year ended June 30:	
2020	$ 8,692
2021	8,685
2022	8,684
2023	8,684
2024	8,701
Thereafter	13,613

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

D. State of Tennessee Postemployment Benefits Trust

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

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

Contributions– Employers currently contribute to the OPEB Trust based on an actuarially determined contribution (ADC) rate calculated in a manner to meet the state's funding goals. During the fiscal year ended June 30, 2019, plan employers contributed $301.5 million to the OPEB Trust. Retiree premium payments to the OPEB Trust during the reporting period were $22.4 million. The state General Assembly has the authority to change the contribution requirements of the employers participating in the EGOP.

Investments– 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 trust shall be governed by the investment policies and guidelines adopted by the trustees. Any changes in the investment policy will be the responsibility of the established trustees. The plan investment policy target asset allocation and allocation range for each major asset class is summarized in the following table:

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

The best-estimates of geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2019 are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
U.S. equity	5.69%
Private equity and strategic lending	5.79%
U.S. fixed income	2.01%
Real Estate	4.32%
Short-term securities	0.00%

Concentrations–The OPEB Trust did not have of any investments in vehicles other than one guaranteed by the US government that is more than 5% of the plan's fiduciary net position.

Rate of return–For the year ended June 30, 2019, the annual money-weighted rate of return on investments was 6 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, 2019, were as follows (expressed in thousands):

Total OPEB liability	$ 1,209,387
Plan fiduciary net position	(213,703)
Net OPEB liability	$ 995,684
Plan fiduciary net postion as a percentage of the total OPEB liability	17.67%

Discount rate–The discount rate used to measure the total OPEB liability was 6%. This represents an increase of 2.38% over the 3.62% used in the June 30, 2018 valuation for employer reporting for fiscal year ended June 30, 2019. The projection of cash flows used to determine the single discount rate assumed that employer contributions will be made at rates equal to the ADC rates pursuant to an actuarial valuation in accordance with the state's funding goals. Inactive plan members are assumed to contribute their share of the premium rate for the coverage option in which they are enrolled. Based on those assumptions, the OPEB Trust fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Trust investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The change in discount rate used is due to the transition of the EGOP from a pay-as-you-go arrangement to a prefunding arrangement through a qualified trust. The measurement period for employer reporting is the fiscal year prior to the current reporting period.

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

	1% Decrease (5%)	Discount Rate (6%)	1% Increase (7%)
Net OPEB Liability	$ 1,075,791	$ 995,684	$ 921,138

Sensitivity of net OPEB liability to changes in the healthcare cost trend rate– The following presents the net OPEB liability of the OPEB Trust, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (5.75 percent decreasing to 2.91 percent)or 1-percentage-point higher (7.75 percent decreasing to 4.91 percent) than the current healthcare cost trend rate.

	1% Decrease (5.75% decreasing to 2.91%)	Healthcare Cost Trend Rates (6.75% decreasing to 3.91%)	1% Increase (7.75% decreasing to 4.91%)
Net OPEB Liability	$ 879,885	$ 995,684	$ 1,129,707

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 publically 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, 2018, 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	57,593
Inactive employees entitled to but not yet receiving benefits	40,314
Active employees	40,611
	138,518

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, 2019, employer contributions by the state were $303.6 million based on an average rate of 19.75 percent of covered payroll. For the year ended June 30, 2019, employer contributions by the four previously mentioned component units were $129.9 million based on an average rate of 19.23 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, 2018, 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, 2018, 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 developed by the actuary using the results of the actuarial experience study performed for the period July 1, 2012, through June 30, 2016, and were adjusted for expected future improvement in life expectancy. Mortality assumptions utilize the RP-2014 industry standard base table adjusted for TCRS experience, with mortality improvement projected 6 years beyond each actuarial valuation date.

The actuarial assumptions used in the June 30, 2018, 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 Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at 6/30/17	$ 11,231,549	$ 9,982,372	$ 1,249,177
Effects of change in proportion	(5,925)	(5,266)	(659)
Adjusted balance at 6/30/2017	11,225,624	9,977,106	1,248,518
Changes for the year:			
Service cost	126,789		126,789
Interest	799,933		799,933
Differences between expected and actual experience	58,483		58,483
Contributions-employer		304,641	(304,641)
Contributions-employees		283	(283)
Net investment income		814,802	(814,802)
Benefit payments, including refunds of employee contributions	(637,699)	(637,699)	
Administrative expense		(2,742)	2,742
Other		(10,258)	10,258
Net changes	$ 347,506	$ 469,027	$ (121,521)
Balance at 6/30/18	$ 11,573,130	$ 10,446,133	$ 1,126,997

Component Units	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at 6/30/17	$ 4,859,012	$ 4,318,584	$ 540,428
Effects of change in proportion	5,925	5,266	659
Adjusted balance at 6/30/2017	4,864,937	4,323,850	541,087
Changes for the year:			
Service cost	54,947		54,947
Interest	346,673		346,673
Differences between expected and actual experience	25,345		25,345
Contributions-employer		132,025	(132,025)
Contributions-employees		123	(123)
Net investment income		353,117	(353,117)
Benefit payments, including refunds of employee contributions	(276,365)	(276,365)	
Administrative expense		(1,188)	1,188
Other		(4,444)	4,444
Net changes	$ 150,600	$ 203,268	$ (52,668)
Balance at 6/30/18	$ 5,015,537	$ 4,527,118	$ 488,419

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

Primary Government

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net pension liability/(asset)	$ 2,476,920	$ 1,126,997	$ (9,094)

Component Units

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net pension liability/(asset)	$ 1,073,442	$ 488,419	$ (3,941)

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, 2019, the state and the four mentioned component units recognized pension expense of $254.2 million and $113.8 million, respectively.

Deferred outflows of resources and deferred inflows of resources–For the year ended June 30, 2019, 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	$ 101,808	$ 5,239
Assumption changes	$ 141,738	
Net difference between projected and actual earnings on pension plan investments		$ 32,393
Effects of change in proportion	$ 3,635	$ 4,622
Contributions subsequent to the measurement date of June 30, 2018	$ 303,640	

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2018," 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:	
2020	$ 198,959
2021	102,980
2022	(76,212)
2023	(20,800)
	$ 204,927

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

Component Units	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 44,122	$ 2,271
Assumption changes	$ 61,426	
Net difference between projected and actual earnings on pension plan investments		$ 14,039
Effects of change in proportion	$ 4,622	$ 3,635
Contributions subsequent to the measurement date of June 30, 2018	$ 129,941	

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2018," 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:	
2020	$ 89,877
2021	42,207
2022	(32,845)
2023	(9,014)
	$ 90,225

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, 2019, the state reported a payable of $10.3 million and the four mentioned component units reported a payable of $9.7 million for the outstanding amount of contributions to the pension plan required at year ended June 30, 2019.

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, 2018, 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	7
Inactive employees entitled to but not yet receiving benefits	9,495
Active employees	19,194
	28,696

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, 2019, to the State and Higher Education Employee Retirement Plan were $10.8 million, which is 1.76 percent of covered payroll. Employer contributions by the four previously mentioned component units were $4.8 million, which is 1.66 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, 2018, and the total pension liability used to calculate net pension asset was determined by an actuarial valuation as of that date.

Actuarial assumptions–The total pension liability as of June 30, 2018, 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 developed by the actuary using the results of the actuarial experience study performed for the period July 1, 2012, through June 30, 2016, and were adjusted for expected future improvement in life expectancy. Mortality assumptions utilize the RP-2014 industry standard base table adjusted for TCRS experience, with mortality improvement projected 6 years beyond each actuarial valuation date.

The actuarial assumptions used in the June 30, 2018, 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 Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at 6/30/17	$ 47,451	$ 62,401	$ (14,950)
Effects of change in proportion	(720)	(946)	226
Adjusted balance at 6/30/2017	46,731	61,455	(14,724)
Changes for the year:			
Service cost	33,235		33,235
Interest	5,744		5,744
Differences between expected and actual experience	320		320
Contributions-employer		20,349	(20,349)
Contributions-employees		25,909	(25,909)
Net investment income		6,910	(6,910)
Benefit payments, including refunds of employee contributions	(1,476)	(1,476)	
Administrative expense		(1,206)	1,206
Net changes	$ 37,823	$ 50,486	$ (12,663)
Balance at 6/30/18	$ 84,554	$ 111,941	$ (27,387)

Component Units	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at 6/30/17	$ 18,373	$ 24,164	$ (5,791)
Effects of change in proportion	720	946	(226)
Adjusted balance at 6/30/2017	19,093	25,110	(6,017)
Changes for the year:			
Service cost	13,580		13,580
Interest	2,347		2,347
Differences between expected and actual experience	131		131
Contributions-employer		8,314	(8,314)
Contributions-employees		10,586	(10,586)
Net investment income		2,823	(2,823)
Benefit payments, including refunds of employee contributions	(603)	(603)	
Administrative expense		(493)	493
Net changes	$ 15,455	$ 20,627	$ (5,172)
Balance at 6/30/18	$ 34,548	$ 45,737	$ (11,189)

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 asset would be if it were calculated using a discount rate that is 1 percentage–point lower (6.25 percent) or 1 percentage-point higher (8.25 percent) than the current rate (expressed in thousands):

Primary Government

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net pension asset	$ (4,542)	$ (27,387)	$ (44,476)

Component Units

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net pension asset	$ (1,856)	$ (11,189)	$ (18,173)

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, 2019, the state and the four previously mentioned component units recognized pension expense of $8.1 million and $3.3 million, respectively.

Deferred outflows of resources and deferred inflows of resources–For the year ended June 30, 2019, 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	$ 766	$ 459
Assumption changes	$ 930	
Net difference between projected and actual earnings on pension plan investments		$ 1,322
Effects of change in proportion	$ 215	$ 126
Contributions subsequent to the measurement date of June 30, 2018	$ 10,786	

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2018," will be recognized as an increase to net pension asset in the following measurement period.

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

Year Ended June 30:	
2020	$ (167)
2021	(196)
2022	(349)
2023	(30)
2024	145
Thereafter	601
	$ 4

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

Component Units	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 313	$ 188
Assumption changes	$ 380	
Net difference between projected and actual earnings on pension plan investments		$ 540
Effects of change in proportion	$ 126	$ 215
Contributions subsequent to the measurement date of June 30, 2018	$ 4,786	

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2018," 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:	
2020	$ (84)
2021	(96)
2022	(159)
2023	(28)
2024	43
Thereafter	200
	$ (124)

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, 2019, the state reported a payable of $415 thousand and the four previously mentioned component units reported a payable of $394 thousand for the outstanding amount of contributions to the pension plan required at year ended June 30, 2019.

C. Defined Contribution Plan

Optional Retirement Plan (ORP) – The ORP, administered by the Tennessee Department of Treasury, is a defined contribution plan. The ORP was established by state statute in Title 8, Chapter 25, Part 2 of the TCA. This statute also sets out the plan provisions. The plan provisions are amended by the Tennessee General Assembly. The ORP was designed to provide benefits at retirement to faculty and staff of the State University and Community College System institutions and the University of Tennessee system who are exempt from the overtime provision of the Fair Labor Standards Act and who waive membership in the TCRS. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. For employees employed prior to July 1, 2014, plan members are noncontributory. The State of Tennessee institutions of higher education contribute 10 percent of the employee's base salary up to the social security wage base and 11 percent above the social security wage base. For employees hired after June 30, 2014, plan members will contribute 5 percent to the ORP, and the State of Tennessee institutions of higher education will contribute 9 percent of the employee's base salary. The required contributions made by the State of Tennessee institutions of higher education to the ORP were $98.3 million for the year ended June 30, 2019.

Members are immediately 100 percent vested in the employer contributions made pursuant to the ORP. The Tennessee Department of Treasury has selected three investment vendors who offer a variety of investment products in which members are responsible for selecting how the contributions are invested. Each member makes the decision when to reallocate future contributions or when to transfer funds from one investment product to another. Funds are held by the investment vendor in the name of the member, not in the name of the State of Tennessee. The state has no discretion over these funds other than to make the initial contributions. Accordingly, the state is not acting in a trustee capacity nor does it have a fiduciary responsibility for the funds held by the investment vendors.

Internal Revenue Code (IRC) Section 401(k) and 457 Plans – The state offers its employees two deferred compensation plans, one established pursuant to IRC Section 457 and the other pursuant to IRC Section 401(k). All costs of administering and funding these programs are the responsibility of plan participants. The Deferred Compensation program is part of the Tennessee Department of Treasury. The Treasurer's Office administers this supplemental retirement savings program along with a chosen record-keeper, who is currently Empower.

The Section 401(k) and Section 457 plan assets remain the property of the contributing employees; therefore, they are not presented in the accompanying financial statements. Employees will vest immediately to both the employee and the employer match. IRC Sections 401(k) and 457 establish participation, contribution and withdrawal provisions for the plans. There is no employer matching for employees who participate in the 457 plan. For the fiscal year ended June 30, 2019, employees of the state and four of its discretely presented component units that participated in the 401(k) plan were eligible for a state matching contribution of up to $50 per month. The funding of this match is subject to state appropriations each year. In addition, pursuant to Public Chapter No. 259 of Public Acts of 2013, state employees hired after June 30, 2014, are automatically enrolled to contribute 2 percent of salary to the state's 401(k) plan with the employer contributing an additional 5 percent to the plan. Employees may opt out of the 2 percent auto enrollment. Such contribution rates may only be amended by the Tennessee General Assembly. There are certain automatic cost controls and unfunded liability controls in the defined benefit plan where the employees participate that may impact the non-matching 5 percent employer contribution to the 401(k) plan. The four discretely presented component units are the Tennessee Student Assistance Corporation, the Tennessee Housing Development Agency, the State University and Community College System, and the University of Tennessee.

For fiscal year ended June 30, 2019, a total of $210.9 million was contributed to Section 401(k) plan by the state, its four discretely presented component units, and employees. The state and the four mentioned component units recognized pension expenses of $77 million for its contributions to the Section 401(k) plans. At June 30, 2019, the state reported a related liability of $2 million.

NOTE 19

External Investment Pools

A. State Pooled Investment Fund

The State Pooled Investment Fund (SPIF) is an external investment pool sponsored by the State of Tennessee. The external portion of SPIF is the Local Government Investment Pool (LGIP) and is reported as a separate investment trust fund. The internal portion, consisting of funds belonging to the state and its component units, has been included in the various funds and component units.

B. Intermediate Term Investment Fund

The Intermediate Term Investment Fund (ITIF) is an external investment pool sponsored by the State of Tennessee. All funds in the ITIF at June 30, 2019, consist of funds belonging to entities outside of the state's financial reporting entity, and have been included as a separate investment trust fund.

C. Tennessee Retiree Group Trust

The Tennessee Retiree Group Trust (TRGT) is an external investment pool sponsored by the State of Tennessee. The external portion of the TRGT is the External Retirement Investment Fund (ERIF) which is reported as a separate investment trust fund. The internal portion, consisting of funds belonging to the state, has been included in the various funds.

A copy of the SPIF, ITIF, and TRGT report can be obtained at https://treasury.tn.gov/ or by calling (615) 741-2956.

NOTE 20

Contingencies

A. Litigation

The state is involved in various pending litigation matters in which it is contesting vigorously. Some of these cases could include claims, which normally recur in governmental operations and may result in future losses to the state or have a future budgetary programmatic impact. Those unfavorable outcomes, which could result in future programmatic costs, will be addressed in future budgets. Other potential losses resulting from unfavorable verdicts in legal proceedings are estimated to cost the state approximately $75.1 million. This would have a .197% impact on the budget.

B. Tobacco settlement

In November 1998, Tennessee joined 45 other states, the District of Columbia and five territories in a settlement agreement against the nation's largest tobacco manufacturers, to seek redress against the tobacco companies for violations of state consumer and antitrust laws. The Master Settlement Agreement (MSA) includes base payments to all states and territories through 2025, and continues in perpetuity. Tennessee's share of the base payments was originally projected at $4.8 billion through the year 2025. Since the agreement is complex, the annual payments have, and will continue to be, subject to a number of adjustments including inflation, volume and non-participating manufacturers (NPM). Some of these adjustments, such as the inflation adjustment, result in the State receiving higher payments. Other factors, such as volume adjustment and the market share adjustment can work to reduce annual payments. Third party lawsuits may also affect future payments. The net effect of potential adjustments, and therefore the amount that Tennessee will actually receive each year from this settlement, remains uncertain.

One of the adjustments built into the agreement, the non-participating manufacturers (NPM) adjustment, can potentially reduce state MSA revenues for years in which participating manufacturers (PM) lose market share to the NPMs because of the MSA, and has been the subject of several years of hearings and review. The PMs and states previously settled NPM adjustments through 2002; and, in March 2013, Tennessee and 23 other states resolved the NPM adjustments disputes for 2003-2014 in a settlement with the PMs. This multi-year settlement, initially administered under an agreed upon Term Sheet, was finalized in October 2017 and included sales year 2015. In 2018, Tennessee and thirty-five other states reached an agreement to extend the NPM adjustment settlement through sales years 2016 and 2017.

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 $8.3 million for remediation activities and had an expected recovery of $1.5 million from responsible parties. At June 30, 2019, the state had a pollution remediation obligation of $56.9 million and an estimated potential recovery of $4.8 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.

Note 21

Tax Abatements

The State of Tennessee provides tax abatements through seven programs subject to the requirements of GASB Statement No. 77: the Industrial Machinery Program, the Job Creation Program, the Community Investment Program, the Headquarters and Other Qualified Facilities Program, Small and Rural Development Opportunity Credit Program, and the Warehouse or Distribution Facility and Qualified Data Center Program.

A. Industrial Machinery Program

This program provides reductions in franchise and excise taxes to improve productivity and encourage investment in machinery among Tennessee businesses. The program is established under TCA 67-4-2009. 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 is calculated using between 3% and 10% of the purchase price of the qualified machinery. 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. Headquarters and Other Qualified Facilities Program

This program provides for credits on sales or use taxes paid on purchases of qualified tangible personal property that is directly related to the creation of new full-time headquarters staff employee jobs and on purchases of qualified tangible personal property to encourage the establishment of facilities utilized to support an emerging industry or a major cultural attraction. This program is intended to encourage the construction, expansion, or remodel of such qualified facilities. The program is established under TCA 67-6-224 and TCA 67-6-232. Abatements are obtained through a business plan filed before the investment is made. These abatements are administered as credits on business' sales and use tax returns. The amount of the abatement is calculated based upon documented sales or use taxes paid to the state on qualified tangible personal property. TCA 67-6-224 and TCA 67-6-232 provide clawback provisions if the qualified facility does not maintain the required full-time staff positions, or is not utilized as a headquarters facility or facility to support an emerging industry or a major cultural attraction for a period of at least ten (10) years.

E. Small and Rural Development Opportunity Credit Program

This program provides for credits on franchise and excise taxes for investments contributing to small and rural developments. The program is established under TCA 67-4-2109. The amount of the abatement is calculated using 10% of the financial institution's contribution to the rural or small business opportunity fund. Abatements are obtained through a business plan filed before the contribution is made. Recapture provisions 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 of Tennessee during the fiscal year ended June 30, 2019:

Tax Abatement Program	Amount of Taxes Abated (in thousands)
Industrial Machinery Program	$50,905
Job Creation Program	95,113
Community Investment Program	39,764
Headquarters and Other Qualified Facilities Program	3,469
Small and Rural Development Opportunities Credit Program	1,416

F. Warehouse or Distribution Facility and Qualified Data Center Program

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 or systems and peripheral hardware devices to encourage investments in qualified data centers.

The warehouse or distribution program is established under TCA 67-6-102(44)(H). 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. 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(44) (k). 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 $369 million.

Note 22

Subsequent events

A. Primary government

Subsequent to June 30, the State issued $15 million in general obligation commercial paper ($10 million in tax-exempt and $5 million in taxable). In September 2019, the State issued 2019 Series A tax-exempt general obligation bonds in the amount of $100.1 million at a premium of $20.2 million, 2019 Series B taxable general obligation bonds in the amount of $28 million at par. The Series A and Series B issuances were used to redeem commercial paper.

B. Component units

Subsequent to June 30, the Tennessee Housing Development Agency (THDA) had one revenue bond issuance: 2019-3 in September 2019 in the amount of $150 million.

Subsequent to June 30, the Tennessee State School Bond Authority (TSSBA) had the following bond issuances: in September 2019, TSSBA issued 2019 Series A tax-exempt bonds in the amount of $146.9 million at a premium of $39.6 million, 2019 Series B taxable bonds in the amount of $60 million at a premium of $338 thousand. These issuances were used to pay construction costs, and cost of issuance. In addition, the Authority has issued $15 million in revolving credit facility.

REQUIRED SUPPLEMENTARY INFORMATION

Infrastructure Assets Reported Using the Modified Approach

A. Roadways

Measurement Scale
Beginning in October 2016, the state adopted a new condition assessment method. The new method is called the Maintenance Quality Assurance (MQA) program and is replacing the Maintenance Rating Index (MRI). 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.

For the period ending June 30, 2017, the state used a Maintenance Rating Index (MRI) that addressed all elements of the roadway system. A statistical sample of randomly selected highway segments, representative of the entire subsystem, was inspected annually and rated in accordance with the MRI criteria. The following elements were rated: traveled pavement; shoulders; various roadside elements such as debris, grass height, slope erosion, and fencing; drainage elements such as culverts, cross drain pipes, and drain inlets; and traffic services such as signage, pavement markings, and guardrails. The MRI is a numerical score from 1 to 100, with 100 being a perfect score. The average MRI of all the rated segments is the reported condition level.

Established Condition Level
The state intends to maintain roadways so that the reported condition level each year does not fall below 75 for MRI and 2.846 for MQA.

Assessed Conditions
The following table presents the average MRI and the MQA of all rated segments.

For the Period Ended	Maintenance Rating Index	Maintenance Quality Assurance
06/30/19		3.006
06/30/18		3.187
06/30/17	84.61	

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
06/30/19	$ 450,813	$ 633,360
06/30/18	447,013	543,913
06/30/17	440,913	419,788
06/30/16	418,114	419,630
06/30/15	418,114	477,516

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

B. Bridges

Measurement Scale
The state maintains information on its 8,415 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
06/30/18	85%
06/30/16	85%
06/30/14	84%

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
06/30/19	$ 44,330	$ 46,978
06/30/18	41,610	57,541
06/30/17	41,610	52,468
06/30/16	37,945	52,098
06/30/15	37,945	51,346

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

Other Postemployment Benefits Information

A. Schedule of Changes in the Total OPEB Liability and Related Ratios

State of Tennessee
Other Postemployment Benefits
Schedule of Changes in the Total OPEB Liability and Related Ratios
(expressed in thousands)

EMPLOYEE GROUP OPEB PLAN
Primary Government

	2018	2019
Total OPEB liability		
Service cost	$ 47,219	$ 42,521
Interest	28,003	32,021
Changes of benefit terms	-	-
Differences between actual and expected experience	-	(37,420)
Changes of assumptions	(40,226)	46,108
Changes in proportion and differences between contributions and proportionate share of contributions	-	(29,514)
Benefit payments	(61,649)	(57,061)
Net change in total OPEB liability	(26,653)	(3,345)
Total OPEB liability-beginning	942,627	915,974
Total OPEB liability-ending	$ 915,974	$ 912,629
Covered-employee payroll	$ 1,369,106	$ 1,416,041
Total OPEB liability as a percentage of covered-employee payroll	66.90%	64.45%

Component Units

	2018	2019
Total OPEB liability		
Service cost	$ 21,990	$ 22,020
Interest	13,041	16,582
Changes of benefit terms	-	-
Differences between actual and expected experience	-	(19,378)
Changes of assumptions	(18,733)	23,877
Changes in proportion and differences between contributions and proportionate share of contributions	-	29,514
Benefit payments	(28,710)	(26,573)
Net change in total OPEB liability	(12,412)	46,042
Total OPEB liability-beginning	438,979	426,567
Total OPEB liability-ending	$ 426,567	$ 472,609
Covered-employee payroll	$ 1,353,254	$ 1,339,543
Total OPEB liability as a percentage of covered-employee payroll	31.52%	35.28%

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.

State of Tennessee
Other Postemployment Benefits
Schedule of Changes in the Total OPEB Liability and Related Ratios
(expressed in thousands)

TENNESSEE OPEB PLAN
Primary Government

	2018	2019
Total OPEB liability		
Service cost	$ 2,560	$ 2,046
Interest	3,455	3,790
Changes of benefit terms	-	-
Differences between actual and expected experience	-	(3,200)
Changes of assumptions	(9,094)	(743)
Changes in proportion and differences between contributions and proportionate share of contributions	-	(3,531)
Benefit payments	(4,588)	(4,696)
Net change in total OPEB liability	(7,667)	(6,334)
Total OPEB liability-beginning	118,044	110,377
Total OPEB liability-ending	$ 110,377	$ 104,043
Covered-employee payroll	$ 1,420,835	$ 1,541,486
Total OPEB liability as a percentage of covered-employee payroll	7.77%	6.75%

Component Units

	2018	2019
Total OPEB liability		
Service cost	$ 1,551	$ 1,353
Interest	2,093	2,507
Changes of benefit terms	-	-
Differences between actual and expected experience	-	(2,117)
Changes of assumptions	(5,511)	(492)
Changes in proportion and differences between contributions and proportionate share of contributions	-	3,531
Benefit payments	(2,780)	(2,845)
Net change in total OPEB liability	(4,647)	1,937
Total OPEB liability-beginning	71,531	66,884
Total OPEB liability-ending	$ 66,884	$ 68,821
Covered-employee payroll	$ 1,574,315	$ 1,524,863
Total OPEB liability as a percentage of covered-employee payroll	4.25%	4.51%

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 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)

TEACHER GROUP OPEB PLAN

	2018	2019
State's proportion of the collective total OPEB liability	29%	26%
State's proportionate share of the collective total OPEB liability	$ 256,924	$ 216,247

TENNESSEE OPEB PLAN

	2018	2019
State's proportion of the collective total OPEB liability	54%	75%
State's proportionate share of the collective total OPEB liability	$ 215,044	$ 206,298

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.
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.

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
Total pension liability					
Service cost	$201,090	$200,001	$193,571	$183,931	$181,736
Interest	1,024,003	1,044,475	1,089,027	1,117,928	1,146,606
Differences between actual and expected experience	(186,051)	170,534	(30,039)	97,904	83,828
Changes of assumptions				406,329	
Benefit payments, including refunds of employee contributions	(741,380)	(788,612)	(840,494)	(874,626)	(914,064)
Net change in total pension liability	297,662	626,398	$412,065	$931,466	$498,106
Total pension liability-beginning	13,822,970	14,120,632	14,747,030	15,159,095	16,090,561
Total pension liability-ending (a)	$14,120,632	$14,747,030	$15,159,095	$16,090,561	$16,588,667
Plan fiduciary net position					
Contributions-employer	$410,608	$392,466	$366,962	$360,337	$436,666
Contributions-employee	1,676	915	1,176	625	406
Net investment income	1,931,471	407,762	350,633	1,481,770	1,167,919
Benefit payments, including refunds of employee contributions	(741,380)	(788,612)	(840,494)	(874,626)	(914,064)
Administrative expense	(2,791)	(2,803)	(3,654)	(3,741)	(3,930)
Other	-	17,333	2,158	2,067	(14,702)
Net change in plan fiduciary net position	1,599,584	27,061	(123,219)	966,432	672,295
Plan fiduciary net position-beginning	11,831,098	13,430,682	13,457,743	13,334,524	14,300,956
Plan fiduciary net position-ending (b)	$13,430,682	$13,457,743	$13,334,524	$14,300,956	$14,973,251
Net pension liability (asset)-ending (a)-(b)	$689,950	$1,289,287	$1,824,571	$1,789,605	$1,615,416
Plan fiduciary net position as a percentage of total pension liability	95.11%	91.26%	87.96%	88.88%	90.26%
Covered payroll	$2,658,354	$2,540,327	$2,375,501	$2,333,672	$2,280,469
Net pension liability (asset) as a percentage of covered payroll	25.95%	50.75%	76.81%	76.69%	70.84%

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
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
Total pension liability				
Service cost	$7,431	$18,693	$33,132	$46,815
Interest	279	1,883	4,504	8,091
Differences between actual and expected experience	(1,164)	689	272	451
Changes of assumptions			1,638	
Benefit payments, including refunds of employee contributions	(10)	(233)	(1,290)	(2,079)
Net change in total pension liability	6,536	$21,032	$38,256	$53,278
Total pension liability-beginning		6,536	27,568	65,824
Total pension liability-ending (a)	$6,536	$27,568	$65,824	$119,102
Plan fiduciary net position				
Contributions-employer	$4,214	$11,923	$20,449	$28,663
Contributions-employee	5,154	15,113	25,927	36,495
Net investment income	142	600	6,595	9,733
Benefit payments, including refunds of employee contributions	(10)	(233)	(1,290)	(2,079)
Administrative expense	(183)	(726)	(1,244)	(1,699)
Other			134	
Net change in plan fiduciary net position	9,317	26,677	50,571	71,113
Plan fiduciary net position-beginning		9,317	35,994	86,565
Plan fiduciary net position-ending (b)	$9,317	35,994	86,565	157,678
Net pension liability (asset)-ending (a)-(b)	($2,781)	($8,426)	($20,741)	($38,576)
Plan fiduciary net position as a percentage of total pension liability	142.55%	130.56%	131.51%	132.39%
Covered payroll	$107,086	$305,424	$518,664	$727,339
Net pension liability (asset) as a percentage of covered payroll	(2.60%)	(2.76%)	(4%)	(5.3%)

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
Actuarially determined contribution	$410,608	$392,466	$366,114	$360,434	$435,455	$433,581
Contributions in relation of the actuarially determined contribution	410,608	392,466	366,114	360,434	435,455	433,581
Contribution deficiency (excess)	$0	$0	$0	$0	$0	$0
Covered payroll	2,658,354	2,540,327	2,375,501	2,333,672	2,280,469	2,213,382
Contributions as a percentage of covered payroll	15.45%	15.45%	15.41%	15.44%	19.09%	19.59%

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 2019 were calculated based on the June 30, 2017, 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
Actuarially determined contribution	$2,142	$6,446	$6,232	$9,820	$15,572
Contributions in relation of the actuarially determined contribution	4,255	12,016	20,339	28,611	15,572
Contribution deficiency (excess)	($2,113)	($5,570)	($14,107)	($18,791)	$0
Covered payroll	107,086	305,424	518,664	727,339	900,952
Contributions as a percentage of covered payroll	3.97%	3.93%	3.92%	3.93%	1.73%

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 2019 were calculated based on the June 30, 2017, 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 EGOP's Net OPEB Liability and Related Ratios
(expressed in thousands)

	2019
Total OPEB liability	
Service cost	$65,979
Interest	50,851
Changes in benefit terms	-
Differences between actual and expected experience	-
Changes of assumptions	(199,731)
Benefit payments, including refunds of employee contributions	(92,951)
Net change in total pension liability	($175,852)
Total OPEB liability-beginning	1,385,238
Total OPEB liability-ending (a)	$1,209,386
Plan fiduciary net position	
Contributions-employer	$301,486
Net investment income	5,167
Benefit payments, including refunds of employee contributions	(92,951)
Administrative expense	-
Net change in plan fiduciary net position	213,702
Plan fiduciary net position-beginning	-
Plan fiduciary net position-ending (b)	$213,702
Net OPEB liability-ending (a)-(b)	$995,684
Plan fiduciary net position as a percentage of total OPEB liability	17.67%

This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

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 the current fiscal year end.

B. Schedule of Contributions

Schedule of Employer Contributions to the State of Tennessee Postemployment Benefits Trust (expressed in thousands)

	2019
Actuarially determined contribution	$135,810
Contributions in relation of the actuarially determined contribution	301,487
Contribution deficiency (excess)	($165,677)

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 of fiscal years two years prior to the fiscal year the ADC is calculated for.

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	20 years
Asset valuation	Market value
Inflation	2.25 percent
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation.
Investment rate of return	6 percent
Retirement age	Pattern of retirement determined by experience study
Mortality	Mortality tables used in the July 1, 2017 actuarial valuation of the Tennessee Consolidated Retirement System. They are taken from the RP-2014 Health Participant Mortality Tables with adjustments and are generally projected using SOA scale MP-2016.

C. Schedule of Investment Returns

Schedule of Investment Returns
State of Tennessee Postemployment Benefits Trust
(expressed in thousands)

	2019
Annual money-weighted rate of return, net of investment expense	6%

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, 2019
(Expressed in Thousands)

	General			
	Budgeted Amounts			
	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget
REVENUES				
Taxes	$ 8,861,232	$ 8,861,232	$ 9,250,473	$ 389,241
Licenses, fines, fees, and permits	483,837	483,837	511,619	27,782
Investment income	77,710	77,710	154,441	76,731
Federal	11,481,832	11,651,711	10,024,723	(1,626,988)
Departmental services	1,948,943	1,938,430	2,081,654	143,224
Other	202,655	202,655	178,283	(24,372)
Total revenues	23,056,209	23,215,575	22,201,193	(1,014,382)
EXPENDITURES				
General government				
Legislative	88,694	88,694	46,996	41,698
Secretary of State	65,777	65,399	42,978	22,421
Comptroller	160,412	160,412	102,358	58,054
Treasurer	31,563	72,338	53,491	18,847
Governor	5,838	5,882	5,109	773
Commissions	94,079	95,790	82,786	13,004
Finance and Administration	500,135	389,795	183,751	206,044
General Services	81,757	54,994	27,080	27,914
Revenue	138,492	141,527	117,209	24,318
Miscellaneous Appropriations	2,294	2,294	-	2,294
Health and social services				
Veterans Services	9,180	12,046	10,789	1,257
Labor and Workforce Development	275,486	276,897	178,882	98,015
TennCare	12,683,371	12,774,043	11,618,602	1,155,441
Mental Health	402,495	407,002	387,679	19,323
Intellectual Disabilities	157,328	159,428	151,892	7,536
Health	682,420	724,480	633,847	90,633
Human Services	2,948,678	2,961,000	2,107,597	853,403
Children's Services	844,093	942,670	918,364	24,306
Law, justice, and public safety				
Judicial	414,445	417,991	398,406	19,585
Correction	1,064,260	1,048,531	1,005,154	43,377
Probation and Paroles	8,790	8,930	8,314	616
Military	118,853	132,463	114,800	17,663
Bureau of Criminal Investigation	83,942	90,349	85,727	4,622
Safety	268,204	270,643	248,661	21,982
Recreation and resources development				
Agriculture	130,598	133,021	93,510	39,511
Tourist Development	31,675	34,657	30,817	3,840
Environment and Conservation	316,565	321,947	246,140	75,807
Economic and Community Development	740,493	735,266	210,992	524,274
Regulation of business and professions				
Commerce and Insurance	107,745	109,496	94,194	15,302
Financial Institutions	28,033	28,371	20,917	7,454
Intergovernmental revenue sharing	987,931	987,931	987,931	-
Total expenditures	23,473,626	23,654,287	20,214,973	3,439,314
Excess (deficiency) of revenues over (under) expenditures	(417,417)	(438,712)	1,986,220	2,424,932
OTHER FINANCING SOURCES (USES)				
Insurance claims recoveries	-	366	366	-
Transfers in	46,925	46,925	46,925	-
Transfers out	(1,633,340)	(1,429,204)	(1,429,204)	-
Total other financing sources (uses)	(1,586,415)	(1,381,913)	(1,381,913)	-
Net change in fund balances	(2,003,832)	(1,820,625)	604,307	2,424,932
Fund balances (budgetary basis), July 1, restated	3,824,518	3,824,518	3,824,518	-
Fund balances (budgetary basis), June 30	$ 1,820,686	$ 2,003,893	$ 4,428,825	$ 2,424,932

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, 2019
(Expressed in Thousands)

Education

	Budgeted Amounts			
	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget
REVENUES				
Taxes	$ 5,474,300	$ 5,474,300	$ 5,636,834	$ 162,534
Licenses, fines, fees, and permits	2,982	2,982	2,595	(387)
Investment income	175	175	3,550	3,375
Federal	1,143,548	1,159,564	1,137,053	(22,511)
Departmental services	99,032	107,656	150,335	42,679
Other	401,300	401,300	447,202	45,902
Total revenues	7,121,337	7,145,977	7,377,569	231,592
EXPENDITURES				
Education	6,432,753	6,450,287	6,373,952	76,335
Higher education	1,980,411	1,963,571	1,952,229	11,342
Total expenditures	8,413,164	8,413,858	8,326,181	87,677
Excess (deficiency) of revenues over (under) expenditures	(1,291,827)	(1,267,881)	(948,612)	319,269
OTHER FINANCING SOURCES (USES)				
Transfers in	1,295,342	1,295,342	1,092,496	(202,846)
Transfers out	(68,887)	(119,898)	(119,898)	-
Total other financing sources (uses)	1,226,455	1,175,444	972,598	(202,846)
Net change in fund balance	(65,372)	(92,437)	23,986	116,423
Fund balances (budgetary basis), July 1	267,993	267,993	267,993	-
Fund balances (budgetary basis), June 30	$ 202,621	$ 175,556	$ 291,979	$ 116,423

Highway

	Budgeted Amounts			
	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget
REVENUES				
Taxes	$ 1,077,500	$ 1,077,500	$ 1,090,494	$ 12,994
Licenses, fines, fees, and permits	286,383	286,383	313,989	27,606
Federal	1,084,569	3,993,751	876,970	(3,116,781)
Departmental services	38,084	199,676	37,647	(162,029)
Other	8,126	8,126	14,219	6,093
Total revenues	2,494,662	5,565,436	2,333,319	(3,232,117)
EXPENDITURES				
Transportation	3,290,825	6,375,914	2,017,320	4,358,594
Intergovernmental revenue sharing	402,900	402,900	400,917	1,983
Total expenditures	3,693,725	6,778,814	2,418,237	4,360,577
Excess (deficiency) of revenues over (under) expenditures	(1,199,063)	(1,213,378)	(84,918)	1,128,460
OTHER FINANCING SOURCES (USES)				
Bond authorizations	127,000	48,000	-	(48,000)
Transfers in	-	115,016	115,016	-
Transfers out	(2,663)	(2,663)	(2,663)	-
Total other financing sources (uses)	124,337	160,353	112,353	(48,000)
Net change in fund balance	(1,074,726)	(1,053,025)	27,435	1,080,460
Fund balances (budgetary basis), July 1, restated	1,061,895	1,061,895	1,039,276	(22,619)
Fund balances (budgetary basis), June 30	$ (12,831)	$ 8,870	$ 1,066,711	$ 1,057,841

STATE OF TENNESSEE
Required Supplementary Information
Note to RSI
For the Fiscal Year Ended June 30, 2019
(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)	$ 7,377,569
The revenues for the Tennessee Promise Scholarship Endowment Fund are not included in the annually adopted budget.	42,706
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 7,420,275
Expenditures	
Actual amount (budgetary basis)	$ 8,326,181
The expenditures for the Tennessee Promise Scholarship Endowment Fund are not included in the annually adopted budget.	29,329
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 8,355,510
Other financing sources (uses)	
Actual amount (budgetary basis)	$ 972,598
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.	68,887
Total other financing sources (uses) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 1,041,485

Highway Fund - The prior period equity adjustments ($22.6 million) for the highway fund are excluded from the July 1 budgetary basis fund balance since these amounts were not used for purposes of developing data on a budgetary basis.

2. Budgetary process

The law requires the Governor to submit a recommended budget to the General Assembly annually. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the departments in the general fund and the special revenue funds (except Fraud and Economic Crime, Agricultural Promotion Boards, and Tennessee Promise Scholarship Endowment Fund, included in the Education Trust Fund), and for the debt service fund. The General Assembly enacts the budget through passage of specific departmental appropriations, the sum of which may not exceed estimated revenues. Before signing the Appropriations Act, the Governor may veto or reduce any specific appropriation, subject to legislative override. Once passed and signed, the budget becomes the state's financial plan for the coming year.

Budgetary control is maintained at the department level. Budget revisions during the year, reflecting program changes or intradepartmental transfers of an administrative nature, may be affected with certain executive and legislative branch approval.

Generally, appropriations lapse at the end of each fiscal year. It is the state's budgetary practice to appropriate matching dollars for jointly funded projects in the year of federal apportionment for the highway fund and these appropriations do not lapse at year-end but are reappropriated for subsequent year expenditure. There were no outstanding encumbrances reported as of June 30, 2019. In order to provide sufficient funding for several programs during the year, supplemental appropriations of $36.1 million were required.

SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue 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.

Permanent Funds—A description of these funds is found later in this section.

STATE OF TENNESSEE
Combining Balance Sheet
Nonmajor Governmental Funds - By Fund Type
June 30, 2019
(Expressed in Thousands)

	Special Revenue Funds	Debt Service Fund	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	$ 324,224	$ 10,669	$ 20,096	$ 354,989
Investments	16,897	-	398,598	415,495
Receivables, net	31,235	6,694	27,417	65,346
Due from other funds	60	-	-	60
Due from component units	-	-	670	670
Loans receivable	-	5,801	-	5,801
Prepayments and others	24	-	-	24
Total assets	$ 372,440	$ 23,164	$ 446,781	$ 842,385
LIABILITIES				
Accounts payable and accruals	63,618	289	28,130	92,037
Due to other funds	611	-	-	611
Due to component units	815	-	2,345	3,160
Unearned revenue	6	-	-	6
Total liabilities	65,050	289	30,475	95,814
DEFERRED INFLOWS OF RESOURCES	-	6,489	-	6,489
FUND BALANCES				
Nonspendable				
Permanent fund and endowment corpus	$ -	$ -	$ 168,163	$ 168,163
Restricted	156,221	-	248,143	404,364
Committed	151,169	-	-	151,169
Assigned	-	16,386	-	16,386
Total fund balances	307,390	16,386	416,306	740,082
Total liabilities, deferred inflows of resources and fund balances	$ 372,440	$ 23,164	$ 446,781	$ 842,385

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, 2019
(Expressed in Thousands)

	Special Revenue Funds	Debt Service Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES				
Taxes:				
Sales and use	$ -	$ 65,930	$ -	$ 65,930
Fuel	22,457	80,200	-	102,657
Business	269	201,770	-	202,039
Other	42,990	-	-	42,990
Licenses, fines, fees, and permits	247,720	2,700	2,732	253,152
Investment income	6,540	-	27,070	33,610
Federal	52,940	-	-	52,940
Departmental services	21,211	1,406	-	22,617
Other	10	-	-	10
Total revenues	394,137	352,006	29,802	775,945
EXPENDITURES				
General government	27,361	-	-	27,361
Education	-	-	9,012	9,012
Law, justice and public safety	7,071	-	-	7,071
Recreation and resources development	240,072	-	26	240,098
Regulation of business and professions	113,971	-	-	113,971
Debt service:				
Principal	-	144,711	-	144,711
Interest	-	75,165	-	75,165
Debt issuance costs	-	1,741	-	1,741
Total expenditures	388,475	221,617	9,038	619,130
Excess (deficiency) of revenues over (under) expenditures	5,662	130,389	20,764	156,815
OTHER FINANCING SOURCES (USES)				
Transfers in	7,401	3,708	-	11,109
Transfers out	(357)	(132,295)	-	(132,652)
Total other financing sources (uses)	7,044	(128,587)	-	(121,543)
Net change in fund balances	12,706	1,802	20,764	35,272
Fund balances, July 1	294,684	14,584	395,542	704,810
Fund balances, June 30	$ 307,390	$ 16,386	$ 416,306	$ 740,082

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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, 2019
(Expressed in Thousands)

	Debt Service Fund		
	Budget	Actual (Budgetary Basis)	Variance
REVENUES			
Taxes	$ 347,900	$ 347,900	$ -
Licenses, fines, fees, and permits	2,700	2,700	-
Departmental services	1,406	1,406	-
Total revenues	352,006	352,006	-
EXPENDITURES			
Debt service	222,997	221,617	1,380
Total expenditures	222,997	221,617	1,380
Excess (deficiency) of revenues over (under) expenditures	129,009	130,389	1,380
OTHER FINANCING SOURCES (USES)			
Transfers in	3,708	3,708	-
Transfers out	(132,295)	(132,295)	-
Total other financing sources (uses)	(128,587)	(128,587)	-
Net change in fund balances	422	1,802	1,380
Fund balances (budgetary basis), July 1	14,584	14,584	-
Fund balances (budgetary basis), June 30	$ 15,006	$ 16,386	$ 1,380

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.

STATE OF TENNESSEE
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2019
(Expressed in Thousands)

	Wildlife Resources Agency	Criminal Injuries Compensation	Solid Waste	Help America Vote
ASSETS				
Cash and cash equivalents	$ 48,633	$ 9,567	$ 5,475	$ 36,378
Investments	16,897	-	-	-
Receivables, net	5,737	4,296	632	-
Due from other funds	-	-	-	-
Prepayments and others	-	-	-	-
Total assets	$ 71,267	$ 13,863	$ 6,107	$ 36,378
LIABILITIES				
Accounts payable and accruals	5,321	7,434	4,150	34,674
Due to other funds	321	85	5	-
Due to component units	801	-	-	-
Unearned revenue	-	-	-	1
Total liabilities	6,443	7,519	4,155	34,675
FUND BALANCES				
Restricted	$ 49,225	$ -	$ -	$ 1,703
Committed	15,599	6,344	1,952	-
Total fund balances	64,824	6,344	1,952	1,703
Total liabilities and fund balances	$ 71,267	$ 13,863	$ 6,107	$ 36,378

STATE OF TENNESSEE
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2019
(Expressed in Thousands)

Environmental Protection	Hazardous Waste	Parks Acquisition	Supreme Court Boards	Underground Storage Tanks	Enhanced Emergency 911 Service
$ 35,170	$ 5,363	$ 51,227	$ 4,964	$ 51,774	$ 37,450
-	-	-	-	-	-
-	231	1,695	9	7,488	9,617
-	-	-	-	-	-
-	-	-	-	-	-
$ 35,170	$ 5,594	$ 52,922	$ 4,973	$ 59,262	$ 47,067
1	128	4,207	172	3,877	1,579
-	21	48	-	31	64
-	-	-	-	-	-
-	-	-	3	1	-
1	149	4,255	175	3,909	1,643
$ -	$ 50	$ -	$ 4,798	$ 55,256	$ 40,400
35,169	5,395	48,667	-	97	5,024
35,169	5,445	48,667	4,798	55,353	45,424
$ 35,170	$ 5,594	$ 52,922	$ 4,973	$ 59,262	$ 47,067

STATE OF TENNESSEE
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2019
(Expressed in Thousands)

	Driver Education	Abandoned Land Program	Agricultural Non-Point Water Pollution	Salvage Title Enforcement
ASSETS				
Cash and cash equivalents	$ 1,078	$ 5,149	$ 7,566	$ 2,456
Investments	-	-	-	-
Receivables, net	58	-	782	-
Due from other funds	-	-	-	-
Prepayments and others	-	-	-	-
Total assets	$ 1,136	$ 5,149	$ 8,348	$ 2,456
LIABILITIES				
Accounts payable and accruals	33	-	527	53
Due to other funds	2	-	-	6
Due to component units	-	-	14	-
Unearned revenue	-	-	-	-
Total liabilities	35	-	541	59
FUND BALANCES				
Restricted	$ -	$ 4,789	$ -	$ -
Committed	1,101	360	7,807	2,397
Total fund balances	1,101	5,149	7,807	2,397
Total liabilities and fund balances	$ 1,136	$ 5,149	$ 8,348	$ 2,456

STATE OF TENNESSEE
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2019
(Expressed in Thousands)

Agricultural Promotion Boards	Drycleaner's Environmental Response	Agricultural Regulatory Fund	Tennessee Public Utility Commission	Fraud and Economic Crime	Total Nonmajor Special Revenue Funds
$ 697	$ 772	$ 9,813	$ 7,514	$ 3,178	$ 324,224
-	-	-	-	-	16,897
43	-	-	647	-	31,235
-	-	-	60	-	60
24	-	-	-	-	24
$ 764	$ 772	$ 9,813	$ 8,221	$ 3,178	$ 372,440
108	122	-	1,232	-	63,618
-	1	-	27	-	611
-	-	-	-	-	815
-	-	-	1	-	6
108	123	-	1,260	-	65,050
$ -	$ -	$ -	$ -	$ -	$ 156,221
656	649	9,813	6,961	3,178	151,169
656	649	9,813	6,961	3,178	307,390
$ 764	$ 772	$ 9,813	$ 8,221	$ 3,178	$ 372,440

STATE OF TENNESSEE
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2019
(Expressed in Thousands)

	Wildlife Resources Agency	Criminal Injuries Compensation	Solid Waste	Help America Vote
REVENUES				
Taxes:				
Fuel	$ 2,884	$ -	$ -	$ -
Business	269	-	-	-
Other	16,114	-	2,282	-
Licenses, fines, fees, and permits	43,571	8,486	6,732	-
Investment income	1,816	154	194	40
Federal	41,163	3,825	-	3,222
Departmental services	13,452	-	1,406	-
Other	-	2	-	-
Total revenues	119,269	12,467	10,614	3,262
EXPENDITURES				
General government	-	13,615	-	3,356
Law, justice and public safety	-	-	-	-
Recreation and resources development	108,228	-	18,412	-
Regulation of business and professions	-	-	-	-
Total expenditures	108,228	13,615	18,412	3,356
Excess (deficiency) of revenues over (under) expenditures	11,041	(1,148)	(7,798)	(94)
OTHER FINANCING SOURCES (USES)				
Transfers in	3,125	-	46	378
Transfers out	(107)	-	-	-
Total other financing sources (uses)	3,018	-	46	378
Net change in fund balances	14,059	(1,148)	(7,752)	284
Fund balances, July 1	50,765	7,492	9,704	1,419
Fund balances, June 30	$ 64,824	$ 6,344	$ 1,952	$ 1,703

STATE OF TENNESSEE
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2019
(Expressed in Thousands)

Environmental Protection	Hazardous Waste	Parks Acquisition	Supreme Court Boards	Underground Storage Tanks	Enhanced Emergency 911 Service
$ -	$ -	$ -	$ -	$ 19,573	$ -
-	-	-	-	-	-
-	-	16,114	-	-	-
47,114	-	-	5,805	8,071	106,150
767	83	1,041	105	1,166	715
-	1,221	-	-	2,499	-
-	3,566	19	182	606	-
-	-	-	8	-	-
47,881	4,870	17,174	6,100	31,915	106,865
-	-	-	-	-	-
-	-	-	5,617	-	-
46,614	7,064	12,850	-	28,442	-
-	-	-	-	-	113,971
46,614	7,064	12,850	5,617	28,442	113,971
1,267	(2,194)	4,324	483	3,473	(7,106)
-	2,890	-	180	367	46
-	-	(250)	-	-	-
-	2,890	(250)	180	367	46
1,267	696	4,074	663	3,840	(7,060)
33,902	4,749	44,593	4,135	51,513	52,484
$ 35,169	$ 5,445	$ 48,667	$ 4,798	$ 55,353	$ 45,424

STATE OF TENNESSEE
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2019
(Expressed in Thousands)

	Driver Education	Abandoned Land Program	Agricultural Non-Point Water Pollution	Salvage Title Enforcement
REVENUES				
Taxes:				
Fuel	$ -	$ -	$ -	$ -
Business	-	-	-	-
Other	-	-	7,437	-
Licenses, fines, fees, and permits	699	21	-	2,345
Investment income	-	112	140	-
Federal	-	-	-	-
Departmental services	-	-	-	-
Other	-	-	-	-
Total revenues	699	133	7,577	2,345
EXPENDITURES				
General government	-	-	-	2,010
Law, justice and public safety	766	-	-	-
Recreation and resources development	-	-	5,827	-
Regulation of business and professions	-	-	-	-
Total expenditures	766	-	5,827	2,010
Excess (deficiency) of revenues over (under) expenditures	(67)	133	1,750	335
OTHER FINANCING SOURCES (USES)				
Transfers in	21	-	-	88
Transfers out	-	-	-	-
Total other financing sources (uses)	21	-	-	88
Net change in fund balances	(46)	133	1,750	423
Fund balances, July 1	1,147	5,016	6,057	1,974
Fund balances, June 30	$ 1,101	$ 5,149	$ 7,807	$ 2,397

STATE OF TENNESSEE
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2019
(Expressed in Thousands)

Agricultural Promotion Boards	Drycleaner's Environmental Response	Agricultural Regulatory Fund	Tennessee Public Utility Commission	Fraud and Economic Crime	Total Nonmajor Special Revenue Funds
$ -	$ -	$ -	$ -	$ -	$ 22,457
-	-	-	-	-	269
1,043	-	-	-	-	42,990
-	675	12,046	5,264	741	247,720
1	21	173	-	12	6,540
-	-	-	1,010	-	52,940
-	-	-	1,980	-	21,211
-	-	-	-	-	10
1,044	696	12,219	8,254	753	394,137
-	-	-	8,380	-	27,361
-	-	-	-	688	7,071
1,085	823	10,727	-	-	240,072
-	-	-	-	-	113,971
1,085	823	10,727	8,380	688	388,475
(41)	(127)	1,492	(126)	65	5,662
-	14	1	245	-	7,401
-	-	-	-	-	(357)
-	14	1	245	-	7,044
(41)	(113)	1,493	119	65	12,706
697	762	8,320	6,842	3,113	294,684
$ 656	$ 649	$ 9,813	$ 6,961	$ 3,178	$ 307,390

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, 2019
(Expressed in Thousands)

	Wildlife Resources Agency		
	Budget	Actual (Budgetary Basis)	Variance
REVENUES			
Taxes	$ 17,661	$ 19,267	$ 1,606
Licenses, fines, fees, and permits	52,370	43,571	(8,799)
Investment income	-	1,816	1,816
Federal	31,198	41,163	9,965
Departmental services	16,472	13,452	(3,020)
Other	-	-	-
Total revenues	117,701	119,269	1,568
EXPENDITURES			
Judicial	-	-	-
Secretary of State	-	-	-
Treasurer	-	-	-
Commissions	-	-	-
Safety	-	-	-
Agriculture	-	-	-
Environment and Conservation	-	-	-
Wildlife Resources	120,953	108,228	12,725
Commerce and Insurance	-	-	-
Revenue	-	-	-
Total expenditures	120,953	108,228	12,725
Excess (deficiency) of revenues over (under) expenditures	(3,252)	11,041	14,293
OTHER FINANCING SOURCES (USES)			
Transfers in	3,125	3,125	-
Transfers out	(107)	(107)	-
Total other financing sources (uses)	3,018	3,018	-
Net change in fund balances	(234)	14,059	14,293
Fund balances (budgetary basis), July 1	50,765	50,765	-
Fund balances (budgetary basis), June 30	$ 50,531	$ 64,824	$ 14,293

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, 2019
(Expressed in Thousands)

Criminal Injuries Compensation			Solid Waste		
Budget	Actual (Budgetary Basis)	Variance	Budget	Actual (Budgetary Basis)	Variance
$ -	$ -	$ -	$ 2,517	$ 2,282	$ (235)
12,861	8,486	(4,375)	5,700	6,732	1,032
-	154	154	-	194	194
3,479	3,825	346	-	-	-
-	-	-	1	1,406	1,405
10	2	(8)	-	-	-
16,350	12,467	(3,883)	8,218	10,614	2,396
-	-	-	-	-	-
-	-	-	-	-	-
16,350	13,615	2,735	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	19,692	18,412	1,280
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
16,350	13,615	2,735	19,692	18,412	1,280
-	(1,148)	(1,148)	(11,474)	(7,798)	3,676
-	-	-	46	46	-
-	-	-	-	-	-
-	-	-	46	46	-
-	(1,148)	(1,148)	(11,428)	(7,752)	3,676
7,492	7,492	-	9,704	9,704	-
$ 7,492	$ 6,344	$ (1,148)	$ (1,724)	$ 1,952	$ 3,676

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, 2019
(Expressed in Thousands)

	Help America Vote		
	Budget	Actual (Budgetary Basis)	Variance
REVENUES			
Taxes	$ -	$ -	$ -
Licenses, fines, fees, and permits	-	-	-
Investment income	-	40	40
Federal	26,500	3,222	(23,278)
Departmental services	-	-	-
Other	-	-	-
Total revenues	26,500	3,262	(23,238)
EXPENDITURES			
Judicial	-	-	-
Secretary of State	27,878	3,356	24,522
Treasurer	-	-	-
Commissions	-	-	-
Safety	-	-	-
Agriculture	-	-	-
Environment and Conservation	-	-	-
Wildlife Resources	-	-	-
Commerce and Insurance	-	-	-
Revenue	-	-	-
Total expenditures	27,878	3,356	24,522
Excess (deficiency) of revenues over (under) expenditures	(1,378)	(94)	1,284
OTHER FINANCING SOURCES (USES)			
Transfers in	378	378	-
Transfers out	-	-	-
Total other financing sources (uses)	378	378	-
Net change in fund balances	(1,000)	284	1,284
Fund balances (budgetary basis), July 1	1,419	1,419	-
Fund balances (budgetary basis), June 30	$ 419	$ 1,703	$ 1,284

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, 2019
(Expressed in Thousands)

Environmental Protection			Hazardous Waste		
Budget	Actual (Budgetary Basis)	Variance	Budget	Actual (Budgetary Basis)	Variance
$ -	$ -	$ -	$ -	$ -	$ -
52,355	47,114	(5,241)	-	-	-
-	767	767	-	83	83
-	-	-	1,890	1,221	(669)
-	-	-	4,157	3,566	(591)
-	-	-	-	-	-
52,355	47,881	(4,474)	6,047	4,870	(1,177)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
53,115	46,614	6,501	11,779	7,064	4,715
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
53,115	46,614	6,501	11,779	7,064	4,715
(760)	1,267	2,027	(5,732)	(2,194)	3,538
-	-	-	2,890	2,890	-
-	-	-	-	-	-
-	-	-	2,890	2,890	-
(760)	1,267	2,027	(2,842)	696	3,538
33,902	33,902	-	4,749	4,749	-
$ 33,142	$ 35,169	$ 2,027	$ 1,907	$ 5,445	$ 3,538

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, 2019
(Expressed in Thousands)

	Parks Acquisition		
	Budget	Actual (Budgetary Basis)	Variance
REVENUES			
Taxes	$ 6,931	$ 16,114	$ 9,183
Licenses, fines, fees, and permits	-	-	-
Investment income	-	1,041	1,041
Federal	-	-	-
Departmental services	-	19	19
Other	-	-	-
Total revenues	6,931	17,174	10,243
EXPENDITURES			
Judicial	-	-	-
Secretary of State	-	-	-
Treasurer	-	-	-
Commissions	-	-	-
Safety	-	-	-
Agriculture	-	-	-
Environment and Conservation	16,311	12,850	3,461
Wildlife Resources	-	-	-
Commerce and Insurance	-	-	-
Revenue	-	-	-
Total expenditures	16,311	12,850	3,461
Excess (deficiency) of revenues over (under) expenditures	(9,380)	4,324	13,704
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	(250)	(250)	-
Total other financing sources (uses)	(250)	(250)	-
Net change in fund balances	(9,630)	4,074	13,704
Fund balances (budgetary basis), July 1	44,593	44,593	-
Fund balances (budgetary basis), June 30	$ 34,963	$ 48,667	$ 13,704

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, 2019
(Expressed in Thousands)

Supreme Court Boards			Underground Storage Tanks		
Budget	Actual (Budgetary Basis)	Variance	Budget	Actual (Budgetary Basis)	Variance
$ -	$ -	$ -	$ 19,200	$ 19,573	$ 373
5,389	5,805	416	3,883	8,071	4,188
-	105	105	-	1,166	1,166
-	-	-	1,973	2,499	526
-	182	182	-	606	606
-	8	8	-	-	-
5,389	6,100	711	25,056	31,915	6,859
5,560	5,617	(57)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	29,203	28,442	761
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
5,560	5,617	(57)	29,203	28,442	761
(171)	483	654	(4,147)	3,473	7,620
180	180	-	367	367	-
-	-	-	-	-	-
180	180	-	367	367	-
9	663	654	(3,780)	3,840	7,620
4,135	4,135	-	51,513	51,513	-
$ 4,144	$ 4,798	$ 654	$ 47,733	$ 55,353	$ 7,620

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, 2019
(Expressed in Thousands)

	Enhanced Emergency 911 Service		
	Budget	Actual (Budgetary Basis)	Variance
REVENUES			
Taxes	$ -	$ -	$ -
Licenses, fines, fees, and permits	112,022	106,150	(5,872)
Investment income	-	715	715
Federal	-	-	-
Departmental services	-	-	-
Other	-	-	-
Total revenues	112,022	106,865	(5,157)
EXPENDITURES			
Judicial	-	-	-
Secretary of State	-	-	-
Treasurer	-	-	-
Commissions	-	-	-
Safety	-	-	-
Agriculture	-	-	-
Environment and Conservation	-	-	-
Wildlife Resources	-	-	-
Commerce and Insurance	117,881	113,971	3,910
Revenue	-	-	-
Total expenditures	117,881	113,971	3,910
Excess (deficiency) of revenues over (under) expenditures	(5,859)	(7,106)	(1,247)
OTHER FINANCING SOURCES (USES)			
Transfers in	46	46	-
Transfers out	-	-	-
Total other financing sources (uses)	46	46	-
Net change in fund balances	(5,813)	(7,060)	(1,247)
Fund balances (budgetary basis), July 1	52,484	52,484	-
Fund balances (budgetary basis), June 30	$ 46,671	$ 45,424	$ (1,247)

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, 2019
(Expressed in Thousands)

Driver Education			Abandoned Land Program		
Budget	Actual (Budgetary Basis)	Variance	Budget	Actual (Budgetary Basis)	Variance
$ -	$ -	$ -	$ -	$ -	$ -
812	699	(113)	500	21	(479)
-	-	-	-	112	112
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
812	699	(113)	500	133	(367)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,066	766	300	-	-	-
-	-	-	-	-	-
-	-	-	500	-	500
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,066	766	300	500	-	500
(254)	(67)	187	-	133	133
21	21	-	-	-	-
-	-	-	-	-	-
21	21	-	-	-	-
(233)	(46)	187	-	133	133
1,147	1,147	-	5,016	5,016	-
$ 914	$ 1,101	$ 187	$ 5,016	$ 5,149	$ 133

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, 2019
(Expressed in Thousands)

	Agricultural Non-Point Water Pollution		
	Budget	Actual (Budgetary Basis)	Variance
REVENUES			
Taxes	$ 3,188	$ 7,437	$ 4,249
Licenses, fines, fees, and permits	-	-	-
Investment income	-	140	140
Federal	-	-	-
Departmental services	-	-	-
Other	-	-	-
Total revenues	3,188	7,577	4,389
EXPENDITURES			
Judicial	-	-	-
Secretary of State	-	-	-
Treasurer	-	-	-
Commissions	-	-	-
Safety	-	-	-
Agriculture	9,188	5,827	3,361
Environment and Conservation	-	-	-
Wildlife Resources	-	-	-
Commerce and Insurance	-	-	-
Revenue	-	-	-
Total expenditures	9,188	5,827	3,361
Excess (deficiency) of revenues over (under) expenditures	(6,000)	1,750	7,750
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	(6,000)	1,750	7,750
Fund balances (budgetary basis), July 1	6,057	6,057	-
Fund balances (budgetary basis), June 30	$ 57	$ 7,807	$ 7,750

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, 2019
(Expressed in Thousands)

Salvage Title Enforcement			Drycleaner's Environmental Response		
Budget	Actual (Budgetary Basis)	Variance	Budget	Actual (Budgetary Basis)	Variance
$ -	$ -	$ -	$ -	$ -	$ -
1,844	2,345	501	1,921	675	(1,246)
-	-	-	-	21	21
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,844	2,345	501	1,921	696	(1,225)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	1,927	823	1,104
-	-	-	-	-	-
-	-	-	-	-	-
2,143	2,010	133	-	-	-
2,143	2,010	133	1,927	823	1,104
(299)	335	634	(6)	(127)	(121)
88	88	-	14	14	-
-	-	-	-	-	-
88	88	-	14	14	-
(211)	423	634	8	(113)	(121)
1,974	1,974	-	762	762	-
$ 1,763	$ 2,397	$ 634	$ 770	$ 649	$ (121)

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, 2019
(Expressed in Thousands)

	Agricultural Regulatory Fund		
	Budget	Actual (Budgetary Basis)	Variance
REVENUES			
Taxes	$ -	$ -	$ -
Licenses, fines, fees, and permits	10,457	12,046	1,589
Investment income	-	173	173
Federal	-	-	-
Departmental services	2	-	(2)
Other	-	-	-
Total revenues	10,459	12,219	1,760
EXPENDITURES			
Judicial	-	-	-
Secretary of State	-	-	-
Treasurer	-	-	-
Commissions	-	-	-
Safety	-	-	-
Agriculture	10,727	10,727	-
Environment and Conservation	-	-	-
Wildlife Resources	-	-	-
Commerce and Insurance	-	-	-
Revenue	-	-	-
Total expenditures	10,727	10,727	-
Excess (deficiency) of revenues over (under) expenditures	(268)	1,492	1,760
OTHER FINANCING SOURCES (USES)			
Transfers in	1	1	-
Transfers out	-	-	-
Total other financing sources (uses)	1	1	-
Net change in fund balances	(267)	1,493	1,760
Fund balances (budgetary basis), July 1	8,320	8,320	-
Fund balances (budgetary basis), June 30	$ 8,053	$ 9,813	$ 1,760

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, 2019
(Expressed in Thousands)

Tennessee Public Utility Commission			Total Nonmajor Special Revenue Funds		
Budget	Actual (Budgetary Basis)	Variance	Budget	Actual (Budgetary Basis)	Variance
$ -	$ -	$ -	$ 49,497	$ 64,673	$ 15,176
6,749	5,264	(1,485)	266,863	246,979	(19,884)
-	-	-	-	6,527	6,527
959	1,010	51	65,999	52,940	(13,059)
1,431	1,980	549	22,063	21,211	(852)
-	-	-	10	10	-
9,139	8,254	(885)	404,432	392,340	(12,092)
-	-	-	5,560	5,617	(57)
-	-	-	27,878	3,356	24,522
-	-	-	16,350	13,615	2,735
10,193	8,380	1,813	10,193	8,380	1,813
-	-	-	1,066	766	300
-	-	-	19,915	16,554	3,361
-	-	-	132,527	114,205	18,322
-	-	-	120,953	108,228	12,725
-	-	-	117,881	113,971	3,910
-	-	-	2,143	2,010	133
10,193	8,380	1,813	454,466	386,702	67,764
(1,054)	(126)	928	(50,034)	5,638	55,672
245	245	-	7,401	7,401	-
-	-	-	(357)	(357)	-
245	245	-	7,044	7,044	-
(809)	119	928	(42,990)	12,682	55,672
6,842	6,842	-	290,874	290,874	-
$ 6,033	$ 6,961	$ 928	$ 247,884	$ 303,556	$ 55,672

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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, 2019
(Expressed in Thousands)

	Chairs of Excellence	Other Permanent Funds	Total Permanent Funds
ASSETS			
Cash and cash equivalents	$ 8,298	$ 11,798	$ 20,096
Investments	346,062	52,536	398,598
Receivables, net	27,405	12	27,417
Due from component units	670	-	670
Total assets	$ 382,435	$ 64,346	$ 446,781
LIABILITIES			
Accounts payable and accruals	28,130	-	28,130
Due to component units	2,345	-	2,345
Total liabilities	30,475	-	30,475
FUND BALANCES			
Nonspendable			
Permanent fund and endowment corpus	$ 104,358	$ 63,805	$ 168,163
Restricted	247,602	541	248,143
Total fund balances	351,960	64,346	416,306
Total liabilities and fund balances	$ 382,435	$ 64,346	$ 446,781

STATE OF TENNESSEE
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Permanent Funds
For the Fiscal Year Ended June 30, 2019
(Expressed in Thousands)

	Chairs of Excellence	Other Permanent Funds	Total Permanent Funds
REVENUES			
Licenses, fines, fees, and permits	$ -	$ 2,732	$ 2,732
Investment income	23,761	3,309	27,070
Total revenues	23,761	6,041	29,802
EXPENDITURES			
Education	9,012	-	9,012
Recreation and resources development	-	26	26
Total expenditures	9,012	26	9,038
Excess (deficiency) of revenues over (under) expenditures	14,749	6,015	20,764
Net change in fund balances	14,749	6,015	20,764
Fund balances, July 1	337,211	58,331	395,542
Fund balances, June 30	$ 351,960	$ 64,346	$ 416,306

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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.

Energy Loan Program—Created in 1988, this program makes loans to small businesses and local governments to improve energy efficiency.

Teacher Group Insurance—Established in January 1986, this fund is used to account for revenues received and claims paid on behalf of currently employed teachers of political subdivisions of the state who have elected coverage under a group medical plan similar to that offered state employees.

Local Government Group Insurance—Established in July 1991, this fund is used to account for revenues received and claims paid on behalf of active employees of local governments and quasi-governmental organizations established for the primary purpose of providing services for or on the behalf of state and local governments. This plan is similar to the plan offered to state employees.

Drinking Water Loan—Created in 1998, this fund provides loans to local governments and utility districts for the improvement of drinking water systems. The initial sources of the monies are federal grants and state appropriations.

Grain Indemnity—This program is administered by the Department of Agriculture. Revenues are collected from fees on grain sold by producers. These revenues are to be used to protect commodity producers in the event of the financial failure of a commodity dealer or warehouseman.

Energy Efficient Schools Initiative—Created to award grants and loans to local school systems for capital outlay projects which meet established energy efficient design and technology guidelines for school facilities.

Client Protection—Created by the Tennessee Supreme Court, this fund provides services to protect clients from dishonest conduct by attorneys. Revenue is mainly generated through annual registration fees for attorneys.

STATE OF TENNESSEE
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2019
(Expressed in Thousands)

	Energy Loan Program	Teacher Group Insurance	Local Government Group Insurance	Drinking Water
ASSETS				
Current assets:				
Cash and cash equivalents	$ 17,156	$ 215,534	$ 58,771	$ 58,186
Receivables:				
Accounts receivable	-	6,451	2,150	-
Loans receivable	-	-	-	9,545
Total current assets	17,156	221,985	60,921	67,731
Noncurrent assets:				
Loans receivable	-	-	-	123,145
Total noncurrent assets	-	-	-	123,145
Total assets	17,156	221,985	60,921	190,876
LIABILITIES				
Current liabilities:				
Accounts payable and accruals	-	44,962	13,685	78
Unearned revenue	-	87	58	-
Total current liabilities	-	45,049	13,743	78
Noncurrent liabilities:				
Others	-	-	-	3,659
Total noncurrent liabilities	-	-	-	3,659
Total liabilities	-	45,049	13,743	3,737
NET POSITION				
Unrestricted	17,156	176,936	47,178	187,139
Total net position	$ 17,156	$ 176,936	$ 47,178	$ 187,139

STATE OF TENNESSEE
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2019
(Expressed in Thousands)

Grain Indemnity	Energy Efficient Schools Initiative	Client Protection	Total Nonmajor Enterprise Funds
$ 10,224	$ 17,495	$ 1,571	$ 378,937
-	-	-	8,601
-	8,701	-	18,246
10,224	26,196	1,571	405,784
-	56,975	-	180,120
-	56,975	-	180,120
10,224	83,171	1,571	585,904
-	-	-	58,725
-	20	-	165
-	20	-	58,890
-	-	-	3,659
-	-	-	3,659
-	20	-	62,549
10,224	83,151	1,571	523,355
$ 10,224	$ 83,151	$ 1,571	$ 523,355

STATE OF TENNESSEE
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2019
(Expressed in Thousands)

	Energy Loan Program	Teacher Group Insurance	Local Government Group Insurance	Drinking Water
Operating revenues				
Charges for services	$ -	$ -	$ -	$ 1,875
Investment income	396	-	-	1,682
Premiums	-	551,476	149,675	-
Total operating revenues	396	551,476	149,675	3,557
Operating expenses				
Contractual services	-	24,384	7,396	547
Materials and supplies	-	-	-	-
Benefits	-	495,941	139,882	-
Other	-	3,797	871	-
Total operating expenses	-	524,122	148,149	547
Operating income (loss)	396	27,354	1,526	3,010
Nonoperating revenues (expenses)				
Grants	-	-	-	1,217
Interest income	-	3,879	1,089	-
Other	-	-	-	(1,040)
Total nonoperating revenues (expenses)	-	3,879	1,089	177
Income (loss) before contributions and transfers	396	31,233	2,615	3,187
Transfers in	-	-	-	3,846
Transfers out	(1,012)	-	-	(42,810)
Change in net position	(616)	31,233	2,615	(35,777)
Net position, July 1	17,772	145,703	44,563	222,916
Net position, June 30	$ 17,156	$ 176,936	$ 47,178	$ 187,139

STATE OF TENNESSEE
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2019
(Expressed in Thousands)

Grain Indemnity	Energy Efficient Schools Initiative	Client Protection	Total Nonmajor Enterprise Funds
$ 1,278	$ 533	$ 155	$ 3,841
-	455	-	2,533
-	-	-	701,151
1,278	988	155	707,525
151	30	303	32,811
-	-	1	1
-	-	-	635,823
-	-	1	4,669
151	30	305	673,304
1,127	958	(150)	34,221
-	-	-	1,217
212	-	38	5,218
-	-	-	(1,040)
212	-	38	5,395
1,339	958	(112)	39,616
-	11,000	-	14,846
-	-	-	(43,822)
1,339	11,958	(112)	10,640
8,885	71,193	1,683	512,715
$ 10,224	$ 83,151	$ 1,571	$ 523,355

STATE OF TENNESSEE
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2019
(Expressed in Thousands)

	Energy Loan Program	Teacher Group Insurance	Local Government Group Insurance	Drinking Water
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	$ -	$ 557,587	$ 152,530	$ -
Payments to suppliers	-	(533,095)	(149,000)	-
Payments to employees	-	-	-	-
Payments for interfund services used	-	(572)	(107)	(547)
Net cash provided by (used for) operating activities	-	23,920	3,423	(547)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating grants received	-	-	-	1,217
Transfers in	-	-	-	3,846
Transfers out	(1,012)	-	-	(42,810)
Net cash provided by (used for) noncapital financing activities	(1,012)	-	-	(37,747)
CASH FLOWS FROM INVESTING ACTIVITIES				
Loans issued and other disbursements to borrowers	-	-	-	(9,680)
Collection of loan principal	47	-	-	9,746
Interest received	396	3,879	1,089	3,635
Net cash provided by (used for) investing activities	443	3,879	1,089	3,701
Net increase (decrease) in cash and cash equivalents	(569)	27,799	4,512	(34,593)
Cash and cash equivalents, July 1	17,725	187,735	54,259	92,779
Cash and cash equivalents, June 30	$ 17,156	$ 215,534	$ 58,771	$ 58,186
Reconciliation of operating income to net cash provided by (used for) operating activities				
Operating income (loss)	$ 396	$ 27,354	$ 1,526	$ 3,010
Adjustment to reconcile operating income (loss) to net cash from operating activities:				
Interest income	-	-	-	(1,875)
Investment income	(396)	-	-	(1,682)
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:				
(Increase) decrease in receivables	-	(3,129)	(1,144)	-
Increase (decrease) in accounts payable	-	(301)	3,022	-
Increase (decrease) in unearned revenue	-	(4)	19	-
Total adjustments	(396)	(3,434)	1,897	(3,557)
Net cash provided by (used for) operating activities	$ -	$ 23,920	$ 3,423	$ (547)

STATE OF TENNESSEE
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2019
(Expressed in Thousands)

Grain Indemnity	Energy Efficient Schools Initiative	Client Protection	Total Nonmajor Enterprise Funds
$ 1,278	$ 30	$ 155	$ 711,580
(13)	-	(498)	(682,606)
-	-	(1)	(1)
(138)	(30)	-	(1,394)
1,127	-	(344)	27,579
-	-	-	1,217
-	11,000	-	14,846
-	-	-	(43,822)
-	11,000	-	(27,759)
-	(20,013)	-	(29,693)
-	8,243	-	18,036
212	797	38	10,046
212	(10,973)	38	(1,611)
1,339	27	(306)	(1,791)
8,885	17,468	1,877	380,728
$ 10,224	$ 17,495	$ 1,571	$ 378,937
$ 1,127	$ 958	$ (150)	$ 34,221
-	(503)	-	(2,378)
-	(455)	-	(2,533)
-	-	-	(4,273)
-	-	(194)	2,527
-	-	-	15
-	(958)	(194)	(6,642)
$ 1,127	$ -	$ (344)	$ 27,579

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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.

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

Warehousing and Distribution—A division of the Department of General Services, is responsible for the purchasing of office supplies and the receipt and distribution of surplus property for all state government and quasi-governmental entities that opt to use this service.

Records Management—A division of the Secretary of State, is responsible for the retention and disposal of official records for state government.

Human Resources—This fund's responsibilities include providing departments with applicants for employment, providing training to state employees, and administering the Sick Leave Bank.

Division of Accounts—A division of the Department of Finance and Administration, is responsible for the centralized accounting function for the state.

TRICOR (Tennessee Rehabilitative Initiative in Correction)—Manages correctional industry, agriculture, and service operations. Its purpose is to employ and train inmates and provide products and services to state agencies, local governments, and not for profit organizations.

Edison—Maintained by the Department of Finance and Administration's Enterprise Resource Planning division, is the state's integrated software package for administrative business functions such as financials and accounting, procurement, payroll, benefits, and personnel administration.

STATE OF TENNESSEE
Combining Statement of Net Position
Internal Service Funds
June 30, 2019
(Expressed in Thousands)

	Strategic Technology Solutions	Risk Management	Motor Vehicle Management	General Services Printing	Facilities Revolving Fund	Employee Group Insurance
ASSETS						
Current assets:						
Cash and cash equivalents	$ 108,166	$ 185,835	$ 55,781	$ 3,000	$ 416,918	$ 370,712
Receivables, net	1,296	329	16	2	798	9,314
Due from other funds	672	-	-	-	197	-
Due from component units	-	-	-	-	-	-
Inventories, at cost	706	-	-	169	-	-
Prepayments	-	-	-	-	-	-
Total current assets	110,840	186,164	55,797	3,171	417,913	380,026
Noncurrent assets:						
Due from other funds	313	-	-	-	-	-
Net investment in capital leases	-	-	-	-	6,910	-
Restricted net pension assets	270	-	3	11	-	-
Capital assets:						
Land, at cost	-	-	-	-	57,915	-
Structures and improvements, at cost	-	-	-	-	672,482	-
Machinery and equipment, at cost	81,932	-	174,160	3,184	1,831	-
Less: Accumulated depreciation	(50,151)	-	(105,954)	(1,566)	(283,723)	-
Construction in progress	-	-	-	-	62,568	-
Software in development	-	-	-	-	-	-
Total noncurrent assets	32,364	-	68,209	1,629	517,983	-
Total assets	143,204	186,164	124,006	4,800	935,896	380,026
DEFERRED OUTFLOWS OF RESOURCES	32,754	-	426	785	3,609	-
LIABILITIES						
Current liabilities:						
Accounts payable	18,921	685	4,816	496	16,365	73,585
Accrued payroll and related deductions	8,019	-	92	198	-	-
Due to other funds	604	87	5	15	253	2
Due to component units	-	52	-	-	13	121
Lease obligations payable	-	-	-	-	381	-
Bond payable	-	-	-	-	13,964	-
Unearned revenue	-	1	-	-	3,397	41,188
Others	4,444	35,013	155	182	-	-
Total current liabilities	31,988	35,838	5,068	891	34,373	114,896
Noncurrent liabilities:						
Pension	33,313	-	471	1,136	-	-
Lease obligations payable	-	-	-	-	7,042	-
Commercial paper payable	-	-	-	-	25,130	-
Bonds payable	-	-	-	-	149,233	-
Others	17,334	109,891	539	555	-	-
Total noncurrent liabilities	50,647	109,891	1,010	1,691	181,405	-
Total liabilities	82,635	145,729	6,078	2,582	215,778	114,896
DEFERRED INFLOWS OF RESOURCES	3,029	-	189	230	46	-
NET POSITION						
Net investment in capital assets	31,781	-	68,206	1,618	318,886	-
Restricted for:						
Capital projects	-	-	-	-	5,588	-
Pensions	270	-	3	11	-	-
Unrestricted	58,243	40,435	49,956	1,144	399,207	265,130
Total net position	$ 90,294	$ 40,435	$ 118,165	$ 2,773	$ 723,681	$ 265,130

STATE OF TENNESSEE
Combining Statement of Net Position
Internal Service Funds
June 30, 2019
(Expressed in Thousands)

Postal Services	Purchasing	Warehousing and Distribution	Records Management	Human Resources	Division of Accounts	TRICOR	Edison	Total Internal Service Funds
$ 2,537	$ 4,788	$ 1,385	$ 140	$ 14,038	$ 14,831	$ 10,746	$ 30,670	$ 1,219,547
2	865	56	-	-	3	984	-	13,665
-	-	-	-	11	-	-	1	881
-	-	-	-	13	-	-	-	13
200	-	194	-	-	-	1,988	-	3,257
97	-	-	-	-	-	-	-	97
2,836	5,653	1,635	140	14,062	14,834	13,718	30,671	1,237,460
-	-	-	-	-	-	-	-	313
-	-	-	-	-	-	-	-	6,910
8	23	3	2	25	40	17	44	446
-	-	-	-	-	-	746	-	58,661
-	-	-	-	-	-	2,038	-	674,520
4,592	21	77	12	180	400	9,510	114,581	390,480
(3,541)	(14)	(77)	(11)	(104)	(387)	(7,675)	(113,045)	(566,248)
-	-	-	-	-	-	71	-	62,639
-	-	-	-	-	-	-	1,688	1,688
1,059	30	3	3	101	53	4,707	3,268	629,409
3,895	5,683	1,638	143	14,163	14,887	18,425	33,939	1,866,869
381	1,264	538	143	3,578	10,701	1,661	3,018	58,858
94	97	41	73	198	121	1,937	661	118,090
91	440	92	18	898	2,739	441	953	13,981
7	29	7	3	161	192	31	59	1,455
-	-	-	1	123	-	-	-	310
-	-	-	-	-	-	-	-	381
-	-	-	-	-	-	-	-	13,964
-	-	-	-	-	-	-	-	44,586
135	177	152	24	628	1,231	323	433	42,897
327	743	292	119	2,008	4,283	2,732	2,106	235,664
444	2,058	491	192	4,137	9,657	2,735	4,276	58,910
-	-	-	-	-	-	-	-	7,042
-	-	-	-	-	-	-	-	25,130
-	-	-	-	-	-	-	-	149,233
517	472	668	105	2,908	5,865	1,184	2,982	143,020
961	2,530	1,159	297	7,045	15,522	3,919	7,258	383,335
1,288	3,273	1,451	416	9,053	19,805	6,651	9,364	618,999
128	400	100	17	652	690	649	396	6,526
1,050	7	-	1	76	13	4,690	3,224	429,552
-	-	-	-	-	-	-	-	5,588
8	23	3	2	25	40	17	44	446
1,802	3,244	622	(150)	7,935	5,040	8,079	23,929	864,616
$ 2,860	$ 3,274	$ 625	$ (147)	$ 8,036	$ 5,093	$ 12,786	$ 27,197	$ 1,300,202

STATE OF TENNESSEE
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Fiscal Year Ended June 30, 2019
(Expressed in Thousands)

	Strategic Technology Solutions	Risk Management	Motor Vehicle Management	General Services Printing	Facilities Revolving Fund	Employee Group Insurance
Operating revenues						
Charges for services	$ 248,574	$ 37,207	$ 47,827	$ 6,515	$ 141,269	$ 1,000
Premiums	-	-	-	-	-	747,584
Total operating revenues	248,574	37,207	47,827	6,515	141,269	748,584
Operating expenses						
Personal services	111,260	-	1,178	3,130	-	-
Contractual services	117,226	14,710	5,309	2,787	91,015	34,933
Materials and supplies	11,882	-	18,788	1,439	2,978	-
Rentals and insurance	17	5,454	8,887	72	47,430	-
Depreciation and amortization	10,906	-	15,286	331	13,665	-
Benefits	-	29,810	205	-	-	750,587
Other	1,395	-	3	13	-	4,210
Total operating expenses	252,686	49,974	49,656	7,772	155,088	789,730
Operating income (loss)	(4,112)	(12,767)	(1,829)	(1,257)	(13,819)	(41,146)
Nonoperating revenues (expenses)						
Insurance claims recoveries	-	-	278	-	370	-
Gain on sales of capital assets	-	-	-	-	4,972	-
Interest income	-	3,935	-	-	9,726	7,614
Interest expense	-	-	-	-	(6,914)	-
Total nonoperating revenues (expenses)	-	3,935	278	-	8,154	7,614
Income (loss) before contributions and transfers	(4,112)	(8,832)	(1,551)	(1,257)	(5,665)	(33,532)
Capital contributions	-	-	843	-	20	-
Transfers in	6,520	-	5,808	504	33,251	-
Transfers out	(4,254)	-	-	-	(267)	-
Change in net position	(1,846)	(8,832)	5,100	(753)	27,339	(33,532)
Net position, July 1, restated	92,140	49,267	113,065	3,526	696,342	298,662
Net position, June 30	$ 90,294	$ 40,435	$ 118,165	$ 2,773	$ 723,681	$ 265,130

STATE OF TENNESSEE
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Fiscal Year Ended June 30, 2019
(Expressed in Thousands)

	Postal Services	Purchasing	Warehousing and Distribution	Records Management	Human Resources	Division of Accounts	TRICOR	Edison	Total Internal Service Funds
	$ 17,297	$ 13,101	$ 3,831	$ 1,157	$ 15,554	$ 37,839	$ 24,373	$ 28,616	$ 624,160
	-	-	-	-	-	-	-	-	747,584
	17,297	13,101	3,831	1,157	15,554	37,839	24,373	28,616	1,371,744
	1,590	6,133	1,460	559	14,423	36,252	6,565	12,466	195,016
	2,622	3,892	1,103	559	3,006	3,045	8,495	14,022	302,724
	12,524	184	1,007	5	318	83	7,940	252	57,400
	103	4	1	2	82	8	246	2	62,308
	272	4	-	2	8	3	300	5,053	45,830
	-	-	-	-	-	-	-	-	780,602
	3	22	8	2	309	60	163	17	6,205
	17,114	10,239	3,579	1,129	18,146	39,451	23,709	31,812	1,450,085
	183	2,862	252	28	(2,592)	(1,612)	664	(3,196)	(78,341)
	-	-	-	-	-	-	-	-	648
	-	-	-	-	-	-	-	-	4,972
	-	-	-	-	-	-	-	-	21,275
	-	-	-	-	-	-	-	(32)	(6,946)
	-	-	-	-	-	-	-	(32)	19,949
	183	2,862	252	28	(2,592)	(1,612)	664	(3,228)	(58,392)
	-	-	-	-	-	-	-	-	863
	105	128	120	17	550	3,299	245	327	50,874
	-	-	-	-	-	-	-	-	(4,521)
	288	2,990	372	45	(2,042)	1,687	909	(2,901)	(11,176)
	2,572	284	253	(192)	10,078	3,406	11,877	30,098	1,311,378
	$ 2,860	$ 3,274	$ 625	$ (147)	$ 8,036	$ 5,093	$ 12,786	$ 27,197	$ 1,300,202

STATE OF TENNESSEE

Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2019
(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	$ 8,798	$ 16,966	$ 695	$ 38	$ 6,577	$ 366,847
Receipts from interfund services provided	239,855	22,759	47,114	6,480	134,816	422,871
Payments to suppliers	(113,029)	(38,634)	(27,176)	(3,043)	(32,262)	(825,919)
Payments to employees	(110,410)	-	(1,337)	(3,325)	(1)	(1,274)
Payments for interfund services used	(14,611)	(8,066)	(5,253)	(1,072)	(112,309)	(1,840)
Net cash provided by (used for) operating activities	10,603	(6,975)	14,043	(922)	(3,179)	(39,315)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers in	6,520	-	5,779	481	33,157	-
Net cash provided by (used for) noncapital financing activities	6,520	-	5,779	481	33,157	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of capital assets	(18,774)	-	(19,041)	(1,405)	(80,351)	-
Bond and commercial paper proceeds	-	-	-	-	15,744	-
Proceeds from sale of capital assets	-	-	2,199	-	5,594	-
Insurance claims recoveries	-	-	278	-	370	-
Principal payments	-	-	-	-	(14,468)	-
Interest paid	-	-	-	-	(7,970)	-
Net cash provided by (used for) capital and related financing activities	(18,774)	-	(16,564)	(1,405)	(81,081)	-
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received	-	3,935	-	-	9,726	7,614
Net cash provided by (used for) investing activities	-	3,935	-	-	9,726	7,614
Net increase (decrease) in cash and cash equivalents	(1,651)	(3,040)	3,258	(1,846)	(41,377)	(31,701)
Cash and cash equivalents, July 1, restated	109,817	188,875	52,523	4,846	458,295	402,413
Cash and cash equivalents, June 30	$ 108,166	$ 185,835	$ 55,781	$ 3,000	$ 416,918	$ 370,712
Reconciliation of operating income to net cash provided by (used for) operating activities						
Operating income (loss)	$ (4,112)	$ (12,767)	$ (1,829)	$ (1,257)	$ (13,819)	$ (41,146)
Adjustment to reconcile operating income (loss) to net cash from operating activities:						
Depreciation and amortization	10,906	-	15,286	331	13,665	-
Loss (gain) on disposal of capital assets	1,148	-	(21)	6	-	-
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:						
(Increase) decrease in receivables	(56)	2,502	2	3	147	(3,104)
(Increase) decrease in due from other funds	136	-	-	-	(23)	-
(Increase) decrease in due from component units	-	-	-	-	-	-
(Increase) decrease in inventories	(186)	-	-	(29)	-	-
(Increase) decrease in prepaids	-	-	-	-	-	-
(Increase) decrease in net pension assets	(182)	-	(2)	(5)	-	-
(Increase) decrease in deferred outflows of resources	(8,236)	-	(114)	(52)	-	-
Increase (decrease) in accounts payable	9,252	3,241	656	(55)	4,789	8,745
Increase (decrease) in due to other funds	408	6	-	(2)	(7,951)	3
Increase (decrease) in due to component units	(20)	43	-	-	13	121
Increase (decrease) in deferred inflows of resources	1,545	-	65	138	-	-
Increase (decrease) in unearned revenue	-	-	-	-	-	(3,934)
Total adjustments	14,715	5,792	15,872	335	10,640	1,831
Net cash provided by (used for) operating activities	$ 10,603	$ (6,975)	$ 14,043	$ (922)	$ (3,179)	$ (39,315)
Schedule of noncash investing, capital, and financing activities						
Contributions of capital assets	$ -	$ -	$ 843	$ -	$ 20	$ -
Assets acquired by transfer	-	-	29	23	95	-
Capital assets disposed of by transfer	(4,254)	-	-	-	(267)	-
Amortization of bond premium	-	-	-	-	1,987	-
Amortization of bond discount	-	-	-	-	(1,041)	-
Total noncash capital and related financing activities	$ (4,254)	$ -	$ 872	$ 23	$ 794	$ -

STATE OF TENNESSEE
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2019
(Expressed in Thousands)

Postal Services	Purchasing	Warehousing and Distribution	Records Management	Human Resources	Division of Accounts	TRICOR	Edison	Total Internal Service Funds
$ 65	$ 4,247	$ 1,514	$ 17	$ 88	$ 126	$ 11,291	$ 151	$ 417,420
17,232	8,417	2,400	1,139	15,442	37,743	12,517	28,469	997,254
(13,642)	(1,203)	(1,480)	(439)	(2,001)	(680)	(13,741)	(8,719)	(1,081,968)
(1,735)	(6,420)	(1,580)	(561)	(15,121)	(35,644)	(7,230)	(12,719)	(197,357)
(1,475)	(2,857)	(839)	(111)	(1,234)	(2,311)	(1,506)	(5,175)	(158,659)
445	2,184	15	45	(2,826)	(766)	1,331	2,007	(23,310)
105	128	120	17	475	3,299	245	327	50,653
105	128	120	17	475	3,299	245	327	50,653
-	-	-	-	-	-	(755)	(1,025)	(121,351)
-	-	-	-	-	-	-	-	15,744
-	-	-	-	-	-	-	-	7,793
-	-	-	-	-	-	-	-	648
-	-	-	-	-	-	-	(4,380)	(18,848)
-	-	-	-	-	-	-	(32)	(8,002)
-	-	-	-	-	-	(755)	(5,437)	(124,016)
-	-	-	-	-	-	-	-	21,275
-	-	-	-	-	-	-	-	21,275
550	2,312	135	62	(2,351)	2,533	821	(3,103)	(75,398)
1,987	2,476	1,250	78	16,389	12,298	9,925	33,773	1,294,945
$ 2,537	$ 4,788	$ 1,385	$ 140	$ 14,038	$ 14,831	$ 10,746	$ 30,670	$ 1,219,547
$ 183	$ 2,862	$ 252	$ 28	$ (2,592)	$ (1,612)	$ 664	$ (3,196)	$ (78,341)
272	4	-	2	8	3	300	5,053	45,830
-	-	1	-	-	-	-	-	1,134
-	(438)	82	-	-	-	(564)	-	(1,426)
-	-	-	-	(11)	29	-	4	135
-	-	-	-	(13)	-	-	-	(13)
61	-	(100)	-	-	-	148	-	(106)
167	-	-	-	-	-	-	-	167
(3)	(12)	(2)	(1)	(13)	(23)	(9)	(32)	(284)
(83)	(8)	(181)	(20)	(309)	(3,362)	(28)	(398)	(12,791)
(156)	(413)	(76)	30	(45)	3,858	680	540	31,046
(2)	1	1	3	96	76	-	4	(7,357)
-	-	-	(2)	10	-	(1)	-	164
6	188	38	5	43	265	141	32	2,466
-	-	-	-	-	-	-	-	(3,934)
262	(678)	(237)	17	(234)	846	667	5,203	55,031
$ 445	$ 2,184	$ 15	$ 45	$ (2,826)	$ (766)	$ 1,331	$ 2,007	$ (23,310)
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 863
-	-	-	-	75	-	-	-	222
-	-	-	-	-	-	-	-	(4,521)
-	-	-	-	-	-	-	-	1,987
-	-	-	-	-	-	-	-	(1,041)
$ -	$ -	$ -	$ -	$ 75	$ -	$ -	$ -	$ (2,490)

FIDUCIARY FUNDS

The Fiduciary Funds are used to account for assets held by the state in a fiduciary capacity.

PENSION AND OTHER EMPLOYEE BENEFIT TRUST:

- **Pension Trust Fund—**The Tennessee Consolidated Retirement System was established in July 1972 superseding seven former retirement systems. The accounts of each superseded system were transferred to the new system wherein separate accounting is maintained for assets and liabilities attributable to the various classes of members and beneficiaries. Benefits under the system are funded by contributions of members and employers. The level of contributions is determined by actuarial valuation.

- **Other Employee Benefit Trust Funds—**This includes the Employee Flexible Benefits fund which was established in January 1988 to account for monies contributed by employees under the IRC Section 125 cafeteria plan. It also includes the Other Postemployment Benefit Trust fund which was established in January 2019 to account for employer contributions and benefit payments made for other postemployment benefits offered to eligible retired employees of the state and certain component units.

INVESTMENT TRUST FUNDS:

- **Local Government Investment Pool—**This fund was created in July 1980 to account for local government deposits with the state treasurer and the related interest earning. Through this program, the participating local governments achieve higher investment income by pooling their funds than they realize individually.

- **Intermediate Term Investment Fund—**This fund was created for deposits with the state treasurer to be a longer-term option for investment of funds as an alternative to the State Pooled Investment Fund, which includes the Local Government Investment Pool ("LGIP").

- **External Retirement Investment Fund—**This fund accounts for assets in the custody of the Treasurer, solely for investment purposes, that consist exclusively of assets of individual, local government, and local education agency retirement accounts.

PRIVATE-PURPOSE TRUST FUNDS:

- **College Savings Plans—**The Baccalaureate Education System Trust (BEST) was created by the General Assembly in 1996, for the purpose of allowing parents and other interested persons to purchase tuition units on behalf of a designated beneficiary. No other state programs are supported from this trust. As of November 22, 2010, the BEST Board of Trustees voted to stop selling new tuition units in the prepaid plan. In September 2012, the State of Tennessee introduced the Tennessee Stars College Savings 529 Program (TNStars). This program offers parents and other interested persons a way to save for children's college expenses with investment options and special tax advantages. The program is not guaranteed by the State of Tennessee or any other entity.

- **Children in State Custody—**This fund accounts for monies held and used for the benefit of children in the custody of the state. Monies held are from various sources including the Social Security Administration.

- **Oak Ridge Monitoring—**Created in 2000 through a consent order won by the state with the United States Department of Energy (DOE), this fund is used to account for monies paid annually through fiscal year 2015 by the federal government to the state for future expenses at the Environmental Management Waste Management Facility at Oak Ridge. After the federal landfill is closed, the income generated from the corpus is to be used for monitoring and maintenance of the facility to ensure there is no radioactive leakage.

- **TNInvestco—**Established in 2009, this fund was created by the General Assembly for the purpose of increasing the flow of capital to innovative new companies in Tennessee that are in the early stages of development. This fund accounts for proceeds held and used to carry out the provisions of the Tennessee Small Business Investment Company Credit Act.

- **Insurance Receiverships—**The Commissioner of Commerce and Insurance is designated the statutory receiver of insurers ordered into receivership and is charged with the duty to secure and distribute the assets for the benefit of policy holders, creditors, and other claimants under court supervision.

- **Other—**These funds account for trust arrangements under which the principal and income benefit individuals or private organizations.

AGENCY FUNDS:

- **Local Government Fund—**The purpose of the Local Government Fund is to serve as a clearing mechanism for state-shared taxes and other funds distributed to the various counties and cities of the state.

- **Contingent Revenue Fund—**This fund is used to account for refundable deposits and other receipts held in trust until the state has the right to transfer them to operating funds or until there is proper authorization to disburse them directly to others.

- **Retiree Health Funds—**These funds are used to account for funding received and claims paid on behalf of retirees who elect coverage. Pre- and post-65 retired employees of local education and local government employers are included.

- **External Pension Plan—**This fund is used to account for activities and balances of an external retirement plan whose administrative and investing functions have been contracted to the Department of Treasury of the State of Tennessee.

STATE OF TENNESSEE
Combining Statement of Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
June 30, 2019
(Expressed in Thousands)

	Public Employee Retirement Plan	Teacher Legacy Pension Plan	Teacher Hybrid Pension Plan	Total Pension
ASSETS				
Cash and cash equivalents	$ 12,624	$ 11,794	$ 139	$ 24,557
Cash collateral on loaned securities	1,896,774	1,772,073	20,886	3,689,733
Receivables:				
Interest and dividends	-	-	-	-
Employer contributions	19,993	35,344	1,908	57,245
Member contributions	7,302	17,443	4,940	29,685
Other	-	-	-	-
Due from other funds	11,992	-	-	11,992
Due from component units	11,472	-	-	11,472
Investments, at fair value:				
Mutual funds	-	-	-	-
TRGT pooled funds	26,737,960	24,980,091	294,413	52,012,464
Capital assets, at cost:				
Machinery and equipment	19,092	17,837	210	37,139
Less - accumulated depreciation	(10,408)	(9,724)	(115)	(20,247)
Total assets	28,706,801	26,824,858	322,381	55,854,040
LIABILITIES				
Accounts payable and accruals	15,475	13,894	306	29,675
Securities lending collateral	1,896,775	1,772,073	20,885	3,689,733
Total liabilities	1,912,250	1,785,967	21,191	3,719,408
NET POSITION				
Restricted for				
Pension benefits	26,794,551	25,038,891	301,190	52,134,632
Other postemployment benefits	-	-	-	-
Employees' flexible benefits	-	-	-	-
Total net position	$ 26,794,551	$ 25,038,891	$ 301,190	$ 52,134,632

STATE OF TENNESSEE
Combining Statement of Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
June 30, 2019
(Expressed in Thousands)

Other Employee Benefit Trust Funds	Total Pension (and Other Employee Benefit) Trust Funds
$ 31,003	$ 55,560
-	3,689,733
189	189
-	57,245
-	29,685
1,526	1,526
196	12,188
3	11,475
187,488	187,488
-	52,012,464
-	37,139
-	(20,247)
220,405	56,074,445
5,775	35,450
-	3,689,733
5,775	3,725,183
-	52,134,632
213,702	213,702
928	928
$ 214,630	$ 52,349,262

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, 2019
(Expressed in Thousands)

	Public Employee Retirement Plan	Teacher Legacy Pension Plan	Teacher Hybrid Pension Plan	Total Pension
ADDITIONS				
Contributions:				
Members	$ 138,197	$ 168,919	$ 52,930	$ 360,046
Employers	730,655	350,734	20,529	1,101,918
Other	2,479	-	-	2,479
Total contributions	871,331	519,653	73,459	1,464,443
Investment income:				
Net increase in fair value of investments	1,895,695	1,777,263	18,658	3,691,616
Interest and dividends	-	-	-	-
Securities lending income	61,670	57,818	607	120,095
Total investment income	1,957,365	1,835,081	19,265	3,811,711
Less: Investment expenses	(30,025)	(28,149)	(296)	(58,470)
Securities lending expense	(50,117)	(46,986)	(493)	(97,596)
Net investment income	1,877,223	1,759,946	18,476	3,655,645
Total additions	2,748,554	2,279,599	91,935	5,120,088
DEDUCTIONS				
Annuity benefits	1,390,667	1,249,267	7	2,639,941
Other postemployment benefits	-	-	-	-
Death benefits	2,844	2,618	16	5,478
Other	-	-	-	-
Refunds	24,055	16,521	2,184	42,760
Administrative expenses	12,654	5,202	2,018	19,874
Total deductions	1,430,220	1,273,608	4,225	2,708,053
Change in net position	1,318,334	1,005,991	87,710	2,412,035
Net position, July 1	25,476,217	24,032,900	213,480	49,722,597
Net position, June 30	$ 26,794,551	$ 25,038,891	$ 301,190	$ 52,134,632

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, 2019
(Expressed in Thousands)

Other Employee Benefit Trust Funds	Total Pension (and Other Employee Benefit) Trust Funds
$ 5,740	$ 365,786
301,486	1,403,404
-	2,479
307,226	1,771,669
1,126	3,692,742
4,041	4,041
-	120,095
5,167	3,816,878
-	(58,470)
-	(97,596)
5,167	3,660,812
312,393	5,432,481
-	2,639,941
88,858	88,858
-	5,478
5,632	5,632
-	42,760
4,093	23,967
98,583	2,806,636
213,810	2,625,845
820	49,723,417
$ 214,630	$ 52,349,262

STATE OF TENNESSEE
Combining Statement of Fiduciary Net Position
Investment Trust Funds
June 30, 2019
(Expressed in Thousands)

	Local Government Investment Pool	Intermediate Term Investment Fund	External Retirement Investment Fund	Total Investment Trust Funds
ASSETS				
Cash and cash equivalents	$ 1,748,251	$ 700	$ -	$ 1,748,951
Receivables:				
Interest and dividends	-	603	-	603
Employer contributions	-	-	2,280	2,280
Investments, at fair value:				
Government bonds	-	74,968	-	74,968
TRGT pooled funds	-	-	56,411	56,411
Investments, at amortized cost:				
Short-term investments	1,401,788	-	-	1,401,788
Total assets	3,150,039	76,271	58,691	3,285,001
NET POSITION				
Amounts held in trust for:				
Pool participants	3,150,039	76,271	58,691	3,285,001
Total net position	$ 3,150,039	$ 76,271	$ 58,691	$ 3,285,001

STATE OF TENNESSEE
Combining Statement of Changes in Fiduciary Net Position
Investment Trust Funds
For the Fiscal Year Ended June 30, 2019
(Expressed in Thousands)

	Local Government Investment Pool	Intermediate Term Investment Fund	External Retirement Investment Fund	Total Investment Trust Funds
ADDITIONS				
Investment income:				
Interest	$ 59,011	$ 1,992	$ 3,262	$ 64,265
Total investment income	59,011	1,992	3,262	64,265
Less: Investment expenses	(1,033)	(34)	(33)	(1,100)
Net investment income	57,978	1,958	3,229	63,165
Capital share transactions:				
Shares sold	5,587,317	11,763	46,648	5,645,728
Less: Shares redeemed	(4,653,705)	-	(1,746)	(4,655,451)
Net capital share transactions	933,612	11,763	44,902	990,277
Total additions	991,590	13,721	48,131	1,053,442
Change in net position	991,590	13,721	48,131	1,053,442
Net position, July 1	2,158,449	62,550	10,560	2,231,559
Net position, June 30	$ 3,150,039	$ 76,271	$ 58,691	$ 3,285,001

STATE OF TENNESSEE
Combining Statement of Fiduciary Net Position
Private-Purpose Trust Funds
June 30, 2019
(Expressed in Thousands)

	College Savings Plans	Children in State Custody	Oak Ridge Monitoring	TNInvestco
ASSETS				
Cash and cash equivalents	$ 9,793	$ 1,687	$ 20,421	$ 4,724
Receivables:				
Taxes	-	-	-	-
Interest and dividends	2	-	-	-
Investments, at fair value:				
Mutual funds	166,460	-	-	-
Government bonds	-	-	-	-
Corporate bonds	-	-	-	-
Total assets	176,255	1,687	20,421	4,724
LIABILITIES				
Accounts payable and accruals	15	173	-	8
Total liabilities	15	173	-	8
NET POSITION				
Restricted for:				
Individuals, organizations and other governments	176,240	1,514	20,421	4,716
Total net position	$ 176,240	$ 1,514	$ 20,421	$ 4,716

STATE OF TENNESSEE
Combining Statement of Fiduciary Net Position
Private-Purpose Trust Funds
June 30, 2019
(Expressed in Thousands)

Insurance Receiverships	Other	Total Private-Purpose Trust Funds
$ 1,504	$ 8,072	$ 46,201
-	54	54
-	-	2
195	11,339	177,994
395	-	395
1	-	1
2,095	19,465	224,647
2,095	-	2,291
2,095	-	2,291
-	19,465	222,356
$ -	$ 19,465	$ 222,356

STATE OF TENNESSEE

Combining Statement of Changes in Fiduciary Net Position

Private-Purpose Trust Funds
For the Fiscal Year Ended June 30, 2019
(Expressed in Thousands)

	College Savings Plans	Children in State Custody	Oak Ridge Monitoring	TNInvestco
ADDITIONS				
Contributions:				
Federal	$ -	$ 7,620	$ -	$ -
Private	29,454	-	-	-
State	117	-	-	-
Other	-	5,670	-	10,042
Total contributions	29,571	13,290	-	10,042
Investment income:				
Net increase/(decrease) in fair value of investments	9,136	-	-	-
Interest	553	66	446	90
Total investment income	9,689	66	446	90
Total additions	39,260	13,356	446	10,132
DEDUCTIONS				
Payments made under trust agreements	13,765	11,063	-	8,171
Refunds	4,689	2,352	-	-
Administrative expenses	436	-	-	1,741
Total deductions	18,890	13,415	-	9,912
Change in net position	20,370	(59)	446	220
Net position, July 1	155,870	1,573	19,975	4,496
Net position, June 30	$ 176,240	$ 1,514	$ 20,421	$ 4,716

STATE OF TENNESSEE

Combining Statement of Changes in Fiduciary Net Position

Private-Purpose Trust Funds
For the Fiscal Year Ended June 30, 2019
(Expressed in Thousands)

Insurance Receiverships	Other	Total Private-Purpose Trust Funds
$ -	$ -	$ 7,620
-	6,184	35,638
-	-	117
-	137	15,849
-	6,321	59,224
1	714	9,851
40	76	1,271
41	790	11,122
41	7,111	70,346
41	2,287	35,327
-	3	7,044
-	17	2,194
41	2,307	44,565
-	4,804	25,781
-	14,661	196,575
$ -	$ 19,465	$ 222,356

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STATE OF TENNESSEE
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2019
(Expressed in Thousands)

	Local Government	Contingent Revenue	Retiree Health Plans	External Pension Plan	Total Agency Funds
ASSETS					
Cash and cash equivalents	$ 395,519	$ 120,562	$ 18,263	$ -	$ 534,344
Receivables:					
Account	-	27	1,489	-	1,516
Taxes	477,426	-	-	-	477,426
Due from other funds	-	2	-	-	2
Investments, at fair value:					
TRGT pooled funds	-	-	-	134,573	134,573
Mutual funds	-	-	-	5,449	5,449
Total assets	872,945	120,591	19,752	140,022	1,153,310
LIABILITIES					
Accounts payable and accruals	872,945	15,502	4,747	-	893,194
Amount held in custody for others	-	105,089	15,005	140,022	260,116
Total liabilities	$ 872,945	$ 120,591	$ 19,752	$ 140,022	$ 1,153,310

STATE OF TENNESSEE
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
For the Fiscal Year Ended June 30, 2019
(Expressed in Thousands)

Local Government Fund	Balance July 1	Additions	Deductions	Balance June 30
Assets				
Cash and cash equivalents	$ 388,962	$ 4,291,843	$ (4,285,286)	$ 395,519
Accounts receivable	449,295	477,426	(449,295)	477,426
Total assets	838,257	4,769,269	(4,734,581)	872,945
Liabilities				
Accounts payable and accruals	838,257	5,155,891	(5,121,203)	872,945
Total liabilities	$ 838,257	$ 5,155,891	$ (5,121,203)	$ 872,945

Contingent Revenue Fund	Balance July 1	Additions	Deductions	Balance June 30
Assets				
Cash and cash equivalents	$ 119,154	$ 926,522	$ (925,114)	$ 120,562
Accounts receivable	14	82	(69)	27
Due from other funds	6	2	(6)	2
Total assets	119,174	926,606	(925,189)	120,591
Liabilities				
Accounts payable and accruals	14,691	372,977	(372,166)	15,502
Amounts held in custody for others	104,483	605,887	(605,281)	105,089
Total liabilities	$ 119,174	$ 978,864	$ (977,447)	$ 120,591

Retiree Health Plans	Balance July 1	Additions	Deductions	Balance June 30
Assets				
Cash and cash equivalents	$ 23,236	$ 98,400	$ (103,373)	$ 18,263
Accounts receivable	1,974	11,255	(11,740)	1,489
Total assets	25,210	109,655	(115,113)	19,752
Liabilities				
Accounts payable and accruals	9,437	25,777	(30,467)	4,747
Amounts held in custody for others	15,773	100,904	(101,672)	15,005
Total liabilities	$ 25,210	$ 126,681	$ (132,139)	$ 19,752

External Pension Plan	Balance July 1	Additions	Deductions	Balance June 30
Assets				
Cash and cash equivalents	$ -	$ 7,472	$ (7,472)	$ -
Accounts receivable	-	2,271	(2,271)	-
Investments, at fair value:				
TRGT pooled funds	124,903	27,835	(18,165)	134,573
Mutual funds	-	5,852	(403)	5,449
Total assets	124,903	43,430	(28,311)	140,022
Liabilities				
Accounts payable and accruals	-	5,602	(5,602)	-
Amounts held in custody for others	124,903	35,728	(20,609)	140,022
Total liabilities	$ 124,903	$ 41,330	$ (26,211)	$ 140,022

STATE OF TENNESSEE

Combining Statement of Changes in Assets and Liabilities

All Agency Funds
For the Fiscal Year Ended June 30, 2019
(Expressed in Thousands)

Total - All Agency Funds	Balance July 1	Additions	Deductions	Balance June 30
Assets				
Cash and cash equivalents	$ 531,352	$ 5,324,237	$ (5,321,245)	$ 534,344
Accounts receivable	451,283	491,034	(463,375)	478,942
Due from other funds	6	2	(6)	2
Investments, at fair value:				
TRGT pooled funds	124,903	27,835	(18,165)	134,573
Mutual funds	-	5,852	(403)	5,449
Total assets	1,107,544	5,848,960	(5,803,194)	1,153,310
Liabilities				
Accounts payable and accruals	862,385	5,560,247	(5,529,438)	893,194
Amounts held in custody for others	245,159	742,519	(727,562)	260,116
Total liabilities	$ 1,107,544	$ 6,302,766	$ (6,257,000)	$ 1,153,310

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 Comprehensive Annual Financial Report. In 2009, all CSAs merged operations into one agency.

Tennessee Housing Development Agency—Created by the legislature in 1973, the purpose of this agency is to improve the quality of housing available to lower and moderate income Tennesseans. This objective is accomplished in part by (1) making funds available for loans for residential construction or rehabilitation, (2) making or participating in the making of insured mortgage loans, and (3) purchasing existing mortgages from lending institutions. These programs are funded primarily from the sale of revenue bonds or notes.

Tennessee Education Lottery Corporation—Created by the General Assembly in 2003, the purpose of the corporation is to operate a state lottery with net proceeds to be transferred to the state to be used for education programs and purposes in accordance with the Constitution of Tennessee, consisting primarily of financial assistance to Tennessee citizens to enable such citizens to attend post-secondary educational institutions within Tennessee.

State University and Community College System— Created by the General Assembly in 1972 to serve the state and its citizenry by providing educational opportunities, research, continuing education and public activities. As a system, the institutions span the state and are reported as a coordinated network of public education with each campus offering unique characteristics and services.

The system consists of the following institutions:

<u>UNIVERSITIES</u>
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

<u>COMMUNITY COLLEGES</u>
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

<u>COLLEGES OF APPLIED TECHNOLOGY</u>
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.

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STATE OF TENNESSEE
Combining Statement of Net Position
Component Units
June 30, 2019
(Expressed in Thousands)

	Governmental Fund Types		Proprietary Fund Types			
	Tennessee Student Assistance Corporation	Tennessee Community Services Agency	Tennessee Housing Development Agency	Tennessee Education Lottery	State University and Community College System	University of Tennessee
ASSETS						
Cash and cash equivalents	$ 2,970	$ 424	$ 374,906	$ 132,649	$ 812,997	$ 1,095,721
Investments	-	-	77,495	-	300,605	36,784
Receivables, net	5,668	33	62,706	82,965	88,454	56,608
Due from primary government	-	503	-	-	21,938	36,812
Inventories, at cost	-	-	-	-	3,198	6,550
Prepayments	-	4	-	9,640	10,490	4,785
Loans receivable	-	-	2,564,193	-	-	-
Fair value of derivatives	-	-	-	-	-	-
Other	-	-	20,910	-	282	4,361
Restricted assets:						
Cash and cash equivalents	-	-	68,090	41	367,975	233,299
Investments	-	-	124,900	-	580,981	1,259,137
Receivables, net	-	-	764	-	111,320	295,104
Net pension assets	9	8,122	77	-	6,584	4,499
Other	-	-	-	-	4,589	-
Capital assets:						
Land, at cost	-	-	-	-	176,309	94,709
Infrastructure	-	-	-	-	552,502	234,793
Structures and improvements, at cost	-	-	-	2,635	3,488,081	3,495,831
Machinery and equipment, at cost	90	137	6,916	6,115	545,144	625,779
Less accumulated depreciation	(79)	(108)	(3,026)	(6,341)	(1,957,270)	(1,759,434)
Construction in progress	-	-	-	-	340,678	149,774
Total assets	8,658	9,115	3,297,931	227,704	5,454,857	5,875,112
DEFERRED OUTFLOWS OF RESOURCES	1,219	1,984	4,314	-	207,522	165,411
LIABILITIES						
Accounts payable and accruals	383	104	94,412	104,287	161,513	182,040
Due to primary government	25	8	98	119,300	10,937	5,884
Unearned revenue	-	-	1,177	902	82,318	68,484
Other	-	-	-	-	18,473	17,144
Noncurrent liabilities:						
Due within one year	267	80	125,238	822	72,888	115,174
Due in more than one year	3,010	188	2,554,494	2,352	1,304,011	1,615,784
Total liabilities	3,685	380	2,775,419	227,663	1,650,140	2,004,510
DEFERRED INFLOWS OF RESOURCES	186	2,443	746	-	42,441	56,118
NET POSITION						
Net investment in capital assets	11	29	3,890	2,409	2,393,689	1,735,814
Restricted for:						
Debt service	-	-	-	-	13,710	749
Capital projects	-	-	-	-	54,463	61,460
Single family bond programs	-	-	434,893	-	-	-
Pensions	9	8,122	77	-	6,584	4,499
Other	5,625	-	18,734	41	324,839	559,017
Permanent and endowment:						
Expendable	-	-	-	-	19,618	140,980
Nonexpendable	-	-	-	-	393,305	934,383
Unrestricted	361	125	68,486	(2,409)	763,590	542,993
Total net position	$ 6,006	$ 8,276	$ 526,080	$ 41	$ 3,969,798	$ 3,979,895

STATE OF TENNESSEE
Combining Statement of Net Position
Component Units
June 30, 2019
(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
$ 15,042	$ 14,876	$ 25,330	$ 769	$ 48,673	$ 2,524,357
-	-	-	3,840	-	418,724
-	5,615	15,981	94	-	318,124
-	889	-	-	-	60,142
-	272	-	-	-	10,020
-	205	-	-	-	25,124
2,983	-	2,020,564	-	-	4,587,740
-	-	325	-	-	325
-	617	-	17	-	26,187
516	3,948	8,099	-	-	681,968
-	-	238,177	-	-	2,203,195
-	-	-	-	-	407,188
-	1,202	-	-	-	20,493
-	-	-	-	-	4,589
-	2,467	-	-	-	273,485
-	3,725	-	-	-	791,020
-	53,518	-	-	-	7,040,065
-	4,162	-	-	-	1,188,343
-	(19,729)	-	-	-	(3,745,987)
-	942	-	-	-	491,394
18,541	72,709	2,308,476	4,720	48,673	17,326,496
64	3,375	34,570	-	-	418,459
170	2,346	17,831	449	7	563,542
-	171	-	-	-	136,423
-	-	2,154	-	-	155,035
-	104	-	-	-	35,721
435	951	73,980	-	-	389,835
1,567	4,323	2,230,300	-	-	7,716,029
2,172	7,895	2,324,265	449	7	8,996,585
-	1,019	1,328	-	-	104,281
-	41,321	-	-	-	4,177,163
-	408	-	-	-	14,867
-	-	-	-	-	115,923
-	-	-	-	-	434,893
-	1,202	-	-	-	20,493
-	8,525	-	-	-	916,781
-	-	-	-	-	160,598
-	-	-	-	-	1,327,688
16,433	15,714	17,453	4,271	48,666	1,475,683
$ 16,433	$ 67,170	$ 17,453	$ 4,271	$ 48,666	$ 8,644,089

STATE OF TENNESSEE
Combining Statement of Activities
Component Units
For the Year Ended June 30, 2019
(Expressed in Thousands)

		Program Revenues			
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Net (Expense) Revenue and Changes in Net Position**
Component units					
Higher education institutions:					
State University and Community College System	$ 2,722,464	$ 997,668	$ 861,691	$ 206,173	$ (656,932)
University of Tennessee	2,426,789	846,705	960,733	93,190	(526,161)
Total higher education institutions	5,149,253	1,844,373	1,822,424	299,363	(1,183,093)
Loan programs:					
Tennessee Student Assistance Corporation	95,292	6,453	617	-	(88,222)
Tennessee Housing Development Agency	468,574	127,325	356,358	-	15,109
Local Development Authority	233	563	344	-	674
Tennessee State School Bond Authority	97,450	79,961	20,068	-	2,579
Total loan programs	661,549	214,302	377,387	-	(69,860)
Tennessee Education Lottery	1,695,563	1,693,351	28	-	(2,184)
Other programs:					
Tennessee Community Services Agency	4,222	1,553	2,963	-	294
Access Tennessee Insurance Plan	2,192	-	-	-	(2,192)
Tennessee Veterans' Homes Board	58,025	60,032	354	-	2,361
Certified Cotton Growers'	509	505	-	-	(4)
Total other programs	64,948	62,090	3,317	-	459
Total	$ 7,571,313	$ 3,814,116	$ 2,203,156	$ 299,363	$ (1,254,678)

STATE OF TENNESSEE
Combining Statement of Activities
Component Units
For the Year Ended June 30, 2019
(Expressed in Thousands)

General Revenues							
Payments from Primary Government	Unrestricted Grants and Contributions	Unrestricted Investment Earnings	Miscellaneous	Contributions to Permanent Funds	Change in Net Position	Net Position July 1, restated	Net Position June 30
$ 877,550	$ 65,701	$ 34,043	$ 3,299	$ 14,248	$ 337,909	$ 3,631,889	$ 3,969,798
637,540	24	63,579	2,860	66,396	244,238	3,735,657	3,979,895
1,515,090	65,725	97,622	6,159	80,644	582,147	7,367,546	7,949,693
87,800	-	-	-	-	(422)	6,428	6,006
665	-	416	-	-	16,190	509,890	526,080
-	-	-	-	-	674	15,759	16,433
-	9,652	-	-	-	12,231	5,222	17,453
88,465	9,652	416	-	-	28,673	537,299	565,972
-	-	2,180	-	-	(4)	45	41
-	-	5	-	-	299	7,977	8,276
-	-	1,141	-	-	(1,051)	49,717	48,666
-	133	-	-	-	2,494	64,676	67,170
-	-	80	-	-	76	4,195	4,271
-	133	1,226	-	-	1,818	126,565	128,383
$ 1,603,555	$ 75,510	$ 101,444	$ 6,159	$ 80,644	$ 612,634	$ 8,031,455	$ 8,644,089

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, 2019
(Expressed in Thousands)

	Tennessee Housing Development Agency	Tennessee Education Lottery	State University and Community College System	University of Tennessee	Local Development Authority
Operating revenues					
Charges for services	$ 127,325	$ 1,692,775	$ 1,184,650	$ 1,374,900	$ 563
Investment income	14,370	-	5,291	5,814	344
Grants and contributions	-	-	-	-	-
Other	-	576	61,425	109,595	-
Total operating revenues	141,695	1,693,351	1,251,366	1,490,309	907
Operating expenses					
Personal services	22,517	15,918	1,714,788	1,589,885	-
Contractual services	7,642	156,701	-	-	111
Mortgage service fees	723	-	-	-	-
Materials and supplies	1,277	-	609,102	588,594	-
Rentals and insurance	15	1,605	-	-	-
Interest	69,520	-	-	-	109
Depreciation and amortization	6,377	925	115,553	136,557	-
Lottery prizes	-	1,065,348	-	-	-
Nursing home services	-	-	-	-	-
Scholarships and fellowships	-	-	252,292	67,070	-
Benefits	-	-	-	-	-
Other	11,834	7,850	-	-	13
Total operating expenses	119,905	1,248,347	2,691,735	2,382,106	233
Operating income (loss)	21,790	445,004	(1,440,369)	(891,797)	674
Nonoperating revenues (expenses)					
Grant income	342,404	-	630,532	239,979	-
Grant expense	(348,669)	-	-	-	-
Interest expense	-	-	(25,178)	(40,785)	-
Interest income	-	2,180	64,759	118,939	-
Payments from primary government	665	-	877,550	637,540	-
Grants and contributions	-	-	-	6,658	-
Gifts	-	-	9,554	13,712	-
Payments to primary government	-	(447,185)	-	-	-
Other	-	(3)	695	(2,454)	-
Total nonoperating revenues (expenses)	(5,600)	(445,008)	1,557,912	973,589	-
Income (loss) before capital grants and contributions	16,190	(4)	117,543	81,792	674
Capital payments from primary government	-	-	183,435	85,785	-
Capital grants and gifts	-	-	22,684	7,405	-
Additions to permanent endowments	-	-	14,247	66,396	-
Other	-	-	-	2,860	-
Change in net position	16,190	(4)	337,909	244,238	674
Net position, July 1, restated	509,890	45	3,631,889	3,735,657	15,759
Net position, June 30	$ 526,080	$ 41	$ 3,969,798	$ 3,979,895	$ 16,433

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, 2019
(Expressed in Thousands)

Tennessee Veterans' Homes Board	Tennessee State School Bond Authority	Certified Cotton Growers'	Access Tennessee Insurance Plan	Total Proprietary Fund Type Component Units
$ 55,177	$ 79,961	$ 505	$ -	$ 4,515,856
-	20,068	-	-	45,887
-	-	-	-	-
68	-	-	-	171,664
55,245	100,029	505	-	4,733,407
37,184	-	-	-	3,380,292
-	884	509	189	166,036
-	-	-	-	723
-	-	-	-	1,198,973
-	-	-	2,003	3,623
-	80,162	-	-	149,791
1,881	-	-	-	261,293
-	-	-	-	1,065,348
18,798	-	-	-	18,798
-	-	-	-	319,362
-	-	-	-	-
-	16,404	-	-	36,101
57,863	97,450	509	2,192	6,600,340
(2,618)	2,579	(4)	(2,192)	(1,866,933)
4,787	9,652	-	-	1,227,354
-	-	-	-	(348,669)
(152)	-	-	-	(66,115)
354	-	80	1,141	187,453
-	-	-	-	1,515,755
-	-	-	-	6,658
133	-	-	-	23,399
-	-	-	-	(447,185)
(10)	-	-	-	(1,772)
5,112	9,652	80	1,141	2,096,878
2,494	12,231	76	(1,051)	229,945
-	-	-	-	269,220
-	-	-	-	30,089
-	-	-	-	80,643
-	-	-	-	2,860
2,494	12,231	76	(1,051)	612,757
64,676	5,222	4,195	49,717	8,017,050
$ 67,170	$ 17,453	$ 4,271	$ 48,666	$ 8,629,807

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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, 2019
(Expressed in Thousands)

	Tennessee Student Assistance Corporation	Tennessee Community Services Agency	Total Governmental Fund Type Component Units
REVENUES			
Interest on investments	$ 467	$ 5	$ 472
Departmental services	94,253	4,515	98,768
Other	150	-	150
Total revenues	94,870	4,520	99,390
EXPENDITURES			
Education	95,243	-	95,243
Health and social services	-	4,555	4,555
Total expenditures	95,243	4,555	99,798
Excess (deficiency) of revenues over (under) expenditures	(373)	(35)	(408)
Fund balances, July 1	8,603	887	9,490
Fund balances, June 30	$ 8,230	$ 852	$ 9,082
Reconciliation to net position:			
Fund balances per above	$ 8,230	$ 852	$ 9,082
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	11	29	40
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund.	(426)	(147)	(573)
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.	(1,809)	7,542	5,733
Net position on statement of net position	$ 6,006	$ 8,276	$ 14,282

SUPPLEMENTARY SCHEDULES

STATE OF TENNESSEE

Schedule 1

Debt Service Requirements to Maturity

General Obligation Bonds
June 30, 2019
(Expressed in Thousands)

For the Year Ended June 30	General Long-Term Debt			Facilities Revolving Fund Debt		
	Principal	Interest	Total Requirements	Principal	Interest	Total Requirements
2020	$ 141,801	$ 68,020	$ 209,821	$ 13,964	$ 6,192	$ 20,156
2021	135,918	61,655	197,573	13,082	5,542	18,624
2022	136,173	55,360	191,533	13,132	4,901	18,033
2023	128,945	49,217	178,162	12,400	4,276	16,676
2024	126,631	43,809	170,440	12,059	3,736	15,795
2025	119,609	38,825	158,434	11,926	3,247	15,173
2026	117,725	33,805	151,530	11,600	2,737	14,337
2027	112,277	28,988	141,265	9,993	2,267	12,260
2028	108,082	24,415	132,497	9,398	1,847	11,245
2029	101,005	19,899	120,904	7,991	1,452	9,443
2030	78,089	15,852	93,941	6,556	1,113	7,669
2031	68,380	12,460	80,840	5,120	842	5,962
2032	61,740	9,471	71,211	3,885	638	4,523
2033	39,777	7,130	46,907	3,592	466	4,058
2034	33,191	5,372	38,563	3,175	300	3,475
2035	33,191	3,712	36,903	3,175	141	3,316
2036	30,216	2,127	32,343	599	47	646
2037	16,223	966	17,189	281	25	306
2038	7,470	374	7,844	244	12	256
Totals	$ 1,596,443	$ 481,457	$ 2,077,900	$ 142,172	$ 39,781	$ 181,953

STATE OF TENNESSEE

Schedule 2

Schedule of Outstanding Debt

All Fund Types
For the Last Five Fiscal Years
(Expressed in Thousands)

	June 30				
	2015	**2016**	**2017**	**2018**	**2019**
Internal service funds:					
General obligation commercial paper	$ 26,564	$ 17,310	$ 12,788	$ 13,767	$ 25,130
Facilities Revolving Fund general obligation bonds	196,080	185,009	167,529	156,640	142,172
	222,644	202,319	180,317	170,407	167,302
General long-term debt:					
General obligation bonds	$ 1,575,935	$ 1,714,196	$ 1,738,001	$ 1,741,155	$ 1,596,443
General obligation commercial paper	171,122	228,226	180,168	151,409	212,266
	1,747,057	1,942,422	1,918,169	1,892,564	1,808,709
Totals for primary government	$ 1,969,701	$ 2,144,741	$ 2,098,486	$ 2,062,971	$ 1,976,011

STATE OF TENNESSEE

Schedule 3

Schedule of General Obligation Commercial Paper Outstanding - By Purpose

All Fund Types
June 30, 2019
(Expressed in Thousands)

General obligation commercial paper - Tax exempt		$ 172,133
Purpose:	To finance the construction, improvements, repairs, and replacements of buildings and facilities and the acquisition of land, equipment and other property of the state.	
General obligation commercial paper - Taxable		65,263
Purpose:	To finance improvements to mental health and mental retardation facilities and grants to local governments.	
Total Outstanding		$ 237,396

STATE OF TENNESSEE

Schedule 4

Schedule of Outstanding Debt

Component Units
For the Last Five Fiscal Years
(Expressed in Thousands)

	June, 30				
	2015	2016	2017	2018	2019
Component Units:					
Local Development Authority bonds	$ 4,737	$ 3,929	$ 3,130	$ 2,521	$ 2,003
Tennessee Housing Development Agency bonds	1,948,970	1,875,620	1,944,050	2,089,025	2,575,725
Veterans' Homes Board loan	5,685	5,217	5,106	4,255	3,763
Tennessee State School Bond Authority bonds	2,155,864	2,077,220	2,002,387	2,208,003	2,125,541
Tennessee State School Bond Authority revolving credit	61,682	84,480	188,152	95,299	178,739
University of Tennessee notes	113	94	75	55	-
University of Tennessee bonds	75,269	70,814	68,283	65,676	62,987
State and University Community College System notes	1,063	941	840	1,372	1,370
State and University Community College System bonds	200	100	-	-	-
State and University Community College System commercial paper	3,801	3,362	3,222	2,722	2,037
	$ 4,257,384	$ 4,121,777	$ 4,215,245	$ 4,468,928	$ 4,952,165

STATE OF TENNESSEE

Comparative Schedules of Revenues by Source

General Fund

For the Fiscal Years Ended June 30, 2019 and 2018

(Expressed in Thousands)

	For the Year Ended	
Revenue by Source	**June 30, 2019**	**June 30, 2018**
Taxes:		
Sales and use	$ 3,888,105	$ 3,672,928
Gasoline	9,969	10,065
Motor fuel	2,087	2,061
Gasoline inspection	764	752
Total fuel taxes	12,820	12,878
Franchise	1,018,868	910,028
Excise	1,531,385	1,444,514
Gross receipts	388,135	364,900
Beer	14,817	14,565
Alcoholic beverage	70,246	66,677
Mixed drink	68,067	59,682
Tobacco	29,035	29,466
Business	263,348	238,610
Insurance companies premium	995,149	968,291
Retaliatory	9,425	9,377
Workers compensation premium	37,423	43,647
Enhanced coverage	326,782	449,257
Medicaid provider	11,131	11,054
Fantasy Sports	340	327
Other	1,598	1,311
Total business tax	4,765,749	4,611,706
Income	203,818	245,980
Privilege	372,050	361,436
Inheritance and estate	2,221	(350)
Other	5,710	-
Total other taxes	583,799	607,066
Total taxes	9,250,473	8,904,578
Licenses, fines, fees and permits:		
Motor vehicle registration	52,317	51,910
Motor vehicle title registration fees	20,901	22,495
Drivers licenses	37,878	37,614
Arrests, fines and fees	9,091	8,659
Regulatory board fees	173,997	170,422
Other	217,435	210,286
Total licenses, fines, fees and permits	511,619	501,386
Investment income	154,441	78,248
Federal	10,024,723	10,137,011
Departmental services:		
Charges to the public	269,035	311,283
Interdepartmental charges	859,194	877,051
Charges to cities, counties, etc.	953,425	884,853
Total departmental services	2,081,654	2,073,187
Other	178,283	277,701
Total revenues by source	$ 22,201,193	$ 21,972,111

STATE OF TENNESSEE

Schedule 6

Comparative Schedules of Expenditures by Function and Department

General Fund
For the Fiscal Years Ended June 30, 2019 and 2018
(Expressed in Thousands)

	For the Year Ended	
Expenditures by Function and Department	**June 30, 2019**	**June 30, 2018**
General government:		
Legislative	$ 46,996	$ 44,561
Secretary of State	42,978	40,474
Comptroller	102,358	100,707
Treasurer	53,491	82,618
Governor	5,109	5,156
Commissions	82,786	74,780
Finance and Administration	183,751	163,660
General Services	27,080	26,998
Revenue	117,209	118,777
Miscellaneous Appropriations	-	134
Total general government	661,758	657,865
Health and social services:		
Veterans Services	10,789	14,355
Labor and Workforce Development	178,882	175,505
TennCare	11,618,602	11,457,653
Mental Health	387,679	356,865
Intellectual Disabilities	151,892	145,421
Health	633,847	636,809
Human Services	2,107,597	2,214,804
Children's Services	918,364	874,448
Total health and social services	16,007,652	15,875,860
Law, justice and public safety:		
Judicial	398,406	363,274
Correction	1,005,154	973,800
Probation and Paroles	8,314	7,719
Military	114,800	90,896
Bureau of Criminal Investigation	85,727	88,849
Safety	248,661	240,771
Total law, justice and public safety	1,861,062	1,765,309
Recreation and resource development:		
Agriculture	93,510	85,635
Tourist Development	30,817	30,507
Environment and Conservation	246,140	272,517
Economic and Community Development	210,992	191,889
Total recreation and resources development	581,459	580,548
Regulation of business and professions:		
Commerce and Insurance	94,194	89,143
Financial Institutions	20,917	19,523
Total regulation of business and professions	115,111	108,666
Intergovernmental revenue sharing	987,931	931,384
Total expenditures by function and department	$ 20,214,973	$ 19,919,632

STATISTICAL SECTION

STATISTICAL SECTION

This part of the State of Tennessee's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the state's overall financial health.

<u>**Contents**</u> <u>**Page**</u>

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. No adjustments have been made for prior period adjustments.

Schedule 1

STATE OF TENNESSEE
FINANCIAL TRENDS - CHANGES IN NET POSITION
LAST TEN FISCAL YEARS

(accrual basis of accounting, expressed in thousands)

(continued on next page)

	FOR THE FISCAL YEAR ENDED JUNE 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental activities:										
General government	$ 1,078,294	$ 1,048,423	$ 942,465	$ 987,800	$ 959,641	$ 858,569	$ 981,862	$ 961,058	$ 870,036	$ 937,895
Education	6,893,801	7,127,705	7,018,189	7,083,806	7,383,077	7,302,492	7,507,413	7,927,694	8,234,390	8,576,479
Health and social services (3)	12,849,335	13,739,733	13,952,342	14,079,899	13,912,421	14,258,216	14,930,669	14,976,007	15,192,989	15,168,397
Law, justice, and public safety	1,365,134	1,436,045	1,567,730	1,539,288	1,612,248	1,522,333	1,605,231	1,692,610	1,784,864	1,848,904
Recreation and resources development	499,080	606,317	646,494	554,421	646,781	666,997	665,491	628,906	716,104	719,649
Regulation of business and professions	132,784	127,887	126,395	158,228	158,644	175,667	194,662	205,684	215,749	217,075
Transportation	1,010,029	911,666	1,012,399	1,062,091	1,126,744	1,126,447	1,045,959	1,282,462	1,213,247	1,474,457
Intergovernmental revenue sharing	874,094	825,777	851,535	844,628	897,312	980,258	1,045,095	1,073,737	1,309,519	1,388,848
Interest on long-term debt	60,566	63,555	62,119	71,933	67,520	60,622	60,891	58,503	62,430	62,928
Payments to fiduciary fund	19,747	63114	58,453	22,386	827	400	680	664	372	0
Total governmental activities expenses	24,782,864	25,950,222	26,238,121	26,404,480	26,765,215	26,952,001	28,037,953	28,807,325	29,599,700	30,394,632
Business-type activities:										
Employment security (1)	2,135,537	1,613,716	1,232,324	750,529	451,470	289,415	241,852	232,690	222,988	205,234
Insurance programs	557,371	552,626	540,746	544,250	541,205	556,634	585,757	620,734	620,005	672,422
Loan programs	1,406	1,561	1,757	1,577	1,469	1,493	1,865	1,710	1,705	1,613
Other	1,385	25	620	163	76	68	367	216	1,014	305
Total business-type activities expenses	2,695,699	2,167,928	1,775,447	1,296,519	994,220	847,610	829,841	855,350	845,712	879,574
Total primary government expenses	$ 27,478,563	$ 28,118,150	$ 28,013,568	$ 27,700,999	$ 27,759,435	$ 27,799,611	$ 28,867,794	$ 29,662,675	$ 30,445,412	$ 31,274,206
Program Revenues										
Governmental activities:										
Charges for services:										
General government	$ 778,352	$ 856,264	$ 673,945	$ 775,135	$ 812,528	$ 787,280	$ 796,608	$ 784,087	$ 1,019,219	$ 1,045,776
Education	44,813	50,052	56,898	85,722	73,276	58,961	50,274	40,849	38,385	30,633
Health and social services	499,694	724,971	772,850	714,788	756,038	957,133	1,030,133	1,189,026	1,071,646	1,130,530
Law, justice, and public safety	121,201	120,137	125,879	139,622	140,123	137,905	161,110	168,808	161,132	159,868
Recreation and resources development	141,278	139,302	151,545	155,422	145,675	153,788	164,390	169,896	175,065	184,084
Regulation of business and professions	148,788	149,090	168,590	154,896	165,611	182,959	200,087	194,108	214,121	203,660
Transportation	28,322	29,769	29,601	35,470	31,863	45,840	56,466	59,301	63,670	65,208
Operating grants and contributions (2)	12,076,579	12,677,291	11,897,517	11,697,733	11,355,859	11,291,412	11,930,270	11,742,175	12,064,641	11,974,935
Capital grants and contributions	782,188	901,798	903,281	772,061	762,251	727,573	686,774	695,029	738,173	725,242
Total governmental activities program revenues	14,621,215	15,648,674	14,780,106	14,530,849	14,243,224	14,342,851	15,076,112	15,043,279	15,546,052	15,519,936
Business-type activities:										
Charges for services:										
Employment security	710,113	754,108	769,446	632,408	370,752	343,808	290,005	288,964	260,627	256,943
Insurance programs	525,662	547,207	542,756	569,982	598,209	581,436	565,174	599,635	652,846	702,429
Loan programs	16,584	17,350	15,600	12,450	8,897	8,865	9,214	10,255	11,386	11,850
Other	1,043	206	133	231	221	230	239	236	242	155
Operating grants and contributions (2)	1,482,113	1,035,693	749,005	327,928	134,026	64,053	85,287	57,418	88,198	76,576
Total business-type activities program revenues	2,735,515	2,354,564	2,076,940	1,542,999	1,112,105	998,392	949,919	956,508	1,013,299	1,047,953
Total primary government program revenues	$ 17,356,730	$ 18,003,238	$ 16,857,046	$ 16,073,848	$ 15,355,329	$ 15,341,243	$ 16,026,031	$ 15,999,787	$ 16,559,351	$ 16,567,889
Net (Expense)/Revenue										
Governmental activities	$ (10,161,649)	$ (10,301,548)	$ (11,458,015)	$ (11,873,631)	$ (12,521,991)	$ (12,609,150)	$ (12,961,841)	$ (13,764,046)	$ (14,053,648)	$ (14,874,696)
Business-type activities	39,816	186,636	301,493	246,480	117,885	150,782	120,078	101,158	167,587	168,379
Total primary government net expense	$ (10,121,833)	$ (10,114,912)	$ (11,156,522)	$ (11,627,151)	$ (12,404,106)	$ (12,458,368)	$ (12,841,763)	$ (13,662,888)	$ (13,886,061)	$ (14,706,317)

Schedule 1

STATE OF TENNESSEE
FINANCIAL TRENDS - CHANGES IN NET POSTION (continued)
LAST TEN FISCAL YEARS
(accrual basis of accounting, expressed in thousands)

	FOR THE FISCAL YEAR ENDED JUNE 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Sales and use	$ 6,170,977	$ 6,461,461	$ 6,884,762	$ 7,018,128	$ 7,276,443	$ 7,713,695	$ 8,258,134	$ 8,547,149	$ 8,831,333	$ 9,351,611
Fuel	874,511	846,384	842,133	834,956	843,164	862,156	899,631	915,415	1,099,342	1,170,828
Business (4)	2,944,465	3,536,200	3,926,566	4,122,814	3,948,253	4,336,333	4,631,629	5,206,841	5,196,013	5,326,127
Other	504,750	525,192	608,762	648,193	641,244	719,370	722,040	627,070	624,585	607,748
Unrestricted investment earnings	7,245	4,602	772	4,144	7,079	6,121	15,076	36,148	84,104	151,602
Miscellaneous	195,414	217,630	253,489	282,705	221,138	224,064	243,432	234,586	284,299	193,899
Contributions to permanent funds	196	180	174	180	547	136	170	2,624	142	145
Transfers	(3,608)	(2,134)	(4,655)	(4,256)	(4,622)	(8,046)	(1,096)	(5,290)	(4,715)	(18,521)
Total governmental activities	10,693,950	11,589,515	12,512,003	12,906,864	12,933,246	13,853,829	14,769,016	15,564,543	16,115,103	16,783,439
Business-type activities:										
Transfers	3,608	2,134	4,655	4,256	4,622	8,046	1,096	5,290	4,715	18,521
Total business-type activities	3,608	2,134	4,655	4,256	4,622	8,046	1,096	5,290	4,715	18,521
Total primary government general revenues and other changes in net position	$ 10,697,558	$ 11,591,649	$ 12,516,658	$ 12,911,120	$ 12,937,868	$ 13,861,875	$ 14,770,112	$ 15,569,833	$ 16,119,818	$ 16,801,960
Changes in Net Position										
Governmental activities	$ 532,301	$ 1,287,967	$ 1,053,988	$ 1,033,233	$ 411,255	$ 1,244,679	$ 1,807,175	$ 1,800,497	$ 2,061,455	$ 1,908,743
Business-type activities	43,424	188,770	306,148	250,736	122,507	158,828	121,174	106,448	172,302	186,900
Total primary government	$ 575,725	$ 1,476,737	$ 1,360,136	$ 1,283,969	$ 533,762	$ 1,403,507	$ 1,928,349	$ 1,906,945	$ 2,233,757	$ 2,095,643

(1) The decrease in expenses in the employment security program between fiscal years 2010 and 2011 was due to a decrease in unemployment claims.

(2) The decrease in operating grants and contributions for business-type activities between fiscal years 2010 and 2011 was due to a decrease in in unemployment claims. The increase in operating grants and contributions from fiscal year 2010 to 2011 for governmental activities was due to the increase in federal funds for reimbursement of medical and pharmacy costs which increased significantly.

(3) The increase in expenses from fiscal years 2010 to 2011 for health and social services was because of rising medical and pharmacy costs.

(4) A new dedicated hospital coverage assessment to fund the TennCare program resulted in an increase in the Business taxes from 2010 to 2011.

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

	FOR THE FISCAL YEAR ENDED JUNE 30,									
	2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Governmental activities										
Net investment in capital assets (3)	$ 23,360,007	$ 24,346,493	$ 25,628,600	$ 26,326,451	$ 26,855,523	$ 27,432,234	$ 28,201,282	$ 28,617,760	$ 29,616,706	$ 30,355,607
Restricted	924,902	1,179,519	1,172,812	1,193,341	1,242,324	1,150,817	1,595,049	1,777,806	2,081,564	2,210,725
Unrestricted (1)(2)	1,284,192	1,330,947	1,183,704	1,458,291	1,299,446	940,922	1,534,817	2,736,079	2,704,085	3,739,918
Total governmental activities net position	$ 25,569,101	$ 26,856,959	$ 27,985,116	$ 28,978,083	$ 29,397,293	$ 29,523,973	$ 31,331,148	$ 33,131,645	$ 34,402,355	$ 36,306,250
Business-type activities										
Net investment in capital assets	$									
Unrestricted	1,385,785	$ 1,574,664	$ 1,880,812	$ 2,134,924	$ 2,264,747	$ 2,420,530	$ 2,541,704	$ 2,648,152	$ 2,806,842	$ 2,993,742
Total business-type activities net position	$ 1,385,785	$ 1,574,664	$ 1,880,812	$ 2,134,924	$ 2,264,747	$ 2,420,530	$ 2,541,704	$ 2,648,152	$ 2,806,842	$ 2,993,742
Primary Government										
Net investment in capital assets	$ 23,360,007	$ 24,346,493	$ 25,628,600	$ 26,326,451	$ 26,855,523	$ 27,432,234	$ 28,201,282	$ 28,617,760	$ 29,616,706	$ 30,355,607
Restricted	924,902	1,179,519	1,172,812	1,193,341	1,242,324	1,150,817	1,595,049	1,777,806	2,081,564	2,210,725
Unrestricted	2,669,977	2,905,611	3,064,516	3,593,215	3,564,193	3,361,452	4,076,521	5,384,231	5,510,927	6,733,660
Total primary government net position	$ 26,954,886	$ 28,431,623	$ 29,865,928	$ 31,113,007	$ 31,662,040	$ 31,944,503	$ 33,872,852	$ 35,779,797	$ 37,209,197	$ 39,299,992

(1) The increase in unrestricted net position between fiscal years 2015 and 2016 was mostly attributable to the increase in cash and cash equivalents caused by a increase in revenue collections from business and sales taxes.

(2) The increase in unrestricted net position between fiscal years 2016 and 2017 and between 2018 and 2019 was attributable to (1) the increase in cash and cash equivalents caused by an increase in revenue collections from business and sales taxes. The increase between 2016 and 2017 was also attributable to a correction of a federal billing issue from fiscal year 2016.

(3) The increase in net investment in capital assets between fiscal years 2017 and 2018 was mostly attributable to an increase in infrastructure.

Schedule 3

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,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Nonspendable	N/A	$ 19,343	$ 18,609	$ 21,349	$ 21,075	$ 20,184	$ 18,765	$ 25,117	$ 21,208	$ 23,489
Restricted	N/A	100,942	63,192	73,346	68,331	69,540	71,304	73,855	73,202	92,579
Committed	N/A	235,301	286,918	355,546	281,969	302,603	314,545	334,316	372,189	362,881
Assigned	N/A	1,179,652	1,250,677	1,585,964	1,138,496	1,285,945	1,612,001	2,263,154	1,949,089	2,298,179
Unassigned	N/A	507,501	698,663	476,264	567,286	885,215	1,224,464	1,008,428	1,410,118	1,651,697
Total general fund		$ 2,042,739	$ 2,318,059	$ 2,512,469	$ 2,077,157	$ 2,563,487	$ 3,241,079	$ 3,704,870	$ 3,825,806	$ 4,428,825
All Other Governmental Funds										
Nonspendable	N/A	$ 144,426	$ 147,468	$ 150,579	$ 153,004	$ 519,590	$ 525,078	$ 531,981	$ 536,481	$ 561,387
Restricted	N/A	951,222	980,972	990,317	1,024,350	575,853	1,020,805	1,207,452	1,507,973	1,583,287
Committed	N/A	191,557	344,696	398,864	396,298	389,401	373,312	336,412	379,483	391,014
Assigned	N/A	710,582	672,610	575,300	759,845	736,691	787,006	1,148,144	1,596,551	1,612,649
Unassigned	N/A									
Total all other governmental funds		$ 1,997,787	$ 2,145,746	$ 2,115,060	$ 2,333,497	$ 2,221,535	$ 2,706,201	$ 3,223,989	$ 4,020,488	$ 4,148,337

(1) The schedule was changed due to the implementation of GASB 54, which reclassified fund balance into the five following categories: nonspendable, restricted, committed, assigned, and unassigned. It was determined that Statistical Schedule 3 would not be restated for the years prior to 2011.

Schedule 4

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,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Taxes	$ 10,445,363	$ 11,422,284	$ 12,280,198	$ 12,605,171	$ 12,762,694	$ 13,717,684	$ 14,536,940	$ 15,151,281	$ 15,694,388	$ 16,391,417
Licenses, fines, fees, and permits	675,009	693,702	731,752	725,785	727,158	799,462	913,535	973,810	1,058,073	1,081,355
Interest on investments	36,443	45,089	17,411	35,987	67,117	27,865	56,708	89,231	119,676	234,307
Federal [(1)]	12,471,642	13,062,451	12,334,256	12,085,185	11,750,878	11,601,522	12,126,450	11,915,967	12,245,029	12,098,767
Departmental services	2,195,707	2,335,508	2,077,429	1,933,141	1,994,334	2,108,043	2,170,683	2,392,179	2,342,471	2,333,469
Other	519,936	513,919	595,305	630,355	604,336	584,672	647,996	622,690	734,439	639,714
Total revenues	26,344,100	28,072,953	28,036,351	28,015,624	27,906,517	28,839,248	30,452,312	31,145,158	32,194,076	32,779,029
Expenditures										
Current:										
General government	558,013	563,195	575,919	538,243	553,807	565,415	573,475	654,354	683,678	689,119
Education	6,682,173	6,978,436	6,828,619	6,875,325	7,182,444	7,140,936	7,322,279	7,778,143	8,134,979	8,364,522
Health and social services	14,017,403	14,873,339	14,807,999	14,668,483	14,493,610	14,906,413	15,600,711	15,655,566	15,875,861	16,007,652
Law, justice, and public safety	1,302,252	1,400,825	1,528,766	1,499,252	1,555,028	1,552,156	1,618,669	1,693,161	1,772,563	1,868,133
Recreation and resources development	555,717	682,531	705,043	655,168	711,526	757,166	777,748	736,884	797,848	821,557
Regulation of business and professions	139,200	136,644	135,877	164,673	165,238	187,360	205,830	215,733	222,903	229,082
Transportation	1,815,822	1,882,068	1,952,887	1,864,946	1,753,581	1,708,328	1,672,379	1,728,331	1,910,831	2,017,320
Intergovernmental revenue sharing	874,094	825,777	851,535	844,628	897,312	980,258	1,045,095	1,073,737	1,309,519	1,388,848
Debt service:										
Principal	101,804	112,234	115,935	274,858	142,643	313,050	246,503	296,444	267,376	153,111
Interest	64,344	68,496	65,471	76,041	75,155	68,325	67,409	71,817	75,163	75,165
Debt issuance costs	4,837	4,363	4,793	2,659	1,452	1,741	2,324	2,225	2,193	1,741
Capital outlay	485,937	391,519	483,279	515,999	491,077	406,396	469,307	462,231	339,789	408,337
Total expenditures	26,601,596	27,919,427	28,056,123	27,980,275	28,022,873	28,587,544	29,601,729	30,368,626	31,392,703	32,024,587
Revenues over (under) expenditures	(257,496)	153,526	(19,772)	35,349	(116,356)	251,704	850,583	776,532	801,373	754,442
Other Financing Sources (Uses)										
Bonds and commercial paper issued	415,033	307,318	637,868	290,178	91,281	143,200	447,222	274,348	243,419	69,256
Commercial paper redeemed	(155,973)	(155,382)	(201,235)							
Insurance claim recoveries			2,734	1,061	1,335	1,597	1,288	725	1,058	367
Premium on bond sale	26,358	11,132	37,069			10,308	53,170	42,335	25,282	-
Refunding bonds issued [(2) (3)]	43,985	43,014	464,809	25,713						
Refunding bond premium [(2) (3)]		2,122	88,775	11,672		81,321	98,390	214,452	36,059	-
Refunding payment to escrow [(2) (3)]	(43,985)	(44,816)	(552,898)	(25,473)		(81,092)	(98,159)	(214,016)	(35,976)	-
Other	21,146	52,741								
Proceeds from pledged revenue			58,453	22,183	472					
Transfers in	1,332,847	1,506,489	1,285,701	1,361,860	1,561,780	1,173,753	1,229,231	1,711,662	2,028,533	1,550,136
Transfers out [(4)]	(1,379,597)	(1,613,711)	(1,366,400)	(1,545,068)	(1,763,423)	(1,206,423)	(1,419,467)	(1,824,459)	(2,225,529)	(1,619,426)
Total other financing sources (uses)	259,814	108,907	454,876	142,126	(108,555)	122,664	311,675	205,047	72,846	333
Net Change in Fund Balances	$ 2,318	$ 262,433	$ 435,104	$ 177,475	$ (224,911)	$ 374,368	$ 1,162,258	$ 981,579	$ 874,219	$ 754,775
Debt Service as a Percentage of Noncapital Expenditures	0.5659%	0.6467%	0.6748%	1.3059%	0.8036%	1.3784%	1.0865%	1.2445%	1.1191%	0.7347%

Note: T.C.A 67-1-1702 requires returns, tax information, and tax administration information to remain confidential except as authorized by said T.C.A.

(1) The state issued approximately $500 million more in refunding bonds in FY 2012 than in the prior year resulting in significant increases to refunding bonds issued, premiums and payments to escrow.

(2) The state issued approximately $500 million less in refunding bonds in FY 2013 than in the prior year resulting in significant decreases to refunding bonds issued, premiums and payments to escrow.

(3) The decrease in transfers out between 2014 and 2015 was due primarily to a reduction of transfers out from the General Fund to the Capital Projects fund, to the Debt Service fund, and transfers out for the leasing of buildings.

(3) The decrease in transfers out between 2018 and 2019 was due primarily to a reduction of transfers out from the General Fund to the Capital Projects fund, to the Facilities Revolving fund, and to the Highway fund.

Schedule 5

STATE OF TENNESSEE

REVENUE CAPACITY - TAXABLE SALES BY CLASSIFICATION

LAST TEN CALENDAR YEARS

(expressed in millions)

	FOR THE CALENDAR YEAR ENDED DECEMBER 31,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Auto dealers	$ 6,725	$ 7,671	$ 8,430	$ 9,275	$ 9,830	$ 10,563	$ 11,801	$ 12,623	$ 12,749	$ 13,389
Purchases from manufacturers	3,493	3,656	4,009	4,042	4,170	4,460	4,877	5,205	5,367	5,856
Miscellaneous durable goods	13,747	14,494	15,583	16,373	16,806	17,548	18,623	20,141	21,100	22,807
Eating and drinking places	8,840	9,057	9,507	10,198	10,576	11,196	12,030	12,611	12,959	13,504
Food stores	8,821	8,884	9,216	9,690	10,249	10,695	11,101	11,511	12,087	12,871
Liquor stores	657	685	728	793	836	894	971	975	928	953
Hotels and motels	2,038	2,067	2,333	2,488	2,539	2,883	3,225	3,602	3,591	3,768
Other retail and service	26,805	27,315	28,756	30,179	31,135	32,886	34,914	36,533	38,091	41,120
Miscellaneous nondurable goods	7,364	7,645	7,987	8,423	8,693	9,047	9,469	9,907	9,919	10,385
Transportation, communication	7,729	6,921	7,085	6,560	6,396	6,307	6,493	6,391	8,140	8,782
Total taxable sales	$ 86,219	$ 88,395	$ 93,634	$ 98,021	$ 101,230	$ 106,479	$ 113,504	$ 119,499	$ 124,931	$ 133,435

Source: An Economic Report to the Governor of the State of Tennessee January 2019

Schedule 6

STATE OF TENNESSEE

REVENUE CAPACITY - SALES AND USE TAX RATES

LAST TEN FISCAL YEARS

(expressed in thousands)

	FOR THE FISCAL YEAR ENDED JUNE 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Rate applied to gross proceeds derived from the retail sale or use of tangible personal property and specific services	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
Rates for specific items or services:										
Retail sale of food and food ingredients for human consumption (except vending machines)	5.50%	5.50%	5.50%	5.50%	5.25%	5.00%	5.00%	5.00%	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.

Schedule 7

STATE OF TENNESSEE
REVENUE CAPACITY - SALES AND USE TAX COLLECTIONS BY TAXPAYER CLASSIFICATION
LAST TEN FISCAL YEARS
(expressed in thousands)

	FOR THE FISCAL YEAR ENDED JUNE 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Retail:										
Building materials	$ 311,332	$ 316,016	$ 355,263	$ 354,513	$ 371,086	$ 392,853	$ 430,312	$ 468,750	$ 492,326	$ 528,112
General merchandise	799,387	817,350	840,896	836,055	845,407	854,971	889,297	895,864	881,916	883,068
Food stores	510,104	517,420	539,402	546,972	555,692	579,660	595,739	618,427	571,341	580,520
Auto dealers and service stations	690,797	760,119	830,875	869,748	933,751	1,013,333	1,123,746	1,177,213	1,184,189	1,230,277
Apparel and accessory stores	191,110	194,172	205,480	215,308	217,170	228,680	238,993	239,541	242,207	254,355
Furniture and home furnishings	207,398	214,575	224,096	221,025	228,231	250,667	268,657	281,955	291,561	301,500
Eating and drinking places	598,562	615,741	653,210	681,255	706,095	757,929	809,367	838,150	845,819	928,084
Miscellaneous retail stores	560,527	578,884	613,097	637,761	664,927	736,728	812,020	818,129	848,254	895,942
Total retail	3,869,217	4,014,277	4,262,319	4,362,637	4,522,359	4,814,821	5,168,131	5,338,029	5,357,613	5,601,858
Services:										
Hotels and lodging places	137,973	144,129	160,868	164,403	175,227	198,123	224,621	236,505	238,462	278,372
Personal services	46,777	46,923	47,932	49,145	49,724	52,239	52,236	52,465	53,561	56,184
Business services	224,044	236,982	249,083	260,000	273,397	276,961	298,046	304,629	322,692	381,851
Auto repair, services, and parking	153,781	160,268	176,923	172,698	178,693	189,611	204,497	208,532	215,481	235,740
Miscellaneous repair services	22,801	23,189	24,384	25,636	26,807	27,823	31,070	32,770	32,560	35,385
Motion pictures	19,803	17,794	18,972	18,323	18,900	18,160	19,341	19,517	18,459	22,196
Amusement services	57,636	60,071	63,922	69,280	73,891	81,249	90,027	96,706	103,495	118,017
Health services	14,305	13,683	15,122	10,750	15,463	14,956	17,232	17,497	17,497	17,274
Other services	36,802	40,752	42,200	37,140	40,659	45,803	46,006	43,365	41,153	61,805
Total services	713,922	743,791	799,406	807,375	852,761	904,925	983,076	1,011,986	1,043,360	1,206,824
Non-retail, non-services:										
Agriculture, forestry, fishing	7,312	7,259	7,257	7,096	7,304	7,189	7,957	7,939	7,835	7,886
Mining	5,933	5,741	6,491	5,814	6,765	6,822	7,727	7,787	8,153	9,005
Construction	44,038	48,503	49,782	51,094	54,483	56,717	65,278	65,093	76,564	77,913
Manufacturing	225,530	241,844	255,062	256,157	264,955	289,940	317,036	336,122	350,115	386,048
Transportation	34,556	38,345	43,525	40,728	29,009	35,272	33,769	31,262	35,741	42,624
Communications	443,576	430,847	416,347	387,780	379,013	393,980	391,511	416,319	524,788	530,000
Electric, gas, and sanitary services	215,020	237,479	239,531	239,441	245,644	252,014	247,867	260,315	263,119	269,974
Wholesale trade	361,217	398,111	438,113	436,411	447,524	460,079	499,421	527,466	551,886	606,481
Finance, insurance, real estate	17,766	14,027	13,847	14,620	15,207	18,676	22,661	29,816	32,953	37,674
Total non-retail, non-services	1,354,948	1,422,156	1,469,955	1,439,141	1,449,904	1,520,689	1,593,227	1,682,119	1,851,154	1,967,605
County Clerk	110,328	120,986	134,188	133,101	143,818	152,856	172,516	184,186	194,694	206,532
Consumer Use Tax	4,322	4,695	6,334	4,293	5,636	6,006	6,138	5,774	9,354	10,714
Flood Relief Tax Rebate	N/A	(2,649)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Disaster Relief Tax Rebate	N/A	N/A	(121)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Unclassified	N/A	N/A	208,275	258,465	279,555	278,851	305,095	321,652	431,459	417,390
Grand Total	$ 6,052,737	$ 6,303,256	$ 6,880,356	$ 7,005,012	$ 7,254,033	$ 7,678,148	$ 8,228,183	$ 8,543,746	$ 8,887,634	$ 9,410,923
Grand total as a percent of annual aggregate state tax collections	60.10%	59.97%	60.62%	59.76%	61.62%	60.53%	61.08%	61.05%	61.01%	61.22%

Source: Revenue Collections Reports, Tennessee Department of Revenue

Notes: T.C.A. 67-1-1702 requires returns, tax information and tax administration information to remain confidential except as authorized by said T.C.A.
N/A means not available
Disaster relief includes May 2010 flood tax rebate, April 2011 disaster relief, and sales tax rebate on storm shelters.
The 2012 report differed from the 2013 report in that it did not include Unclassified as a category. However, the 2013 report included the amount for 2012 and 2013. FY 2012 grand total was revised to include this amount.
The 2018 report differed from the 2017 report for the total reported for Unclassified. FY 2017 was revised to reflect the amount reported in FY 2018.

Schedule 8

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,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities debt:										
General obligation bonds	$ 1,688,820	$ 1,754,208	$ 2,112,602	$ 2,172,630	$ 1,996,458	$ 1,960,437	$ 2,124,897	$ 2,162,881	$ 2,160,357	$ 1,979,589
General obligation commercial paper	241,390	214,217	197,770	215,146	324,366	197,686	245,536	192,956	165,176	237,396
Capital leases	16,301	15,503	14,666	13,790	21,798	20,599	20,943	19,394	17,900	16,538
Annuities									400	700
Total governmental activities debt	1,946,511	1,983,928	2,325,038	2,401,566	2,342,622	2,178,722	2,389,853	2,375,231	2,343,833	2,234,223
Business-type activities debt:										
General obligation bonds										
Total business-type activities debt										
Total primary government debt	$ 1,946,511	$ 1,983,928	$ 2,325,038	$ 2,401,566	$ 2,342,622	$ 2,178,722	$ 2,389,853	$ 2,375,231	$ 2,343,833	$ 2,234,223
Debt Ratios										
Personal income	$ 224,358,000	$ 232,832,000	$ 243,018,000	$ 256,814,000	$ 266,467,000	$ 277,316,000	$ 287,851,000	298,646,000	318,668,000	N/A
Ratio of total debt to personal income	0.87%	0.85%	0.96%	0.94%	0.88%	0.79%	0.83%	0.80%	0.74%	
Population	6,346	6,403	6,456	6,496	6,549	6,600	6,651	6,716	6,770	N/A
Net general bonded debt per capita	$ 304	$ 307	$ 358	$ 368	$ 354	$ 327	$ 359	354	344	
General Bonded Debt:										
General obligation bonds	$ 1,688,820	$ 1,754,208	$ 2,112,602	$ 2,172,630	$ 1,996,458	$ 1,960,437	$ 2,124,897	$ 2,162,881	$ 2,160,357	$ 1,979,589
General obligation commercial paper	241,390	214,217	197,770	215,146	324,366	197,686	245,536	192,956	165,176	237,396
Assets restricted for debt principal										
Total net bonded debt	$ 1,930,210	$ 1,968,425	$ 2,310,372	$ 2,387,776	$ 2,320,824	$ 2,158,123	$ 2,370,433	$ 2,355,837	$ 2,325,533	$ 2,216,985
Debt Ratios										
Ratio of net bonded debt to total of pledged revenues	38.01%	41.09%	41.65%	43.11%	42.55%	50.24%	49.20%	52.98%	57.70%	60.52%

Source: State of Tennessee Comprehensive Annual Financial Report and the University of Tennessee Economic Report to the Governor

Notes: (1) N/A - not available because the source did not provide the data.
(2) See Schedule 10 for personal income and population data.
(3) Details of the state's debt can be found in Note 12 in the basic financial statements.

Schedule 9

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, 2018 to:		
General fund	$ 11,984,602 *	
Debt service fund	369,399 *	
Highway fund	901,748 *	
Total allocated revenues		$ 13,255,749
Legal debt service limit (10% of total allocated revenues)		1,325,575
Less: maximum annual debt service at June 30, 2019		229,977 *
Legal debt service margin		$ 1,095,598

* Obtained from the Office of State and Local Finance

Debt Capacity- Ten Year Trend(1)

	FOR THE FISCAL YEAR ENDED JUNE 30, 2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt limit	$ 489,075	$ 557,098	$ 641,583	$ 686,288	$ 648,934	$ 637,424	$ 1,168,731	$ 1,240,437	$ 1,291,287	$ 1,325,575
Total net debt service applicable to limit	186,684	203,866	209,820	243,779	227,401	225,620	241,023	240,693	238,098	229,977
Legal debt service margin	$ 302,391	$ 353,232	$ 431,763	$ 442,509	$ 421,533	$ 411,804	$ 927,708	$ 999,744	$ 1,053,189	$ 1,095,598
Legal debt service margin as a percentage of the debt limit	61.83%	63.41%	67.30%	64.48%	64.96%	64.60%	79.38%	80.60%	81.56%	82.65%

(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 2019 Portion Pledged	All Governmental Fund Types	Fiscal Year 2019 Pledged Amount
Gasoline tax	25%	$ 840,476	$ 210,119
Petroleum products fee	100%	69,801	69,801
Motor vehicle registration fee	50%	297,451	148,726
Franchise tax	100%	1,036,868	1,036,868
		$ 2,244,596	$ 1,465,514

(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.

Schedule 10

STATE OF TENNESSEE
DEMOGRAPHIC AND ECONOMIC INFORMATION
FOR THE LAST TEN CALENDAR YEARS
(expressed in thousands; except per capita)

	FOR THE CALENDAR YEAR ENDED DECEMBER 31,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Population	6,296	6,346	6,403 (est)	6,456 (est)	6,496 (est)	6,549 (est)	6,600 (est)	6,651 (est)	6,716 (est)	6,770 (est)
Total personal income	$ 217,884,000	$ 224,358,000	$ 232,832,000	$ 243,018,000	$ 256,814,000	$ 266,467,000	$ 277,316,000	$ 287,851,000	$ 298,646,000	$ 318,668,000
Per capita personal income	$ 35,065	$ 36,489	$ 38,233	$ 39,682	$ 40,734	$ 42,241	$ 44,209	$ 46,805	$ 47,472	$ 49,490
Unemployment rate	10.9%	9.4%	9.1%	8.0%	8.2%	6.9%	5.9%	4.8%	3.0%	3.7%
Unemployment rate by sector:										
Trade, Transportation, and Utilities	16.4%	15.0%	12.9%	11.6%	12.3%	11.9%	7.8%	9.3%	8.8%	N/A
Government	2.4%	4.9%	4.4%	5.6%	5.1%	3.3%	0.2%	0.8%	2.3%	N/A
Education and Health Services	4.1%	3.6%	5.0%	4.9%	5.1%	4.6%	2.6%	3.5%	2.3%	N/A
Professional and Business Services	14.4%	9.0%	11.8%	7.3%	10.1%	8.0%	7.0%	4.6%	5.1%	N/A
Manufacturing	14.3%	13.2%	10.2%	7.7%	6.6%	6.9%	5.7%	7.9%	3.7%	N/A
Leisure and Hospitality	17.6%	12.2%	14.3%	12.2%	7.6%	7.0%	9.4%	6.4%	5.1%	N/A
Financial Activities	8.8%	8.6%	8.0%	4.2%	5.4%	2.4%	3.0%	2.1%	1.6%	N/A
Natural Resources, Mining, and Construction	30.2%	25.1%	20.1%	25.3%	19.2%	9.3%	8.3%	5.3%	3.5%	N/A
Other Services	5.2%	5.1%	8.0%	7.8%	6.3%	4.1%	7.2%	2.8%	1.6%	N/A
Information	6.6%	4.2%	2.8%	6.3%	6.8%	6.6%	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 2019

Notes: N/A means not available

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

Monthly Unemployment Rate

	Calendar Year 2018
January	3.8%
February	3.6%
March	3.4%
April	2.8%
May	3.0%
June	4.1%
July	4.0%
August	3.8%
September	3.7%
October	3.7%
November	3.3%
December	3.0%

Source: https://www.jobs4tn.gov

Schedule 11

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

Industry	2018 Number of Employees	2018 Rank	2018 Percentage of Total Nonagricultural Wage and Salary Employment	2009 Number of Employees	2009 Rank	2009 Percentage of Total Nonagricultural Wage and Salary Employment
Trade, Transportation, and Utilities	629,400	1	20.54%	559,300	1	21.35%
Government	432,500	3	14.11%	426,000	2	16.26%
Education and Health Services	439,800	2	14.35%	367,800	3	14.04%
Professional and Business Services	416,700	4	13.60%	294,200	5	11.23%
Manufacturing	352,300	5	11.50%	309,200	4	11.80%
Leisure and Hospitality	345,100	6	11.26%	263,500	6	10.06%
Financial Activities	161,200	7	5.26%	140,500	7	5.36%
Natural Resources, Mining, and Construction	126,200	8	4.12%	110,000	8	4.20%
Other Services	115,600	9	3.77%	102,000	9	3.89%
Information	45,700	10	1.49%	46,900	10	1.79%
Total	3,064,500		100.00%	2,619,400		100.00%
	Calendar Year 2018			Calendar Year 2009		
Total State Employment	3,131,720			2,703,010		

Source: An Economic Report to the Governor of the State of Tennessee January 2019
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.

Schedule 12

STATE OF TENNESSEE
OPERATING INFORMATION - FULL TIME EMPLOYEES BY FUNCTION
FOR THE LAST TEN FISCAL YEARS

Function	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General government	4,866	4,786	4,705	4,703	4,327	4,299	4,348	4,740	5,126	5,471
Education	1,193	1,154	1,128	1,259	1,118	1,122	1,167	1,357	1,332	1,317
Health and social services	19,241	17,917	17,453	17,036	16,735	16,209	15,546	15,449	15,366	15,098
Law, justice and public safety	10,629	10,534	10,592	10,940	11,249	10,826	10,675	10,839	10,707	10,518
Recreation and resources development	3,640	3,564	3,515	3,458	3,431	3,441	3,377	3,394	3,420	3,363
Regulation of business and professions	717	714	706	711	724	716	688	685	696	725
Transportation	4,326	3,940	3,809	3,678	3,439	3,355	3,487	3,838	3,953	4,078
Total	44,612	42,609	41,908	41,785	41,023	39,968	39,288	40,302	40,600	40,570

Source: Department of Human Resources

Schedule 13

STATE OF TENNESSEE

OPERATING INFORMATION - CAPITAL ASSET STATISTICS BY FUNCTION

FOR THE LAST TEN FISCAL YEARS

Function	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General government										
Motor pool vehicles	7,536	7,621	6,530	6,280	6,181 (1)	4,462	4,374	4,265	4,272	4,268
Buildings	107	109	110	110	97	81	78	79	83	83
Machinery and equipment	3,888	4,061	4,121	5,895	6,772	6,745	6,896	7,117	7,222	7,211
Education										
Number of residential schools	5	5	5	5	5	5	5	5	5	5
Machinery and equipment	260	249	307	229	222	187	211	209	245	242
Health and social services										
Buildings	320	316	314	330	346	340	346	345	345	343
Machinery and equipment	2,856	2,600	2,862	3,020	3,357	3,499	3,746	3,957	3,602	3,645
Law, justice and public safety										
Correctional facilities	19	19	19	20	20	20	19	18	18	18
Armories	83	83	83	83	83	82	82	82	81	81
Machinery and equipment	3,732	4,424	4,506	5,246	6,441	6,452	6,803	6,772	6,934	7,136
Recreation and resources development										
Acreage of state parks	163,032	173,382	191,563	184,521	188,573	189,102	190,941	200,248	201,925	203,213
Machinery and equipment	2,949	2,912	3,075	3,220	3,198	3,245	3,256	3,344	3,387	3,435
Regulation of business and professions										
Machinery and equipment	148	146	151	169	230	240	841	836	816	820
Transportation										
State highways (in miles)	13,871	13,867	13,877	13,884	13,898	13,884	13,877	13,884	13,890	13,890
Bridges, state and local highways	19,595	19,595	19,659	19,729	19,746	19,776	19,793	19,840	19,858	19,903
Facilities	122	122	122	122	122	122	122	122	123	122
Buildings	708	754	754	754	755	754	752	758	769	742

Source: various state agencies

Note: (1) In previous years this number included equipment in addition to vehicles. Equipment should not be included.

Schedule 14

STATE OF TENNESSEE
OPERATING INFORMATION - OPERATING INDICATORS
FOR THE LAST TEN FISCAL YEARS

Function		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General government											
Tax returns processed (1)		3,005,798	3,538,518	3,670,716	3,914,540	4,682,702	4,519,309	5,068,829	5,326,693	4,518,104	2,117,373
New corporate charters registered		11,724	9,717	9,618	9,702	9,781	10,325	10,857	10,794	11,092	11,474
Investment return on total portfolio		0.25%	0.12%	0.12%	0.11%	0.12%	0.25%	0.50%	1.05%	2.05%	1.83%
Residential and commercial property reappraisals completed		677,720	525,516	185,965	1,495,789	640,264	338,538	547,191	1,389,649	549,487	484,498
Education											
Number of public schools (K-12)		1,736	1,736	1,784	1,797	1,823	1,811	1,833	1,819	1,749	N/A
Enrollment of public schools (K-12)		933,703	934,246	935,317	993,256	993,841	995,892	997,893	999,701	975,222	N/A
Number of high school graduates from public schools		62,526	62,147	62,157	62,019	61,838	62,632	64,079	64,987	64,855	N/A
Health and social services											
TennCare enrollees		1,199,611	1,208,527	1,213,521	1,187,082	1,271,151	1,429,411	1,550,066	1,397,400	1,418,732	1,412,603
Supplemental Nutrition Assistance Program		1,044,900	1,290,200	1,200,000	1,200,000	1,280,000	1,191,500	1,094,644	1,037,928	931,658	889,451
Percentage of population (3)		16.60%	20.33%	18.74%	18.59%	19.70%	18.19%	16.59%	15.61%	13.87%	13.14%
Temporary assistance recipients		58,000	61,500	57,000	57,000	57,000	37,041	29,889	25,496	21,732	19,030
Percentage of population (3)		0.92%	0.97%	0.89%	0.88%	0.88%	0.57%	0.45%	0.38%	0.32%	0.28%
Children in state custody (2)		7,336	7,870	8,533	8,960	8,552	8,558	8,436	8,235	8,688	9,040
Percentage of population (3)		0.12%	0.12%	0.13%	0.14%	0.13%	0.13%	0.13%	0.12%	0.13%	0.13%
Mental health institutes average daily census		575	538	517	480	479	493	488	506	492	452
Law, justice and public safety											
Correctional institutions average daily census		27,164	27,782	29,231	29,654	29,758	29,571	29,103	29,729	30,242	30,453
Department of Safety citations issued		347,571	301,394	340,575	381,588	419,122	414,310	432,832	447,417	473,410	412,046
Drivers licenses issued		1,486,722	1,409,342	1,714,905	1,734,205	1,741,379	1,732,106	1,793,921	1,769,595	1,910,190	1,748,933
Recreation and resources development											
Hunting/fishing licenses and boats registered	(est.)	689,935	547,660	586,839	538,971	569,447	577,577	537,412	511,673	556,892	562,821
Wetland acres acquired	(est.)	79	559	1,604	1,127	1,598	102,938	2,050	8,610	2,103	1,540
Number of visitors to state parks		28,404,662	30,282,836	31,036,603	29,881,059	32,063,100	33,452,320	34,004,609	37,025,015	38,798,379	36,553,885
Air pollution monitoring sites		93	32	32	41	40	33	36	32	30	28
Regulation of business and professions											
Fire safety inspections		37,920	34,539	27,058	25,601	27,724	16,508	14,037	13,742	13,959	17,046
Consumer affairs written complaints		6,240	5,818	5,541	5,407	5,447	4,654	3,821	3,704	3,783	4,283
Transportation											
Lane miles resurfaced		2,261	2,317	2,298	2,596	2,447	2,239	2,219	2,585	2,914	2,234
HELP program services provided		112,438	116,865	130,941	118,773	124,823	113,429	135,058	145,755	128,311	132,617

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

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2010	$ 648,298	$ 493,304	$ 12	$ 43,998
2011	685,003	548,787		48,256
2012	584,147	411,729		51,469
2013	619,399	432,636		52,859
2014	650,337	467,845		55,821
2015	700,757	475,416		55,553
2016	746,986	499,862		70,543
2017	780,867	555,401		73,722
2018	802,063	573,017		83,906
2019	817,348	612,411		76,662

University of Memphis

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2010	$ 214,426	$ 122,480		$ 8,914
2011	237,768	133,514		8,839
2012	259,510	97,773		8,589
2013	265,206	94,419		8,511
2014	183,140	91,398		8,469
2015	240,892	95,118		10,655
2016	190,286	102,249		10,626
2017	279,668	102,423		10,926
2018	287,128	110,762		12,310
2019	297,757	117,771		10,651

Austin Peay State University

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2010	$ 70,128	$ 39,157		$ 3,512
2011	78,214	36,102		3,531
2012	85,043	26,502		3,330
2013	85,725	28,733		4,343
2014	74,084	34,272		6,014
2015	78,013	36,968		6,096
2016	76,777	40,320		6,329
2017	98,754	40,394		6,332
2018	104,309	44,622		6,212
2019	109,008	47,857		6,199

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)
2010	$ 199,352	$ 101,836		$ 12,962
2011	180,529	100,110		14,928
2012	218,283	74,071		14,780
2013	232,344	77,254		17,575
2014	180,748	82,919		19,641
2015	199,239	85,855		19,122
2016	191,688	90,092		19,914
2017	238,777	90,302		19,507
2018	245,313	96,514		17,970
2019	254,263	103,216		18,926

East Tennessee State University

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2010	$ 159,993	$ 85,322	$ 1,399	$ 9,502
2011	169,479	97,996	1,399	9,229
2012	177,436	77,520	1,399	9,142
2013	192,055	79,860		9,926
2014	115,941	83,259		12,028
2015	139,579	87,764		11,439
2016	155,854	92,971		11,475
2017	177,156	55,392		11,442
2018	189,529	98,105		12,149
2019	248,232	107,768		11,748

Tennessee State University

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2010	$ 85,831	$ 44,400		$ 4,041
2011	91,919	40,831		4,071
2012	97,171	28,782		4,056
2013	97,174	29,959		4,237
2014	75,307	38,271		4,241
2015	92,297	39,191		3,600
2016	87,608	39,101		3,793
2017	121,323	32,708		3,443
2018	119,436	35,731		3,345
2019	105,990	47,442		3,387

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STATE OF TENNESSEE
SCHEDULE OF FEES/CHARGES, LEGISLATIVE APPROPRIATIONS AND DEBT SERVICE
COMPONENT UNITS
COLLEGE AND UNIVERSITY FUNDS
FOR THE LAST TEN FISCAL YEARS

(expressed in thousands)

Tennessee Technological University

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2010	$ 81,475	$ 48,133		$ 1,786
2011	89,100	50,616		3,104
2012	100,915	35,747		3,102
2013	110,217	36,914		3,479
2014	93,241	38,454		4,079
2015	112,938	39,302		4,052
2016	99,705	41,897		4,077
2017	126,856	41,992		4,094
2018	127,641	47,030		4,038
2019	126,042	55,021		3,782

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)
2010	$ 9,027	$ 7,758		$ 116
2011	9,988	7,985		
2012	10,626	6,570		
2013	10,647	6,900		
2014	9,151	7,328		
2015	8,992	7,842		
2016	9,098	8,605		
2017	9,327	8,631		
2018	9,938	9,389		
2019	10,486	9,737		

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)
2010	$ 29,512	$ 24,926		$ 489
2011	34,021	26,901		285
2012	36,319	20,643		285
2013	36,895	21,983		351
2014	32,676	26,000		374
2015	33,207	27,449		301
2016	34,152	29,269		279
2017	33,350	29,337		283
2018	33,654	31,118		287
2019	34,472	31,960		282

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)
2010	$ 14,749	$ 11,710		$ 166
2011	15,739	13,193		
2012	16,009	10,652		
2013	14,918	10,871		
2014	13,749	11,105		
2015	15,088	11,401		
2016	15,166	12,376		
2017	15,855	12,404		
2018	15,936	13,562		
2019	16,718	14,231		

Cleveland State Community College

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2010	$ 9,958	$ 10,992		$ 213
2011	10,979	11,432		45
2012	11,373	9,088		45
2013	11,377	8,887		45
2014	11,513	8,849		45
2015	11,264	9,336		44
2016	11,059	9,735		44
2017	11,294	9,760		44
2018	10,636	10,988		44
2019	11,739	11,155		44

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)
2010	$ 14,406	$ 12,463		$ 18
2011	15,413	14,098		18
2012	15,296	11,467		18
2013	15,792	11,326		112
2014	15,232	12,340		127
2015	16,058	12,842		127
2016	17,358	13,885		127
2017	18,508	13,908		127
2018	20,421	14,954		339
2019	22,455	15,786		339

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Schedule 15

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

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2010	$ 13,121	$ 9,143		$ 170
2011	13,983	11,023		
2012	14,494	9,774		
2013	14,062	10,359		
2014	14,036	10,643		
2015	15,314	11,007		
2016	17,814	11,724		
2017	20,370	11,750		
2018	22,208	13,293		
2019	23,702	15,048		

Nashville State Community College

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2010	$ 24,984	$ 14,585		$ 85
2011	30,011	16,451		85
2012	30,181	13,965		73
2013	30,199	14,592		73
2014	28,533	15,861		73
2015	30,694	16,936		73
2016	29,616	17,726		65
2017	29,065	17,769		67
2018	27,337	20,259		69
2019	29,219	22,319		67

Roane State Community College

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2010	$ 18,411	$ 16,997		$ 323
2011	20,532	19,098		153
2012	21,580	15,571		153
2013	21,902	15,619		145
2014	21,902	17,384		141
2015	20,819	18,012		142
2016	20,689	18,920		142
2017	21,167	18,956		142
2018	21,282	20,938		142
2019	22,469	22,410		142

Northeast State Community College

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2010	$ 10,798	$ 13,247		$ 209
2011	12,141	13,291		43
2012	13,934	12,069		43
2013	12,654	12,970		41
2014	17,593	13,237		40
2015	18,701	14,594		40
2016	22,271	16,028		40
2017	20,413	16,072		40
2018	19,521	18,137		40
2019	20,943	19,701		40

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)
2010	$ 39,546	$ 40,340		$ 389
2011	42,093	40,168		390
2012	41,966	32,359		357
2013	39,705	31,281		357
2014	36,221	24,669		358
2015	37,400	25,279		363
2016	33,835	26,091		342
2017	33,337	26,142		361
2018	33,382	27,147		162
2019	34,232	28,424		362

Pellissippi State Community College

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2010	$ 32,052	$ 19,105		$ 376
2011	35,757	22,100		179
2012	36,322	18,910		178
2013	44,992	20,887		178
2014	35,680	23,430		171
2015	18,775	25,599		172
2016	35,347	27,292		162
2017	37,677	27,368		164
2018	41,932	30,478		167
2019	42,050	32,887		164

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Schedule 15

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

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2010	$ 22,240	$ 18,944		$ 139
2011	24,326	20,729		17
2012	26,812	15,650		17
2013	25,995	15,577		16
2014	25,256	16,230		
2015	26,223	17,198		
2016	31,988	18,643		
2017	32,381	18,715		
2018	31,895	20,810		
2019	33,339	23,496		

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)
2010	$ 21,454	$ 19,180		$ 289
2011	21,821	19,986		102
2012	23,034	16,078		102
2013	23,157	17,227		97
2014	21,112	20,351		94
2015	22,796	20,968		94
2016	22,261	21,879		94
2017	23,557	21,929		94
2018	24,007	23,470		95
2019	24,916	24,551		95

Source: Comptroller of the Treasury,
Division of State and Local Finance
Note: Prior year amounts do not reflect later adjustments made by the institutions.

STATE OF TENNESSEE **Schedule 16**
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, 2019

Institution	Debt Service Fees	In-State Student Tuition	Non-Resident Student Tuition	Average Board Charge	Average Room Charge
University of Tennessee- Knoxville	$ 438	$ 13,264	$ 31,684	$ 4,234	$ 7,248
University of Tennessee- Chattanooga	300	9,268	25,386	3,200	6,300
University of Tennessee- Martin	380	9,748	15,788	3,476	2,918
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	3,380	5,596
Tennessee State University	178	8,183	21,539	4,160	3,920
Tennessee Technological University	258	9,318	25,974	5,000	3,850
University of Memphis	490	9,924	14,709	1,600	2,400
Chattanooga State Community College		4,568	22,016	1,600	2,400
Cleveland State Community College		4,548	21,996	2,035	1,836
Columbia State Community College	44	4,582	22,030	2,035	1,836
Dyersburg State Community College		4,548	21,996	2,035	1,836
Jackson State Community College		4,534	21,982	2,035	1,836
Motlow State Community College		4,554	22,002	2,035	1,836
Nashville State Community College		4,504	21,952	2,035	1,836
Northeast State Community College		4,560	22,008	2,035	1,836
Pellissippi State Community College	30	4,588	22,036	2,035	1,836
Roane State Community College		4,552	22,000	2,035	1,836
Southwest Tennessee Community College		4,568	22,016	2,035	1,836
Volunteer State Community College		4,542	21,990	2,035	1,836
Walters State Community College		4,537	21,985	2,035	1,836

Source: Comptroller of the Treasury,
Division of State and Local Finance

STATE OF TENNESSEE **Schedule 17**
PRINCIPAL AMOUNT OF DEBT OUTSTANDING BY INSTITUTION
COMPONENT UNITS
COLLEGE AND UNIVERSITY FUNDS
JUNE 30, 2019
(expressed in thousands)

Institution	Second Program Bonds	Commercial Paper	Total Debt
University of Tennessee	$ 943,184	$ 23,653	$ 966,837
Austin Peay State University	80,157	2,576	82,733
East Tennessee State University	124,224	27,125	151,349
Middle Tennessee State University	163,440	6,448	169,888
Tennessee State University	18,458	9,790	28,248
Tennessee Technological University	36,499	57,738	94,237
University of Memphis	124,441	34,940	159,381
Chattanooga State Community College	1,815		1,815
Cleveland State Community College	150		150
Columbia State Community College	3,772		3,772
Nashville State Community College	191		191
Northeast State Community College	76		76
Pellissippi State Community College	458		458
Roane State Community College	268		268
Southwest Tennessee Community College	933		933
Walters State Community College	179	6,100	6,279
	$ 1,498,245	$ 168,370	$ 1,666,615

Source: Comptroller of the Treasury,
Division of State and Local Finance

NATIONAL FEDERATION OF MUNICIPAL ANALYSTS RECOMMENDED DISCLOSURES FOR STATE DEBT

In accordance with the *Recommended Best Practices in Disclosure for state Government General Obligation and Appropriation Debt*, the state makes the following voluntary additional debt disclosures not already presented in the Notes to the Financial statements.

General Disclosure Items

- The state is committed to complying with U.S. Securities and Exchange Commission Rule 15c2-12(b) (5) as it relates to continuing disclosure undertakings. The State reviewed the financial information, operating data and event notices filed by the State within the preceding five years with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system pursuant to the State's Rule 15c2-12 continuing disclosure undertakings and identified, among other things, the following.
    - Watkins Institute is not deemed to be a component unit of the State and its financial information, including indebtedness, is not reported in the State's CAFR; accordingly, no information on its indebtedness was reported to EMMA and will not be reported in the future.
    - Information regarding TennCare budgeted expenditures presented in tabular format in relevant Official Statements was not presented in such format in the State's CAFRs, but current-year budgeted and actual TennCare expenditures were presented in each of the State's CAFRs (other than for the 2012 fiscal year, in which only actual TennCare expenditures were presented).
    - Certain TCRS information presented in tabular format in relevant Official Statements (Unfunded Liability if Actuarial Value of Assets were Valued at Market; Historical Funding Progress Based on Fiduciary Net Position/Market Value of Assets; Historical Fiduciary Net Position/Market Value of Assets; Comparison of Market Value of Assets to Actuarial Value of Assets; and Cash Flows) was reported in different form in the State's CAFR and the comprehensive annual financial report of the TCRS filed by the State each year.
    - The TennCare Information and the TCRS Information were also included in the same tabular format in Official Statements posted on EMMA in the last five years, except for actuarial valuation information that was not included in the 2015 Official Statement because of changes in GASB accounting rules.

- The state provides strong systemic support to assist counties and cities in financial distress. State statutes establish a proactive approach and there is no state law that permits counties and cities to file for bankruptcy. The Local Government Public Obligations Act establishes budgetary oversight for cities and counties and authorizes the state Comptroller to direct counties and cities to adjust expenditure estimates or to make additional tax levies sufficient to maintain a balanced budget on a cash basis. In the past few years, the state Comptroller has directed two counties to raise taxes and one city to adjust expenditures. When a local government is in financial distress as evidenced by improper internal transfers and/or borrowings of restricted utility resources, state statutes authorize the state Comptroller to approve a corrective action plan that includes a scheduled plan of repayment. The state's Water and Wastewater Financing Board (WWFB) has oversight of water and/or sewer systems that meet statutory criteria for financial distress. The WWFB has statutory authority to require counties and cities to raise rates to meet financial obligations. The state Comptroller has the authority to authorize counties and cities that are undergoing severe monetary stress to issue long-term funding bonds to pay for current expenditures pursuant to the Cash Basis Law of 1937. Local governments that issue funding bonds are subject to strict oversight by the state Comptroller. At June 30, 2019, no counties or cities in Tennessee had outstanding funding bonds; however, the state Comptroller is currently working with one county that requested approval to issue funding bonds. With the exception of the Emergency Financial Aid to Local Governments Law of 1995, the state does not have statutory authority to guarantee the debt of local governments. The Emergency Financial Aid to Local Governments Law of 1995 authorizes the state to guarantee the repayment of a loan made to a local government by an external lender subject to specific conditions. One condition requires the state to determine that the local government has sufficient revenue to pay annual debt service and costs of operation. Another condition mandates that the local government accept emergency technical assistance by means of direction, oversight, management, and approval of its financial transactions by the state Comptroller. The local government is required to pledge its full faith and credit as security and agree to pledge a sufficient amount of state-shared taxes to make principal and interest payments on the loan guaranteed by the state. Since the inception of this law, the state has not authorized the issuance of emergency financial aid notes.

- Relative to other direct subsidy debt:
  - The state has been subject to having the direct subsidy reimbursements, from the federal government, related to the Series 2010 Qualified School Construction Bonds (QSCBs) issuance offset by amounts due to the federal government. In general, the subsidy payment has been offset by taxes due from the state, civil penalties and federal sequestration. Other triggers that could result in the loss or reduction of subsidy payments are future federal sequestration or changes in use by the borrower.
  - The Series 2010 QSCBs issuance shall be subject to redemption prior to their stated maturities, in whole or in part, at any time at the "Make-Whole Redemption Price". The Make-Whole Redemption Price is equal to the greater of (a) 100% of the principal amount of the series to be redeemed; or (b) the sum of the present value of the remaining scheduled payments of principal and interest on the 2010 bonds to be redeemed to the maturity date of such Series 2010 Bonds, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2010 Bonds are to be redeemed, discounted to the date on which the Series 2010 Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year containing twelve 30 day months, at the United States Treasury Rate plus 25 basis points (0.25%); plus, in each case, accrued interest on the Series 2010 Bonds to be redeemed to the redemption date.
  - The Series 2010 QSCBs issuance shall also be subject to extraordinary optional redemption prior to maturity, at the option of the TSSBA, upon the occurrence of an extraordinary event, in whole or in part, on any business day at the "Extraordinary Make-Whole Redemption Price" The Extraordinary Make-Whole Redemption Price is equal to the greater of (a) 100% of the principal

amount of the Series 2010 bonds to be redeemed; or (b) the sum of the present value of the remaining scheduled payments of principal of and interest on the Series 2010 Bonds to be redeemed to the maturity date of such Series 2010 Bonds, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2010 Bonds are to be redeemed, discounted to the date on which the Series 2010 Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year containing twelve 30 day months, at the United states Treasury Rate plus 100 basis points (1.00%); plus, in each case, accrued interest on the Series 2010 Bonds to be redeemed to the redemption date.

Demographics/Economy

- The state Constitution allows the state to levy ad valorem taxes on all of the taxable property within the state for the payment of the principal and interest on the state's general obligation indebtedness; however, the state does not currently levy such a tax and has no current intent to do so.
- The state currently contracts with The University of Tennessee Boyd Center for Business and Economic Research to prepare an annual economic report to the Governor containing short-term business cycle-sensitive forecasts as well as longer-term or trend forecasts for the year and to prepare quarterly updates throughout the year. The report "An Economic Report to the Governor of the state of Tennessee" as well as any updated information can be found at: http://cber.bus.utk.edu/tefslist.htm.
- 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, 2019
(Thousands of U.S. Dollars)

	Returns Filed	Total (%)	Tax Collections	Total (%)
Retail Trade and Services:				
Building Materials	33,867	2.64%	$528,112	5.61%
General Merchandise	34,310	2.68%	$883,072	9.38%
Food Stores	59,384	4.63%	$580,520	6.17%
Auto Dealers and Service Stations	89,666	6.99%	$1,230,277	13.07%
Apparel and Accessory Stores	42,642	3.33%	$254,355	2.70%
Furniture and Home Furnishings	43,401	3.39%	$300,717	3.20%
Eating and Drinking Places	160,376	12.51%	$928,084	9.86%
Miscellaneous Retail Stores	215,387	16.80%	$818,065	8.69%
Services	293,521	22.90%	$1,187,702	12.62%
All Other:				
Non-Retail, Non-Services	211,315	16.48%	$1,967,613	20.91%
County Clerk	1,238	0.10%	$206,263	2.19%
Consumer Use Tax	7,143	0.56%	$10,714	0.11%
Unclassified	89,640	6.99%	$515,429	5.48%
Total	**1,281,890**	**100.00%**	**$9,410,924**	**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-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

Stuart McWhorter, Commissioner
Eugene Neubert, Deputy Commissioner, F&A Operations
Mikel J. Corricelli, Chief of Accounts

The Comprehensive Annual Financial Report was prepared by the Administration and Financial Oversight sections of the Division of Accounts with assistance from the following other sections:

Accounts Payable
Asset Management
Cash Management/Clearing Accounts
Cash Management Improvement Act/Credit Cards
Centralized Accounting
Departmental Accounting
General Ledger
Payroll
Policy Development
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.