TN Tennessee State Government

Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2022

Bill Lee, Governor

Tennessee Annual
Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2022

BILL LEE, Governor

DEPARTMENT OF FINANCE AND ADMINISTRATION
JIM BRYSON, Commissioner
Division of Accounts
MIKEL J. CORRICELLI, Chief of Accounts

STATE OF TENNESSEE
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2022

TABLE OF CONTENTS

TABLE OF CONTENTS

STATE OF TENNESSEE
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2022

TABLE OF CONTENTS

INTRODUCTORY SECTION

TN Department of Finance & Administration

December 21, 2022

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

As part of its responsibility under Tennessee Code Annotated 4-3-1007 to maintain a system of general accounts embracing all the financial transactions of state government, the Department of Finance and Administration is pleased to submit to you the Annual Comprehensive Financial Report (ACFR) for the State of Tennessee's fiscal year ended June 30, 2022. Prepared in accordance with Generally Accepted Accounting Principles (GAAP) applicable to governments as prescribed by the Governmental Accounting Standards Board (GASB), the objective of this report is to present a clear picture of our government as a single comprehensive reporting entity.

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

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

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

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

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

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

Profile of the State of Tennessee

What is now Tennessee was initially part of North Carolina. North Carolina ceded the area of Tennessee in 1790 to the United States, and Tennessee was admitted to the Union on June 1, 1796, as the 16th state. Upon resolution of a boundary dispute with Kentucky in 1820, Tennessee assumed generally the same boundary as the present state.

Situated in the southeastern sector of the United States and sharing a border with eight states, Tennessee is geographically, culturally, economically, and legally divided into three Grand Divisions: East Tennessee, Middle Tennessee, and West Tennessee. The three five pointed stars featured on the Tennessee state flag symbolize these grand divisions, and the circle around the three stars represents the unity of the divisions.

Providing natural beauty, a mild climate, urban conveniences and rural peacefulness, Tennessee is legendary for breathtaking landscapes, and has played a critical role in the development of many forms of American popular music, including rock and roll, blues, country, and rockabilly. At its core, the state embodies the friendly laidback mentality of the south and current estimates report that 6.9 million people call it home.

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

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

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

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

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

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

Information Useful in Assessing Tennessee’s Economic Condition

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

Economic growth was extremely volatile over the last two and a half years because of the COVID-19 pandemic and ensuing economic recovery. In 2020, Tennessee inflation-adjusted gross domestic product (real GDP) shrunk by 2.3 percent, but then grew by an astounding 9.2 percent in 2021 as the economy reopened, the housing market showed incredible strength, and consumers spent heavily to satisfy pent-up demand. Strong economic growth continued into the first quarter of 2022 but then stalled in the second quarter as inflation eroded consumer spending and higher interest rates led to a reduction in investment spending. As a result, Tennessee real GDP grew by an annual rate 3.7 percent in the first quarter of 2022 but only 0.3 percent in the second quarter.

It is important to reiterate that real GDP has largely slowed because of extremely high inflation. In nominal terms (current dollars), Tennessee GDP rose by a robust 12.6 and 8.0 percent in the first and second quarters of 2022 respectively. However, these strong gains occurred because people were spending more money to purchase goods and services, and not because they were purchasing more goods and services. As of October, the Consumer Price Index (CPI) is up by 7.7 percent (compared to the same time last year) after peaking at 9.1 percent in June. Inflation rates have not been this high in four decades. In response to elevated inflation, the Federal Reserve has aggressively increased interest rates in hopes of reducing demand and easing price pressures. In doing so, higher interest rates have put downward pressure on the stock market and housing values. This could induce a negative wealth effect, leading to a reduction in consumption and investment spending, and potentially spur an economic recession. As a result, the current national forecast is projecting a mild economic recession, with U.S. real GDP starting to fall in the fourth quarter of 2022 and continuing to contract through the first half of 2023. Expectations are that positive GDP growth will resume in the third quarter of 2023.

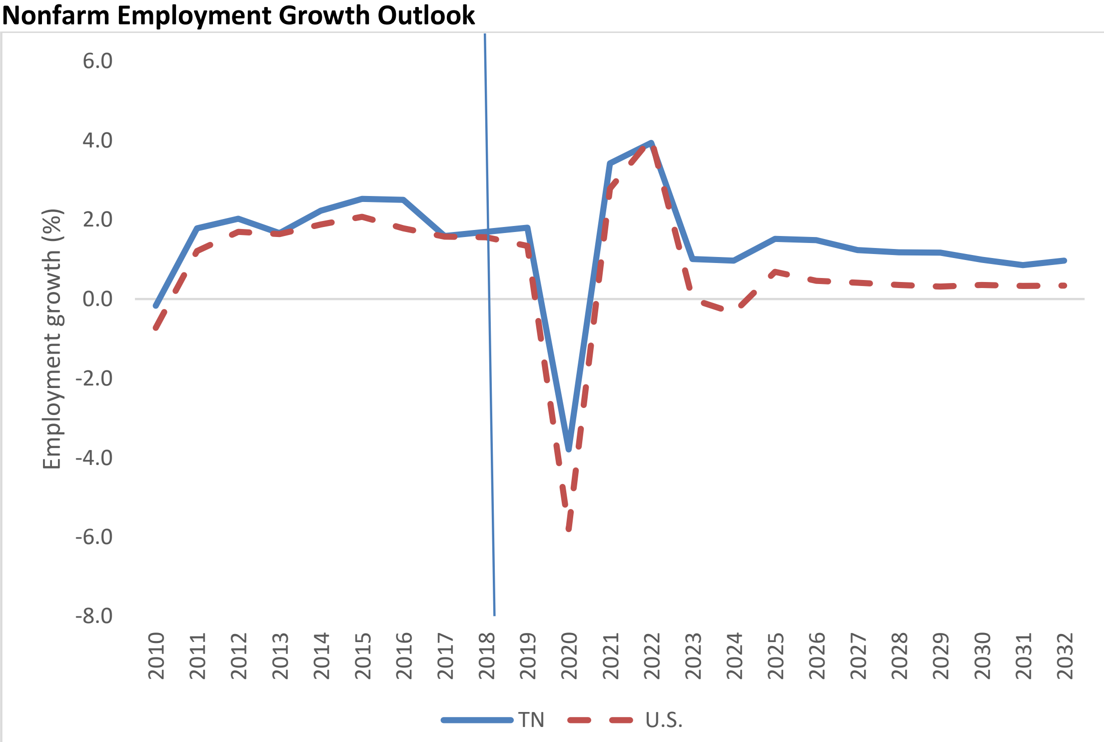
By comparison, Tennessee’s economic outlook is much stronger than the national outlook. Tennessee, inflation-adjusted GDP growth is expected to slow appreciably over the next two years, however, economic growth will remain positive due to less adverse economic conditions in the state (relative to the nation). In Tennessee, real GDP grew in the first quarter of 2022 and then slowed but remained positive in the second quarter, whereas the nation saw contractions in each of the first two quarters. The state has also seen a strong rate of in-migration in recent years, which has led to an uptick in economic activity. In addition, state revenues remain healthy due to strong tax revenue collections coupled with direct state aid through the 2021 American Rescue Plan, which has put the state economy on stronger footing. As a result, Tennessee real GDP is expected to grow by 2.4

percent in 2022 and then decelerate to 0.7 percent growth in 2023.

Tennessee's labor market continues to show strength. As of October, there are nearly 108,000 more nonfarm workers in Tennessee than there were prior to the pandemic (February 2020). Furthermore, Tennessee has seen the ninth strongest rate of job growth since the initial phase of the pandemic, expanding by 3.4 percent between February 2020 and October 2022. Only Idaho, Utah, Florida, Texas, North Carolina, Georgia, Montana, and Arizona have seen stronger rates of job growth over this period. For 2022 as a whole, Tennessee nonfarm employment is projected to grow by a robust 3.9 percent. Employment growth will then slow to 1.0 percent in both 2023 and 2024, as some businesses that rapidly expanded during the pandemic slow or even reverse their rate of hiring, and higher interest rates increase the cost of borrowing and make it more difficult for existing firms to expand and new firms to raise capital.

In both the state and nation, unemployment rates have fallen rapidly following the pandemic recession. In Tennessee, the unemployment rate rose to 14.7 percent in the spring of 2020, but is down to 3.5 percent as of October 2022, while the U.S. rate currently rests at 3.7 percent. The quick recovery in unemployment rates has been driven by both people finding work and people leaving the labor force entirely (not working or actively looking for work). The unemployment rate only measures the percentage of people not working but actively looking for work and can therefore fall if fewer people are searching for a job. This is in fact occurring, as the labor force participation rate fell dramatically at the onset of the pandemic and has yet to recover. Expectations are that the state unemployment will increase to 3.8 percent in 2023 and 4.0 percent in 2024. This uptick will be driven by a slight reduction in the number of employed people as job growth slows over the next two years, coupled with an increase in the number of unemployed people as many Tennesseans who left the labor force during the pandemic start looking for work again. By comparison, the national unemployment rate is projected to rise even faster, reaching 4.9 percent in 2023 and 5.3 percent in 2024.

Nonfarm Employment Growth Outlook



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

Long-term financial planning and relevant financial policies

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

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

  As a result of the good practices Tennessee has historically followed to protect its pension, such as lowering investment return assumptions, adopting cost-sharing policies, and fully funding the actuarially determined contribution (since 1972), the Tennessee Consolidated Retirement System is considered one of the best-funded public pension plans in the nation.

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

  To help ensure the fiscal integrity and sustainability of employee health insurance benefits for current, former, and future employees, the state eliminated retiree insurance and the associated subsidies for state, higher education, local education, and local government employees hired, and elected officials elected, after June 30, 2015.

  In addition, the State of Tennessee Postemployment Benefits Trust was established in 2019 for the purpose of pre-funding OPEB accrued by employees of the state and certain component units. The annually calculated actuarially determined contribution (utilizing a closed amortization over a twenty-year period for its unfunded actuarial accrued liability) has been more than fully funded since that time.

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

  The revenue fluctuation reserve was $1.55 billion on June 30, 2022, the highest level in state history.

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

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

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

  The primary investment objective for the SPIF is safety of principal, followed by liquidity and yield. The ITIF portfolio is intended to be a longer-term investment option to the SPIF and actively managed and designed to invest in longer-term instruments to benefit from the normal steepness of the yield curve.

- The state is authorized to issue general obligation tax revenue anticipation notes (TRANS) in anticipation of the receipt 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.

  In March 2000, the state instituted a commercial paper program for authorized capital projects. Commercial paper has been and will be issued in a principal amount outstanding at any one time not to exceed $350,000,000. Commercial paper constitutes bond anticipation notes.

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

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

- The state, by statute, covenants with the persons who now or may hereafter hold any state general obligation bonds that no general obligation bonds shall be issued after July 1, 2013, unless the amount necessary to pay the maximum annual debt service payable in the then current or any future fiscal year is not greater than 10 percent of the amount of total sales tax revenue allocated to the general fund, to the debt service fund, and to the highway fund for the immediately preceding fiscal year.

- Over the years, Tennessee has consistently maintained a relatively low debt burden. This has been accomplished using sound, prudent, and conservative debt management practices. Such practices include funding a portion of the state's capital program with surplus cash, cancellation of bond authorizations in lieu of issuing debt, creating, and maintaining a "rainy day fund" to offset unanticipated revenue shortfalls, and the adoption of state statutes designed to control the issuance of excessive debt. The state continues to maintain a relative low debt burden, and access to the capital markets remains strong.

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

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

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

  In addition, the state established an Office of Evidence and Impact (OEI) in 2019 to foster a culture of data and evidence-based policy making and budgeting. OEI uses data to inform decision makers and help ensure that investments are made in programs that work. Part of these efforts have included the implementation of evidence-based budgeting whereby programs are classified based on the level of available evidence supporting the program.

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

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

- The state utilizes various computer systems and network technology to perform many of its vital operations. Such operations often include the storage and transmission of sensitive information. As a result, the state may be the target of cyberattacks attempting to gain access to such information. A successful cyberattack may require the expenditure of an unknown amount of money or time to resolve, substantially interrupt state operations and subject the state to legal action.

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

Major (legislative/budget) initiatives

The 2022 session of the General Assembly will be remembered by its historic investment in education that centered around an update to the state's education funding formula through the Tennessee Investment in Student Achievement (TISA) Act, a student-centered approach to funding K-12 public schools.

The TISA public school funding formula updates the way Tennessee funds public education for the first time in over 30 years by moving from resource-based to student-based funding beginning with the 2023-2024 school year. Through the passage of the TISA Act, Tennessee's K-12 public schools will now invest an estimated $9 billion in education funding for the state, including state and local funds, which includes an additional recurring state investment of $1 billion.

Lawmakers also strengthened the state's financial position by approving a no-debt budget for fiscal year 2023 that highlights continuous efforts to cut taxes for Tennesseans, maintain fiscal responsibility, ensure public safety, and prioritize education.

Some budget highlights include,

Public Safety: To ensure Tennessee remains a great place to live, work and raise a family, lawmakers made significant investments in public safety. The budget includes $25 million to fund legislation that protects victims of crime and establishes "truth in sentencing" for certain violent offenses, while also supporting $100 million for crime prevention, $16 million for 100 new state troopers, and $43.2 million to increase correctional officers' salaries.

Fiscal responsibility/tax cuts: To assist in maintaining fiscal responsibility, the budget deposits $250 million into the state's "rainy day fund", raising the balance to $1.8 billion, and prioritizes one-time expenses to continue shepherding an economic recovery while also preparing for potential uncertainty. In addition, $650 million was invested to help reduce unfunded pension and OPEB liabilities.

Several targeted tax cuts were also authorized in the budget, including $80 million for a grocery sales tax holiday for August 2022, $68 million for a sales tax reduction on broadband supplies, and $9 million toward continued elimination of the professional privilege tax.

Education: In tandem with the new funding formula, discussed above, the budget includes the largest increase in K-12 education funding in the history of Tennessee. With an additional $1 billion in new, recurring education spending, the state is making a total investment of $6.5 billion which includes $125 million to increase teacher salaries. Other education investments include $500 million in career and technical education grants for high school and middle school students and $88 million to expand scholarship awards.

Economic development incentives (grants, tax exemptions/credits and abatements)
(*Prepared by Tennessee Departments of Revenue and Economic and Community Development*)

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

The vision (and the goal of Tennessee's governor) is to improve the economic success of all Tennesseans by assisting in the creation of job opportunities throughout the state, and Tennessee's job growth and economic development success speak to the effectiveness of state incentives in achieving this vision. Between 2017 and the third quarter of 2022, TNECD secured more than 116,800 new job commitments and approximately $35.6 billion in capital investment from companies locating or expanding across the state. Job creation is taking place across Tennessee with over 46,900 new job commitments in rural counties since the beginning of 2017.

One-way TNECD aims to support net new job creation and capital investment is through its FastTrack grant programs. FastTrack assists companies with relocation and training of new employees as well as helps communities develop public infrastructure to assist expanding or relocating companies. There are three FastTrack programs: FastTrack Job Training Assistance, FastTrack Infrastructure Development, and the FastTrack Economic Development Fund. During the first three quarters of 2022, TNECD located 74 projects that received a FastTrack grant commitment to expand or re-locate in Tennessee. The department forecasts that over the next ten years, these projects will increase Tennessee's gross domestic product by $31.4 billion, as well as generate 31,239 new job opportunities and $14.1 billion in new salaries across the state. These jobs include 10,500 directly created by the company expansion and recruitment activity as well as 20,739 indirect and induced jobs from across the supplier network and other industries because of expanded economic growth.

The state's investments in projects during the first three quarters of 2022 have a projected annual rate of return of 57.3 percent. The costs of incentives are projected to be returned to the state in 1.5 years because of additional revenues the projects will generate. (These return-on-investment figures take into consideration additional costs of providing state services as well as tax credits companies may be eligible for.)

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

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

In addition, state law requires Tennessee's annual budget document to include a schedule of exemptions from state taxes. To the extent practicable, all exemptions from state taxes are to be identified, along with an estimate of the amount of revenue that would have been collected by the state in the ensuing fiscal year, if the exemptions were not to exist. Because the state does not collect the data necessary to estimate the amount of revenue lost for each of the tax exemptions found in the Tennessee Code Annotated, only those that can be estimated with a reasonable degree of accuracy are presented in the budget document. In addition, the estimates of revenue loss do not consider the impact of a change in a tax provision on taxpayer behavior that may impact other taxes (i.e., secondary or feedback effects). State budget publications can be found at https://www.tn.gov/finance/fa/fa-budget-information/fa-budget-archive/fiscal-year-2022-2023-budget-publications.html.

Awards and Acknowledgements

Certificate of Achievement Award

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Tennessee for its annual comprehensive financial report for the fiscal year ended June 30, 2021. This was the forty-second year that the state has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive 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 annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

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

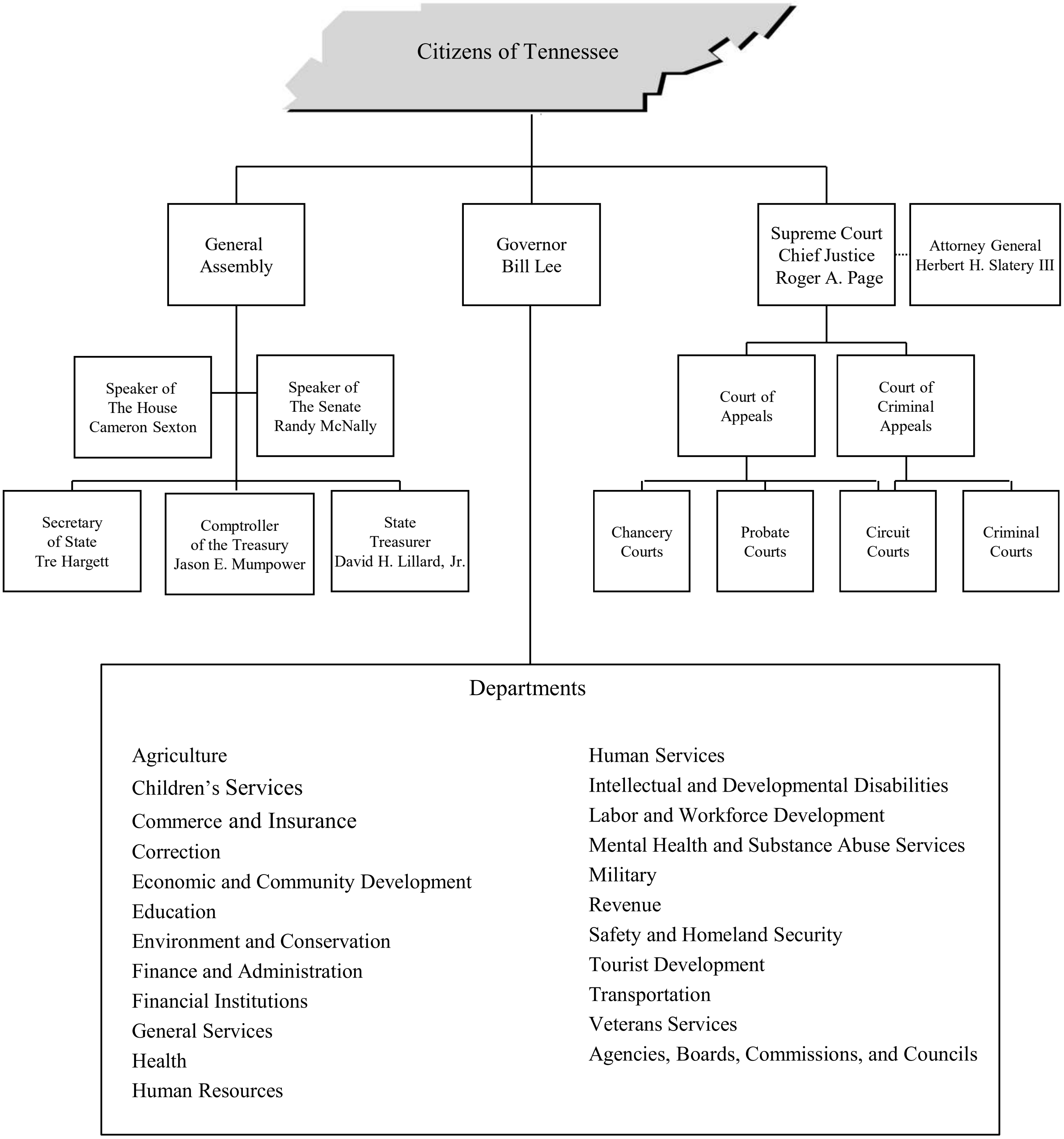
We express our sincere appreciation to these individuals; acknowledge the Governor and the members of the Legislature for their interest and support in planning and conducting the financial operations of the state in a responsible and progressive manner; and reaffirm our commitment to continue Tennessee's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

Respectfully submitted,

James E. Bryson
Commissioner

Mikel J. Corricelli
Chief of Accounts

STATE OF TENNESSEE
ORGANIZATION CHART
As of June 30, 2022



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Tennessee

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morrill

Executive Director/CEO

FINANCIAL SECTION

Jason E. Mumpower
Comptroller

Independent Auditor's Report

Members of the General Assembly
The Honorable Bill Lee, Governor

Report on the Audit of the Financial Statements

Opinion

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, 2022, and the related notes to the financial statements, which collectively comprise the State of Tennessee's basic financial statements as listed in the table of contents.

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, 2022, and the changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the State of Tennessee and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. Tennessee statutes, in addition to audit responsibilities, entrust certain other responsibilities to the Comptroller of the Treasury. Those responsibilities include serving as a member of the board of directors of the Board of Claims, Chairs of Excellence Endowment Fund Board of Trustees, K-12 Mental Health Endowment Fund, Local Education Insurance Committee, Local Government Insurance Committee, Pension Stabilization Reserve Trust, State Building Commission, State Funding Board, State Insurance Committee, Tennessee College Savings Trust, Tennessee Consolidated Retirement System, Tennessee Higher Education Commission, Tennessee Housing Development Agency, Tennessee Local Development Authority, Tennessee Promise Scholarship Endowment Fund, Tennessee State School Bond Authority, and Tennessee Student Assistance Corporation. 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.

Responsibilities of Management 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.

Cordell Hull Building | 425 Rep. John Lewis Way N. | Nashville, Tennessee 37243

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the State of Tennessee's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 State of Tennessee's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the State of Tennessee's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Emphasis of Matters

As discussed in Note 3, the state implemented Governmental Accounting Standards Board Statement (GASBS) 87, *Leases*, during the year ended June 30, 2022. Our opinion is not modified with respect to this matter.

As discussed in Note 4, the Tennessee Retiree Group Trust investment pool has investments valued at $21.4 billion, whose fair values have been estimated by management in the absence of readily determinable fair values. These investments make up 0.2% of fund balance of the general fund, 29.4% of net position of the pension and other employee benefit trust funds, 33.5% of net position of the investment trust funds, and 0.1% of net position of the component units. In addition, the financial statements of the University of Tennessee, a discretely presented component unit, include investments valued at $638.8 million (5.7% of total component unit net position), whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or the general partners. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information listed in the accompanying table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management, and, 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 audits were conducted for the purpose of forming an opinion 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 is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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.

Other Information

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 have also issued our report dated December 21, 2022, on our consideration of the State of Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters in the *Tennessee Single Audit Report*. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Tennessee's internal control over financial reporting and compliance.

Katherine J. Stickel, CPA, CGFM, Director
Division of State Audit
December 21, 2022

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, 2022. 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, 2022, by $53.4 billion (net position). Of this amount, $16.5 billion represents unrestricted net position, which may be used to meet the state's ongoing obligations to citizens and creditors while $33.2 billion represents net investment in capital assets.

Changes in Net Position– The state's net position increased by $7.4 billion. The increase was the result of operating grants received as a result of continued stimulus funds flowing to the state from the federal government coupled with significant increases in tax revenues.

Component units–Component units reported total net position of $11.2 billion, an increase of $722 million.

Fund Level

At June 30, 2022, the state's governmental funds reported combined ending fund balances of $19.2 billion, an increase of $5.4 billion (see discussion on page 25) compared to the prior year. Of the combined fund balance, approximately $15.8 billion is spendable unrestricted (committed, assigned or unassigned) fund balance and is available for spending at the government's discretion or upon legislative approval; however, $1.6 billion of this amount is set aside in a revenue fluctuation account (rainy day fund).

Long-Term Debt

The state's total general obligation bonds and commercial paper debt decreased by $194.1 million during the fiscal year to a total of $1.8 billion. This change is primarily due to debt service payments made during the year exceeding new debt expenditures made in the commercial paper program.

The state's total other long-term debt increased by $1 million during the fiscal year for a total of $293.5 million. This increase was primarily due to the implementation of GASB Statement No. 87.

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 of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

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

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

Reporting the State's Most Significant Funds

Fund financial statements

Our analysis of the state's major funds begins on page 25. 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 51-130.

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 $53.4 billion as of June 30, 2022.

By far, the largest portion of the state's net position (62.1 percent) reflects its net investment in capital assets (e.g., land, infrastructure, structures and improvements, machinery and equipment, right-to-use leases, 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 (7 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 ($16.5 billion) and may be used to meet the state's ongoing obligations to citizens and creditors not funded by resources that are restricted. Primarily as a result of near high operating grants and contributions, unrestricted net position increased by $5.8 billion (54.2 percent).

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

State of Tennessee
Net Position as of June 30
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total Primary Government	
	2022	2021*	2022	2021*	2022	2021*
Current and other assets	$ 28,684,553	$18,282,937	$ 3,244,543	$ 3,276,054	$31,929,096	$21,558,991
Capital assets	33,911,663	32,942,674	-	-	33,911,663	32,942,674
Total assets	62,596,216	51,225,611	3,244,543	3,276,054	65,840,759	54,501,665
Deferred outflows of resources	1,426,215	889,778	-	-	1,426,215	889,778
Current and other liabilities	7,420,562	3,690,326	141,332	295,052	7,561,894	3,985,378
Noncurrent liabilities	4,234,876	5,060,507	7,250	7,871	4,242,126	5,068,378
Total liabilities	11,655,438	8,750,833	148,582	302,923	11,804,020	9,053,756
Deferred inflows of resources	2,047,146	347,631	-	-	2,047,146	347,631
Net position:						
Net investment in capital assets	33,156,399	32,396,815	-	-	33,156,399	32,396,815
Restricted	3,720,678	2,866,255	-	-	3,720,678	2,866,255
Unrestricted	13,442,770	7,753,855	3,095,961	2,973,131	16,538,731	10,726,986
Total net position	$ 50,319,847	$43,016,925	$ 3,095,961	$ 2,973,131	$53,415,808	$45,990,056

* The 2021 amounts presented here have not been restated for prior period adjustments. See Note 3 for details of these adjustments.

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

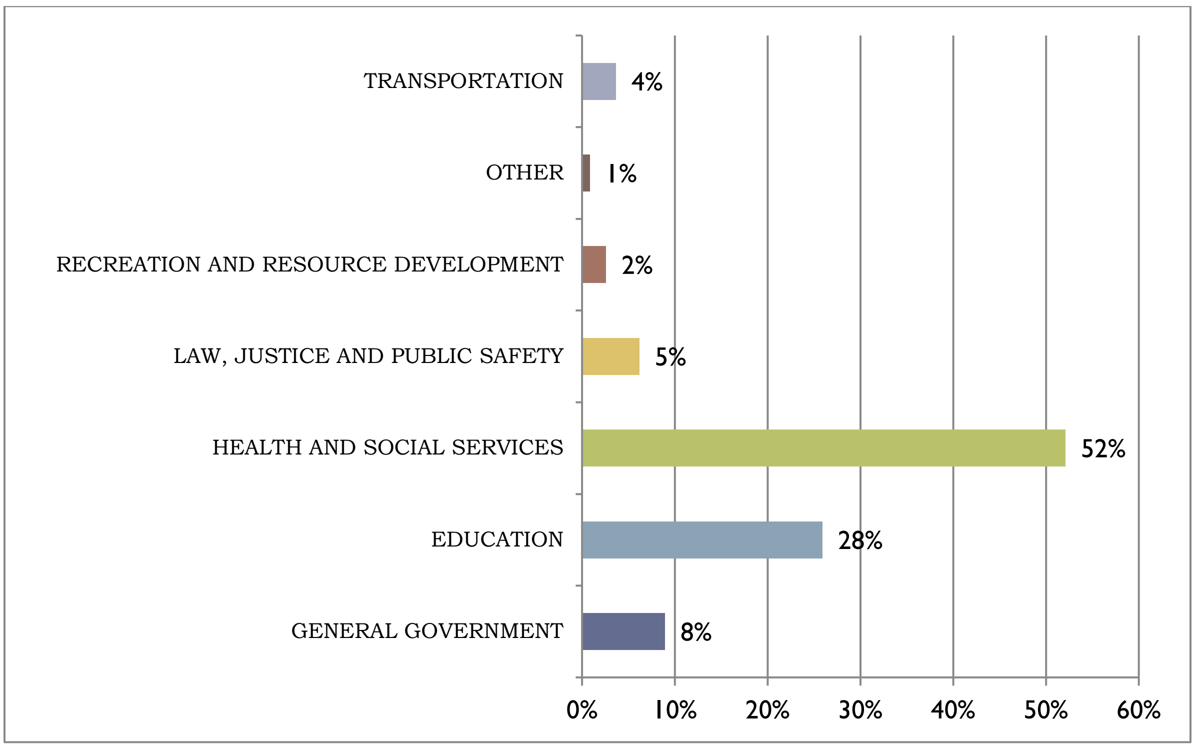
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2022	2021*	2022	2021*	2022	2021*
Revenues:						
Program revenues:						
Charges for services	$ 3,680,119	$ 3,196,469	$ 1,035,272	$ 1,006,464	$ 4,715,391	$ 4,202,933
Operating grants and contributions	18,285,375	17,898,087	281,856	3,599,778	18,567,231	21,497,865
Capital grants and contributions	925,919	844,303	-	-	925,919	844,303
General revenues:						
Sales Taxes	12,891,509	11,052,798	-	-	12,891,509	11,052,798
Other taxes	9,610,182	8,163,952	-	-	9,610,182	8,163,952
Other	411,713	292,096	-	-	411,713	292,096
Total revenues	45,804,817	41,447,705	1,317,128	4,606,242	47,121,945	46,053,947
Expenses:						
General government	3,015,861	3,267,910	-	-	3,015,861	3,267,910
Education	10,605,705	9,495,761	-	-	10,605,705	9,495,761
Health and social services	20,235,770	19,105,994	-	-	20,235,770	19,105,994
Law, justice and public safety	1,941,086	2,255,348	-	-	1,941,086	2,255,348
Recreation and resources					-	-
development	883,820	935,195	-	-	883,820	935,195
Regulation of business and					-	-
professions	241,988	252,866	-	-	241,988	252,866
Transportation	1,555,210	1,328,049	-	-	1,555,210	1,328,049
Intergovernmental revenue sharing	-	-	-	-	-	-
Interest on long-term debt	17,965	51,097	-	-	17,965	51,097
Employment security	-	-	434,261	3,931,631	434,261	3,931,631
Insurance programs	-	-	763,303	753,012	763,303	753,012
Loan programs	-	-	1,787	1,879	1,787	1,879
Other	-	-	224	695	224	695
Total expenses	38,497,405	36,692,220	1,199,575	4,687,217	39,696,980	41,379,437
Increase in net position						
before contributions and transfers	7,307,412	4,755,485	117,553	(80,975)	7,424,965	4,674,510
Transfers	(5,277)	(8,611)	5,277	8,611	-	-
Contributions to permanent funds	155	143	-	-	155	143
Increase (decrease) in net position	7,302,290	4,747,017	122,830	(72,364)	7,425,120	4,674,653
Net position, July 1	43,017,557	38,269,908	2,973,131	3,045,495	45,990,688	41,315,403
Net position, June 30	$ 50,319,847	$ 43,016,925	$ 3,095,961	$ 2,973,131	$ 53,415,808	$ 45,990,056

* The 2021 amounts presented here have not been restated for prior period adjustments. See Note 3 for details of these adjustments.

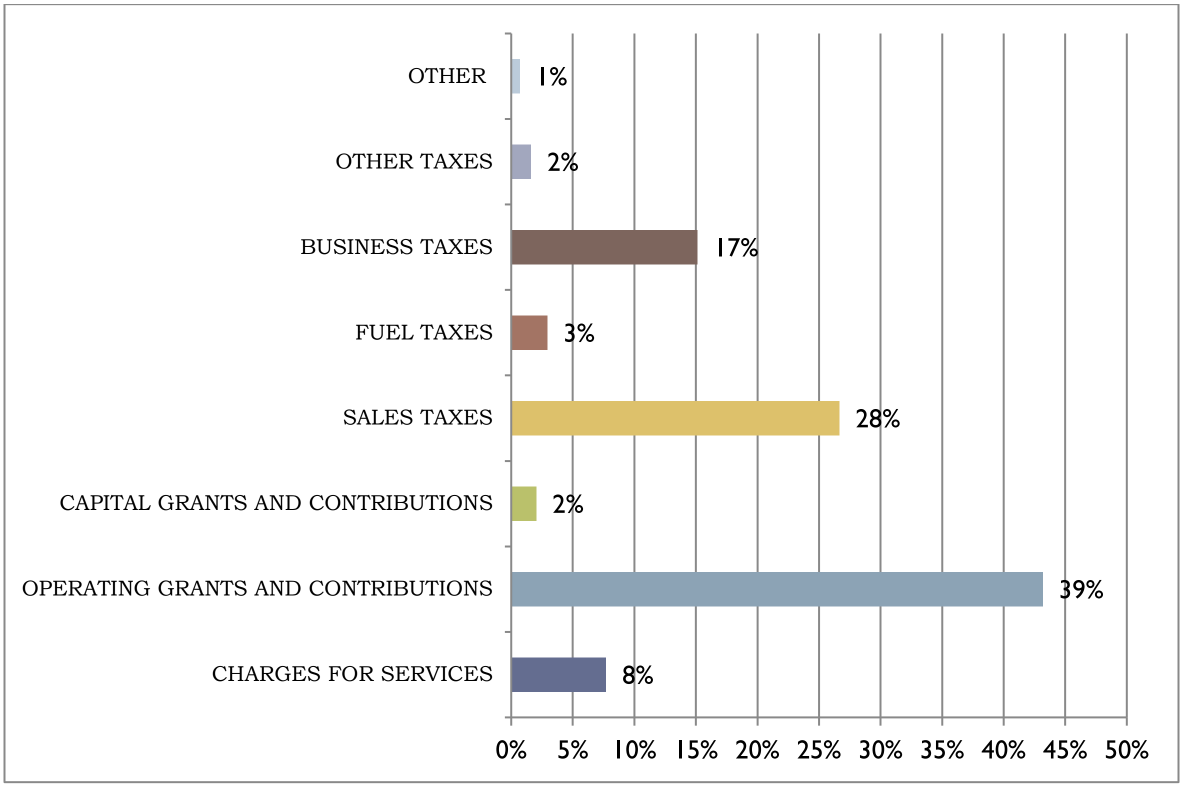
Governmental activities. Net position of the state's governmental activities increased by $7.3 billion (17 percent). This increase accounts for 98.3 percent of the total increase in net position of the primary government and is primarily the result of an increase in tax and operating grant revenues as well as the capitalization of $917.4 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 $122.8 million (4.1 percent). This is primarily the result of the Employment Security fund's increase in net position of $67.4 million. This increase is due to a significant decrease in expenses and significant but relatively smaller decrease in operating grants and contributions due to improving employment market. The Sewer Treatment Loan fund had an increase in net position of $31.2 million. This increase in net position is in line with the prior year and is not considered significant. The fund continues to receive grants and issue loans for clean water projects. The Nonmajor Enterprise funds' activity resulted in a $24.3 million increase in net position.

EXPENSES BY FUNCTION-GOVERNMENTAL ACTIVITIES



REVENUES BY SOURCE-GOVERNMENTAL ACTIVITIES



THE STATE'S FUNDS

At June 30, 2022, governmental funds reported an increase in total revenues and in total expenditures. Details are in the following paragraphs. The revenue fluctuation account (rainy day fund), reported as unassigned fund balance, has been increased to $1.6 billion or 6 percent of the general fund's expenditures.

The general fund reported a $2.9 billion increase in fund balance primarily because of unallocated over collections of tax revenues that were not expended. The general fund recorded nearly $3 billion more in revenue collections than the budgeted estimates. The majority of the overcollections during this time period, $2.6 billion, occurred in sales and use and franchise and excise taxes. Historic high inflation that resulted in increases to the cost of goods and services that are subject to the sales and use tax was a significant contributing factor. Better than expected post COVID 19 economic recovery and significant new business growth across the state led to the unexpected surge in franchise and excise tax collections.

The education fund reported an overall increase for inflows of $1.3 billion (13.5 percent) and an increase of outflows of $1.2 billion (13.3 percent). Most of the increase in outflows were due to federally funded pandemic relief programs. Additional contributing factors include the increased funding for the state's Basic Education Program (K-12 funding), providing funding to local education agencies for the learning loss remediation program and investments in technical skills education programs for higher education institutions. Both K-12 and higher education received funding for market salary adjustments.

The overall fund balance increased in the education fund by $286.6 million. The majority of fund balance is restricted for student financial assistance. Of the $1.5 billion fund balance in the education fund, $361.5 million is not available for future use because it is legally or contractually required to be maintained intact and $1.1 billion is legally restricted or committed for specific purposes. Refer to Note 13, Governmental Fund Balances on page 94, for additional information regarding those specific purposes.

The highway fund inflows increased by $524.3 million, and outflows increased $139.9 million. The increase in inflows is primarily a result of an increase in transfers in from the general fund for road construction and other capital improvements. The increase in outflows is due mainly to an increase in resurfacing, maintenance, and preliminary engineering-survey for roadway design projects.

The capital projects fund had a $1.4 billion increase in fund balance. Most of this increase is due to a $1.6 billion increase in transfers from other funds to the capital projects fund. Overall inflows to the fund increased by $1.7 billion, when compared to the previous year, outflows also decreased by $15 million. The decrease in expenditures is due to a decrease in capital outlay for current projects while the increase in inflows is due to increased bond proceeds as well as appropriation transfers. Expenditures for capital projects are subject to various conditions that affect construction progress. The restricted fund balance of $25.4 million does not significantly affect the availability of fund resources for future use.

The total plan net position of the pension trust funds and other employee benefits trust are $72.3 billion, a decrease of approximately $5.31 billion from the prior year. The pension trust funds were responsible for $5.3 billion of this decrease. The decrease was primarily the result of unfavorable conditions in the financial markets; the pension trust funds incurred a net investment loss of $4 billion.

The total plan net position of the OPEB trust fund is $444.9 million, a decrease of approximately $1.8 million from the prior year. The decrease was primarily the result of investment loss of $81.8 million due to unfavorable market conditions.

General Fund Budgetary Highlights

A significant variance occurred in the General fund between final budgeted and actual amounts in taxes because of over collections in Sales and Use and Business taxes. Business tax amounts were over collected due to the unexpected and significant increase in business filings. New business filings in the third quarter of 2022 were the highest for a third quarter in the 24-year history of the data being collected. The 1.1% year over year growth in business filings from the third quarter of 2021 shows that businesses continue to establish in Tennessee at a record pace. During the third quarter of 2022, 18,752 new entities filed in Tennessee. Sales and Use taxes were over collected because of an increase in the costs of consumer goods which were impacted by a spike in inflation.

Federal revenues were approximately 14% under collected due to a decline in demand for social services. Social programs significantly funded with federal revenues such as the Temporary Assistance for Needy Families (TANF) programs at the Department of Human Services (DHS), the Tennessee Early Intervention System (TEIS) program in Department of Intellectual Disability and Development, Substance abuse services in the Department of Mental Health and the utilization of the CoverKids program under TennCare all had slightly less than expected demand for services.

Due to significant vacant positions in Corrections, Intellectual Disabilities, Safety, Mental Health Services and Children's Services, expenditures were less than estimated. Actual expenditures in TennCare, Agriculture, Labor and Workforce Development, Environment and Conservation, Finance and Administration, Economic and Community Development, and Legislature programs were significantly less than what was projected in the final budget primarily due to unexpended reserved amounts and multi–year projects that were appropriated in the current year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The state's investment in capital assets at June 30, 2022, of $36.9 billion, net of $3 billion accumulated depreciation and amortization, consisted of the following:

Capital Assets—Primary Government
(Expressed in Thousands)

	Governmental Activities	
	2022	2021
Land	$ 2,782,597	$ 2,681,333
Infrastructure	27,086,768	26,169,338
Construction in progress	876,181	1,274,064
Structures and improvements	3,335,170	3,198,016
Machinery and equipment	2,341,207	2,064,986
Right-to-use leases	325,392	-
Software in development	115,127	137,790
Subtotal	36,862,442	35,525,527
Accumulated depreciation and amortization	(2,950,779)	(2,582,853)
Total	$ 33,911,663	$ 32,942,674

More detail of the activity during the fiscal year is presented in Note 7A to the financial statements.

Capital assets, including those under construction, increased from fiscal year 2021 to 2022 by approximately 2 percent. The change was primarily due to increases of infrastructure (highways and bridges). Infrastructure increased in total by $917.4 million, the majority of which resulted from highway and bridge projects completed and capitalized. Construction in progress for highways and bridges increased by $585.4 million and decreased (projects completed and capitalized) by $923.4 million. Infrastructure right-of-way acreage increased the land classification by $85.5 million. The change in machinery and equipment of $276.2 million resulted largely from a $218.3 million increase that resulted from system projects that were placed in operation and are now classified as equipment. Also, the implementation of GASB Statement No. 87 resulted in $325.3 million in right-to-use lease assets.

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 8,455 bridges. Differences between the amount estimated to be necessary for maintaining and preserving infrastructure assets at targeted condition levels and the actual amounts of expense incurred for that purpose during the fiscal period are the results of timing differences. The budgeting process and the fact that projects are started at different times during the year and take more than 12 months to complete, results in spending in one-year amounts that were budgeted in a previous fiscal year(s).

The decision to use the modified approach was essentially made because the state has consistently maintained its infrastructure in what it considers to be a good condition. The most recent condition assessment, which is discussed in more detail in the Required Supplementary Information section (Page 132), indicated that bridges were rated at 8 points above the state's established condition level, on a 100 point scale using the MRI method, and roadways were 0.65 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 2021-2022 reflects a $507.2 million increase from the previous year. The capital outlay budget included funding for both capital outlay projects and capital maintenance projects. A significant portion of the budgeted amounts include $283.2 million for higher education projects, $32.2 million for correction facilities maintenance, $33.4 million for state parks, $13.5 million for a new youth development facility and $30.4 million for a new visitor center and campground at the new Stone Door state park.

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 6/30/22
Highway	$ 919,500
Higher Education	34,032
Economic and Community Development	-
General Government	590,571
Total	$ 1,544,103

More detail of the activity during the fiscal year is presented in Note 11A to the financial statements.

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

	Governmental Activities	
	6/30/2022	6/30/2021
Bonds, net	$1,695,430	$1,771,713
Commercial Paper	89,563	207,343
Total	$1,784,993	$1,979,056

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 11A 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, 2022, the state's maximum allowable debt service of $1.7 billion was well above the maximum annual debt service of $212 million, with a legal debt service margin of $1.5 billion.

The state's outstanding other long-term debt that is not explicitly backed by the full faith and credit of the state consists of the following (expressed in thousands):

	Governmental Activities	
	6/30/2022	6/30/2021
Right-to-use leases	$286,429	$284,771
Financed purchase	$4,904	$5,899
Annuity	2,150	1,800
Total	$293,483	$292,470

FACTS, DECISIONS, OR CONDITIONS WITH EXPECTED FUTURE IMPACT

Tennessee Resiliency Plan

Under the American Rescue Plan Act, the State of Tennessee will receive $3.725 billion in funds awarded via the US Treasury "Fiscal Recovery Fund" ("FRF"). The availability of one-time FRF funds presents a significant opportunity for Tennessee to: (i) Continue its response to the COVID-19 pandemic and its secondary effects; (ii) Invest in initiatives that support a strong economic recovery; (iii) Strengthen state fiscal stability by reducing demand for state taxpayer dollars to fund existing initiatives or priorities.

To support the development of a comprehensive plan for Tennessee's Fiscal Recovery Fund, Governor Lee invited state agencies and stakeholders to submit proposals for consideration by the Financial Stimulus Accountability Group ("FSAG"), a bipartisan group created by the Governor to ensure proper fiscal management of stimulus funds received by the state, first through the CARES Act Coronavirus Relief Fund, then through the subsequent ARPA. The Tennessee Resiliency Plan document summarizes proposals that have been considered and recommended for expenditure by FSAG. As new expenditures are approved throughout the grant period, this document will be updated to reflect the state's plan. A complete copy of the Tennessee Resiliency Plan is available at https://www.tn.gov/finance/looking-for/stimulus-financial-accountability-group.html.

Tennessee Opioid Abatement Council

The Tennessee Opioid Abatement Council (council) was created by House Bill No. 1132 of the 112th General Assembly to ensure that money recovered through settlements relating to the opioid crisis or otherwise dedicated to opioid abatement are managed and disbursed effectively and appropriately. The Council upholds the responsibility to ensure the disbursements of these funds go toward funding programs, strategies, expenditures, and other actions designed to prevent and address the misuse and abuse of opioid products and treat or mitigate opioid use or related disorders or other effects of the opioid epidemic. The council is administratively attached to the Department of Mental Health and Substance Abuse Services, which provides the staff and facilities as necessary to assist the council in performing its duties.

The legislation also created the Opioid Abatement Fund (fund) which is the designated repository of funds that are either dedicated to opioid abatement or remediation or are otherwise directed to abatement or remediation and that are received by the state pursuant to a judgement on opioid-related claims. Disbursements from the fund are made at the direction of the council. For proceeds received from a statewide opioid settlement agreement with McKesson Corporation, Cardinal Health, Inc., AmerisourceBergen Corporation, or Johnson & Johnson or affiliates or subsidiaries of these entities that are deposited in the opioid abatement fund, the council will disburse thirty-five percent (35%) of these proceeds to counties that join the settlement. Resources in the fund cannot be used to reimburse expenditures incurred prior to the effective date of the legislation, May 24, 2021.

As of June 30, 2022, the fund has a reported committed reserve balance of $104,241,522.61 that is available for spending and the 2023 appropriations act included sum-sufficient appropriations from the fund's reserve. As of June 30, 2022, revenue of $414,505,683.77 is reported in governmental activities from settlement proceeds that have been or are expected to be deposited in the fund. However, only current year revenue of $95,619,733.40 is recognized as available for spending in the fund. The remaining amounts will be available for spending when they are received or within the state's availability period over the next 17 years.

Motor Vehicle Registration Fees

A 1-year moratorium on vehicle and motorcycle registration fees went into effect on July 1, 2022. The moratorium is estimated to have a total impact of $121.6 million to governmental activities revenue. A fiscal year 2023 budget appropriation provided for state appropriations to cover the two funds that receive revenue from these registration fees that includes $110.6 million to the state's Highway fund and $5.2 million to the Police Pay Supplement Fund in the General fund.

LG Chem to Build Largest U.S Cathode Plant in Tennessee

In November 2022, LG Chem, a South Korean company, announced the company's plan to invest approximately $3.2 billion to establish a new cathode manufacturing facility in Clarksville, which will support the electric vehicle battery value-chain in the U.S and create 850 new jobs. The current plan is for the state-of-the-art facility to be constructed on 420 acres in Clarksville. Construction is slated to begin in Q1 2023, and the plant is scheduled to be in production by the second half of 2025. Once operational, the facility will produce cathode materials, which are one of the most critical ingredients for manufacturing electric vehicle batteries. LG Chem also plans to implement its smart factory technology in Tennessee to automate the entire production process and establish a quality analysis and control system that will be the benchmark for all other cathode plants in the world.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

This Page Intentionally Left Blank

STATE OF TENNESSEE

Statement of Net Position

June 30, 2022

(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Total Component Units
ASSETS				
Cash and cash equivalents	$ 21,515,841	$ 838,025	$ 22,353,866	$ 3,639,573
Cash on deposit with fiscal agent	-	1,246,070	1,246,070	-
Investments	1,114,346	-	1,114,346	517,929
Receivables, net	4,837,025	140,786	4,977,811	382,043
Internal balances	193	(193)	-	-
Due from primary government	-	-	-	80,771
Due from component units	142,925	-	142,925	-
Inventories, at cost	102,469	-	102,469	12,295
Prepayments	9,380	-	9,380	32,396
Loans receivable, net	5,054	1,019,855	1,024,909	4,641,134
Right-to-use lease receivable	5,803	-	5,803	-
Fair value of derivatives	-	-	-	-
Other	-	-	-	37,081
Restricted assets:				
Cash and cash equivalents	25,973	-	25,973	607,675
Investments	436,914	-	436,914	2,677,776
Receivables, net	-	-	-	509,350
Net pension assets	488,630	-	488,630	220,712
Other	-	-	-	1,688
Capital assets:				
Land, at cost	2,782,597	-	2,782,597	284,462
Infrastructure	27,086,768	-	27,086,768	948,670
Structures and improvements, at cost	3,335,170	-	3,335,170	8,183,257
Machinery and equipment, at cost	2,341,207	-	2,341,207	1,356,093
Right-to-use leases	325,392	-	325,392	71,570
Less-accumulated depreciation and amortization	(2,950,779)	-	(2,950,779)	(4,476,657)
Construction in progress	876,181	-	876,181	563,033
Software in development	115,127	-	115,127	-
Total assets	62,596,216	3,244,543	65,840,759	20,290,851
DEFERRED OUTFLOWS OF RESOURCES	1,426,215	-	1,426,215	587,446
LIABILITIES				
Accounts payable and other current liabilities	6,661,824	128,247	6,790,071	641,051
Due to primary government	-	-	-	142,925
Due to component units	80,610	-	80,610	-
Unearned revenue	677,571	13,085	690,656	172,681
Fair value of derivatives	-	-	-	-
Payable from restricted assets	396	-	396	-
Due to component units from restricted assets	161	-	161	-
Other	-	-	-	28,197
Noncurrent liabilities:				
Due within one year	426,927	-	426,927	359,009
Due in more than one year	3,807,949	7,250	3,815,199	7,388,139
Total liabilities	11,655,438	148,582	11,804,020	8,732,002
DEFERRED INFLOWS OF RESOURCES	2,047,146	-	2,047,146	943,256
NET POSITION				
Net investment in capital assets	33,156,399	-	33,156,399	5,007,070
Restricted for:				
Highway projects	985,695	-	985,695	-
Student financial assistance	261,506	-	261,506	-
Natural and wildlife resources	121,578	-	121,578	-
Capital projects	25,416	-	25,416	138,956
Single family bond programs	-	-	-	435,820
Regulatory activities	50,904	-	50,904	-
Pensions	488,630	-	488,630	220,712
Other	322,563	-	322,563	1,201,326
Permanent and endowment funds				
Expendable	681,640	-	681,640	197,717
Nonexpendable	782,746	-	782,746	1,616,527
Unrestricted	13,442,770	3,095,961	16,538,731	2,384,911
Total net position	$ 50,319,847	$ 3,095,961	$ 53,415,808	$ 11,203,039

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, 2022
(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	$ 3,015,861	$ 1,137,177	$ 133,249	$ 694
Education	10,605,705	49,920	2,876,887	-
Health and social services	20,235,770	1,814,509	14,500,992	85
Law, justice and public safety	1,941,086	133,779	272,148	11,472
Recreation and resources development	883,820	203,673	232,194	1,829
Regulation of business and professions	241,988	263,266	2,288	-
Transportation	1,555,210	77,795	267,617	911,839
Interest	17,965	-	-	-
Total governmental activities	38,497,405	3,680,119	18,285,375	925,919
Business-type activities:				
Employment security	434,261	250,213	251,416	-
Insurance programs	763,303	772,876	581	-
Loan programs	1,787	11,886	29,856	-
Other	224	297	3	-
Total business-type activities	1,199,575	1,035,272	281,856	-
Total primary government	$ 39,696,980	$ 4,715,391	$ 18,567,231	$ 925,919
Component units:				
Higher education institutions	$ 5,592,705	$ 1,901,376	$ 2,333,992	$ 253,956
Loan programs	842,081	245,659	458,681	-
Lottery programs	1,891,184	1,890,180	23	-
Other	59,617	44,119	16,827	6,255
Total component units	$ 8,385,587	$ 4,081,334	$ 2,809,523	$ 260,211
General revenues:				
Taxes:				
Sales and use				
Fuel				
Business				
Other				
Payments from primary government				
Grants and contributions not restricted to specific programs				
Unrestricted investment earnings (losses)				
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, 2022
(Expressed in Thousands)

Net (Expense) Revenue and Changes in Net Position — Primary Government: Governmental Activities	Business-Type Activities	Total Primary Government	Component Units
$ (1,744,741)	$ -	$ (1,744,741)	$ -
(7,678,898)	-	(7,678,898)	-
(3,920,184)	-	(3,920,184)	-
(1,523,687)	-	(1,523,687)	-
(446,124)	-	(446,124)	-
23,566	-	23,566	-
(297,959)	-	(297,959)	-
(17,965)	-	(17,965)	-
(15,605,992)	-	(15,605,992)	-
-	67,368	67,368	-
-	10,154	10,154	-
-	39,955	39,955	-
-	76	76	-
-	117,553	117,553	-
(15,605,992)	117,553	(15,488,439)	-
-	-		
-	-		
-	-	-	(1,103,381)
-	-	-	(137,741)
-	-	-	(981)
-	-	-	7,584
-	-	-	(1,234,519)
12,891,509	-	12,891,509	-
1,266,514	-	1,266,514	-
7,642,081	-	7,642,081	-
701,587	-	701,587	-
-	-	-	1,937,349
-	-	-	79,315
38,945	-	38,945	(151,750)
372,768	-	372,768	4,645
155	-	155	86,703
(5,277)	5,277	-	-
22,908,282	5,277	22,913,559	1,956,262
7,302,290	122,830	7,425,120	721,743
43,017,557	2,973,131	45,990,688	10,481,296
$ 50,319,847	$ 3,095,961	$ 53,415,808	$ 11,203,039

This Page Intentionally Left Blank

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

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

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

Highway Fund—This fund is maintained to account for revenues and expenditures associated with programs of the Department of Transportation. Funding of these programs is accomplished primarily from dedicated highway user taxes and funds received from the various federal transportation agencies. All federal funds accruing to the highway fund are received on a reimbursement basis covering costs incurred. It is the state's practice to appropriate matching dollars for jointly funded projects in the year of federal apportionment. This front-end state funding, together with multi-year disbursements on most projects, results in large cash balances in this fund.

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

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

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

STATE OF TENNESSEE
Balance Sheet
Governmental Funds
June 30, 2022
(Expressed in Thousands)

	General	Education	Highway	Capital Projects
ASSETS				
Cash and cash equivalents	$ 15,473,359	$ 155,856	$ 1,819,666	$ 2,454,631
Investments	-	383,428	-	-
Receivables, net	2,740,820	1,097,788	337,433	23,612
Due from other funds	1,548	69,474	-	738
Due from component units	153	132,170	-	9,250
Inventories, at cost	65,198	134	33,265	-
Loans receivable, net	1,483	-	386	-
Prepayments and others	9,739	-	-	-
Restricted assets:				
Cash and cash equivalents	-	-	-	25,973
Investments	75,533	361,381	-	-
Total assets	$ 18,367,833	$ 2,200,231	$ 2,190,750	$ 2,514,204
LIABILITIES				
Accounts payable and accruals	5,272,480	636,547	340,495	50,799
Due to other funds	71,413	105	391	813
Due to component units	19,180	19,773	2,142	34,688
Payable from restricted assets	-	-	-	396
Due to component units from restricted assets	-	-	-	161
Unearned revenue	630,309	101	5,015	86
Total liabilities	5,993,382	656,526	348,043	86,943
DEFERRED INFLOWS OF RESOURCES	171,381	43,124	110,418	-
FUND BALANCES				
Nonspendable				
Inventories	$ 62,442	$ 134	$ 33,265	$ -
Long term portion of accounts receivable	5,353	-	-	-
Permanent fund and endowment corpus	-	361,381	-	-
Prepayments	1,180	-	-	-
Restricted	173,161	712,180	967,592	25,416
Committed	683,709	426,093	340,858	-
Assigned	7,337,698	793	390,574	2,401,845
Unassigned	3,939,527	-	-	-
Total fund balances	12,203,070	1,500,581	1,732,289	2,427,261
Total liabilities, deferred inflows of resources and fund balances	$ 18,367,833	$ 2,200,231	$ 2,190,750	$ 2,514,204

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, 2022
(Expressed in Thousands)

	State Shared Taxes	Nonmajor Governmental Funds	Total Governmental Funds
	$ 18,087	$ 486,460	$ 20,408,059
	-	730,918	1,114,346
	162,942	465,784	4,828,379
	-	23	71,783
	-	1,331	142,904
	-	-	98,597
	-	3,185	5,054
	-	21	9,760
	-	-	25,973
	-	-	436,914
	$ 181,029	$ 1,687,722	$ 27,141,769
	145,401	66,748	6,512,470
	-	232	72,954
	-	4,138	79,921
	-	-	396
	-	-	161
	-	8	635,519
	145,401	71,126	7,301,421
	35,628	322,615	683,166
	$ -	$ -	$ 95,841
	-	-	5,353
	-	421,365	782,746
	-	-	1,180
	-	587,946	2,466,295
	-	263,428	1,714,088
	-	21,242	10,152,152
	-	-	3,939,527
	-	1,293,981	19,157,182
	$ 181,029	1,687,722	
			32,906,268
			668,527
			1,300,270
			(1,274,610)
			(2,437,790)
			$ 50,319,847

STATE OF TENNESSEE

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds
For the Fiscal Year Ended June 30, 2022
(Expressed in Thousands)

	General	Education	Highway	Capital Projects
REVENUES				
Taxes:				
Sales and use	$ 4,694,381	$ 7,408,838	$ 35,419	$ -
Fuel	12,576	-	726,967	-
Business	6,717,218	291,579	6,806	-
Other	605,423	37,229	-	-
Licenses, fines, fees, and permits	508,623	13,517	336,909	-
Investment income (loss)	43,842	(122,775)	-	-
Federal	15,242,108	2,360,431	1,157,784	11,472
Departmental services	2,559,503	308,833	57,558	64,902
Opioid and Tobacco Settlements	199,173	-	-	-
Other	70,639	486,100	12,389	-
Total revenues	30,653,486	10,783,752	2,333,832	76,374
EXPENDITURES				
General government	1,164,903	-	-	-
Education	-	10,468,917	-	-
Health and social services	21,283,068	-	-	-
Law, justice and public safety	2,110,371	-	-	-
Recreation and resources development	821,944	-	-	-
Regulation of business and professions	123,604	-	-	-
Transportation	-	-	2,273,259	-
Debt service:				
Principal	5,437	36	-	90,939
Interest	291	-	49	-
Debt issuance costs	-	-	-	-
Capital outlay	21,605	99	1,858	423,036
Total expenditures	25,531,223	10,469,052	2,275,166	513,975
Excess (deficiency) of revenues over (under) expenditures	5,122,263	314,700	58,666	(437,601)
OTHER FINANCING SOURCES (USES)				
Bonds and commercial paper issued	-	-	-	83,061
Bond premium	-	-	-	14,846
Refunding bond issuance	-	-	-	-
Refunding payment to escrow	-	-	-	-
Right-to-use leases	21,605	99	1,858	-
Insurance claims recoveries	547	-	-	-
Transfers in	6,020	12,669	419,235	1,744,105
Transfers out	(2,278,280)	(40,828)	(2,690)	(80)
Total other financing sources (uses)	(2,250,108)	(28,060)	418,403	1,841,932
Net change in fund balances	2,872,155	286,640	477,069	1,404,331
Fund balances, July 1	9,330,915	1,213,941	1,255,220	1,022,930
Fund balances, June 30	$ 12,203,070	$ 1,500,581	$ 1,732,289	$ 2,427,261

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, 2022
(Expressed in Thousands)

State Shared Taxes	Nonmajor Governmental Funds	Total Governmental Funds
$ 591,478	$ 91,312	$ 12,821,428
427,968	99,003	1,266,514
490,058	174,188	7,679,849
16,027	74,342	733,021
262	397,167	1,256,478
-	(51,613)	(130,546)
-	49,170	18,820,965
-	33,674	3,024,470
-	-	199,173
-	4	569,132
1,525,793	867,247	46,240,484
1,525,793	29,453	2,720,149
-	9,376	10,478,293
-	-	21,283,068
-	7,209	2,117,580
-	244,592	1,066,536
-	139,883	263,487
-	-	2,273,259
-	142,518	238,930
-	49,825	50,165
-	2,627	2,627
-	483	447,081
1,525,793	625,966	40,941,175
-	241,281	5,299,309
-	-	83,061
-	215	15,061
-	501,241	501,241
-	(500,827)	(500,827)
-	483	24,045
-	-	547
-	257,147	2,439,176
-	(149,912)	(2,471,790)
-	108,347	90,514
-	349,628	5,389,823
-	944,353	13,767,359
$ -	$ 1,293,981	$ 19,157,182

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, 2022
(Expressed in Thousands)

Net change in fund balances - total governmental funds	$	5,389,823
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 and the value of right-to-use leases is amortized over the term of the leases as amortization expense. This is the amount by which capital outlays exceeded these expenses in the current year.		726,984
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.		388,404
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 reconciliation element also includes the assumption of right-to-use lease liabilities and the fulfillment of such obligations. This amount is the net effect of these differences in treatment of long-term debt and related items.		116,349
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.		595,125
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.		85,605
Changes in net position of governmental activities	$	7,302,290

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, 2022
(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	$ 370,722	$ -	$ 467,303	$ 838,025	$ 1,107,780
Cash on deposit with fiscal agent	-	1,246,070	-	1,246,070	-
Receivables:					
Accounts receivable	-	135,380	5,406	140,786	8,646
Loans receivable	40,874	-	17,993	58,867	-
Due from other funds	-	42	-	42	1,090
Due from component units	-	-	-	-	21
Inventories, at cost	-	-	-	-	3,872
Prepayments	-	-	-	-	233
Total current assets	411,596	1,381,492	490,702	2,283,790	1,121,642
Noncurrent assets:					
Loans receivable	801,411	-	159,577	960,988	-
Due from other funds	-	-	-	-	314
Right-to-use lease receivable	-	-	-	-	5,803
Restricted net pension assets	-	-	-	-	31,370
Capital assets:					
Land, at cost	-	-	-	-	61,833
Structures and improvements, at cost	-	-	-	-	888,505
Machinery and equipment, at cost	-	-	-	-	408,852
Right-to-use leases	-	-	-	-	296,533
Less: Accumulated depreciation and amortization	-	-	-	-	(656,191)
Construction in progress	-	-	-	-	5,863
Total noncurrent assets	801,411	-	159,577	960,988	1,042,882
Total assets	1,213,007	1,381,492	650,279	3,244,778	2,164,524
DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-	78,481
LIABILITIES					
Current liabilities:					
Accounts payable and accruals	9	57,857	70,381	128,247	125,647
Due to other funds	33	202	-	235	43
Due to component units	-	-	-	-	689
Lease obligations payable	-	-	-	-	30,721
Bond payable	-	-	-	-	16,266
Unearned revenue	-	12,905	180	13,085	42,052
Others	-	-	-	-	80,259
Total current liabilities	42	70,964	70,561	141,567	295,677
Noncurrent liabilities:					
Lease obligations payable	-	-	-	-	237,256
Commercial paper payable	-	-	-	-	7,121
Bonds payable	-	-	-	-	159,319
Others	3,915	-	3,335	7,250	119,130
Total noncurrent liabilities	3,915	-	3,335	7,250	522,826
Total liabilities	3,957	70,964	73,896	148,817	818,503
DEFERRED INFLOWS OF RESOURCES	-	-	-	-	124,232
NET POSITION					
Net investment in capital assets	-	-	-	-	554,246
Restricted for:					
Capital projects	-	-	-	-	3,907
Pensions	-	-	-	-	31,370
Unrestricted	1,209,050	1,310,528	576,383	3,095,961	710,747
Total net position	$ 1,209,050	$ 1,310,528	$ 576,383	$ 3,095,961	$ 1,300,270

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, 2022
(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	$ 9,964	$ -	$ 2,219	$ 12,183	$ 696,426
Investment income	797	-	269	1,066	-
Premiums	-	250,213	772,876	1,023,089	857,726
Total operating revenues	10,761	250,213	775,364	1,036,338	1,554,152
Operating expenses					
Personal services	-	-	-	-	187,621
Contractual services	1,115	-	37,586	38,701	331,503
Materials and supplies	-	-	-	-	75,365
Rentals and insurance	-	-	-	-	37,415
Depreciation and amortization	-	-	-	-	80,761
Benefits	-	434,261	721,050	1,155,311	806,611
Other	-	-	5,563	5,563	6,036
Total operating expenses	1,115	434,261	764,199	1,199,575	1,525,312
Operating income (loss)	9,646	(184,048)	11,165	(163,237)	28,840
Nonoperating revenues (expenses)					
Grants	19,186	237,281	10,929	267,396	-
Insurance claims recoveries	-	-	-	-	1,390
Gain on sales of capital assets	-	-	-	-	32,370
Interest income	-	18,386	584	18,970	2,032
Interest expense	-	-	-	-	(6,948)
Other	(1,115)	(4,251)	(210)	(5,576)	-
Total nonoperating revenues (expenses)	18,071	251,416	11,303	280,790	28,844
Income (loss) before contributions and transfers	27,717	67,368	22,468	117,553	57,684
Capital contributions	-	-	-	-	694
Transfers in	3,443	-	2,434	5,877	27,227
Transfers out	-	-	(600)	(600)	-
Change in net position	31,160	67,368	24,302	122,830	85,605
Net position, July 1, restated	1,177,890	1,243,160	552,081	2,973,131	1,214,665
Net position, June 30	$ 1,209,050	$ 1,310,528	$ 576,383	$ 3,095,961	$ 1,300,270

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, 2022
(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	$ -	$ 251,609	$ 783,378	$ 1,034,987	$ 457,829
Receipts from interfund services provided	-	546	-	546	1,134,523
Payments to suppliers	-	-	(770,556)	(770,556)	(1,235,637)
Payments to employees	-	-	(1)	(1)	(223,078)
Payments for unemployment benefits	-	(310,398)	-	(310,398)	-
Payments for interfund services used	(1,112)	-	(1,448)	(2,560)	(82,345)
Net cash provided by (used for) operating activities	(1,112)	(58,243)	11,373	(47,982)	51,292
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating grants received	19,186	157,725	10,929	187,840	-
Reimbursements	-	(4,251)	-	(4,251)	-
Negative cash balance implicitly financed	-	(6,819)	-	(6,819)	-
Transfers in	3,443	-	2,434	5,877	27,227
Transfers out	-	-	(600)	(600)	-
Net cash provided by (used for) noncapital financing activities	22,629	146,655	12,763	182,047	27,227
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of capital assets	-	-	-	-	(38,584)
Bond and commercial paper proceeds	-	-	-	-	57,473
Proceeds from sale of capital assets	-	-	-	-	37,805
Proceeds from lease receivables	-	-	-	-	476
Insurance claims recoveries	-	-	-	-	1,390
Principal payments	-	-	-	-	(98,773)
Interest paid	-	-	-	-	(10,883)
Net cash provided by (used for) capital and related financing activities	-	-	-	-	(51,096)
CASH FLOWS FROM INVESTING ACTIVITIES					
Loans issued and other disbursements to borrowers	(117,711)	-	(25,238)	(142,949)	-
Collection of loan principal	59,530	-	22,037	81,567	-
Interest received	10,769	18,386	2,685	31,840	2,032
Net cash provided by (used for) investing activities	(47,412)	18,386	(516)	(29,542)	2,032
Net increase (decrease) in cash and cash equivalents	(25,895)	106,798	23,620	104,523	29,455
Cash and cash equivalents, July 1	396,617	1,139,272	443,683	1,979,572	1,078,325
Cash and cash equivalents, June 30	$ 370,722	$ 1,246,070	$ 467,303	$ 2,084,095	$ 1,107,780

(continued on next page)

STATE OF TENNESSEE
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2022
(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)	$ 9,646	$ (184,048)	$ 11,165	$ (163,237)	$ 28,840
Adjustment to reconcile operating income (loss) to net cash from operating activities:					
Depreciation and amortization	-	-	-	-	80,242
Loss on disposal of capital assets	-	-	-	-	(1,067)
Bond issuance costs	-	-	-	-	57
Interest income	(9,964)	-	(1,892)	(11,856)	-
Investment income	(797)	-	(269)	(1,066)	-
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:					
(Increase) decrease in receivables	-	205,153	(2,842)	202,311	(2,166)
(Increase) decrease in due from other funds	-	24	-	24	(650)
(Increase) decrease in due from component units	-	-	-	-	42
(Increase) decrease in inventories	-	-	-	-	(820)
(Increases) decreases in assets held for sale	-	-	-	-	-
(Increase) decrease in prepaids	-	-	-	-	189
(Increase) decrease in net pension assets	-	-	-	-	(29,895)
(Increase) decrease in deferred outflows of resources	-	-	-	-	(32,074)
Increase (decrease) in accounts payable	-	(73,076)	5,230	(67,846)	(96,270)
Increase (decrease) in due to other funds	3	-	-	3	(30)
Increase (decrease) in due to component units	-	-	-	-	382
Increase (decrease) in deferred inflows of resources	-	-	-	-	104,673
Increase (decrease) in unearned revenue	-	(6,296)	(19)	(6,315)	(161)
Total adjustments	(10,758)	125,805	208	115,255	22,452
Net cash provided by (used for) operating activities	$ (1,112)	$ (58,243)	$ 11,373	$ (47,982)	$ 51,292
Schedule of noncash investing, capital, and financing activities					
Contributions of capital assets	$ -	$ -	$ -	$ -	$ 694
Capital assets disposed of by transfer	-	-	-	-	(232)
Right-to-use assets acquired through lease	-	-	-	-	292,694
Amortization of bond premium	-	-	-	-	3,238
Amortization of bond discount	-	-	-	-	(223)
Refunding bond premium	-	-	-	-	1,230
Refunding bond proceeds	-	-	-	-	80,930
Total noncash capital and related financing activities	$ -	$ -	$ -	$ -	$ 378,331

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

This Page Intentionally Left Blank

FIDUCIARY FUNDS FINANCIAL STATEMENTS

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

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

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

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

STATE OF TENNESSEE
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2022
(Expressed in Thousands)

	Pension and Other Employee Benefit Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds	Custodial Funds: Custodial Funds	Custodial Funds: External Investment Pools
ASSETS					
Cash and cash equivalents	$ 115,693	$ -	$ 23,180	$ 563,300	$ 1,588,455
Cash collateral on loaned securities	3,304,996	-	-	-	-
Receivables:					
Account	2	-	-	341	-
Employer contributions	80,858	-	-	-	-
Member contributions	38,001	-	-	-	-
Taxes	-	-	-	428,609	-
Interest and dividends	14	-	-	-	17
Investments sold	-	4,216	-	-	-
Loans receivable	34,362	-	-	-	-
Other	936	-	-	753	-
Due from other funds	-	-	-	3	-
Investments, at fair value:					
Government bonds	-	-	-	-	11,584
Mutual funds	10,324,001	-	265,534	-	-
Private equities	-	3,485	-	-	-
TRGT pooled funds	61,770,071	312,501	-	-	-
Other	8,698	-	-	-	-
Investments, at amortized cost:					
Short-term investments	-	-	-	-	2,421,281
Capital assets, at cost:					
Machinery and equipment	37,139	-	-	-	-
Less - accumulated depreciation	(31,344)	-	-	-	-
Total assets	75,683,427	320,202	288,714	993,006	4,021,337
LIABILITIES					
Accounts payable and accruals	36,963	-	5	5,713	-
Securities lending collateral	3,304,996	-	-	-	-
Due to other governments	-	-	-	922,568	-
Total liabilities	3,341,959	-	5	928,281	-
NET POSITION					
Restricted for					
Pensions	70,428,995	-	-	-	-
Employee salary deferrals	1,466,234	-	-	-	-
Other postemployment benefits	444,891	-	-	-	-
Employees' flexible benefits	1,348	-	-	-	-
Individuals, organizations and other goverrnments	-	-	288,709	64,725	-
Amounts held in trust for					
Pool participants	-	320,202	-	-	4,021,337
Total net position	$ 72,341,468	$ 320,202	$ 288,709	64,725	4,021,337

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, 2022
(Expressed in Thousands)

	Pension and Other Employee Benefit Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds	Custodial Funds: Custodial Funds	Custodial Funds: External Investment Pools
ADDITIONS					
Contributions:					
Members	$ 754,953	$ -	$ -	$ 92,137	$ -
Employers	1,805,398	-	-	-	-
Federal	-	-	155	-	-
Private	-	-	53,772	-	-
Transfers in from other plans	52,690	-	-	-	-
Other	1,626	-	269	-	-
Total contributions	2,614,667	-	54,196	92,137	-
Investment income:					
Net increase/(decrease) in fair value of investments	(4,373,618)	239	(48,487)	-	(462)
Interest and dividends	402,819	(13,323)	3	136	10,159
Securities lending income	23,654	-	-	-	-
Total investment income (loss)	(3,947,145)	(13,084)	(48,484)	136	9,697
Less: Investment expenses	(68,115)	(326)	-	-	(1,220)
Securities lending expense	(5,996)	-	-	-	-
Net investment income (loss)	(4,021,256)	(13,410)	(48,484)	136	8,477
Capital share transactions:					
Shares sold	-	44,759	-	-	7,830,066
Less: Shares Redeemed	-	(10,813)	-	-	(7,868,321)
Net capital share transactions	-	33,946	-	-	(38,255)
Tax and fee collections for other governments	-	-	-	4,473,116	-
Member resources	-	-	-	726,754	-
Total additions	(1,406,589)	20,536	5,712	5,292,143	(29,778)
DEDUCTIONS					
Benefit payments	3,701,769	-	-	-	-
Medical payments	68,887	-	-	94,535	-
Deceased member benefit payments	31,548	-	-	-	-
Payments made under trust agreements	5,399	-	20,236	-	-
Member/claimant distributions	55,349	-	101	717,899	-
Payments of taxes and fees to other governments	-	-	-	4,473,116	-
Administrative expenses	42,944	62	586	10,772	6
Total deductions	3,905,896	62	20,923	5,296,322	6
Change in net position	(5,312,485)	20,474	(15,211)	(4,179)	(29,784)
Net position, July 1	77,653,953	299,728	303,920	68,904	4,051,121
Net position, June 30	$ 72,341,468	$ 320,202	$ 288,709	$ 64,725	$ 4,021,337

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

This Page Intentionally Left Blank

Index

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 1

Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

Blended Component Units

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

Discretely Presented Component Units

1. **Tennessee Student Assistance Corporation (TSAC)** (Governmental Fund Type) is responsible for administering federal and state student financial assistance programs. The majority of the board is either appointed by the governor or are state officials. TSAC's budget is approved by the state.

2. **Tennessee Community Services Agency (TCSA)** (Governmental Fund Type) provides coordination of funds and programs for the care of the citizens of the state. The board of the agency is appointed by the governor and the plan of operation and budget must be approved by the state.

3. **Tennessee Housing Development Agency (THDA)** (Proprietary Fund Type) is responsible for making loans and mortgages to qualified sponsors, builders, developers and purchasers of low and moderate income family dwellings. The board of the agency consists of state officials, appointees of the governor, and appointees of the Speakers of the House and Senate. The agency budget is approved by the state.

4. **Tennessee Education Lottery Corporation (TELC)** (Proprietary Fund Type) is responsible for the operation of a state lottery with net proceeds to be given to the state to be used for education programs and purposes in accordance with the Constitution of Tennessee. The corporation is governed by a board of directors composed of seven directors appointed by the governor.

5. **State University and Community College System** (Proprietary Fund Type) includes six state universities, thirteen community colleges and twenty-seven colleges of applied technology. Each of the universities is governed by an independent board appointed by the governor. The board of the community colleges and technical colleges is comprised of state officials and appointees by the governor. The state provides substantial funding to these entities.

6. **University of Tennessee Board of Trustees (UT)** (Proprietary Fund Type) is responsible for the operation of the University of Tennessee, located primarily on five 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 Rep. John Lewis Parkway N. Nashville, TN 37243
Tennessee Veterans' Homes Board 345 Compton Road Murfreesboro, TN 37130	**Tennessee State School Bond Authority** Cordell Hull Building 425 Rep. John Lewis Parkway N. Nashville, TN 37243
University of Tennessee Office of the Treasurer 301 Andy Holt Tower Knoxville, TN 37996-0100	**State University and Community College System** 1 Bridgestone Park Nashville, TN 37214
Tennessee Education Lottery Corporation One Century Place 23 Century Boulevard, Suite 200 Nashville, TN 37214	All others may be obtained at the following: **Finance & Administration, Division of Accounts** 21st Floor William R. Snodgrass Tennessee Tower 312 Rosa L. Parks Avenue Nashville, TN 37243

Fiduciary Component Units

The Tennessee Consolidated Retirement System (TCRS) (pension plans) – TCRS administers pension funds for various public employee retirement systems and plans of the State and its political subdivisions. TCRS is an independent state agency subject to legislative and executive department budgetary examination and comment. The Tennessee Consolidated Retirement System Board, a twenty-member board, is established by statute to administer the systems and plans, and to serve as investment trustees of the funds. The board consists of eighteen voting members and two non-voting members. Of the eighteen voting members, seven are ex-officio members from the state's various agencies, four are selected by the Speaker of the Senate and the Speaker of the House of Representatives, and two are appointed by the Governor. Because of the State's trustee responsibilities for these systems and plans, Generally Accepted Accounting Principles (GAAP) requires them to be reported as pension trust funds of the primary government rather than discrete component units.

The Deferred Compensation Plans – The Tennessee Department of Treasury sponsors and, through third-party service providers, administers the State of Tennessee 401(k) Plan, the Optional Retirement Program (ORP) for Higher Education, and the 3121 plans, which are collectively reported as the Defined Contribution Pension Plan Fund, and the Internal Revenue Code Section 457(b) Plan, which is reported as the Deferred Compensation Plan Fund. These plans are administered through trusts to be considered separate legal entities. The Commissioner of Finance and Administration, the Chair of the Finance, Ways, and Means of the Senate, the Chair of the Finance, Ways, and Means Committee of the House of Representatives, and the chair of the consolidated retirement system board shall serve as trustees of these plans. Because of the State's trustee responsibilities for these plans, the Defined Contribution Pension Plan Fund and the Deferred Compensation Plan Fund are reported as pension and other employee benefit trust funds of the primary government rather than discretely presented component units.

Other 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.

B. Related Organizations

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

C. Jointly Governed Organizations

1. **The Southern Regional Education Compact** has 16 member states. Tennessee paid $208,508 for 2022 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 2022 membership dues.

3. **The Interstate Mining Compact** has 24 member states. Tennessee paid $19,787 for 2022 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 2022 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 44 member states, plus Puerto Rico and the District of Columbia.

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 2022 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 $25,672 for 2022 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 $12,903 for 2022 membership dues.

10. **The Nurse Licensure Compact** is comprised of 35 states.

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

12. **The Interstate Commission of Emergency Medical Services Personnel Practice** is comprised of 21 states.

13. **The Interstate Medical Licensure Compact** is comprised of 34 states, plus the District of Columbia and Guam.

14. **The Psychology Interjurisdictional Compact** is comprised of 28 states plus the District of Columbia.

15. **The Occupational Therapy Licensure Compact** is comprised of 20 states.

16. **The Audiology and Speech-Language Pathology Interstate Compact** is comprised of 20 states.

17. **The Counseling Compact** is comprised of 11 states.

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		
	2021	2020
Current assets	$ 543	$ 485
Capital assets, less depreciation	264	281
Total assets	807	766
Total liabilities		
Net position	807	766
Total liabilities and net position	$ 807	$ 766
Revenues	$ 394	$ 396
Expenses	353	293
Excess of revenues over expenses	41	103
Beginning net position	766	663
Ending net position	$ 807	$ 766

E. Government-wide and Fund Financial Statements

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

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

The state reports the following major governmental funds:

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

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

- **Highway Fund.** The Highway fund accounts for financial transactions and balances associated with programs of the Department of Transportation. Funding for these programs is accomplished primarily from dedicated highway user taxes and fees and funds received from the various federal transportation agencies.

- **State Shared Taxes Fund.** The state shared taxes fund accounts for state levied tax revenues and certain fees shared with local city and county governments as authorized by various state statutes.

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

The state reports the following major proprietary funds:

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

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

Additionally, the state reports the following fund types:

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

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

  1. **Pension and Other Employee Benefit Trust Funds** – account for activities and balances of the defined benefit pension plans administered by the Tennessee Consolidated Retirement System, the defined contribution pension plans, the deferred compensation plans, the employee flexible benefits plan, higher education 403(b)plan fund, and the State of Tennessee Postemployment Benefit Trust.

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

  3. **Private Purpose Trust Funds** – account for contributions made to 1) *College Savings Plan* – funds created under Section 529 of the Internal Revenue Code and 2) other small similar funds - funds from liquidated assets of domestic insurance companies that are in receivership and funds held in individual accounts under the state's Achieving a Better Life Experience (ABLE) Act program.

  4. **The Custodial Funds** – account for assets the state holds on behalf of others, including local levied taxes held for various local governments, assets in postemployment benefit plans that are not equivalent to a qualified trust held for retirees, fiscal recovery funds received on behalf of local governments, deposits from local governments in cash and investment pools, and other receipts held for others that are not held under trust arrangements.

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

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

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

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

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

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

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

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

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

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

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

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

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

Capital Assets—Capital assets, which include land, buildings and building improvements, machinery and equipment (e.g., furniture and fixtures, vehicles, works of art and historical treasures), infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) and intangibles (e.g., internally generated computer software, patents, trademarks, copyrights, easements, and right-to-use leases), 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, internally generated intangibles, and right-to-use leases, 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. Right-to-use leases are capitalized if the total payments are $15,000 or more and with a maximum possible term of more than 12 months. Capitalized assets, with the exception of right-to-use leases, 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. Right-to-use lease assets are valued at the present value of future lease payments, initial direct costs necessary to place the lease asset into service, and lease payments made before the commencement of the lease term. 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

Leases— The state frequently enters into lease agreements as a lessee or lessor for uses such as office buildings, parking, land, and machinery and equipment. For short-term leases with a maximum possible term of 12 months or less at commencement, the state recognizes periodic inflows or outflows of resources. For lease contracts of more than 12 months in which the state is the lessee, the state recognizes a lease liability and an intangible right-to-use lease asset based on the present value of future lease payments in accordance with the contract. Lease right-to-use assets are reported as capital assets and lease liabilities are reported as long-term liabilities in the statement of net position. The right-to-use lease assets are amortized over the term of the lease as the state does not lease any underlying asset beyond its useful life. In the fund financial statements, governmental fund types recognize an expenditure and other financing source in the period the lease is initially recognized. For subsequent lease payments, the governmental fund types record the outflows as debt service payments. For leases in which the state is the lessor, the state recognizes a lease receivable and a deferred inflow of resources, based on the present value of future lease payments expected to be received. The deferred inflow of resources is amortized over the life of the lease.

Unless the rate is explicitly stated in the lease contract, the state uses its estimated incremental borrowing rates for various maturity durations as the discount rates for leases. These rates are based on the state's general obligation bonds for different maturity durations. Lease amendments that are expected to significantly change the amount of the lease liability or receivable from the previous measurement are remeasured and adjusted accordingly. Payments based on future performance or usage are not included in the measurement of the lease liability or lease receivable but are recognized as outflows or inflows, respectively, of the current period.

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 factor 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 $7.5 million for refunding of debt, $499.8 million for employer contributions made after the measurement date, $10.7 million for differences between expected and actual experience, $472.2 million for changes in actuarial assumptions, and $5.4 million for the changes in proportionate shares, and $430.6 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 investment returns were more than projected, and the third factor is the change in proportionate share of net pension liabilities and assets. In the governmental activities column of the government-wide statement of net position, the state reported $1.6 billion for these three pension related factors mentioned.

The other three items are related to debt refunding, right-to-use lease activities, and the estimate of the state's OPEB liabilities in which the state reported $12.2 million, $6.4 million, and $386.6 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 ($232 million), federal grants ($50.1 million), and other sources ($401 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 or asset, 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, 2022, the state reported $488.6 million of net pension asset, $988.1 million of deferred outflows of resources, $1.6 billion of deferred inflows of resources, and $42.7 million of pension incomes.

Postemployment Benefits Other Than Pension (OPEB)—For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State of Tennessee Postemployment Benefits Trust (OPEB Trust), that services the Employee Group OPEB Plan (EGOP), and additions to/deductions from the OPEB Trust fiduciary net position have been determined on the same basis as they are reported by the OPEB Trust. For this purpose, the OPEB Trust recognizes benefit payments when due and payable in accordance with benefit terms. Investments are reported at fair value. This trust meets the criteria in paragraph 4 of GASB Statement No. 75.

Net Position—Consists of the following three components:

- **Net Investment in Capital Assets** - consists of capital assets (including restricted capital assets), net of accumulated depreciation/amortization, 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 $3.7 billion restricted by the primary government, $947.8 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 $2.4 billion difference are as follows (expressed in thousands):

Bonds payable	$ (1,379,627)
Plus: premium on bonds issued (to be amortized as interest expense)	(140,218)
Net deferred outflows/inflows of resources for bond refundings (to be amortized as interest expense)	(4,266)
Commercial paper payable	(82,442)
Accrued interest payable	(17,324)
Financed purchase	(4,904)
Right-to-use leases	(18,452)
Claims and judgments	(27,554)
Compensated absences	(327,266)
Pollution remediation	(44,410)
Other long-term liabilities and accounts payable	(391,327)
Net adjustment to reduce fund balance—total governmental funds to arrive at net position—governmental activities	$ (2,437,790)

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 is 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 and the value of right-to-use leases is amortized over the term of the lease as amortization expense.

The details of this $727 million difference are as follows (expressed in thousands):

Capital outlay	$ 1,061,231
Depreciation and amortization expense	(334,247)
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	$ 726,984

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." This reconciliation element also includes the assumption of right-to-use lease liabilities and the fulfillment of such obligations. The details of this $116.3 million difference are as follows (expressed in thousands):

Debt issued or incurred:	
Issuance of general obligation refunding bonds	$ (501,241)
Issuance of general obligation bonds	(53,692)
Issuance of commercial paper	(29,369)
Bond premium capitalized	(15,061)
Right-to-use lease obligation committed	(24,045)
Debt reduced:	
General obligation bonds/payments to escrow	500,827
General obligation debt	142,401
Commercial paper redeemed	90,939
Right-to-use lease obligation fulfilled	5,590
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	$ 116,349

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 $595.1 million difference are as follows (expressed in thousands):

Pension	$ 512,041
Compensated absences	(593)
Claims and judgments	9,091
Accrued interest	7,553
Financed purchase	1,774
Other postemployment benefits	48,941
Pollution remediation	562
Loss on disposal of capital assets	(10,732)
Amortization of bond premiums	26,221
Amortization of deferred outflows/inflows of resources	(1,934)
Other costs	2,201
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	$ 595,125

NOTE 3

Accounting Changes

Adoption of New Accounting Standards

During the fiscal year ended, June 30, 2022, the state implemented the following new accounting standards issued by the Governmental Accounting Standards Board (GASB).

- Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financing of the right-to-use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and the lessor is required to recognize a lease receivable and a deferred inflow of resources. The implementation of this standard did have an impact on the financial statements and note disclosures. See below, *Prior Period Adjustments*, for further explanations of the effects of this change on the financial statements.

- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes requirements for the recognition of interest cost incurred before the end of a construction period. The implementation of this standard did not have an impact on the financial statements or note disclosures.

- Statement No. 92, *Omnibus 2020*, improves comparability in accounting and financial reporting by addressing the following: amends the effective date of GASB 87, *Leases*, and Implementation Guide No. 2019-3, reporting of intra-entity transfers between a primary government employer and a defined benefit pension plan or a defined benefit other postemployment benefit plan, government acquisitions, reinsurance recoveries, nonrecurring fair value measurements, derivative instrument terminology, and other issues related to pension and OPEB plans. The implementation of this standard did not have an impact on the financial statements or note disclosures.

- Statement No. 97*, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* -an amendment of GASB Statements No. 14 and No. 84 and a supersession of GASB Statement No, 32, clarifies various criteria when determining when evaluating a potential component unit. The implementation of this standard did not have an impact on the financial statements and note disclosures.

Prior Period Adjustments

Primary Government

- Governmental activities–$632 thousand, net increase in net position, is the effect of a change in accounting principle related to the implementation of GASBS 87, *Leases*. The net increase was a result of the recognition of a $4.815 million lease asset by the highway fund (governmental fund), and a $4.183 million decrease in the facilities revolving fund (internal service fund).

Component Units

- The State University and Community College System (SUCCS) and its foundations recorded a prior-period adjustment for a net decrease to net position of $446 thousand for due to/due from adjustments between the university and its foundations and corrections to fixed assets and student receivables at the various institutions. Of this amount, $9 thousand was related to a cumulative effect of a change in accounting principle.

Change in Accounting Entity

On July 1, 2021, the University of Tennessee merged with Martin Methodist College. The merger created the University of Tennessee's fifth campus. The primary purpose of the merger was to increase access to undergraduate and graduate degrees in middle Tennessee. The merger resulted in a $12.1 million increase to net position.

The following schedule enumerates adjustments for the fiscal year ended June 30, 2022, (expressed in thousands):

	6/30/21 Net Position as Reported	Adjustments to Net Position	6/30/21 Net Position as Restated
Government-wide statements:			
Primary government			
Governmental activities	$ 43,016,925	$ 632	$ 43,017,557
Total primary government	$ 43,016,925	$ 632	$ 43,017,557
Component units			
SUCCS	4,912,450	(446)	4,912,004
UT	4,821,064	12,099	4,833,163
Total component units	$ 9,733,514	$ 11,653	$ 9,745,167

NOTE 4

Deposits and Investments

A. Primary Government

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

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

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

In addition to the funds in the State Pooled Investment Fund, the Tennessee Retiree Group Trust (TRGT), an investment trust fund, was adopted for the purpose of pooling funds solely for investment purposes including those assets of the Tennessee Consolidated Retirement System (TCRS) and other exempt pension and similar trusts. TRGT may also invest its funds in SPIF. The Tennessee Promise Scholarship Endowment Fund, a part of the Education Fund, a special revenue fund; the Chairs of Excellence (COE) Trust, a permanent fund; and the State of Tennessee Postemployment Benefits Trust, an other postemployment benefit trust fund, are authorized by statutes to invest in long-term investments, including bonds, debentures, preferred stock and common stock, real estate and other good and solvent securities subject to the approval of the applicable boards of trustees. The State Funds Investment Portfolios, which include investments selected and managed by the Tennessee Wildlife Resources Agency (TWRA), do not have specific investment policies that restrict their investments.

The K-12 Mental Health Fund (K-12), a permanent fund, is authorized by statute to invest funds as governed by the investment policies and guidelines adopted by the trustees. The current investment policy allows for the K-12 Fund assets to be invested in investment grade fixed income securities as well as non-rated or non-investment grade, fixed income investments as defined in the policy.

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

As of June 30, 2022, 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	K-12 Mental Health Fund	COE	College Savings Plan	Other private purpose trust funds	Employee Group OPEB Trust	Defined Contribution Pension Plan Fund	Deferred Compensation Plan Fund	Higher Education 403(b) Plan Fund	External Retirement Investment Fund	Total
AAA	$ 10,551,222	$ 750,246			$ 65		$ 2,711								$ 11,304,244
AA		227,894			71		2,950								230,915
A		872,156			162	$ 21,690	6,770								900,778
BBB		3,036,029			330	47,264	13,790								3,097,413
BB		494,328			12		489								494,829
B		154,214													154,214
CCC		31,138													31,138
D		243													243
NR	4,076,719	4,476,944	$ 6,270	$ 44,935	557	72,479	23,264								8,701,168
A1 (Commercial paper)	4,913,921														4,913,921
	19,541,862	10,043,192	6,270	44,935	1,197	141,433	49,974								29,828,863
Government agencies and obligations[1]	7,577,635	4,447,076	5,314	65,075	1,715	100,512	71,571								12,268,898
Total debt investments	27,119,497	14,490,268	11,584	110,010	2,912	241,945	121,545								42,097,761
Non Fixed Income Assets															
Equity		23,191,146													23,191,146
Investment in mutual funds		2,812,748			741,897		257,418	$ 241,931	$ 23,603	$ 417,134	$ 8,473,490	$ 623,950	$ 809,427		14,401,598
Self-Directed Brokerage											6,818	1,880			8,698
Preferred stock		49,986													49,986
Real estate		7,423,378													7,423,378
Private equities		8,546,235												$ 3,485	8,549,720
Strategic lending		5,448,158													5,448,158
Certificate of deposit classified as short term	122,040														122,040
Short-term investment fund at custodian		(5,159)													(5,159)
Less: short term	(10,085,637)	(957,045)													(11,042,682)
Total investments	$ 17,155,900	$ 60,999,715	$ 11,584	$ 110,010	$ 744,809	$ 241,945	$ 378,963	$ 241,931	$ 23,603	$ 417,134	$ 8,480,308	$ 625,830	$ 809,427	$ 3,485	$ 90,244,644
Net noninvestment assets		1,192,273													
Pool's net position[2]		$ 62,191,988													

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, 2022, 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. For repurchase or reverse repurchase agreements, a counterparty or its parent, shall have an investment grade credit rating, be a primary dealer as defined by the Federal Reserve Bank or New York, or be of comparable quality.

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 K-12 Mental Health Fund's assets must be invested and managed solely in the interest of beneficiaries of the Trust to obtain the highest available return consistent with the preservation of principal, while maintaining sufficient income to perform the purpose of the Trust. The assets of the Trust may be invested in investment grade fixed income securities that may include instruments issued by the United States, any agency of the United States federal government, United States sponsored corporations or enterprises, or any entity with the express or implied backing of the United States. Further, investments may be made in non-rated or non-investment grade fixed income investment as noted in the policy. Investment in equities in not permitted.

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

The ITIF is authorized by statute to invest funds in the investment instruments specified under statutes for the SPIF in accordance with the policy guidelines for the ITIF as approved by the Funding Board. The current policy of the Funding Board for the ITIF gives the Treasurer approval to invest funds in bonds, notes, and treasury bills of the United States or other obligations guaranteed as to principal and interest by the United States or any of its agencies, obligations guaranteed as to principal and interest by the federal home loan mortgage corporation, federal national mortgage association, student loan marketing association and other United States government-sponsored corporations, prime commercial paper, prime bankers' acceptances, and repurchase agreements for obligations of the United States or its agencies. State Fund Investment Portfolios is authorized to invest in obligations guaranteed by the US government including bonds, notes, and US treasury bills.

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

Concentration of Credit Risk

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

The TRGT is authorized to invest in securities in accordance with the investment policy of the TCRS. The TCRS' investment policy limits the maximum amount of securities in cash equivalents issued by any one issuer to $200 million, excluding those securities with the express or implied backing of the United States government. There are no other specific investment policies that limit the investments of the TCRS, the COE Trust, the College Savings Plan, the Education Fund or other State funds in any one issuer.

As of June 30, 2022, SPIF, K-12 Fund, Intermediate Term Investment Fund, and State Funds Investment Portfolios separately held investments in certain organizations representing five percent (5%) or more of its total investments, excluding those organizations whose issues are explicitly guaranteed by the United States government, and investments in mutual funds, external investment pools, and other pooled investments (expressed in thousands):

State Pooled Investment Fund (SPIF)

Issuer Organization	Carry Value	Percentage
Federal Home Loan Bank	$ 13,247,612	48.85

K-12 Mental Health Fund (K-12)

Issuer Organization	Carry Value	Percentage
Federal National Mortgage Association	$ 39,650	16.39
Federal Home Loan Mortgage Corp	32,830	13.57

Intermediate Term Investment Fund (ITIF)

Issuer Organization	Fair Value	Percentage
Federal Home Loan Bank	$ 6,270	54.13

State Funds Investment Portfolios

Issuer Organization	Fair Value	Percentage
Federal National Mortgage Association	$ 24,883	22.62
Federal Farm Credit Banks	20,051	18.23

Interest Rate Risk

Interest rate risk is the risk that future changes in prevailing market rates of interest will have an adverse effect on the fair value of debt investments. The fair values of securities with long terms to maturity may be highly sensitive to interest rate changes. The SPIF's investment policy with respect to maturity states that the weighted average maturity of the pool shall not exceed sixty (60) days calculated using Maturity Shortening Features for securities with a variable or floating interest rate. The weighted average life of the SPIF cannot exceed one hundred twenty (120) days calculated using Stated Maturity and without using Maturity Shortening Features. No security or investment may be purchased with a remaining maturity of greater than three hundred ninety-seven (397) calendar days. At June 30, 2022, the weighted average maturity of the pool was forty-four (44) days and the weighted average life of the pool was forty-nine (49) 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, 2022, 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	$ 14,627,941	1.39
U.S. Government Treasuries	7,577,635	1.76
Commercial paper	4,913,921	1.68

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, 2022, the Intermediate Term Investment Fund had the following weighted average maturities (expressed in thousands):

Intermediate Term Investment Fund Weighted Average Maturity

Deposit/Investment Type	Fair Value	Weighted Average Maturity (Years)
U.S. Government Agencies	$ 6,270	3.72
Government Bonds	5,314	0.10

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

Tennessee Retiree Group Trust
Debt Investments
June 30, 2022 (expressed in thousands)

Investment Type	Fair Value	Effective Duration (Years)
Debt Investments:		
Government Fixed Income		
Government Agencies	$ 10,433	8.82
Government Bonds	3,734,177	16.16
Government Inflation Indexed	5,668	1.54
Government Mortgage-Backed	3,834,288	5.30
Government Asset-Backed	73,602	5.81
Municipal Bonds	28,290	6.83
Corporate Fixed Income		
Commercial Mortgage Backed	360,587	2.44
Asset Backed Securities	1,195,780	1.09
Corporate Bonds	4,265,988	8.82
Short Term		
Commercial Paper	19,251	0.08
Short Term Bills and Notes	962,204	0.00
Total Debt Investments	$ 14,490,268	

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, 2022 (expressed in thousands)		
Investment Type	Fair Value	Effective Duration (Years)
Debt Investments		
U.S. Government		
U.S. Government Treasuries	$ 31,645	9.60
U.S. TIPS	36,591	6.97
U.S. Agencies	1,683	4.79
Government Mortgage-Backed	21,591	5.49
Government Asset-Backed	2,078	6.17
Municipal Bonds	489	0.25
Corporate Fixed Income		
Corporate Mortgage-Backed	948	2.04
Corporate Bonds	21,902	4.86
Corporate Asset-Backed	4,618	0.23
Total Debt Investments	$121,545	

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, 2022 (expressed in thousands)		
Investment Type	Fair Value	Effective Duration (Years)
Debt Investments		
U.S. Government		
U.S. Government Treasuries	$ 758	9.60
U.S. TIPS	877	6.97
U.S. Agencies	40	4.79
Government Mortgage-Backed	517	5.49
Government Asset-Backed	50	6.17
Municipal Bonds	12	0.25
Corporate Fixed Income		
Corporate Mortgage-Backed	23	2.04
Corporate Bonds	525	4.86
Corporate Asset-Backed	110	0.23
Total Debt Investments	$ 2,912	

The State Funds Investment Portfolio and the K-12 Fund have no investment policy limiting their investment choice based on maturity of the assets.

K-12 Mental Health Fund Debt Investments June 30, 2022 (expressed in thousands)		
Investment Type	Fair Value	Effective Duration (Years)
U.S. Government Treasuries	$ 100,512	12.79
Government Mortgage-Backed	72,479	7.34
Corporate Bonds	68,954	11.46

State Funds Investment Portfolio Debt Investments June 30, 2022 (expressed in thousands)		
Investment Type	Fair Value	Effective Duration (Years)
U.S. Government Treasuries	$ 56,737	6.99
Government Mortgage-Backed	53,273	25.41

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, 2022, was as follows (expressed in thousands):

Currency	Total Fair Value	Equity	Cash
Australian Dollar	$ 369,320	$ 369,305	$ 15
British Pound Sterling	1,236,812	1,197,533	39,279
Canadian Dollar	1,278,447	1,276,811	1,636
Danish Krone	282,130	282,129	1
Euro Currency	2,922,494	2,920,215	2,279
Hong Kong Dollar	191,297	191,297	0
Japanese Yen	1,191,994	1,184,530	7,464
New Israeli Shekel	9,922	9,901	21
New Zealand Dollar	4,782	4,782	0
Norwegian Krone	50,665	50,595	70
Singapore Dollar	102,209	102,184	25
Swedish Krona	197,570	197,415	155
Swiss Franc	547,945	547,941	4
Total	$ 8,385,587	$ 8,334,638	$ 50,949

Derivative Instruments
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, 2022, 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 derivative instruments 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, 2022, 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, 2022		
	Financial Statement Classification	Amount	Financial Statement Classification	Amount	Notional Amount
Future Contracts	Investment Income (loss)	$ (30,832)	Derivative Instruments Receivable	$ 7,275	$ 2,566,785
TBA Mortgage-Backed Securities	Investment Income (loss)	$ (877)	Derivative Instruments Payble	$ (877)	$ 133,449

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, 2022, the TRGT had uninsured and uncollateralized cash deposits of $50.9 million in foreign currency held by our master custodian, State Street, in State Street's name. These deposits were used for investments pending settlement.

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 fair 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 fair value equal to at least one hundred two percent (102%) of the fair 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 fair value of the loaned securities and may be invested by or on behalf of the TRGT in any instrument the TRGT may be directly invested.

The TRGT securities lending program is managed by a third party lending agent, Deutsche Bank AG. The TRGT may loan any debt or equity securities which is owned by TRGT. TRGT's securities lending agent manages the average maturities of securities on loan against the average maturities of securities on collateral invested. The maturity gap has a limit of 33 days. This is monitored by investment staff on a periodic basis to ensure compliance. At June 30, 2022 the TRGT had the following securities on loan and received the cash collateral (expressed in thousands) as shown below:

Securities on Loan	Fair Value of Securities on Loan	Cash Collateral Received
Fixed	$ 1,548,966	$ 1,581,115
Equity	1,718,182	1,753,843
Total	$ 3,267,148	$ 3,334,958

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, 2022, the University's investments were rated as follows (expressed in thousands):

Rated Debt Instruments	Fair Value	Credit Quality Rating: US Treasury[1]/ Agency	P-1*	Aaa	Aa1
U.S. Treasuries	$ 193	$ 193			
U.S. Treasuries (in pool)	459,335	459,335			
U.S. Agencies	17				$ 17
U.S. Agencies (in pool)	795,929	29,083		$14,752	471,678
Commercial Paper (in pool)	251,075		$251,075		
Corporate Bonds	158				
Mutual Funds – Bonds	119,974				
Total	$ 1,626,681	$ 488,611	$ 251,075	$ 14,752	$ 471,695

(Continued) Rated Debt Instruments	Credit Quality Rating: Aa2	Aa3	A1	A2	Baa1
U.S. Treasuries					
U.S. Treasuries (in pool)					
U.S. Agencies					
U.S. Agencies (in pool)					
Commercial Paper (in pool)					
Corporate Bonds					$ 25
Mutual Funds – Bonds	$ 55,440	$ 480	$ 59,946	$ 1,218	855
Total	$ 55,440	$ 480	$ 59,946	$ 1,218	$ 880

(Continued) Rated Debt Instruments	Credit Quality Rating: Baa2	Baa3	Ba2	B2	Unrated
U.S. Treasuries					
U.S. Treasuries (in pool)					
U.S. Agencies					
U.S. Agencies (in pool)					$280,416
Commercial Paper (in pool)					
Corporate Bonds	$ 74	$ 59			
Mutual Funds – Bonds	49		$ 1,040	$ 946	
Total	$ 123	$ 59	$ 1,040	$ 946	$ 280,416

*Short-term ratings from Moody's

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

Interest Rate Risk

The University does not have a formal policy that addresses interest rate risk. As of June 30, 2022, the University had the following debt investments and maturities (expressed in thousands):

Investment Type	Fair Value	Investment Maturities (in years) Less Than 1	1 to 5	6 to 10	More Than 10
U.S. Treasuries	$ 193				$ 193
U.S. Treasuries (in pool)	459,335		$ 384,948	$ 74,387	
U.S. Agencies	17			17	
U.S. Agencies (in pool)	795,929	$ 211,686	396,869	164,034	23,340
Commercial Paper (in pool)	251,075	251,075			
Corporate Bonds	158		25		133
Bond Mutual Funds	119,974		60,817	57,240	1,917
	$ 1,626,681	$ 462,761	$ 842,659	$ 295,678	$ 25,583

University foundations' investments in the amount of $306.336 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 $2.216 million invested in foreign corporate equities at June 30, 2022.

Alternative Investments

In its Consolidated Investment Pool, as part of its endowment assets, the University has investments in one hundred nineteen limited partnerships, limited companies, corporations, and limited liability corporations. At June 30, 2022, the estimated fair value of these assets is $638.771 million. These investments are not readily marketable, therefore, the estimated fair value is subject to uncertainty and may differ from the value that would have been used had a ready market existed; such differences could be material. The University's investment policy permits investment in various asset classes, such as these alternative investments, to ensure portfolio diversity. The fair values were estimated by the general partner of each limited partnership or manager of each corporate entity using various valuation techniques.

2. State University and Community College System

Credit Risk

The System is authorized by statute to invest funds in accordance with the State University and Community College System's investment policies. Under the current policy, funds other than endowments may be invested only in obligations of the United States or its agencies which are backed by the full faith and credit of the United States, repurchase agreements for United States securities, certificates of deposit in banks and savings and loan associations, banker's acceptances, commercial paper, money market mutual funds and the State of Tennessee Local Government Investment Pool. The policy requires that investments of endowments in equity securities be limited to funds from private gifts or other sources external to the System and that endowment investments be prudently diversified. The System has no formal investment policy that limits its investment choices based on ratings issued by rating agencies. As of June 30, 2022, debt investments of the System and its foundations (that utilize governmental accounting standards) were rated by Standard and Poor's as follows (expressed in thousands):

Rated Debt Instruments	Fair Value	U.S. Treasury[1]/ Agency	Credit Quality Rating AAA	AA	A	BBB	BB	B	CCC	CC	Not Rated
U.S. Treasuries	$ 130,029	$ 130,029									
U.S. Agencies	147,839	25		$ 147,814							
Corporate Bonds	19,120		$ 499	628	$ 11,708	$ 6,016	$ 199				$ 70
Mutual Funds—Bonds	69,698		4,938	429	1,906	1,191	8,344	$ 1,057	$ 2	$ 4	51,827
Other	-										
Total Debt Instruments	$ 366,686	$ 130,054	$ 5,437	$ 148,871	$ 13,614	$ 7,207	$ 8,543	$ 1,057	$ 2	$ 4	$51,897

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, 2022, 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	$130,029	$ 830	$126,805	$ 2,394		
U.S. Agencies	147,839	23,346	114,981	6,231	$ 3,281	
Corporate Bonds	19,120	1,610	7,079	9,289	1,142	
Mutual Funds—Bonds	69,698	203	7,277	9,750	273	$ 52,195
Total Debt Investments	$366,686	$ 25,989	$256,142	$27,664	$ 4,696	$ 52,195

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 $383.163 million.

3. Tennessee Housing Development Agency (THDA)

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

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

Credit Risk

The Agency's investments as of June 30, 2022, 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	AA	Not Rated[2]
U.S. Agency Coupon	$ 158,136		$ 158,136	
U.S. Treasury Coupon	5,731	$ 5,731		
U.S. Agency Discount	339,137			$ 339,137
Total Debt Instruments	$ 503,004	$ 5,731	$ 158,136	$ 339,137

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, 2022, 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	$ 439,480	87.37
Federal Home Loan Mortgage Corporation	27,333	5.43
Federal National Mortgage Association	30,459	6.06

Interest Rate Risk
As of June 30, 2022, the Agency had the following debt investments and effective duration (expressed in thousands):

Investment Type	Fair Value	Effective Duration (Years)
U.S. Agency Coupon	$ 158,136	0.673
U.S. Treasury Coupon	5,731	1.065
U.S. Agency Discount	339,137	0.115
Total	$ 503,004	

NOTE 5

Fair Value Measurements

A. Primary Government

The fair value of assets held at June 30, 2022, 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	US Government Agencies		$ 10,433			$ 10,433
Group Trust	US Government Treasuries	$ 3,650,862	83,315			3,734,177
	US Government Inflation Indexed	5,668				5,668
	Government Mortgage Backed		3,816,881	$ 17,407		3,834,288
	Government Asset Backed		58,036	15,566		73,602
	Municipal Bonds		21,654	6,636		28,290
	Commercial Mortgage Backed		212,171	148,416		360,587
	Commercial Paper		19,251			19,251
	Corporate Asset Backed Securities		257,938	937,842		1,195,780
	Corporate Bonds		4,245,812	20,176		4,265,988
	Corporate Equities	25,978,100		25,794		26,003,894
	Preferred Stocks	27,485	$22,489	12		49,986
	Limited Partnership Units			1,249,015	$ 12,745,378	13,994,393
	Real Estate			3,938,128	3,485,250	7,423,378
Education Fund	Mutual Funds	741,897				741,897
	Corporate Asset Backed		37	73		110
	Corporate Bonds		525			525
	Corporate Mortgage Backed		23			23
	Government Asset Backed		32	18		50
	Government Mortgage Backed		517			517
	Municipal Bonds		12			12
	US Government Agencies		40			40
	US Government Inflation Indexed	877				877
	US Government Treasuries	758				758
Chairs of Excellence	Exchange Traded Equity Funds	257,418				257,418
	Corporate Asset Backed		1,550	3,068		4,618
	Corporate Bonds		21,902			21,902
	Corporate Mortgage Backed		948			948
	Government Asset Backed		1,345	733		2,078
	Government Mortgage Backed		21,591			21,591
	Municipal Bonds		489			489
	US Government Agencies		1,683			1,683
	US Government Inflation Indexed	36,591				36,591
	US Government Treasuries	31,645				31,645
Employee Group OPEB Trust	Mutual Funds	417,134				417,134
College Savings Plans	Mutual Funds	241,931				241,931
Other private purpose trust fund	Mutual Funds	23,603				23,603
Intermediate Term	US Government Treasuries	5,314				5,314
Investment Fund	Agency Securities		6,270			6,270
Defined Contribution Pension Plan Fund	Mutual Funds	8,480,308				8,480,308
Deferred Compensation Plan Fund	Mutual Funds	625,830				625,830
Higher Education 403(b) Plan Fund	Mutual Funds	809,427				809,427
State Fund Investment	US Government Treasuries	56,737				56,737
Portfolios	Government Mortgage Backed		53,273			53,273
K-12 Mental Health	US Government Treasuries	100,512				100,512
Fund	Government Mortgage Backed		72,479			72,479
	Corporate Bonds		68,954			68,954
External Retirement Investment Fund	Limited Partnership Units				3,485	3,485
Total Investments		$ 41,492,097	$ 8,999,650	$ 6,362,884	$ 16,234,113	$ 73,088,744

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

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

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

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

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

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

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

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

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

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

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

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

Investments measured at NAV	Strategy	Number of Funds	NAV	Remaining Life	Redemption Terms	Redemption Restrictions
Limited Partnership	Traditional private equity and strategic lending	128	$ 12,745,378	Various	N/A	Various transfer and sale restrictions
Real Estate Limited Partnerships	Real Estate Commingled Investments	41	3,485,250	N/A	N/A	Various transfer and sale restrictions
Limited Partnerships	Traditional Private Equity	5	3,485	Various	N/A	Various transfer and sale restrictions

Traditional Private Equity and Strategic Lending: The private equity asset class is categorized into two component portfolios: traditional and strategic lending. Generally speaking, the types of private equity strategies include: venture capital, buyout, natural resource, secondaries, special situations, tactical, structured credit, and high yield debt. The majority of these investments have an approximate life of 10 years or greater and are considered illiquid. During the life of the partnerships, distributions are received as underlying partnership investments are realized. Transfer or sales of the partnership interest are restricted over the life of the partnership. The TRGT has no plans to liquidate any of these investments. In addition, the state holds limited partnership units for the External Retirement Investment Fund. These assets are held until maturity at which time the proceeds are invested into TRGT.

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

B. Component Units

University of Tennessee

The university categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The university has the following recurring fair value measurements as of June 30, 2022 (expressed in thousands):

		Fair Value Measurements Using		
Investments and other assets by fair value level	6/30/2022	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	$ 472,818	$ 13,483	$ 459,335	
U.S. Agencies	795,946		795,946	
Corporate bonds	158		158	
Corporate commercial paper	251,075			$ 251,075
Total debt securities	1,519,997	13,483	1,255,439	251,075
Corporate stock				
Domestic	27,380	27,380		
International	2,216	2,216		
Total equity securities	29,596	29,596		
Pooled investment vehicles (ETFs; Open-end funds with published and non-published values)				
Equity	153,787	153,787		
Bonds	60,028	59,548	480	
Real Estate	10,017	10,017		
Total pooled investment vehicles	223,832	223,352	480	0
Real estate gifts	1,767			1,767
Assets held by others	7,372			7,372
Other assets	20,544		20,544	
Private capital investments				
Private equities	246,885			246,885
Private credit/debit	42,403			42,403
Private real assets	155,785			155,785
Private, other	4,666			4,666
Total private capital investments	449,739			449,739
Investments measured at the Net Asset Value (NAV)				
Pooled investment vehicles (other open-end funds)	472,644			
Limited partnerships	111,412			
Hedge funds, long/short equity	89,850			
Hedge funds, credit	12,813			
Hedge funds, diversified	86,369			
Total investments measured at NAV	773,088			
Total investments and cash equivalents	$ 3,025,935			

Debt securities – The fair value of the majority of the debt securities category at June 30, 2022, was determined based on Level 1, Level 2 and Level 3 inputs. The fair value of U.S. Treasury and Agency securities, as well as corporate bonds was based on Level 1 and Level 2 inputs. Commercial paper holdings were valued using Level 3 inputs. The university utilizes third-party pricing services and guidance provided by custodians and trading counterparties for fair value estimates of these investments. In addition, it takes into account the nature of the securities, trading activity, and availability of comparable securities in the marketplace.

Corporate stock–This category is comprised of common stock and preferred stock, the majority of which are based on Level 1 inputs. This includes both domestic and international holdings.

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

Real estate gifts-Level 3 inputs were utilized for the fair value calculations of this investment category. It contains direct real estate holdings of $1.767 million, the valuation of which is determined by periodic appraisals.

Assets held by others-This category consists of separately invested portfolios of $7.372 million. These are managed externally for the benefit of the university, and pricing is provided by third parties.

Private capital investments–The fair value of the private capital category at June 30, 2022, 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 $251.297 million of unfunded commitments at June 30, 2022.

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, derivative instruments, 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	$472,644		daily, quarterly	1 day- 45 days
Hedge funds, long/short equity	89,850		quarterly, annually	5 days- 90 days
Hedge funds, credit	12,813		annually	90 days
Hedge funds, diversified*	86,369		quarterly, semi-annually	60 days- 90 days
Limited partnerships	111,412	15,500	none, monthly, quarterly	30 days- 90 days

*At fiscal year-end, $12,747,607.96 of NAV investments were still within the initial lock-up period. Both investments' lock-up will terminate within the upcoming fiscal year.

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, 2022 (expressed in thousands):

		Fair Value Measurements Using		
Investments by fair value level	6/30/2022	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	$ 130,029	$ 130,029		
U.S. Agencies	147,839	61,457	$ 86,382	
Corporate bonds	19,120	10,563	8,557	
Mutual bond funds	18,996	18,678	318	
Other	779	264	515	
Total debt securities	316,763	220,991	95,772	
Equity securities				
Corporate stock	529	529		
Mutual equity funds	94,425	94,418	7	
Real estate	4,600			$ 4,600
Equity REITs	2,378	2,378		
Private Equities	1,054	1,054		
Other	4,617	4,428		189
Total equity securities	107,603	102,807	7	4,789
Investments measured at the Net Asset Value (NAV)				
Mutual bond funds	50,702			
Mutual equity funds	116,836			
Equity REITs	69			
Private equities	9,767			
Hedge funds	12,593			
Natural resources	2,425			
Other	7,625			
Total investments measured at NAV	200,017			
FASB foundations' investments at fair value	336,158	252,508	32,487	51,163
FASB foundations' investments at NAV	47,005			
Total FASB foundations' investments	383,163			
Total investments and cash equivalents	$ 1,007,546			

Assets classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Assets classified in Level 2 of the fair value hierarchy are valued at amounts provided by statements from investment companies and use of a third-party investment manager (US agencies), use of a third-party investment manager (US Treasuries), price quotes for identical or similar assets in non-active markets (corporate bonds), use of third-party pricing services and guidance provided by custodians and trading counterparties for fair value estimates (mutual bond funds and mutual equity funds). Assets classified in Level 3 are valued based on modeling techniques that are unobservable to the system.

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

Investments measured at NAV	NAV	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Mutual bond funds	$ 50,702		Daily, monthly	5 business days
Mutual equity funds	116,836		Daily, monthly	5 business days
Equity REITs	69		not applicable	not applicable
Private equities	9,767	$ 1,356	not applicable	not applicable
Hedge funds	12,593		Monthly/quarterly	varies - 91 calendar days
Natural resources	2,425	655	not applicable	not applicable
Other	7,625	5,285	Daily to quarterly	Up to 91 days

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

Tennessee Housing Development Agency

The agency categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The agency has the following recurring fair value measurements as of June 30, 2022 (expressed in thousands):

		Fair Value Measurements Using	
Investments by fair value level	6/30/2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Debt securities			
Government agencies	$ 158,136		$ 158,136
Government bonds	5,731	$ 5,731	
Short term bills and notes	339,137		339,137
Total debt securities	$ 503,004	$ 5,731	$ 497,273

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 6

Receivables

Receivables at June 30, 2022, for the state's individual major funds and nonmajor and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, consist of the following (expressed in thousands):

Primary Government

	Accounts including Due From Other Governments	Taxes and Certain Other Licenses, Fees, and Permits	Other	Total Receivables	Allowance for Uncollectibles	Net Total Receivables
Governmental activities:						
General	$ 1,437,869	$ 1,423,494		$ 2,861,363	$ (120,543)	$ 2,740,820
Education	333,286	802,961	$ 6	1,136,253	(38,465)	1,097,788
Highway	173,733	162,040	1,826	337,599	(166)	337,433
Capital projects	23,612			23,612		23,612
State shared taxes		166,696		166,696	(3,754)	162,942
Nonmajor governmental funds	427,788	35,459	3,002	466,249	(465)	465,784
Internal service funds	15,040			15,040	(591)	14,449
Total-governmental activities	$ 2,411,328	$ 2,590,650	$ 4,834	$ 5,006,812	$ (163,984)	$ 4,842,828
Amounts not expected to be collected within one year	$ 5,803	$ 111,087				$ 116,890
Business-type activities:						
Employment security	$ 1,186,786	$ 59,754	$ 4,619	$ 1,251,159	$ (1,115,779)	$ 135,380
Nonmajor enterprise funds	5,877			5,877	(471)	5,406
Total-business-type activities	$ 1,192,663	$ 59,754	$ 4,619	$ 1,257,036	$ (1,116,250)	$ 140,786

NOTE 7

Capital Assets

A. Primary Government

Capital asset activity for the year ended June 30, 2022, was as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 2,681,333	$ 106,220	$ (4,956)	$ 2,782,597
Infrastructure	26,169,338	923,410	(5,980)	27,086,768
Construction in progress	1,274,064	664,460	(1,062,343)	876,181
Software in development	137,790	217,406	(240,069)	115,127
Capital assets, being depreciated or amortized:				
Structures and improvements	3,198,016	149,907	(12,753)	3,335,170
Machinery and equipment	2,064,986	324,042	(47,821)	2,341,207
Right to use leases:				
Land	3,097			3,097
Structures and improvements	276,786	32,617	(25)	309,378
Machinery and equipment	9,703	3,214		12,917
Total capital assets	35,815,113	2,421,276	(1,373,947)	36,862,442
Less accumulated depreciation or amortization for:				
Structures and improvements	(1,413,270)	(71,982)	6,765	(1,478,487)
Machinery and equipment	(1,169,583)	(303,894)	40,289	(1,433,188)
Right to use leases		(39,129)	25	(39,104)
Total accumulated depreciation or amortization	(2,582,853)	(415,005)	47,079	(2,950,779)
Governmental activities capital assets, net	$ 33,232,260	$ 2,006,271	$ (1,326,868)	$ 33,911,663

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

Governmental activities:	
General government	$ 17,008
Education	1,619
Health and social services	224,861
Law, justice and public safety	43,955
Recreation and resource development	11,759
Regulation of business and professions	2,048
Transportation	32,997
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	80,758
Total depreciation or amortization expense – governmental activities	$ 415,005

Highway Construction Commitments— At June 30, 2022, the Department of Transportation had contractual commitments of approximately $1.2 billion for construction of various highway projects. Funding of these future expenditures is expected to be provided from federal grants ($933.5 million) and general obligation bond proceeds ($225 million).

B. Discretely Presented Component Units

Capital asset activity for the year ended June 30, 2022, 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	$ 12,578	$ 20	$ (25)	$ 12,573
Land	268,175	4,956	(80)	273,051
Construction in progress	514,702	309,093	(260,806)	562,989
Capital assets, being depreciated:				
Infrastructure	897,021	50,811	(171)	947,661
Structures and improvements	7,718,253	317,455	(6,469)	8,029,239
Machinery and equipment	1,251,197	119,596	(46,355)	1,324,438
Right to use assets:				
Land	265			265
Infrastructure	798	1,140		1,938
Structures and improvements	45,674	17,106	(165)	62,615
Machinery and equipment	984	4,985	(850)	5,119
Other	1,633			1,633
Total capital assets	10,711,280	825,162	(314,921)	11,221,521
Less accumulated depreciation or amortization for:				
Infrastructure	(444,560)	(41,236)	109	(485,687)
Structures and improvements	(2,785,320)	(189,338)	3,315	(2,971,343)
Machinery and equipment	(857,954)	(88,601)	44,496	(902,059)
Right to use assets	(139)	(9,481)		(9,620)
Total accumulated depreciation or amortization	(4,087,973)	(328,656)	47,920	(4,368,709)
Component Units capital assets, net	$ 6,623,307	$ 496,506	$ (267,001)	$ 6,852,812

The University of Tennessee foundations and certain State University and Community College System foundations utilize FASB standards; therefore, only the June 30, 2022, balances are available as follows (expressed in thousands):

	Ending Balance
Capital assets, not being depreciated:	
Art and collections	$ 831
Land	11,411
Construction in progress	44
Total capital assets, not being depreciated	12,286
Capital assets, being depreciated:	
Infrastructure	1,009
Structures and improvements	154,018
Machinery and equipment	18,251
Total capital assets being depreciated	173,278
Less: total accumulated depreciation	(107,948)
Total capital assets, being depreciated, net	65,330
Total capital assets, net	$ 77,616

NOTE 8

Interfund Balances, Payables and Receivables

A. Interfund Balances

Interfund balances at June 30, 2022, 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

DUE TO	General	Education	Highway	Capital Projects	Nonmajor Governmental Funds	Employment Security	Sewer Treatment Loan	Internal Service Funds	Total
General		$ 34	$ 345	$ 813	$ 120	$ 202	$ 33	$ 1	$ 1,548
Education	$ 69,474								69,474
Capital projects	533	71	46		73			15	738
Nonmajor governmental funds					23				23
Employment security	42								42
Internal service funds	1,361				16			27	1,404
Custodial funds	3								3
Total	$ 71,413	$ 105	$ 391	$ 813	$ 232	$ 202	$ 33	$ 43	$ 73,232

B. Component Units Payables

Component units' accounts payable to the primary government at June 30, 2022, consisted of the following (expressed in thousands):

Payable From Component Units

PAYABLE TO	Tennessee Education Lottery	State University and Community College System	University of Tennessee	Nonmajor Component Units	Total
PRIMARY GOVERNMENT:					
General		$ 128	$ 25		$ 153
Education	$ 132,060	110			132,170
Capital Projects		6,545		$ 2,705	9,250
Nonmajor governmental funds			1,331		1,331
Internal service funds		11	10		21
Total	$ 132,060	$ 6,794	$ 1,366	$ 2,705	$ 142,925

C. Component Units Receivables

Component units' accounts receivable from the primary government at June 30, 2022 consisted of the following (expressed in thousands):

	Receivable From PRIMARY GOVERNMENT						
Receivable to COMPONENT UNITS:	General	Education	Highway	Capital Projects	Nonmajor Governmental Funds	Internal Service Funds	Total
Tennessee Housing Development Agency	$ 1,578						$ 1,578
State University and Community College System	9,814	$ 12,292	$ 982	$ 83	$ 1,639	$ 306	25,116
University of Tennessee	7,207	7,481	1,160	34,766	2,499	383	53,496
Nonmajor component units	581						581
Total	$ 19,180	$ 19,773	$ 2,142	$ 34,849	$ 4,138	$ 689	$ 80,771

NOTE 9

Interfund Transfers

Transfers between the various primary government funds for fiscal year ended June 30, 2022, 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		$ 12,069	$ 343,235	$ 1,632,975	$ 257,147	$ 3,443	$ 2,434	$ 26,867	$ 110	$ 2,278,280
Education				40,828						40,828
Highway	$ 2,690									2,690
Capital Projects	80									80
Nonmajor Governmental Funds	3,250		76,000	70,302				360		149,912
Nonmajor Enterprise Funds		600								600
Total	$ 6,020	$ 12,669	$ 419,235	$ 1,744,105	$ 257,147	$ 3,443	$ 2,434	$ 27,227	$ 110	$ 2,472,390

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.

In the fiscal year ended June 30, 2022, the general fund transferred $2.3 billion to other funds in accordance with statute or budgetary authorizations for the following purposes: $1.6 billion for capital outlay expenditures, $337 million for highway expenditures, $250 million to subsidize mental health activities, $10 million to subsidize the activities of the education fund, $12.5 million for OPEB expenditures in various funds, $17.7 million to provide appropriations to internal service funds, $3.6 million for debt service payments, and, $7.5 million to provide appropriations to finance various programs in other funds.

The highway fund received a transfer from the debt service fund for $76 million to cancel authorized and unissued highway bonds. These authorizations were originally recorded in the highway fund to fund a portion of their budget.

NOTE 10

Leases

A. Lease Liabilities

The state routinely leases various facilities, vehicles, and office and operational equipment. The lease contracts often include variable payments, residual value guarantees and, termination penalties that are not known or certain to be made at the time of the lease liability measurement. These are recognized as expenses in the period that they occur. For fiscal year ended, June 30, 2022, there were no variable performance based lease payments, termination penalties, or residual value guarantee payments. The following is a schedule of future principal and interest payments due for leases (expressed in thousands):

For the Year(s) Ended June 30	Principal	Interest
2023	$ 35,977	$ 6,254
2024	30,057	5,672
2025	24,771	5,142
2026	22,431	4,647
2027	21,295	4,160
2028-2032	87,632	13,809
2033-2037	47,204	5,262
2038-2042	15,350	692
2043-2047	407	197
2048-2052	389	150
Thereafter	916	101
Total	$ 286,429	$ 46,086

B. Lease Receivables

The state, as lessor, leases structures and improvements to third parties under the provisions of various lease agreements for a laboratory facility and a parking structure. If there is no stated rate on the lease contract, the state uses its own estimated incremental borrowing rate as the discount rate to measure the receivables. Early termination of these agreements is conditioned under certain contingent events occurring such as impairment of the underlying assets or default of the terms of the agreements by either party. The discount rates used to measure the lease receivable range from 2.67% to 3.51%. During the fiscal year ended June 30, 2022, the state had $344 thousand in current lease receivables and $5.8 million in noncurrent lease receivables and recognized total lease-related revenue of $742 thousand in governmental activities. There was no additional revenue for variable and other payments not included in the measurement of the lease receivables.

NOTE 11

Long-Term Liabilities

A. General Obligation Bonds

Bonds Payable at June 30, 2022, are shown below (expressed in thousands):

Governmental activities:	Amount
General obligation bonds, 1.8% to 5%, due in generally decreasing amounts of principal and interest from $88.8 million in 2023 to $5.0 million in 2042	$ 676,285
General obligation refunding bonds, 2011 Series C, 3.38% to 3.53%, principal and interest due in amounts from $1.3 million in 2023 to $1.2 million in 2024	2,390
General obligation refunding bonds, 2012 Series A, 5% principal and interest due in amounts from $47 million in 2023	45,845
General obligation refunding bonds, 2015 Series B, 3% to 5%, principal and interest due in amounts from $10.9 million in 2023 to $14.3 million in 2029	62,960
General obligation refunding bonds, 2016 Series B, 5%, principal and interest due in amounts from $6.1 million in 2023 to $9.6 million in 2032	122,105
General obligation refunding bonds, 2016 Series C, 1.75% to 2.67%, principal and interest due in amounts from $6.1 million in 2023 to $2.5 million in 2032	56,260
General obligation refunding bonds, 2018 Series B, 4%, principal and interest due in amounts from $7.4 million in 2023 to $7.1 million in 2024	13,980
General obligation refunding bonds, 2021 Series A, 5%, principal and interest due in amounts from $15.2 million in 2023 to $6.3 million in 2033	69,140
General obligation refunding bonds, 2021 Series B, 0.19% to 1.98%, principal and interest due in amounts from $29.3 million in 2023 to $13.7 million in 2036	487,710
Total bonds outstanding	1,536,675
Plus unamortized bond premium	158,755
Total bonds payable	$ 1,695,430

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

General obligation bonds issued during the year ended June 30, 2022:	
July 2021	Bond Series 2021A in the amount of $98.6 million
	Refunding Bond Series 2021A in the amount of $69.1 million
	Refunding Bond Series 2021B in the amount of $490.9 million

The July 2021, bond series 2021A, general obligation bond issuance in the amount of $98.6 million represents tax-exempt bonds maturing serially through 2042 at interest rates between 4 and 5 percent. The bonds were sold at a premium of $27 million. Proceeds of the bond issue and premium were used to redeem commercial paper.

In July 2021, the state issued general obligation refunding bonds, series 2021A, in the amount of $69.1 million to provide for the refunding of $84.6 million of general obligation bonds issued in series 2011B and 2012B. Proceeds from the refunding were deposited in an irrevocable trust account with an escrow agent to provide for all future debt service payments of the refunded bonds. As a result, the bonds are considered defeased and the liability for those bonds have been removed from the government wide statement of net position.

The net carrying amount of the refunded bonds was $92 million. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $6.6 million. This difference, reported in the accompanying financial statements as deferred inflows of resources, is being charged to operations through 2033 using the straight line method. The state completed the refunding to reduce its total debt service payments over 12 years by $9.3 million and to obtain an economic gain (difference between present values of the old and new debt service payments) of $8.8 million.

In July 2021, the state issued general obligation refunding bonds, series 2021B, in the amount of $490.9 million to provide for the refunding of $437.2 million of general obligation bonds issued in series 2009D, 2011A, 2012A, 2014A, 2014B, and 2015A. Proceeds from the refunding were deposited in an irrevocable trust account with an escrow agent to provide for all future debt service payments of the refunded bonds. As a result, the bonds are considered defeased and the liability for those bonds have been removed from the government wide statement of net position.

The net carrying amount of the refunded bonds was $496.2 million. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $5.6 million. This difference, reported in the accompanying financial statements as deferred inflows of resources, is being charged to operations through 2036 using the straight line method. The state completed the refunding to reduce its total debt service payments over 15 years by $42.8 million and to obtain an economic gain (difference between present values of the old and new debt service payments) of $41.3 million.

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, 2022, $421.3 million of bonds outstanding are considered defeased.

B. General Obligation Commercial Paper

Governmental activities commercial paper payable at June 30, 2022, is shown below (expressed in thousands):

	Commercial Paper
General obligation commercial paper, interest rates ranging from .10% to 1.42% for tax exempt and .10% to 1.12% for taxable, varying maturities	$89,563

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

The state has entered into a Standby Commercial Paper Purchase Agreement with the Tennessee Consolidated Retirement System under which TCRS is obligated to purchase newly issued commercial paper issued to pay the principal of other commercial paper. The Program expires and the Standby Purchase Agreement terminates on July 1, 2026. At June 30, 2022, $89.6 million of commercial paper was outstanding ($65.5 million tax exempt and $24.1 million federally taxable). This left an unused commercial paper capacity of $260.4 million. Commercial paper payable under this Program qualifies for reporting as a non-current liability because provisions in the Commercial Paper Resolution permit refinancing the paper on a long-term basis.

C. Pledged Revenues/Collateralized Borrowing

General obligation bonds and commercial paper constitute direct general obligations of the state for the payment of principal and interest on which there is also pledged the full faith and credit of the state; and a charge and lien upon all fees, taxes and other revenues and funds allocated to the state's general fund, debt service fund and highway fund and, if necessary, upon the first fees, taxes, revenues and funds thereafter received and allocated to such funds, unless such fees, taxes, revenues and funds are legally restricted for other purposes. The charge and lien on fees, taxes and other revenues in favor of the bonds is subject to a specific pledge of "Special Taxes" in favor of state general obligation bonds issued prior to July 1, 2013. "Special Taxes" consist of the annual proceeds of a tax of five cents per gallon upon gasoline; the annual proceeds of special tax of one cent per gallon upon petroleum products; one-half of the annual proceeds of motor vehicle registration fees now or hereafter required to be pledged the full faith and credit of the state; and the annual proceeds of the franchise taxes imposed by the franchise tax law of the state. The final maturity of general obligation bonds issued prior to July 1, 2013 is October 1, 2032. Thereafter, or upon the earlier retirement of all general obligation bonds issued prior to July 1, 2013, this pledge of "Special Taxes" will expire. For fiscal year 2022, $1.9 billion or 71 percent of the above revenue streams were pledged for the payment of principal and interest on all general obligation bonds issued prior to July 1, 2013.

D. Other Debt

Per Tennessee Code Annotated (TCA) 7-51-210, the estate of any emergency responder who is killed in the line of duty shall be entitled to receive a two-hundred-fifty-thousand-dollar annuity, with the estate receiving an annual installment of $50,000 for five years. The emergency responder must have been current in any required training and physical exams at the time the death occurred for the estate to receive the payment. Payment shall be made from the general fund after receipt by the department of Finance and Administration of a certified death certificate, letters testamentary or letters of administration for the estate of the deceased from a probate court, and an affidavit from the decedent's employer or volunteer unit that the decedent was killed in the line of duty. For the purposes of this annuity, "emergency responder" means a firefighter, emergency medical technician, a volunteer rescue squad worker, or law enforcement officer.

On November 8, 2005, the State entered into a financing agreement to provide for long-term financing of the construction and purchase of a facility to house the Memphis Mental Health Institute. The long term liability and the underlying asset for this financed purchase is included in governmental activities and the principal and interest are recorded as expenditures in the general fund. The effective interest rate for the financing ranges from 0.2% to 5% and principal and interest payments are due each May and November.

E. Debt Service Requirements to Maturity

Debt service requirements to maturity for all general obligation bonds payable at June 30, 2022, are as follows (expressed in thousands):

For the Year(s)	General Obligation Bonds		Total
Ended June 30	Principal	Interest	Requirements
2023	$ 161,980	$ 50,231	$ 212,211
2024	158,325	44,742	203,067
2025	149,635	40,270	189,905
2026	145,730	35,909	181,639
2027	137,300	31,578	168,878
2028-2032	513,935	96,761	610,696
2033-2037	218,190	31,918	250,108
2038-2042	51,580	4,157	55,737
	$ 1,536,675	$ 335,566	$ 1,872,241

Debt service requirements to maturity for commercial paper payable at June 30, 2022, are as follows (expressed in thousands):

For the Year(s)	Commercial Paper Payable		Total
Ended June 30	Principal	Interest	Requirements
2023	$ 89,563	$ 279	$ 89,842

Debt service requirements to maturity for all emergency first responder annuities at June 30, 2022, are as follows (expressed in thousands):

For the Year(s)	Emergency First Responder Annuity		Total
Ended June 30	Principal	Interest	Requirements
2023	$ 800	$ -	$ 800
2024	700	-	700
2025	400	-	400
2026	250	-	250
	$ 2,150	$ -	$ 2,150

Debt service requirements to maturity for all financed purchases at June 30, 2022, are as follows (expressed in thousands):

For the Year(s)	Financed Purchase		Total
Ended June 30	Principal	Interest	Requirements
2023	$ 1,072	$ 204	$ 1,276
2024	1106	151	1,257
2025	1181	94	1,275
2026	1,262	33	1,295
2027	283	1	284
	$ 4,904	$ 483	$ 5,387

F. General Obligation Bonds Authorized and Unissued

A summary of general obligation bonds authorized and unissued at June 30, 2022, 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 07/01/21	Authorized	Canceled	Unissued 06/30/22
Highway	$ 912,000	$ 83,500	$ 76,000	$ 919,500
Higher Education	133,568	-	99,536	34,032
Economic and Community Development	115,000	-	115,000	-
General government	293,413	500,000	202,842	590,571
Totals	$1,453,981	$583,500	$ 493,378	$1,544,103

G. Changes in Long-Term Liabilities

A summary of changes in long-term obligations for the year ended June 30, 2022 follows (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities					
Bonds and commercial paper	$ 1,979,056	$ 732,039	$ (926,102)	$ 1,784,993	$ 161,980
Right-to-use leases	284,771	35,831	(34,173)	286,429	35,977
Financed purchase	5,899		(995)	4,904	1,072
Compensated absences	348,948	191,802	(190,952)	349,798	110,456
Emergency responder	1,800	1,250	(900)	2,150	800
Governmental activities Long-term debt	$ 2,620,474	$ 960,922	$ (1,153,122)	$ 2,428,274	$ 310,285
Other long-term liabilities					
Other postemployment benefits				1,176,636	33,529
Pollution remediation				44,410	2,854
Unstructured claims and judgements				195,141	80,259
Taxes				390,415	
Total other long-term liabilities				$ 1,806,602	$ 116,642
Total governmental activities				$ 4,234,876	$ 426,927
Total long-term governmental liabilities				$ 3,807,949	
Business-type activities					
Deposits payable				$ 7,250	

*Please see Note 10 for additional information related to right-to-use leases.

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

NOTE 12

Payables

Payables as of June 30, 2022, were as follows (expressed in thousands):

	Vendors	Salaries and Benefits	Accrued Interest	Due To Other Governments	Other	Total Payables
Governmental activities:						
General	$ 947,392	$ 99,565		$ 3,925,300	$ 314,867	$ 5,287,124
Education	101,852	5,557		528,767	371	636,547
Highway	172,886	9,757		157,852		340,495
Capital projects	50,925			270		51,195
State shared taxes				145,401		145,401
Nonmajor governmental funds	21,817	2,447	$ 17,378	40,259	2,171	84,072
Internal service funds	108,833	7,012	1,083	272	186	117,386
Total—governmental activities	$ 1,403,705	$ 124,338	$ 18,461	$ 4,798,121	$ 317,595	$ 6,662,220
Business-type activities:						
Employment security	$ 234			$ 49,875	$ 7,748	$ 57,857
Sewer treatment loan			$ 9			9
Nonmajor enterprise funds	70,282		7	92		70,381
Total—business-type activities	$ 70,516		$ 16	$ 49,967	$ 7,748	$ 128,247

NOTE 13

Governmental Fund Balances

Balances as of June 30, 2022, were as follows (expressed in thousands):

	Restricted Purposes	Committed Purposes	Assigned Purposes
General Fund			
General operations:			
Legislature			$ 75,448
Constitutional offices	$ 10,089	$ 23,092	78,758
Administrative services		74,259	5,051,403
Children's services	5,339		12,310
Public health	25,753	287,935	1,280,030
Human services	3,162	4,161	67,352
Business and industry development	8,379	578	436,685
Judicial	19,779	24,114	8,191
Natural resources	13,582	47,200	84,554
Public safety	8	20,862	128,591
Agriculture	365	1,402	45,826
Employment and business regulation	10,767	187,145	44,092
Other	75,938	12,961	24,458
Total general fund	$ 173,161	$ 683,709	$ 7,337,698
Education Fund			
After school program	$ 50,271		
Lottery for education	261,506		
Energy efficient school initiative	781		
TN Promise Scholarship Endowment Fund	397,765		
Other	1,857	$ 426,093	$ 793
Total education fund	$ 712,180	$ 426,093	$ 793
Highway Fund			
State matching	$ 967,592		
Railway, aeronautics, and waterway program		$ 270,723	
State aid		67,261	
Future highway projects			$ 336,175
Railroad inspection		2,874	
Aeronautics Economic Development			29,829
Other			24,570
Total highway fund	$ 967,592	$ 340,858	$ 390,574
Capital Projects Fund			
Total capital projects fund	$ 25,416		$ 2,401,845
Nonmajor Governmental Funds			
Debt service			$ 21,242
Chairs of excellence	$ 280,724		
Criminal injuries		$ 8,012	
Wildlife resources	86,211	17,835	
Underground storage tanks	59,213		
Enhanced emergency 911	38,930	5,569	
Environmental protection		50,007	
Solid and hazardous waste	51	18,518	
Parks acquisition		90,317	
Public health		28,025	
Other	122,817	45,145	
Total nonmajor governmental funds	$ 587,946	$ 263,428	$ 21,242

Budget Stabilization Accounts

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

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

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

Amounts available in the revenue fluctuation reserve may be used by the Commissioner of Finance and Administration to offset shortfalls in state tax revenues which may occur and for which funds are not otherwise available. Upon determining that it is likely that amounts in the revenue fluctuation reserve will be required to be utilized to meet a shortfall of state tax revenue, the Commissioner shall report this determination immediately to the Chairs of the Finance, Ways, and Means Committees of the Senate and the House of Representatives. Subject to specific provisions of the general appropriations bill, an amount not to exceed the greater of one hundred million dollars ($100,000,000) or one half (1/2) of the amount available in the reserve may be used by the Commissioner to meet expenditure requirements in excess of budgeted appropriation levels. The General Fund's Reserve for Revenue Fluctuations is reported as unassigned fund balance and has a balance of $1.55 billion as of June 30, 2022.

(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, 2022, this account has a balance of $100 million and is reported as restricted fund balance in the Education Fund.

NOTE 14

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, 2022 (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	$ 3,528,501	$ 266,244	$ 1,879,651	$ 1,513,027	$ 229,323	$ 7,416,746
Due from primary government	1,578		25,116	53,496	581	80,771
Due from other component units					1,845,705	1,845,705
Restricted assets	152,221	26	1,282,917	2,284,567	297,470	4,017,201
Capital assets, net	5,371	5,292	3,704,176	3,164,865	50,724	6,930,428
Total assets	3,687,671	271,562	6,891,860	7,015,955	2,423,803	20,290,851
Deferred outflows	7,270		304,906	229,256	46,014	587,446
Liabilities						
Accounts payable and other current liabilities	94,539	134,350	273,162	312,077	18,922	833,050
Due to primary government		132,060	6,794	1,366	2,705	142,925
Due to other component units			777,005	1,068,700		1,845,705
Long-term liabilities	3,029,592	5,179	254,275	359,233	2,262,043	5,910,322
Total liabilities	3,124,131	271,589	1,311,236	1,741,376	2,283,670	8,732,002
Deferred inflows	11,867		486,296	429,868	15,225	943,256
Net position						
Net investment in capital assets	5,371	1,266	2,920,477	2,032,809	47,147	5,007,070
Restricted	460,881	26	1,144,196	2,177,757	28,198	3,811,058
Unrestricted	92,691	(1,319)	1,334,561	863,401	95,577	2,384,911
Total net position	$ 558,943	$ (27)	$ 5,399,234	$ 5,073,967	$ 170,922	$ 11,203,039

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	$ 649,089	$ 1,891,184	$ 3,037,690	$ 2,555,015	$ 252,609	$ 8,385,587
Program Revenues						
Charges for services	178,941	1,890,180	966,904	934,472	110,837	4,081,334
Operating grants and contributions	479,836	23	1,319,583	1,014,409	(4,328)	2,809,523
Capital grants and contributions			133,387	120,569	6,255	260,211
Total program revenues	658,777	1,890,203	2,419,874	2,069,450	112,764	7,151,068
Net program revenues (expense)	9,688	(981)	(617,816)	(485,565)	(139,845)	(1,234,519)
General Revenues						
Payments from primary government	215		1,080,564	743,100	113,470	1,937,349
Unrestricted grants and contributions			67,174	2,405	9,736	79,315
Unrestricted investment earnings (losses)	369	924	(72,276)	(80,900)	133	(151,750)
Miscellaneous			1,805	2,840		4,645
Total general revenues	584	924	1,077,267	667,445	123,339	1,869,559
Contributions to permanent funds			27,779	58,924		86,703
Change in net position	10,272	(57)	487,230	240,804	(16,506)	721,743
Net Position- July 1, restated	548,671	30	4,912,004	4,833,163	187,428	10,481,296
Net Position - June 30	$ 558,943	$ (27)	$ 5,399,234	$ 5,073,967	$ 170,922	$ 11,203,039

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 $1.065 billion were made to the State University and Community College System and $703 million to UT.
- Capital project expenditures in the amount of $160.7 million were made for the State University and Community College System and $92.6 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 $42 million to reimburse the state for projects that were not a part of the capital appropriations.
- The TELC generated net lottery proceeds of $467.6 million for the state's Lottery for Education Account.

The most significant transaction among component units is that in which the Tennessee State School Bond Authority, a nonmajor component unit, makes loans to the University of Tennessee and the State University and Community College System to finance certain capital projects. At June 30, 2022 the Authority's loan receivable (expressed in thousands) consisted of:

	Current	Noncurrent
State University and Community College System	$ 44,345	$ 728,915
University of Tennessee	47,655	1,015,911
Total	$ 92,000	$ 1,744,826

B. Major Component Units – Long-Term Debt

Tennessee Housing Development Agency (THDA)
Bonds Payable at June 30, 2022, is shown below (expressed in thousands):

Homeownership program revenue bonds, housing finance program bonds, and residential finance program bonds, various series, .20% to 5%, due in amounts of principal and interest ranging from $95.6 million in 2023 to $13.7 million in 2053	$ 2,764,330
Plus unamortized bond premium	68,041
Less unamortized bond discount	(342)
Total bonds payable	$ 2,832,029

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, 2022, included the following issues:

- September 2021—Residential Finance program bonds of $99.99 million
- December 2021— Residential Finance program bonds of $170 million
- April 2022—Residential Finance program bonds of $175 million
- June 2022—Residential Finance program bonds of $149.99 million

Redemption of Bonds and Notes
During the year ended June 30, 2022, bonds were retired at par before maturity in the Homeownership Program in the amount of $8,980,000, in the Housing Finance Program in the amount of $15,500,000 and in the Residential Finance Program in the amount of $521,055,000. The respective carrying values of the bonds were $9,155,607, $15,793,778 and $531,241,487. This resulted in revenue to the Homeownership Program of $175,607, to the Housing Finance Program of $293,778, and to the Residential Finance Program of $10,186,487.

On September 30, 2021 the agency issued $99,990,000 in Residential Finance Program Bonds, Issue 2021-2.

On December 16, 2021 the agency issued $170,000,000 in Residential Finance Program Bonds, Issue 2021-3. On January 1, 2022, the agency used $50,820,000 of these bonds to refund bonds previously issued in the Homeownership Program (this amount consists of $50,820,000 early redemption). The carrying amount of these bonds was $50,820,000. The refunding reduced the agency's debt service by $2,155,643 over the next 21.0 years, and the agency realized an economic gain (the difference between the present values of the old and new debt service payments) of $3,570,372.

On April 26, 2022, the agency issued $175,000,000 in Residential Finance Program Bonds, Issue 2022-1. On May 1, 2022, the agency used $79,180,000 of these bonds to refund bonds previously issued in the Residential Finance Program Bonds (the amount consists of $79,180,000 early redemption). The carrying amount of these bonds was $79,180,000. The refunding increased the agency's debt service by $42,612,323 over the next 30 years, and the agency realized an economic loss (the difference between the present values of the old and new debt service payments) of $1,888,731.

On June 22, 2022, the agency issued $149,990,000 in Residential Finance Program Bonds, Issue 2022-2.

Debt Service requirements to maturity for revenue bonds payable at June 30, 2022, are as follows (expressed in thousands):

For the Year(s)	Revenue Bonds		Total
Ended June 30	Principal	Interest	Requirements
2023	$ 13,280	$ 82,366	$ 95,646
2024	106,905	86,676	193,581
2025	109,000	84,358	193,358
2026	111,295	81,802	193,097
2027	109,160	78,989	188,149
2028-2032	552,360	347,745	900,105
2033-2037	461,040	269,713	730,753
2038-2042	495,780	191,498	687,278
2043-2047	477,090	107,607	584,697
2048-2052	315,175	27,837	343,012
2053	13,245	412	13,657
	$ 2,764,330	$1,359,003	$ 4,123,333

The agency's bond resolutions govern the outstanding bonds payable for all bond programs in the amount of $2,764,330 (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 $2,764,330 (expressed in thousands) are secured by a pledge of all assets in each of the respective bond resolutions.

The agency has a line of credit in the amount of $75,000,000. The unused portion as of June 30, 2022, is $73,567,715.

C. Nonmajor Component Units – Long-Term Debt

Tennessee Local Development Authority (TLDA)
Bonds Payable at June 30, 2022, is shown below (expressed in thousands):

Revenue bonds, 4% to 4.375%, due in generally decreasing amounts of principal and interest from $273 thousand in 2023 to $21 thousand in 2029	$	1,030
Plus unamortized bond premium		-
Less unamortized bond discount		(6)
Total bonds payable	$	1,024

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, 2022, are as follows (expressed in thousands):

For the Year(s) Ended June 30	Revenue Bonds Principal	Revenue Bonds Interest	Total Requirements
2023	$ 230	$ 43	$ 273
2024	240	34	274
2025	245	24	269
2026	260	13	273
2027	15	2	17
2028-2029	40	3	43
	$ 1,030	$ 119	$ 1,149

Events of Default
Debt outstanding under the Tennessee Local Development Authority State Loan Program is secured by monthly payments of principal and interest made by local governments in accordance with the loan agreements. Under these loan agreements, local governments agree to levy fees, rates or charges for services provided by the project and/or ad valorem taxes sufficient to pay debt service requirements. Additional security includes a pledge of state-shared taxes, a debt service reserve, and a Statutory Reserve.

In the event of default, the General Bond Resolution empowers the Trustee to institute any action or proceedings of law or equity for the collection of all payments due and unpaid under a loan agreement and to require the Authority to withhold state-shared taxes to the extent permitted by law and the terms of the loan agreement. In the event a local government should fail to make a timely and full payment with respect to the loan agreement, the Secretary or Assistant Secretary to the Authority will notify the Commissioner of Finance and Administration ("the Commissioner") that the local government has failed to pay loan repayments due and payable with respect to a project and pursuant to the loan agreement and request the Commissioner to notify the local government of the default. The Commissioner shall deliver written notice by certified mail to the local government of such failure within 5 days of such failure. In the event the local government unit fails to remit the required payment or payments within 60 days of receipt of such notice, the Commissioner shall, without further authorization, withhold such sum or part of such sum from the state-shared taxes of the local government to make it current with respect to the unpaid loan. The balance of any deficit would be secured first by the debt service reserve and then the Statutory Reserve.

Upon the event of default of principal and interest due on bonds or notes, the Authority shall notify the Trustee of such event and the corrective action, if any, the Authority intends to take. Upon the occurrence of an event of default of which the Trustee has actual knowledge and at all times thereafter while such default shall continue, the Trustee shall become vested with all the estate, property, rights, trusts, duties and obligations of the trustee and shall take possession or supervision over the funds and account created under the General Bond Resolution and collect and receive all revenues and other monies in the same manner as the Authority and shall act in place of the Authority in the exercise of all rights and duties. The trustee shall give written notice by mail to all the registered holders of the bonds within 60 days after having obtained actual knowledge of default. Upon the occurrence and continuance of an event of default the trustee: (1) for and on behalf of the holders of the bonds, shall have the same rights which are possessed by the bondholders; (2) shall be authorized to proceed, in its own name and as trustee of an express trust; (3) may pursue any available remedy by action at law or suit in equity to enforce the payment of principal and interest and premium, if any, on the bonds; (4) may file such proofs of claim and other papers or documents as may be necessary; (5) may, and upon written request of the holders of the bonds of not less than a majority in principal amount of the bonds then outstanding shall proceed to protect and enforce all rights of the bondholders and the trustee as permitted by the General Bond Resolution and the laws of the State of Tennessee.

Tennessee State School Bond Authority (TSSBA)
Bonds and Revolving Credit Facility Payable at June 30, 2022, are shown below (expressed in thousands):

Revenue bonds, various Series, 0.167% to 5%, due in decreasing amounts of principal and interest from $155.1 million in 2023 to $4.9 million in 2050	$ 1,971,610
Plus unamortized bond premium	131,322
Less unamortized bond discount	(16)
Total bonds payable	$ 2,102,916
Revolving credit facility, interest rates ranging from 0.49% to 0.701%, varying maturities	$ 152,661

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 and direct placement bonds payable at June 30, 2022, are as follows (expressed in thousands):

For the Year(s)	Revenue Bonds		Total
Ended June 30	Principal	Interest	Requirements
2023	$ 92,000	$ 63,114	$ 155,114
2024	88,755	60,078	148,833
2025	90,020	57,093	147,113
2026	91,270	53,878	145,148
2027	263,620	48,680	312,300
2028-2032	597,960	153,112	751,072
2033-2037	312,540	101,050	413,590
2038-2042	269,425	55,245	324,670
2043-2046	143,120	17,408	160,528
2047-2050	22,900	1,278	24,178
	$ 1,971,610	$ 610,936	$ 2,582,546

Revolving Credit Facility Program

The Authority issues short-term debt to finance certain capital projects for the State's higher education institutions. On June 2, 2021, the Authority entered into an Amended and Restated Revolving Credit Agreement (RCA) with Wells Fargo Bank, National Association, and U.S. Bank, National Association. The original RCA dated March 20, 2014, as amended and extended, expired upon the issuance of the new RCA. The RCA permits loans (the Revolving Credit Facility or RCF) to be made from time to time (and prepayments and reborrowings) in an aggregate principal amount outstanding at any time not to exceed $300,000,000. As of June 30, 2022, the unused portion of the RCF was $147,339,310. As of June 30, 2021, the unused portion of the RCF was $184,479,310. The RCF may be issued as tax-exempt or as taxable loans. As of June 30, 2022, $119,947,265 of tax-exempt RCF loans and $32,713,425 of taxable RCF loans were outstanding. As of June 30, 2021, $82,607,265 of tax-exempt RCF loans and $32,913,425 of taxable RCF loans were outstanding.

Events of Default

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

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

If the Authority should default in the payment of the principal, sinking fund installments, or interest, the bond resolutions contain a provision that the Trustee may proceed, (1) by suit, action or proceeding at law or in equity in any court of competent jurisdiction, enforce all rights of the Bondowners, including the right to require the Authority to enforce the Agreements and collect the Annual Financing Charges and Legislative Appropriations payable thereunder, or to carry out any other covenant or agreement with Bondowners under the Resolution and to perform its duties under the Act, the Agreements and the Resolution; (2) bring suit upon the

Bonds; (3) by action or suit, require the Authority to account as if it were the trustee of an express trust for the Owners of the Bonds; (4) by action or suit, enjoin any acts or things which may be unlawful or in violation of the rights of the Owners of the Bonds; or (5) in accordance with the provisions of the Act, declare all Bonds due and payable, and if all defaults shall be made good, then, with the written consent of the Owners of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds, to annul such declaration and consequences, but no such annulment shall extend to or effect any subsequent default or impair or exhaust any right or power consequent thereon.

D. Component Units – Changes in Long-Term Liabilities

A summary of changes in long-term obligations for the year ended June 30, 2022, follows (expressed in thousands):

Changes in Long-term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Revenue bonds, notes, and loans payable:					
University of Tennessee (UT)	$ 1,106,512	$ 17,643	$ (53,632)	$ 1,070,523	$ 48,000
State University and Community College System (SUCCS)	802,450	39,300	(52,607)	789,143	46,707
Tennessee Housing Development Agency (THDA)	2,909,404	612,093	(689,468)	2,832,029	81,685
Nonmajor component units	2,314,001	40,002	(94,391)	2,259,612	92,620
Long-term debt	$ 7,132,367	$ 709,038	$ (890,098)	$ 6,951,307	$ 269,012
Other long-term liabilities:					
Compensated absences:					
UT	95,395	40,877	(38,300)	97,972	38,300
SUCCS	88,948	48,985	(49,502)	88,431	17,287
THDA	1,867	1,417	(1,368)	1,916	906
Tennessee Education Lottery Corporation (TELC)	735	725	(760)	700	700
Nonmajor component units	1,732	520	(507)	1,745	940
Due to grantors, unearned revenue, annuities payable, prizes annuities payable:					
UT	25,134	6,340	(9,536)	21,938	
SUCCS	14,043	2,540	(9,082)	7,501	
TELC	1,775	370	(1,775)	370	
THDA	17,162	159,578	(15,126)	161,614	
Escrow deposits and arbitrage rebate payable:					
THDA	40,787	125,216	(133,155)	32,848	19,170
Other postemployment benefits:					
UT				118,303	
SUCCS				118,696	
THDA				1,185	
Nonmajor component units				484	
Leases:					
UT				33,941	3,323
SUCCS				23,764	3,998
TELC				4,109	1,324
Nonmajor component units				202	116
Component units long-term liabilities	$ 7,419,945	$ 1,095,606	$ (1,149,209)	$ 7,667,026	$ 355,076

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 $80.122 million ($3.933 million due within one year).

E. Endowments – Component Units

If a donor has not provided specific instructions to the University of Tennessee and State University and Community College System institutions, state law (TCA 35-10-104) permits each institution to authorize for expenditure the net appreciation (realized and unrealized) of the investments of endowment funds. When administering its power to spend net appreciation, the institution is required to consider the institution's long-term and short-term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends, and general economic conditions. Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established.

The University of Tennessee chooses to spend only a portion of the investment income (including changes in the value of investments) each year. Under the spending plan established by the University, 4.5 percent of a seven-year moving average of the fair value of endowment investments has been authorized for expenditure. In fiscal year 2016, the University began transitioning to a seven-year moving average, by adding one year's value to the moving average calculation. This transition was complete in fiscal year 2019. The remaining amount after distributions, if any, is retained to be used in future years when the amount computed using the spending plan exceeds the investment income. At June 30, 2022, net appreciation of $177.520 million is available to be spent, of which $173.897 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, 2022, net appreciation of $24.081 million is available to be spent, of which $23.753 million is restricted to specific purposes.

NOTE 15

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, 2022, included 124 local education agencies and one education cooperative, with 52,642 active teachers and support personnel enrolled in one of four health care options: premier preferred provider organization plan (PPO), standard preferred provider organization plan (PPO), limited preferred provider organization plan (PPO), or the consumer driven health plan with health savings account (CDHP/HSA). The state does not retain any risk for losses by this fund.

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

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

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

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

	2022	2021
Unpaid claims at beginning of year	$ 36,878	$ 30,870
Incurred claims:		
Provision for insured events of the current year	666,374	607,094
Increase (decrease) in provision for insured events of prior years	3,345	(1,259)
Total incurred claims expenses	669,719	605,835
Payments:		
Claims attributable to insured events of the current year	624,683	570,449
Claims attributable to insured events of prior years	40,119	29,378
Total payments	664,802	599,827
Total unpaid claims at end of year	$ 41,795	$ 36,878

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, 2022, included 73 counties, 205 municipalities and 117 quasi-governmental organizations, with 16,894 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):

	2022	2021
Unpaid claims at beginning of year	$ 12,966	$ 8,436
Incurred claims:		
Provision for insured events of the current year	193,453	181,339
Increase (decrease) in provision for insured events of prior years	(1,000)	1,949
Total incurred claims expenses	192,453	183,288
Payments:		
Claims attributable to insured events of the current year	179,944	168,473
Claims attributable to insured events of prior years	11,665	10,285
Total payments	191,609	178,758
Total unpaid claims at end of year	$ 13,810	$ 12,966

C. Risk Management Fund

It is the policy of the state not to purchase commercial insurance for the risks associated with casualty losses for general liability, automobile liability, medical malpractice liability and workers' compensation. By statute, the maximum liability for general liability, automobile liability, and medical malpractice liability is $300 thousand per person and $1 million per occurrence. The state's management believes it is more economical to manage these risks internally and set aside assets for claim settlement in its internal service fund, the Risk Management Fund (RMF). The state purchases commercial insurance for real property, crime, and fidelity coverage on the state's officials and employees, and cyber liability coverage. For property coverage, the deductible for an individual state agency is the first $25 thousand to $75 thousand of losses based on a tiered deductible system that accounts for averaged losses over a three year period and the type of loss. The RMF is responsible for property losses for the annual aggregate deductible of $7.5 million for perils other than earthquake and flood. Purchased insurance coverage is responsible for losses exceeding the $7.5 million annual aggregate deductible. For earthquake, named storm, wind/hail, and flood, there is a deductible of $10 million per occurrence. The maximum insurance coverage is $600 million per year for perils other than earthquake and flood. The maximum flood insurance coverage is $50 million per occurrence, except there is only $25 million of coverage in flood zones A and V. The maximum earthquake insurance coverage is $50 million per occurrence, except there is only $25 million of coverage in the New Madrid Zone. Settled claims resulting from these risks have not exceeded maximum commercial insurance coverage in any of the past three fiscal years. All agencies and authorities of the state participate in the RMF, except for the Dairy Promotion Board and the Certified Cotton Growers' Organization. The Tennessee Education Lottery Corporation participates in the RMF for general liability purposes but is responsible for its own worker's compensation coverage.

The RMF liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are reevaluated annually to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. The present value of the casualty liability as actuarially determined was $109.03 million (discounted at 2.5 percent) at June 30, 2022 and $131.2 million (discounted at 1.0 percent) at June 30, 2021. The accrued liability for incurred property losses was $16.2 million at June 30, 2022 and $13.96 million at June 30, 2021. The changes in the balances of the claims liabilities during fiscal years 2021 and 2022 were as follows (expressed in thousands):

	2021-2022	2020-2021
Beginning of Fiscal Year Liability	$ 193,502	$ 191,803
Current Year Claims and Changes in Estimates	6,802	32,046
Claim Payments	(30,566)	(30,347)
Balance at Fiscal Year-End	$ 169,738	$ 193,502

The RMF held $245 million in cash at June 30, 2022 and $234 million in cash at June 30, 2021 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, 2022, included 60,562 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):

	2022	2021
Unpaid claims at beginning of year	$ 57,927	$ 47,586
Incurred claims:		
Provision for insured events of the current year	928,158	893,908
Increase (decrease) in provision for insured events of prior years	(4,766)	4,355
Total incurred claims expenses	923,392	898,263
Payments:		
Claims attributable to insured events of the current year	871,530	836,260
Claims attributable to insured events of prior years	52,923	51,662
Total payments	924,453	887,922
Total unpaid claims at end of year	$ 56,866	$ 57,927

NOTE 16

Other Postemployment Benefits (OPEB)

For the year ended June 30, 2022, primary government employers reported $1.2 billion of net OPEB liability, $291.5 million of deferred outflows of resources related to OPEB, $378.6 million of deferred inflows of resources related to OPEB, $75.5 million of OPEB expense and $131.1 million of deferred outflows of benefits paid subsequent to the measurement date. Component unit employers reported $238.6 million of net OPEB liability, $46.6 million of deferred outflows of resources related to OPEB, $153.2 million of deferred inflows of resources related to OPEB, $3.3 million of OPEB expense, and $44.7 million of deferred outflows of benefits paid subsequent to the measurement date. These totals are aggregated for all OPEB plans the above employers participate in.

A. Closed Employee Group OPEB Plan

1. General information about the OPEB plan

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

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

Employees covered by benefit terms–At July 1, 2021, the following employees were covered by the benefit terms of the EGOP:

	Primary Government	Component Units
Inactive employees currently receiving benefit payments	4,704	1,993
Inactive employees entitled to but not yet receiving benefit payments	102	37
Active employees eligible for benefit payments	23,143	16,009
	27,949	18,039

Contributions–Annually, an insurance committee, created in accordance with Tennessee Code Annotated (TCA) 8-27-201, establishes the required contributions to the plan by member employees through the premiums established to approximate claims cost for the year. Pre-age 65 retired members of the EGOP pay a premium based on a blended rate that considers the cost of active and retired employees as well as their individual years of service. These payments are made to the OPEB Trust. Employers currently contribute to the OPEB Trust based on an actuarially determined contribution (ADC) rate calculated in a manner to meet the funding goals of the state. During the fiscal year ended June 30, 2022, the total ADC for primary government and component unit employers was $81.4 million and $44.9 million respectively. The OPEB Trust recognized contributions of $97.6 million from the primary government and $44.7 million from the component units during the reporting period. The state general assembly has the authority to change the contribution requirements of the employers participating in the EGOP.

2. Net OPEB Liability

The primary government and component unit employers EGOP related net OPEB liabilities of $474.5 million and $238.6 million, respectively, was measured as of June 30, 2021, and was determined by an actuarial valuation as of June 30, 2021.

Actuarial assumptions–The total OPEB liability in the June 30, 2021, 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	7.36 percent for 2022, decreasing annually to an ultimate rate of 4.50 percent for 2029 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, 2021, valuations were the same as those employed in the July 1, 2021, Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS) for Group 1 employees. These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2016-June 30, 2020. 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 PUB-2010 Headcount-Weighted Employee mortality table for General Employees for non-disabled pre-retirement mortality, with mortality improvement projected generationally with MP-2020 from 2010. Post-retirement tables are Headcount-Weighted Below Median Healthy Annuitant and adjusted with a 6% load for males and a 14% load for females, projected generationally from 2010 with MP-2020. 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% load, projected generationally from 2018 with MP-2020.

Long-term expected rate of return–The long-term expected rate of return of 6 percent on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

TCA 8-27-802 establishes the responsibility of the trustees to adopt written investment policies authorizing how assets in the OPEB Trust may be invested and reinvested by the State Treasurer. The treasurer may invest trust assets in any security or investment in which the Tennessee Consolidated Retirement System (TCRS) is permitted to invest, provided that investments by the OPEB Trust shall be governed by the investment policies and guidelines adopted by the trustees. Any changes to the investment policy will be the responsibility of the established trustees. The OPEB Trust investment policy target asset allocation and allocation range for each major asset class is summarized in the following table:

	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 OPEB Trust target asset allocation are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
U.S. equity	4.10%
Developed market international equity	4.81%
Emerging market international equity	5.33%
Cash (Gov't)	-0.22%
Private equity and strategic lending	3.71%
U.S. fixed income	0.32%
Real estate	2.91%

Discount rate—The discount rate used to measure the total OPEB liability was 6 percent. This was the same rate used at the prior measurement date. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only member contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on these assumptions, the OPEB Trust fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on OPEB Trust investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

EGOP- Primary government			
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at June 30, 2020	$ 750,895	$ 189,292	$ 561,603
Changes for the year:			
Service cost	26,936		26,936
Interest	44,735		44,735
Differences between expected and actual experience	(2,113)		(2,113)
Change in assumptions	10,364		10,364
Contributions from employer		99,095	(99,095)
OPEB plan net investment income		63,591	(63,591)
Changes in proportion and differences between contributions and proportionate share of contributions	(5,693)	(1,317)	(4,376)
Benefit payments	(53,449)	(53,449)	-
Net changes	20,780	107,920	(87,140)
Balances at June 30, 2021	$ 771,675	$ 297,212	$ 474,463

EGOP- Component units			
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at June 30, 2020	$ 368,354	$ 92,858	$ 275,496
Changes for the year:			
Service cost	13,544		13,544
Interest	22,494		22,494
Differences between expected and actual experience	(1,063)		(1,063)
Change in assumptions	5,211		5,211
Contributions from employer		49,514	(49,514)
OPEB plan net investment income		31,975	(31,975)
Changes in proportion and differences between contributions and proportionate share of contributions	5,693	1,317	4,376
Benefit payments	(26,220)	(26,220)	-
Net changes	19,659	56,586	(36,927)
Balances at June 30, 2021	$ 388,013	$ 149,444	$ 238,569

Changes in assumptions–The long-term inflation rate was increased from 2.1% to 2.25%. Other changes in assumptions include changes made to the medical and drug trend rates, and coverage and acceptance rates to reflect more recent experience and subsidy amounts. Also, changes in retirement, withdrawal and mortality rates were made to match those provided by TCRS. The net change in liability as a result of these changes is not considered significant.

Sensitivity of the net OPEB liability to changes in the discount rate–The following presents the primary government and component unit employers net OPEB liability related to the EGOP, as well as what the net OPEB liability would be if calculated using a discount rate that is 1-percentage-point lower (5 percent) or 1-percentage-point higher (7 percent) than the current discount rate (expressed in thousands):

	1% Decrease (5%)	Discount Rate (6%)	1% Increase (7%)
Primary government	$ 529,897	$ 474,463	$ 423,373
Component units	264,125	238,569	214,648

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate–The following presents the primary government and component unit employers net OPEB liability related to the EGOP, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (6.36 percent decreasing to 3.50 percent) or 1-percentage-point higher (8.36 percent decreasing to 5.50 percent) than the current healthcare cost trend rate (expressed in thousands):

	1% Decrease (6.36% decreasing to 3.50%)	Healthcare Cost Trend Rates (7.36% decreasing to 4.50%)	1% Increase (8.36% decreasing to 5.50%)
Primary government	$ 409,219	$ 474,463	$ 549,774
Component units	206,184	238,569	275,689

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

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

OPEB expense–For the fiscal year ended June 30, 2022, the primary government recognized OPEB expense of $24.1 million. Component unit employers recognized OPEB expense of $3.3 million.

Deferred outflows of resources and deferred inflows of resources– For the fiscal year ended June 30, 2022, 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		$ 45,338
Changes of assumptions	$ 31,353	117,079
Difference between projected and actual earnings on plan investments		32,846
Changes in proportion and differences between contributions and proportionate share of contributions	51,480	27,360
Contributions subsequent to the measurement date	97,570	
Total	$ 180,403	$ 222,623

EGOP- Component units	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience		$ 22,797
Changes of assumptions	$ 15,765	58,869
Difference between projected and actual earnings on plan investments		16,516
Changes in proportion and differences between contributions and proportionate share of contributions	30,881	55,001
Contributions subsequent to the measurement date	44,656	
Total	$ 91,302	$ 153,183

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

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

EGOP- Primary government	
For the year ended June 30:	
2023	$ (35,004)
2024	(35,004)
2025	(35,121)
2026	(32,231)
2027	(2,472)
Thereafter	42

EGOP- Component units	
For the year ended June 30:	
2023	$ (26,373)
2024	(26,373)
2025	(26,432)
2026	(26,162)
2027	(1,359)
Thereafter	162

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, 2021, 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	10,500	7,119
Inactive employees entitled to but not yet receiving benefit payments	5,837	3,174
Active employees	25,409	18,391
	41,746	28,684

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 $4.9 million and $2.6 million to the TNP for OPEB benefits as they came due for primary government and component unit employees, respectively.

2. Total OPEB Liability

The state's total OPEB liabilities of $107.9 million and $69.8 million, related to benefits offered to primary government and component unit employees, respectively, was measured as of June 30, 2021, and was determined by an actuarial valuation as of June 30, 2021.

Actuarial assumptions–The total OPEB liability in the June 30, 2021, 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, 2021, valuations were the same as those employed in the July 1, 2021, Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS) for Group 1 employees. These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2016-June 30, 2020. 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 PUB-2010 Headcount-Weighted Employee mortality table for General Employees for non-disabled pre-retirement mortality, with mortality improvement projected generationally with MP-2020 from 2010. Post-retirement tables are Headcount-Weighted Below Median Healthy Annuitant and adjusted with a 6% load for males and a 14% load for females, projected generationally from 2010 with MP-2020. 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% load, projected generationally from 2018 with MP-2020.

Discount rate–The discount rate used to measure the total OPEB liability was 2.16 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/Aa2 as shown on the Bond Buyer GO 20-Bond Municipal Bond index.

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

TNP	
State Employees	
	Total OPEB Liability
Balances at June 30, 2020	$ 125,815
Changes for the year:	
Service cost	2,288
Interest	2,762
Differences between expected and actual experience	(1,437)
Change in assumptions	(15,829)
Changes in proportion and differences between contributions and proportionate share of contributions	(589)
Benefit payments	(5,077)
Net changes	(17,882)
Balances at June 30, 2021	$ 107,933
Component unit employees	
	Total OPEB Liability-continued
Balances at June 30, 2020	$ 80,377
Changes for the year:	
Service cost	1,480
Interest	1,787
Differences between expected and actual experience	(930)
Change in assumptions	(10,239)
Changes in proportion and differences between contributions and proportionate share of contributions	589
Benefit payments	(3,244)
Net changes	(10,557)
Balances at June 30, 2021	$ 69,820
Total OPEB Liability- Primary Government	$ 177,753

Changes in assumptions–The long-term inflation rate was increased from 2.1% to 2.25%. Other changes in assumptions include changes made to the medical and drug trend rates, and coverage and acceptance rates to reflect more recent experience and subsidy amounts. Also, changes in retirement, withdrawal and mortality rates were made to match those provided by TCRS. The net change in liability as a result of these changes is not considered significant.

Sensitivity of the total OPEB liability to changes in the discount rate–The following presents the state's total OPEB liability for state 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 (1.16 percent) or 1-percentage-point higher (3.16 percent) than the current discount rate (expressed in thousands):

	1% Decrease (1.16%)	Discount Rate (2.16%)	1% Increase (3.16%)
State employees	$ 122,309	$ 107,933	$ 95,886
Component unit employees	78,687	69,820	62,351

<u>*3. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*</u>

OPEB expense–For the fiscal year ended June 30, 2022, the state recognized OPEB expense of $3 million and $2.7 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, 2022, 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		
State employees	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience		$ 3,284
Changes of assumptions	$ 14,111	16,187
Changes in proportion and differences between contributions and proportionate share of contributions	953	2,075
Payments subsequent to the measurement date	4,905	
Total	$ 19,969	$ 21,546
Component unit employees	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience		$ 2,124
Changes of assumptions	$ 9,128	10,471
Changes in proportion and differences between contributions and proportionate share of contributions	2,075	953
Payments subsequent to the measurement date	2,620	
Total	$ 13,823	$ 13,548

The amounts shown above for "payments subsequent to the measurement date" for the state 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	
State employees	
For the year ended June 30:	
2023	$ (2,045)
2024	(2,045)
2025	(324)
2026	234
2027	(1,728)
Thereafter	(574)
Component unit employees	
For the year ended June 30:	
2023	$ (594)
2024	(594)
2025	40
2026	95
2027	(950)
Thereafter	(342)

In the tables above, for the state and component unit employees, 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.

<u>*1. General information about the OPEB plan*</u>

Plan description–The Tennessee Department of Finance and Administration administers the closed TGOP as well as the closed TNP. Both plans are considered to be multiple-employer defined benefit plans that are used to provide postemployment benefits other than pensions. However, for accounting purposes, these plans will be treated as single-employer plans. All eligible pre-65 retired teachers and disability participants of local education agencies, who choose coverage, participate in the TGOP. All eligible post-65 retired teachers and disability participants of local education agencies, who choose coverage, participate in the TNP. The TNP also includes eligible retirees of the primary government, certain component units of the state, and certain local governmental entities. These plans are closed to the employees of all participating employers that were hired on or after July 1, 2015.

Benefits provided–The state offers the TGOP to provide health insurance coverage to eligible pre-65 retired teachers and disabled participants of local education agencies. The TNP is offered to help fill most of the coverage gaps created by Medicare for eligible post-65 retired teachers and disabled participants of local education agencies. This insurance coverage is the only postemployment benefit provided to retirees. The TN plan does not include pharmacy. An insurance committee created in accordance with 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, receives 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%; 20 but less than 30 years, 35%; and less than 20 years, 20% 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 TCA 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 receives 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, 2022, the state paid $14.3 million and $11.7 million to the TGOP and TNP, respectively, for OPEB benefits as they came due.

Actuarial assumptions–The total OPEB liability in the June 30, 2021, 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 7.36 percent in 2022, decreasing annually to an ultimate rate of 4.50 percent for 2029 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, 2021, valuations were the same as those employed in the July 1, 2021, Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS) for Group 1 employees. These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2016-June 30, 2020. 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 PUB-2010 Headcount-Weighted Employee mortality table for General Employees for non-disabled pre-retirement mortality, with mortality improvement projected generationally with MP-2020 from 2010. Post-retirement tables are Headcount-Weighted Below Median Healthy Annuitant and adjusted with a 6% load for males and a 14% load for females, projected generationally from 2010 with MP-2020. 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% load, projected generationally from 2018 with MP-2020.

Discount rate–The discount rate used to measure the total OPEB liability was 2.16 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/Aa2 as shown on the Bond Buyer GO 20-Bond Municipal Bond index.

Sensitivity of proportionate share of collective total OPEB liability to changes in the discount rate–The following presents the state's proportionate share of the collective total OPEB liability for the special funding situations related to the TGOP and TNP, as well as what the share of the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.16 percent) or 1-percentage-point higher (3.16 percent) than the current discount rate (expressed in thousands):

	1% Decrease (1.16%)	Discount Rate (2.16%)	1% Increase (3.16%)
Share of collective total OPEB liability - TGOP	$ 327,809	$ 305,828	$ 284,689
Share of collective total OPEB liability - TNP	254,428	218,593	189,503

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 (6.36 percent decreasing to 3.50 percent) or 1-percentage-point higher (8.36 percent decreasing to 5.50 percent) than the current healthcare cost trend. Premium subsidies in the TNP are projected to remain unchanged, and consequently, trend rates are not applicable (expressed in thousands):

	1% Decrease (6.36% decreasing to 3.50%)	Healthcare Cost Trend Rates (7.36% decreasing to 4.50%)	1% Increase (8.36% decreasing to 5.50%)
Share of collective total OPEB liability - TGOP	$ 271,829	$ 305,828	$ 345,760

2. Total OPEB Liability

At June 30, 2022, the state reported a liability of $305.8 million and $218.6 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, 2021, by an actuarial valuation dated June 30, 2021. 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, 2021, the state's proportion of the collective total LEA employer liabilities for the TGOP and TNP was 30.1% and 77.3%, respectively. This resulted in a change in proportion from the prior measurement date of 1.9% and 1.1% to the TGOP and TNP, respectively.

Changes in assumptions–The discount rate was changed from 2.21% as of the beginning of the measurement period to 2.16% as of June 30, 2021. This change in assumption increased the total OPEB liability. Other changes in assumptions include changes made to medical and drug trend rates, and coverage and acceptance rates to reflect more recent experience and subsidy amounts. Also, changes in retirement, withdrawal, and mortality rates were made to match those provided by TCRS.

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

OPEB expense– For the year ended June 30, 2022, the state recognized OPEB expense of $24.6 million and $21.2 million in the TGOP and TNP, respectively, related to special funding situations. At June 30, 2022, 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	$ 10,941	$ 19,998
Changes of assumptions	42,788	18,426
Changes in proportion and differences between benefits paid and proportionate share of benefits paid	23,754	11,146
Payments subsequent to the measurement date	14,251	
Total	$ 91,734	$ 49,570

TNP	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	$ 5,600	$ 15,603
Changes of assumptions	44,896	57,111
Changes in proportion and differences between benefits paid and proportionate share of benefits paid	57,516	1,691
Payments subsequent to the measurement date	11,753	
Total	$ 119,765	$ 74,405

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:	
2023	$ 3,003
2024	3,003
2025	3,003
2026	3,038
2027	3,323
Thereafter	12,543
TNP	
For the year ended June 30:	
2023	$ 10,494
2024	10,535
2025	10,717
2026	4,176
2027	1,612
Thereafter	(3,927)

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 16A for the EGOP plan description, information on plan investments, and any actuarial assumptions not listed in sections that follow. Actuarial procedures were used to roll forward the total OPEB liability, as determined in the employer reporting valuation, to the OPEB plan’s fiscal year end.

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

Rate of return–For the year ended June 30, 2022, the annual money-weighted rate of return on investments was 14.23 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, 2022, were as follows (expressed in thousands):

Total OPEB liability	$ 1,172,154
Plan fiduciary net position	(444,891)
Net OPEB liability	$ 727,263
Plan fiduciary net position as a percentage of the total OPEB liability	37.95%

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

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

	1% Decrease (5%)	Discount Rate (6%)	1% Increase (7%)
Net OPEB Liability	$ 807,897	$ 727,263	$ 652,427

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 (6.36 percent decreasing to 3.50 percent) or 1-percentage-point higher (8.36 percent decreasing to 5.50 percent) than the current healthcare cost trend rate (expressed in thousands).

	1% Decrease (6.36% decreasing to 3.50%)	Healthcare Cost Trend Rates (7.36% decreasing to 4.50%)	1% Increase (8.36% decreasing to 5.50%)
Net OPEB Liability	$ 619,793	$ 727,263	$ 851,182

NOTE 17

Pension plans

A. Tennessee Consolidated Retirement System (TCRS)

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

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

B. Defined Benefit Plan

Closed State and Higher Education Employee Pension Plan

1. General information about the pension plan

Plan description–Employees of the state and four of its discretely presented component units becoming members of TCRS before July 1, 2014, are provided with pensions through the Closed State and Higher Education Employee Pension Plan. This plan is one of several comprising the TCRS administered Public Employee Retirement Plan, an agent, multiple-employer defined benefit pension plan. The Closed State and Higher Education Employee Pension Plan stopped accepting new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. The four discretely presented component units are the Tennessee Student Assistance Corporation, the Tennessee Housing Development Agency, the State University and Community College System, and the University of Tennessee.

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

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

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

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

Employees covered by benefit terms–At the measurement date of June 30, 2021, the following employees of the state and the four component units mentioned above were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	60,964
Inactive employees entitled to but not yet receiving benefits	36,600
Active employees	32,694
	130,258

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. In fiscal year 2022, the state made a one-time direct contribution of $250 million to the plan. For the year ended June 30, 2022, employer contributions by the state, including its share of the one-time direct contribution mentioned, were $481.8 million based on an average rate of 33.27 percent of covered payroll. For the year ended June 30, 2022, employer contributions by the four previously mentioned component units, including their shares of the one-time direct contribution mentioned, were $195.8 million based on an average rate of 32.47 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 asset of the state, as well as that of the four previously mentioned component units, was measured as of June 30, 2021, 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, 2021, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 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	6.75 percent, net of pension plan investment expenses, including inflation
Cost-of-living adjustment	2.125 percent

Mortality rates were based on customized tables based on actual experience, including a projection of mortality improvement using Scale MP-2020 (generational projection).

The actuarial assumptions used in the June 30, 2021, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016, through June 30, 2020. 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, 2020, actuarial experience study. 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 2.25 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	4.88%	31%
Developed market international equity	5.37%	14%
Emerging market international equity	6.09%	4%
Private equity and strategic lending	6.57%	20%
U.S. fixed income	1.20%	20%
Real estate	4.38%	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 6.75 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 6.75 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 6/30/20	$ 12,219,013	$ 11,067,489	$ 1,151,524
Effects of change in proportion	37,538	34,001	3,537
Adjusted balance at 6/30/2020	12,256,551	11,101,490	1,155,061
Changes for the year:			
Service cost	117,515		117,515
Interest	870,809		870,809
Differences between expected and actual experience	(149,996)		(149,996)
Changes of assumptions	683,639		683,639
Contributions-employer		301,037	(301,037)
Contributions-employees		224	(224)
Net investment income		2,808,858	(2,808,858)
Benefit payments, including refunds of employee contributions	(725,806)	(725,806)	-
Administrative expense		(2,104)	2,104
Other		383	(383)
Net changes	$ 796,161	$ 2,382,592	$ (1,586,431)
Balance at 6/30/21	$ 13,052,712	$ 13,484,082	$ (431,370)

Component Units	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at 6/30/20	$ 5,165,410	$ 4,678,621	$ 486,789
Effects of change in proportion	(37,538)	(34,001)	(3,537)
Adjusted balance at 6/30/2020	5,127,872	4,644,620	483,252
Changes for the year:			
Service cost	49,166		49,166
Interest	364,328		364,328
Differences between expected and actual experience	(62,755)		(62,755)
Changes of assumptions	286,020		286,020
Contributions-employer		125,947	(125,947)
Contributions-employees		94	(94)
Net investment income		1,175,165	(1,175,165)
Benefit payments, including refunds of employee contributions	(303,662)	(303,662)	-
Administrative expense		(880)	880
Other		160	(160)
Net changes	$ 333,097	$ 996,824	$ (663,727)
Balance at 6/30/21	$ 5,460,969	$ 5,641,444	$ (180,475)

Sensitivity of the net pension liability (asset) 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 6.75 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 (5.75 percent) or 1 percentage-point higher (7.75 percent) than the current rate (expressed in thousands):

Primary Government

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net pension liability (asset)	$ 1,139,415	$ (431,370)	$ (1,750,060)

Component Units

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net pension liability (asset)	$ 476,706	$ (180,475)	$ (732,187)

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

Pension expense (negative pension expense)–For the year ended June 30, 2022, the state and the four mentioned component units recognized negative pension expense of ($50.3) million and ($25.4) million, respectively.

Deferred outflows of resources and deferred inflows of resources–For the year ended June 30, 2022, 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	$ 9,271	$ 105,244
Assumption changes	$ 455,759	
Net difference between projected and actual earnings on pension plan investments		$ 1,497,173
Effects of change in proportion	$ 4,283	
Contributions subsequent to the measurement date of June 30, 2021	$ 481,754	

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2021,” 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:	
2023	$ (194,750)
2024	(179,873)
2025	(354,591)
2026	(403,890)
	$ (1,133,104)

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	$ 3,879	$ 44,032
Assumption changes	$ 190,680	
Net difference between projected and actual earnings on pension plan investments		$ 626,384
Effects of change in proportion		$ 4,283
Contributions subsequent to the measurement date of June 30, 2021	$ 195,839	

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2021,” 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:	
2023	$ (86,018)
2024	(76,790)
2025	(148,353)
2026	(168,979)
	$ (480,140)

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, 2022, the state reported a payable of $10.1 million and the four mentioned component units reported a payable of $9.2 million for the outstanding amount of contributions to the pension plan required at year ended June 30, 2022.

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, 2021, 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	88
Inactive employees entitled to but not yet receiving benefits	19,369
Active employees	26,219
	45,676

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, 2022, to the State and Higher Education Employee Retirement Plan were $18.0 million, which is 1.96 percent of covered payroll. Employer contributions by the four previously mentioned component units were $9.1 million, which is 1.86 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, 2021, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date.

Actuarial assumptions–The total pension liability as of June 30, 2021, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 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	6.75 percent, net of pension plan investment expenses, including inflation
Cost-of-living adjustment	2.125 percent

Mortality rates were based on customized tables based on actual experience, including a projection of mortality improvement using Scale MP-2020 (generational projection).

The actuarial assumptions used in the June 30, 2021, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016, through June 30, 2020. 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, 2020, actuarial experience study. 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 2.25 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	4.88%	31%
Developed market international equity	5.37%	14%
Emerging market international equity	6.09%	4%
Private equity and strategic lending	6.57%	20%
U.S. fixed income	1.20%	20%
Real estate	4.38%	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 6.75 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 6.75 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 6/30/20	$ 187,220	$ 211,367	$ (24,147)
Effects of change in proportion	(2,749)	(3,103)	354
Adjusted balance at 6/30/2020	184,471	208,264	(23,793)
Changes for the year:			
Service cost	54,477		54,477
Interest	17,194		17,194
Differences between expected and actual experience	(7,045)		(7,045)
Changes of assumptions	18,177		18,177
Contributions-employer		15,398	(15,398)
Contributions-employees		41,654	(41,654)
Net investment income		60,462	(60,462)
Benefit payments, including refunds of employee contributions	(3,583)	(3,583)	-
Administrative expense		(1,551)	1,551
Other		308	(308)
Net changes	$ 79,220	$ 112,688	$ (33,468)
Balance at 6/30/21	$ 263,691	$ 320,952	$ (57,261)

Component Units	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at 6/30/20	$ 85,809	$ 96,876	$ (11,067)
Effects of change in proportion	2,749	3,103	(354)
Adjusted balance at 6/30/2020	88,558	99,979	(11,421)
Changes for the year:			
Service cost	26,152		26,152
Interest	8,254		8,254
Differences between expected and actual experience	(3,382)		(3,382)
Changes of assumptions	8,726		8,726
Contributions-employer		7,392	(7,392)
Contributions-employees		19,996	(19,996)
Net investment income		29,025	(29,025)
Benefit payments, including refunds of employee contributions	(1,720)	(1,720)	-
Administrative expense		(745)	745
Other		148	(148)
Net changes	$ 38,030	$ 54,096	$ (16,066)
Balance at 6/30/21	$ 126,588	$ 154,075	$ (27,487)

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 6.75 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 (5.75 percent) or 1 percentage-point higher (7.75 percent) than the current rate (expressed in thousands):

Primary Government

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net pension liability (asset)	$ 8,847	$ (57,261)	$ (107,236)

Component Units

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net pension liability (asset)	$ 4,247	$ (27,487)	$ (51,480)

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, 2022, the state and the four previously mentioned component units recognized pension expense of $7.6 million and $3.4 million, respectively.

Deferred outflows of resources and deferred inflows of resources–For the year ended June 30, 2022, the state and its four component units mentioned reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

Primary Government	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,426	$ 6,759
Assumption changes	$ 16,458	
Net difference between projected and actual earnings on pension plan investments		$ 32,616
Effects of change in proportion	$ 1,157	$ 79
Contributions subsequent to the measurement date of June 30, 2021	$ 18,004	

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2021," 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:	
2023	$ (6,340)
2024	(6,174)
2025	(6,037)
2026	(6,898)
2027	1,795
Thereafter	3,241
	$ (20,413)

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	$ 684	$ 3,245
Assumption changes	$ 7,901	
Net difference between projected and actual earnings on pension plan investments		$ 15,658
Effects of change in proportion	$ 79	$ 1,157
Contributions subsequent to the measurement date of June 30, 2021	$ 9,132	

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2021," 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:	
2023	$ (3,293)
2024	(3,213)
2025	(3,147)
2026	(3,559)
2027	615
Thereafter	1,201
	$ (11,396)

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, 2022, the state reported a payable of $671 thousand and the four previously mentioned component units reported a payable of $757 thousand for the outstanding amount of contributions to the pension plan required at year ended June 30, 2022.

C. Defined Contribution Plan

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

Optional Retirement Plan (ORP) – The ORP is a defined contribution plan. The ORP was established by state statute in Title 8, Chapter 25, Part 2 of the TCA. This statute also sets out the plan provisions. The plan provisions may be amended by the Tennessee General Assembly. The ORP was designed to provide benefits at retirement to faculty and staff of the State University and Community College System institutions and the University of Tennessee system who are exempt from the overtime provision of the Fair Labor Standards Act and who waive membership in the TCRS. As of June 30, 2022, there were 36,735 ORP accounts with balances, of those 13,681 are from active members.

Employer and employee contribution amounts are set in statute and made on a pre-tax basis. For employees employed prior to July 1, 2014, plan members are noncontributory. The State of Tennessee institutions of higher education contribute 10 percent of the employee's base salary, plus 1 percent on the part of the employee's base salary in excess of the social security wage base. For employees hired after June 30, 2014, plan members will contribute 5 percent to the ORP, and the State of Tennessee institutions of higher education will contribute 9 percent of the employee's base salary. For fiscal year ended June 30,2022, the State of Tennessee institutions of higher education recognized pension expenses of $99.3 million for their contributions to the ORP and reported a related total liability of $2.1 million at June 30, 2022.

Members are immediately 100 percent vested in the employer contributions made pursuant to the ORP. The Tennessee Department of Treasury has selected investment vendors who offer a variety of investment products in which members are responsible for selecting how the contributions are invested. Each member makes the decision when to reallocate future contributions or when to transfer funds from one investment product to another.

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

The plan is completely voluntary for employees hired prior to July 1, 2014. Pursuant to Public Chapter No. 259 of Public Acts of 2013, employees of the state and its higher education institutions and local education agencies hired after June 30, 2014, are automatically enrolled to contribute 2 percent of salary to the state's 401(k) plan with the employer contributing an additional 5 percent to the plan. Employees may opt out of the 2 percent auto enrollment. Such contribution rates may only be amended by the Tennessee General Assembly. There are certain automatic cost controls and unfunded liability controls in the defined benefit plan where the employees participate that may impact the non-matching 5 percent employer contribution to the 401(k) plan. For the fiscal year ended June 30, 2022, employees of the state and four of its discretely presented component units that participated in the 401(k) plan were eligible for a state matching contribution of up to $50 per month. The funding of this match is subject to state appropriations each year. The four discretely presented component units are the Tennessee Student Assistance Corporation, the Tennessee Housing Development Agency, the State University and Community College System, and the University of Tennessee. Employees will vest immediately to both the employee and the employer match.

During fiscal year ended June 30, 2022, the plan had 109,407 active members from the state and its higher education institutions, 61,473 from the local education agencies, and 13,796 from the political subdivisions. For fiscal year ended June 30, 2022, the state and the four mentioned component units recognized pension expenses of $102.6 million for its contributions to the Section 401(k) plans and reported a related liability of $4.1 million at June 30, 2022.

NOTE 18

External Investment Pools

A. State Pooled Investment Fund

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

B. Intermediate Term Investment Fund

The Intermediate Term Investment Fund (ITIF) is an external investment pool sponsored by the State of Tennessee. All funds in the ITIF at June 30, 2022, consist of funds belonging to entities outside of the state's financial reporting entity, and have been included as a separate external investment pool fund, a custodial fund.

C. Tennessee Retiree Group Trust

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

A copy of the SPIF, ITIF, and TRGT report can be obtained at https://treasury.tn.gov/.

NOTE 19

Contingencies and Commitments

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 $24.5 million. This would have a .059% impact on the budget.

The state is also pursuing legal action or other claims against third parties with respect to violations of law or other types of pending litigation that may result in significant future gains and recoveries. Given the uncertainties of the recoveries and the current stages of these ongoing matters, the resolution or amounts of these claims are not susceptible to disclosure or recognition in the financial statements.

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. Since the agreement is complex, the annual payments have, and will continue to be, subject to a number of adjustments including inflation, volume and non-participating manufacturers (NPM). Some of these adjustments, such as the inflation adjustment, result in the State receiving higher payments. Other factors, such as volume adjustment and the market share adjustment can work to reduce annual payments. Third party lawsuits may also affect future payments. The net effect of potential adjustments, and therefore the amount that Tennessee will receive each year from this settlement, remains indeterminate.

C. Opioid Settlement

In 2022, Tennessee (along with 50 other states and territories and more than 7,000 local governments) signed on to opioid legal agreements with certain manufacturers and distributors to resolve legal claims for their role in the opioid crisis. Approximately half of the funds going to state and local subdivisions are in the form of incentive payments. Of the four incentives that participating states need to achieve to receive their maximum allocated amount, Tennessee has already met three. Tennessee is expected to meet the criteria to earn the final incentive that would allow for the maximum payments and the avoidance of penalties and offsets. Determination of the state meeting the fourth incentive is expected to be finalized in year 2026. As a result of these agreements, the state has recognized a receivable of $495.3 million as of June 30, 2022. In accordance with the terms of the agreements all amounts will be dedicated to opioid abatement and remediation, with $407.9 million of the receivable amount being deposited into an opioid abatement fund pursuant to TCA 9-4-1301.

Other opioid related ongoing litigation will be subject to federal, state, and local government approval.

D. Unemployment Compensation

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

Tennessee law provides severe penalties for any individual who commits benefit payment fraud. The benefits received must be repaid plus penalties and interest. In addition, the claimant shall remain disqualified from future benefits so long as any portion of the overpayment or interest on the overpayment is still outstanding. The offense is a felony and upon conviction, an individual may be fined up to $3,000 and sentenced to prison for one to six years.

E. 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 $1.9 million for remediation activities and had an expected recovery of $11 thousand from responsible parties. At June 30, 2022, the state had a pollution remediation obligation of $44.4 million and an estimated potential recovery of $4.7 million from other responsible parties.

F. Federal Grants

The state receives significant financial assistance from the federal government in the form of grants and entitlements. The receipt of federal grants is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations. Substantially, all federal grants are subject to either federal single audits or financial and compliance audits by grantor agencies or their representatives. Questioned costs as a result of these audits may become disallowances after the appropriate review of federal agencies. Material disallowances are recognized as fund liabilities when the loss becomes probable and reasonably estimable.

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

G. Lease Commitments

As of June 30, 2022, the state has a lease that has not yet commenced, with lease payments due on an undiscounted basis of $339 thousand over the lease term from September 1, 2022 to August 31, 2030.

Note 20

Tax Abatements

The State of Tennessee provides tax abatements through five programs subject to the requirements of GASB Statement No. 77: the Manufacturing and Industrial Machinery Program, the Job Creation Program, the Community Investment Program, the Development

Opportunity Program and the Warehouse or Distribution Facility and Qualified Data Programs.

A. Manufacturing and Industrial Machinery Program

This program provides reductions in franchise and excise taxes to improve productivity and encourage investment in manufacturing and machinery among certain Tennessee businesses. The program is established under TCA 67-4-2009 and TCA 67-4-2109. Abatements may be granted to taxpayers who make qualified capital investments. Abatements are obtained through a business plan filed before the investment is made. The abatement is administered as a credit on a business' franchise and excise tax return. The amount of the abatement for industrial machinery is calculated using between 3% and 10% of the purchase price of the qualified machinery. The renewable energy manufacturing tax credit is based on how much more the taxpayer pays for electricity than the maximum certified rate. Recapture provisions provide that, if the required purchase amount of equipment is not met during the investment period, the taxpayer shall be subject to an assessment equal to the amount of the credit taken for which the taxpayer failed to qualify plus interest.

B. Job Creation Program

This program provides reductions in franchise and excise taxes to encourage companies to create and retain jobs. The program is established under TCA 67-4-2109. Abatements may be granted to businesses agreeing to create and retain a certain number of jobs. Abatements are obtained through a business plan filed before the investment is made. The abatement is administered as a credit on a business' franchise and excise tax return. The amount of the abatement is calculated using the size of investment, number of jobs created, and project location.

C. Community Investment Program

This program provides reductions in franchise and excise taxes to encourage the issuance of qualified loans or investments to low-income housing entities. The program is established under TCA 67-4-2109. Abatements may be granted to financial institutions providing low-interest loans to non-profit organizations and government agencies that agree to build and renovate low-income housing. Abatements are obtained through a certification from THDA before making the loans. The abatement is administered as a credit on a business' franchise and excise tax return. The amount of the abatement is calculated using either (1) the percentage of the loan or long-term investment made or (2) percentage annually of the unpaid principal balance of the loan made.

D. Development Opportunity Program

These programs provide for credits on franchise and excise taxes for investments contributing to small and rural development and brownfield development opportunities. The programs are established under TCA 67-4-2009 and TCA 67-4-2109. The amount of the small and rural development abatement is calculated using 10% of the financial institution's contribution to the rural or small business opportunity fund. The amount of the brownfield development credit is based on the location and amount of the investment. Abatements are obtained through a business plan filed before the contribution is made. Recapture provisions for the small and rural development program provide that, if at the close of the tenth year of the period during which the credit is allowed, the taxpayer or its assignee has received repayment, or retains any right to repayment, the department is entitled to recapture the credit allowed by increasing the franchise or excise tax liability given to the financial institution. The following table shows the amount of taxes abated by the state during the fiscal year ended June 30, 2022.

Tax Abatement Program	Amount of Taxes Abated (in thousands)
Manufacturing and Industrial Machinery Program	$51,649
Job Creation Program	66,378
Community Investment Program	57,793
Development Opportunity Program	2,154

E. Warehouse or Distribution Facility and Qualified Data Center Programs

These programs provide for sales or use tax exemptions on purchases of material handling and racking systems equipment to encourage investments in qualified warehouses or distribution centers and purchases of computers, computer networks, software, systems and peripheral hardware devices to encourage investments in qualified data centers.

The warehouse or distribution program is established under TCA 67-6-102(46), and for applications received by October 1, 2019, TCA 67-6-318. Abatements may be granted to taxpayers who make capital investments in the building, construction or renovation of qualified warehouses or distribution centers. Abatements are obtained through an application and business plan that includes an estimate of the qualified investments. Approved applicants will receive a certificate of exemption that may be presented to vendors at the time of purchase of eligible equipment or building materials. Recapture provisions provide that, if the required investment is not made within the stipulated period; the taxpayer shall be subject to assessment for any tax, penalty or interest that would otherwise have been due.

The qualified data center program is established under TCA 67-6-102(81). 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 $474 million.

Note 21

Impairments and Insurance Recoveries

For the year ended June 30, 2022, impairment losses of $13.5 million was included in the health and social services function, and $8.3 million was included in the law, justice, and public safety function due to software development stoppages.

Note 22

Subsequent Events

A. Primary government

Subsequent to June 30, the state issued $5 million in taxable general obligation commercial paper.

B. Component units

Subsequent to June 30, the Tennessee Housing Development Agency had the following revenue bond issuance: 2022-3 in October 2022 in the amount of $160 million.

Subsequent to June 30, the Tennessee State School Bond Authority (TSSBA) had the following bond issuances: in November 2022, TSSBA issued 2022 Series A tax-exempt bonds in the amount of $282 million at a premium of $17 million, 2022 Series B taxable bonds in the amount of $25 million at par. These issuances were used to pay construction costs and cost of issuance. In addition, the Authority issued $20 million in revolving credit facility.

REQUIRED SUPPLEMENTARY INFORMATION

Infrastructure Assets Reported Using the Modified Approach

A. Roadways

Measurement Scale

The state uses a condition assessment method called the Maintenance Quality Assurance (MQA) program. The MQA program consists of 62 roadway characteristics and each characteristic is grouped into one of six elements. The elements are: mainline pavement, roadway shoulder, roadside, drainage, traffic, and ramps. The MQA provides a condition assessment, in the form of a Level-of-Service (LOS) grade, for roadway assets by evaluating roadway segments. Each segment measures a 0.10 of a mile (528 feet) and is randomly selected each fiscal year. The LOS grade for each individual characteristic is given an "A" or 4.0 through "F" or 0.0 with 4.0 being a perfect grade. The grade is calculated by dividing the total deficiency by the total inventory for each characteristic. This results in a score for each element. Each element score is then multiplied by a weighted element score and the six weighted scores are summed to the overall score.

Established Condition Level

The state intends to maintain roadways so that the reported condition level each year does not fall below 2.846 for MQA.

Assessed Conditions

The following table presents the MQA of all rated segments.

For the Period Ended	Maintenance Quality Assurance
06/30/22	3.497
06/30/21	3.368
06/30/20	3.289

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
06/30/22	$ 544,780	$ 713,373
06/30/21	547,685	582,408
06/30/20	481,703	660,630
06/30/19	450,813	633,360
06/30/18	447,013	543,913

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

B. Bridges

Measurement Scale

The state maintains information on its 8,455 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
06/30/22	83%
06/30/20	85%
06/30/18	85%

Estimated and Actual Costs to Maintain

The following table presents the state's estimate of spending to preserve and maintain the bridges at or above, the "Established Condition Level" cited above, and the actual amount spent (in thousands):

For the Period Ended	Estimated	Actual
06/30/22	$ 54,000	$ 96,609
06/30/21	54,000	84,646
06/30/20	50,525	85,505
06/30/19	44,330	46,978
06/30/18	41,610	57,541

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

Other Postemployment Benefits Information

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

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

CLOSED EMPLOYEE GROUP OPEB PLAN
Primary Government

	2018	2019	2020	2021	2022
Total OPEB liability					
Service cost	$ 47,219	$ 42,521	$ 44,521	$ 26,249	$ 26,936
Interest	28,003	32,021	34,324	46,916	44,735
Changes of benefit terms	-	-	-	-	-
Differences between actual and expected experience	-	(37,420)	(14,447)	(25,201)	(2,113)
Changes of assumptions	(40,226)	46,108	(149,693)	(25,485)	10,364
Changes in proportion and differences between contributions and proportionate share of contributions	-	(29,514)	20,618	(4,221)	(5,693)
Benefit payments	(61,649)	(57,061)	(61,238)	(54,077)	(53,449)
Net change in total OPEB liability	(26,653)	(3,345)	(125,915)	(35,819)	20,780
Total OPEB liability-beginning	942,627	915,974	912,629	786,714	750,895
Total OPEB liability-ending (a)	$ 915,974	$ 912,629	$ 786,714	$ 750,895	$ 771,675
Plan fiduciary net position					
Contributions-employer	$ -	$ -	$ 260,984	$ 103,683	$ 99,095
Net investment income	-	-	3,487	(2,975)	63,591
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	(59,031)	(1,541)	(1,317)
Benefit payments, including refunds of employee contributions	-	-	(61,238)	(54,077)	(53,449)
Net change in plan fiduciary net position	-	-	144,202	45,090	107,920
Plan fiduciary net position-beginning	-	-	-	144,202	189,292
Plan fiduciary net position-ending (b)	$ -	$ -	$ 144,202	$ 189,292	$ 297,212
Net OPEB liability - ending (a)-(b)	$ 915,974	$ 912,629	$ 642,512	$ 561,603	$ 474,463
Covered-employee payroll	$ 1,369,106	$ 1,416,041	$ 1,463,373	$ 1,414,478	$ 1,371,486
Net OPEB liability as a percentage of covered-employee payroll	66.90%	64.45%	43.91%	39.70%	34.59%

In fiscal year 2019, the state transitioned the EGOP from a pay-as-you-go arrangement to a prefunding arrangement where assets are accumulated in a qualified trust and benefits are paid directly from that trust.
The amounts reported for each fiscal year were determined as of the prior fiscal year-end.
This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

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

CLOSED EMPLOYEE GROUP OPEB PLAN
Component Units

	2018	2019	2020	2021	2022
Total OPEB liability					
Service cost	$ 21,990	$ 22,020	$ 21,458	$ 12,876	$ 13,544
Interest	13,041	16,582	16,543	23,015	22,494
Changes of benefit terms	-	-	-	-	-
Differences between actual and expected experience	-	(19,378)	(6,963)	(12,362)	(1,063)
Changes of assumptions	(18,733)	23,877	(72,147)	(12,502)	5,211
Changes in proportion and differences between contributions and proportionate share of contributions	-	29,514	(20,618)	4,221	5,693
Benefit payments	(28,710)	(26,573)	(31,713)	(26,063)	(26,220)
Net change in total OPEB liability	(12,412)	46,042	(93,440)	(10,815)	19,659
Total OPEB liability-beginning	438,979	426,567	472,609	379,169	368,354
Total OPEB liability-ending (a)	$ 426,567	$ 472,609	$ 379,169	$ 368,354	$ 388,013
Plan fiduciary net position					
Contributions-employer	$ -	$ -	$ 40,502	$ 49,339	$ 49,514
Net investment income	-	-	1,681	(1,460)	31,975
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	59,031	1,541	1,317
Benefit payments, including refunds of employee contributions	-	-	(31,713)	(26,063)	(26,220)
Net change in plan fiduciary net position	-	-	69,501	23,357	56,586
Plan fiduciary net position-beginning	-	-	-	69,501	92,858
Plan fiduciary net position-ending (b)	$ -	$ -	$ 69,501	$ 92,858	$ 149,444
Net OPEB liability - ending (a)-(b)	$ 426,567	$ 472,609	$ 309,668	$ 275,496	$ 238,569
Covered-employee payroll	$ 1,353,254	$ 1,339,543	$ 1,260,809	$ 1,183,016	$ 1,117,645
Net OPEB liability as a percentage of covered-employee payroll	31.52%	35.28%	24.56%	23.29%	21.35%

In fiscal year 2019, the state transitioned the EGOP from a pay-as-you-go arrangement to a prefunding arrangement where assets are accumulated in a qualified trust and benefits are paid directly from that trust.
The amounts reported for each fiscal year were determined as of the prior fiscal year-end.
This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

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

CLOSED TENNESSEE OPEB PLAN
State Employees

	2018	2019	2020	2021	2022
Total OPEB liability					
Service cost	$ 2,560	$ 2,046	$ 1,480	$ 1,599	$ 2,288
Interest	3,455	3,790	3,792	3,719	2,762
Changes of benefit terms	-	-	-	-	-
Differences between actual and expected experience	-	(3,200)	(870)	(535)	(1,437)
Changes of assumptions	(9,094)	(743)	1,843	19,166	(15,829)
Changes in proportion and differences between contributions and proportionate share of contributions	-	(3,531)	1,591	(225)	(589)
Benefit payments	(4,588)	(4,696)	(4,833)	(4,955)	(5,077)
Net change in total OPEB liability	(7,667)	(6,334)	3,003	18,769	(17,882)
Total OPEB liability-beginning	118,044	110,377	104,043	107,046	125,815
Total OPEB liability-ending	$ 110,377	$ 104,043	$ 107,046	$ 125,815	$ 107,933
Covered-employee payroll	$ 1,420,835	$ 1,541,486	$ 1,575,865	$ 1,561,360	$ 1,527,025
Total OPEB liability as a percentage of covered-employee payroll	7.77%	6.75%	6.79%	8.06%	7.07%

Component Unit Employees

	2018	2019	2020	2021	2022
Total OPEB liability					
Service cost	$ 1,551	$ 1,353	$ 940	$ 1,022	$ 1,480
Interest	2,093	2,507	2,409	2,376	1,787
Changes of benefit terms	-	-	-	-	-
Differences between actual and expected experience	-	(2,117)	(553)	(342)	(930)
Changes of assumptions	(5,511)	(492)	1,171	12,244	(10,239)
Changes in proportion and differences between contributions and proportionate share of contributions	-	3,531	(1,591)	225	589
Benefit payments	(2,780)	(2,845)	(3,197)	(3,148)	(3,244)
Net change in total OPEB liability	(4,647)	1,937	(821)	12,377	(10,557)
Total OPEB liability-beginning	71,531	66,884	68,821	68,000	80,377
Total OPEB liability-ending	$ 66,884	$ 68,821	$ 68,000	$ 80,377	$ 69,820
Covered-employee payroll	$ 1,574,315	$ 1,524,863	$ 1,484,617	$ 1,414,167	$ 1,342,569
Total OPEB liability as a percentage of covered-employee payroll	4.25%	4.51%	4.58%	5.68%	5.20%

There are no assets accumulating in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 related to this OPEB plan.

The amounts reported for each fiscal year were determined as of the prior fiscal year-end.

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

B. Schedule of Contributions

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

CLOSED EMPLOYEE GROUP OPEB PLAN
Primary Government

	2019	2020	2021	2022
Actuarially determined contribution	$ 88,739	$ 95,731	$ 87,287	$ 81,439
Contributions in relation to the actuarially determined contribution	260,984	103,683	99,096	97,570
Contribution deficiency (excess)	(172,245)	(7,952)	(11,809)	(16,131)
Covered-employee payroll	$ 1,463,373	$ 1,414,478	$ 1,371,486	$ 1,406,936
Total OPEB contributions as a percentage of covered-employee payroll	17.83%	7.33%	7.23%	6.93%

Component Units

	2019	2020	2021	2022
Actuarially determined contribution	$ 47,071	$ 49,665	$ 49,787	$ 44,864
Contributions in relation to the actuarially determined contribution	40,502	49,339	49,514	44,656
Contribution deficiency (excess)	6,569	326	273	208
Covered-employee payroll	$ 1,260,809	$ 1,183,016	$ 1,117,645	$ 1,064,733
Total OPEB contributions as a percentage of covered-employee payroll	3.21%	4.17%	4.43%	4.19%

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

Notes to Schedule of Contributions

Valuation Date: Actuarially determined contribution rates are calculated based on valuations as of June 30 two years prior to the fiscal year, in which the ADC is calculated.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	15 years
Asset valuation	Market value on measurement date
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	The mortality rates employed in this valuation are taken from the PUB-2010 Headcount-Weighted Employee mortality table for General Employees for non-disabled pre-retirement mortality, with mortality improvement projected generationally with MP-2020 from 2010 . Post-retirement tables are Headcount-Weighted Below Median Healthy Annuitant and adjusted with a 6% load for males and a 14% load for females, projected generationally from 2010 with MP-2020. 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% load, projected generationally from 2018 with MP-2020.

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

State of Tennessee
Other Postemployment Benefits
Schedule of the State's Proportionate Share of the Collective Total OPEB Liability
Special Funding Situation
(expressed in thousands)

	2018	2019	2020	2021	2022
CLOSED TEACHER GROUP OPEB PLAN					
State's proportion of the collective total OPEB liability	29%	26%	28%	28%	30%
State's proportionate share of the collective total OPEB liability	$ 256,924	$ 216,247	$ 232,297	$ 260,059	$ 305,828

	2018	2019	2020	2021	2022
CLOSED TENNESSEE OPEB PLAN					
State's proportion of the collective total OPEB liability	54%	75%	73%	76%	77%
State's proportionate share of the collective total OPEB liability	$ 215,044	$ 206,298	$ 222,668	$ 266,093	$ 218,593

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	2020	2021	2022
Total pension liability								
Service cost	$ 201,090	$ 200,001	$ 193,571	$ 183,931	$ 181,736	$ 175,903	$ 171,553	$ 166,681
Interest	1,024,003	1,044,475	1,089,027	1,117,928	1,146,606	1,180,782	1,206,046	1,235,137
Differences between actual and expected experience	(186,051)	170,534	(30,039)	97,904	83,828	(29,767)	39,450	(212,751)
Changes of assumptions				406,329				969,659
Benefit payments, including refunds of employee contributions	(741,380)	(788,612)	(840,494)	(874,626)	(914,064)	(955,844)	(992,367)	(1,029,468)
Net change in total pension liability	297,662	626,398	412,065	931,466	498,106	371,074	424,682	1,129,258
Total pension liability-beginning	13,822,970	14,120,632	14,747,030	15,159,095	16,090,561	$16,588,667	$ 16,959,741	$ 17,384,423
Total pension liability-ending (a)	$ 14,120,632	$ 14,747,030	$ 15,159,095	$ 16,090,561	$16,588,667	$ 16,959,741	$ 17,384,423	$ 18,513,681
Plan fiduciary net position								
Contributions-employer	$410,608	$392,466	$366,962	$360,337	$436,666	$433,581	$435,177	$426,984
Contributions-employee	1,676	915	1,176	625	406	864	374	318
Net investment income	1,931,471	407,762	350,633	1,481,770	1,167,919	1,096,732	757,315	3,984,023
Benefit payments, including refunds of employee contributions	(741,380)	(788,612)	(840,494)	(874,626)	(914,064)	(955,844)	(992,367)	(1,029,468)
Administrative expense	(2,791)	(2,803)	(3,654)	(3,741)	(3,930)	(3,420)	(3,170)	(2,984)
Other	-	17,333	2,158	2,067	(14,702)	2,411	1,206	543
Net change in plan fiduciary net position	1,599,584	27,061	(123,219)	966,432	672,295	574,324	198,535	3,379,416
Plan fiduciary net position-beginning	11,831,098	13,430,682	13,457,743	13,334,524	14,300,956	$14,973,251	$ 15,547,575	$ 15,746,110
Plan fiduciary net position-ending (b)	$ 13,430,682	$ 13,457,743	$ 13,334,524	$ 14,300,956	$14,973,251	$ 15,547,575	$ 15,746,110	$ 19,125,526
Net pension liability (asset)-ending (a)-(b)	$ 689,950	$ 1,289,287	$ 1,824,571	$ 1,789,605	$ 1,615,416	$ 1,412,166	$ 1,638,313	$ (611,845)
Plan fiduciary net position as a percentage of total pension liability	95.11%	91.26%	87.96%	88.88%	90.26%	91.67%	90.58%	103.30%
Covered payroll	$ 2,658,354	$ 2,540,327	$ 2,375,501	$ 2,333,672	$ 2,280,469	$ 2,213,382	$ 2,173,446	$ 2,073,599
Net pension liability (asset) as a percentage of covered payroll	25.95%	50.75%	76.81%	76.69%	70.84%	63.80%	75.38%	(29.51%)

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	2020	2021	2022
Total pension liability							
Service cost	$ 7,431	$ 18,693	$ 33,132	$ 46,815	$ 57,928	$ 71,903	$ 80,629
Interest	279	1,883	4,504	8,091	12,715	18,489	25,448
Differences between actual and expected experience	(1,164)	689	272	451	(931)	1,920	(10,427)
Changes of assumptions			1,638				26,903
Benefit payments, including refunds of employee contributions	(10)	(233)	(1,290)	(2,079)	(3,306)	(4,791)	(5,303)
Net change in total pension liability	6,536	21,032	38,256	53,278	66,406	87,521	117,250
Total pension liability-beginning		6,536	27,568	65,824	$119,102	$ 185,508	$ 273,029
Total pension liability-ending (a)	$ 6,536	$ 27,568	$ 65,824	$ 119,102	$ 185,508	$ 273,029	$ 390,279
Plan fiduciary net position							
Contributions-employer	$4,214	$11,923	$20,449	$28,663	$15,572	$19,803	$22,790
Contributions-employee	5,154	15,113	25,927	36,495	45,105	55,381	61,650
Net investment income	142	600	6,595	9,733	13,806	12,953	89,487
Benefit payments, including refunds of employee contributions	(10)	(233)	(1,290)	(2,079)	(3,306)	(4,791)	(5,303)
Administrative expense	(183)	(726)	(1,244)	(1,699)	(1,869)	(2,142)	(2,296)
Other			134			53	456
Net change in plan fiduciary net position	9,317	26,677	50,571	71,113	69,308	81,257	166,784
Plan fiduciary net position-beginning		9,317	35,994	86,565	157,678	226,986	308,243
Plan fiduciary net position-ending (b)	$ 9,317	$ 35,994	$ 86,565	$ 157,678	$ 226,986	$ 308,243	$ 475,027
Net pension liability (asset)-ending (a)-(b)	$ (2,781)	$ (8,426)	$ (20,741)	$ (38,576)	$ (41,478)	$ (35,214)	$ (84,748)
Plan fiduciary net position as a percentage of total pension liability	142.55%	130.56%	131.51%	132.39%	122.36%	112.90%	121.71%
Covered payroll	$ 107,086	$ 305,424	$ 518,664	$ 727,339	$ 900,952	$ 1,105,290	$ 1,223,688
Net pension liability (asset) as a percentage of covered payroll	(2.60%)	(2.76%)	(4.00%)	(5.30%)	(4.60%)	(3.19%)	(6.93%)

The amounts reported for each fiscal year were determined as of the prior fiscal year-end.
This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

B. Schedules of Contributions

Schedule of the State of Tennessee's Contributions
Closed State and Higher Education Employee Pension Plan
(expressed in thousands)

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Actuarially determined contribution	$ 410,608	$ 392,466	$ 366,114	$ 360,434	$ 435,455	$ 433,581	$ 435,177	$ 426,985	$ 427,593
Contributions in relation of the actuarially determined contribution	410,608	392,466	366,114	360,434	435,455	433,581	435,177	426,985	677,593
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (250,000)
Covered payroll	$ 2,658,354	$ 2,540,327	$ 2,375,501	$ 2,333,672	$ 2,280,469	$ 2,213,382	$ 2,173,446	$ 2,073,599	$ 2,051,258
Contributions as a percentage of covered payroll	15.45%	15.45%	15.41%	15.44%	19.09%	19.59%	20.02%	20.59%	33.03%

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 2022 were calculated based on the June 30, 2020, actuarial valuation.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Various
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	2.5 percent
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Investment rate of return	7.25 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.25 percent

Schedule of the State of Tennessee's Contributions
State and Higher Education Employee Retirement Plan
(expressed in thousands)

	2015	2016	2017	2018	2019	2020	2021	2022
Actuarially determined contribution	$ 2,142	$ 6,446	$ 6,232	$ 9,820	$ 15,572	$ 19,803	$ 22,790	$ 27,136
Contributions in relation of the actuarially determined contribution	4,255	12,016	20,339	28,611	15,572	19,803	22,790	27,136
Contribution deficiency (excess)	$ (2,113)	$ (5,570)	$ (14,107)	$ (18,791)	$ -	$ -	$ -	$ -
Covered payroll	$ 107,086	$ 305,424	$ 518,664	$ 727,339	$ 900,952	$ 1,105,290	$ 1,223,688	$ 1,410,333
Contributions as a percentage of covered payroll	3.97%	3.93%	3.92%	3.93%	1.73%	1.79%	1.86%	1.92%

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 2022 were calculated based on the June 30, 2020, actuarial valuation.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Various
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	2.5 percent
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Investment rate of return	7.25 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.25 percent

The Closed State and Higher Education Pension Plan and the State and Higher Education Retirement Plan are parts of TCRS, a public employee retirement system.

The information of the annual money-weighted rate of return of the system is presented in TCRS's financial report which can be obtained at https://treasury.tn.gov.

State of Tennessee Postemployment Benefits Trust Information

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

State of Tennessee
Postemployment Benefits Trust
Schedule of Changes in the Closed EGOP's Net OPEB Liability and Related Ratios
(expressed in thousands)

	2019	2020	2021	2022
Total OPEB liability				
Service cost	$65,979	$40,419	$40,282	$38,849
Interest	50,851	72,620	70,591	69,384
Changes in benefit terms	-	-	-	-
Differences between actual and expected experience	-	(37,425)	(25,926)	(32,751)
Changes of assumptions	(199,731)	(31,242)	(29,109)	16,235
Benefit payments, including refunds of employee contributions	(92,951)	(80,140)	(75,864)	(73,155)
Net change in total OPEB liability	($175,852)	($35,768)	($20,026)	$18,562
Total OPEB liability-beginning	1,385,238	1,209,386	1,173,618	1,153,592
Total OPEB liability-ending (a)	$1,209,386	$1,173,618	$1,153,592	$1,172,154
Plan fiduciary net position				
Contributions-employer	$301,486	$153,022	$148,609	$142,226
Net investment income	5,167	(4,435)	91,762	(70,836)
Benefit payments, including refunds of employee contributions	(92,951)	(80,140)	(75,864)	(73,155)
Administrative expense	-	-	-	-
Net change in plan fiduciary net position	213,702	68,447	164,507	($1,765)
Plan fiduciary net position-beginning	-	213,702	282,149	446,656
Plan fiduciary net position-ending (b)	$213,702	$282,149	$446,656	$444,891
Net OPEB liability-ending (a)-(b)	$995,684	$891,469	$706,936	$727,263
Plan fiduciary net position as a percentage of total OPEB liability	17.67%	24.04%	38.72%	37.95%

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

For 2019, the amount noted for change in assumptions is primarily due to the change in discount rate used to roll the total liability forward from the June 30, 2018 actuarial date to June 30, 2019.

B. Schedule of Contributions

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

	2019	2020	2021	2022
Actuarially determined contribution	$135,810	$145,397	$137,075	$126,303
Contributions in relation of the actuarially determined contribution	301,486	153,022	148,609	142,226
Contribution deficiency (excess)	($165,676)	($7,625)	($11,534)	($15,923)

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

Notes to Schedule of Contributions

Valuation Date: Actuarially determined contribution rates are calculated based on valuations as of June 30 two years prior to the fiscal year, in which the ADC is calculated.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	15 years
Asset valuation	Market value on measurement date
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	The mortality rates employed in this valuation are taken from the PUB-2010 Headcount-Weighted Employee mortality table for General Employees for non-disabled pre-retirement mortality, with mortality improvement projected generationally with MP-2020 from 2010 . Post-retirement tables are Headcount-Weighted Below Median Healthy Annuitant and adjusted with a 6% load for males and a 14% load for females, projected generationally from 2010 with MP-2020. 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% load, projected generationally from 2018 with MP-2020.

C. Schedule of Investment Returns

Schedule of Investment Returns
State of Tennessee Postemployment Benefits Trust

	2019	2020	2021	2022
Annual money-weighted rate of return, net of investment expense	6%	-0.95%	29.76%	-14.23%

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, 2022
(Expressed in Thousands)

	General			
	Budgeted Amounts			
	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget
REVENUES				
Taxes	$ 9,125,836	$ 9,125,836	$ 12,029,598	$ 2,903,762
Licenses, fines, fees, and permits	529,037	529,037	508,623	(20,414)
Investment income	19,950	19,950	43,842	23,892
Federal	15,215,818	17,787,988	15,242,108	(2,545,880)
Departmental services	2,147,826	2,171,581	2,559,503	387,922
Opioid and Tobacco Settlements	150,000	150,000	199,173	49,173
Other	41,895	41,895	70,639	28,744
Total revenues	27,230,362	29,826,287	30,653,486	827,199
EXPENDITURES				
General government				
Legislative	127,868	128,500	51,397	77,103
Secretary of State	91,054	91,452	53,741	37,711
Comptroller	156,692	157,391	117,478	39,913
Treasurer	298,932	307,861	294,262	13,599
Governor	6,207	6,286	5,654	632
Commissions	138,281	170,979	140,963	30,016
Finance and Administration	1,303,345	1,241,080	341,923	899,157
General Services	94,799	70,228	39,125	31,103
Revenue	143,812	147,100	121,046	26,054
Miscellaneous Appropriations	2,793	2,793	-	2,793
Health and social services				
Veterans Services	9,417	10,664	8,820	1,844
Labor and Workforce Development	377,006	383,947	233,766	150,181
TennCare	14,680,588	15,640,206	14,180,633	1,459,573
Mental Health	527,218	537,367	462,601	74,766
Intellectual Disabilities	256,825	265,022	213,481	51,541
Health	1,310,211	1,556,454	1,145,265	411,189
Human Services	4,720,515	5,672,828	4,083,823	1,589,005
Children's Services	1,031,376	1,050,531	958,293	92,238
Law, justice, and public safety				
Judicial	474,084	477,386	428,735	48,651
Correction	1,246,008	1,258,800	1,030,088	228,712
Probation and Paroles	8,985	9,228	8,892	336
Military	115,934	250,420	234,401	16,019
Bureau of Criminal Investigation	113,899	117,677	103,077	14,600
Safety	354,767	356,108	306,606	49,502
Recreation and resources development				
Agriculture	164,940	249,945	198,426	51,519
Tourist Development	49,535	75,987	37,665	38,322
Environment and Conservation	404,061	412,309	287,974	124,335
Economic and Community Development	908,308	1,110,129	297,879	812,250
Regulation of business and professions				
Commerce and Insurance	115,938	122,291	101,785	20,506
Financial Institutions	32,051	32,323	21,819	10,504
Total expenditures	29,265,449	31,913,292	25,509,618	6,403,674
Excess (deficiency) of revenues over (under) expenditures	(2,035,087)	(2,087,005)	5,143,868	7,230,873
OTHER FINANCING SOURCES (USES)				
Insurance claims recoveries	(547)	547	547	-
Transfers in	6,020	6,020	6,020	-
Transfers out	(4,060,280)	(2,278,280)	(2,278,280)	-
Total other financing sources (uses)	(4,054,807)	(2,271,713)	(2,271,713)	-
Net change in fund balances	(6,089,894)	(4,358,718)	2,872,155	7,230,873
Fund balances (budgetary basis), July 1	9,330,915	9,330,915	9,330,915	-
Fund balances (budgetary basis), June 30	$ 3,241,021	$ 4,972,197	$ 12,203,070	$ 7,230,873

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, 2022
(Expressed in Thousands)

Education

	Budgeted Amounts: Original Budget	Budgeted Amounts: Final Budget	Actual (Budgetary Basis)	Variance With Final Budget
REVENUES				
Taxes	$ 6,154,800	$ 6,154,800	$ 7,737,646	$ 1,582,846
Licenses, fines, fees, and permits	2,956	2,956	5,194	2,238
Investment income	175	175	(447)	(622)
Federal	3,497,884	3,900,235	2,360,431	(1,539,804)
Departmental services	319,697	409,724	308,833	(100,891)
Other	474,900	474,900	486,100	11,200
Total revenues	10,450,412	10,942,790	10,897,757	(45,033)
EXPENDITURES				
Education	9,508,948	10,004,091	8,172,772	1,831,319
Higher education	2,395,569	2,328,411	2,269,381	59,030
Total expenditures	11,904,517	12,332,502	10,442,153	1,890,349
Excess (deficiency) of revenues over (under) expenditures	(1,454,105)	(1,389,712)	455,604	1,845,316
OTHER FINANCING SOURCES (USES)				
Transfers in	1,794,667	1,794,667	12,669	(1,781,998)
Transfers out	(124,913)	(165,741)	(165,741)	-
Total other financing sources (uses)	1,669,754	1,628,926	(153,072)	(1,781,998)
Net change in fund balance	215,649	239,214	302,532	63,318
Fund balances (budgetary basis), July 1	438,904	438,904	438,904	-
Fund balances (budgetary basis), June 30	$ 654,553	$ 678,118	$ 741,436	$ 63,318

Highway

	Budgeted Amounts: Original Budget	Budgeted Amounts: Final Budget	Actual (Budgetary Basis)	Variance With Final Budget
REVENUES				
Taxes	$ 709,500	$ 709,500	$ 769,192	$ 59,692
Licenses, fines, fees, and permits	304,831	304,831	336,909	32,078
Federal	1,035,251	4,469,062	1,157,784	(3,311,278)
Departmental services	38,482	246,572	57,558	(189,014)
Other	10,960	10,960	12,389	1,429
Total revenues	2,099,024	5,740,925	2,333,832	(3,407,093)
EXPENDITURES				
Transportation	3,791,751	7,439,886	2,273,308	5,166,578
Total expenditures	3,791,751	7,439,886	2,273,308	5,166,578
Excess (deficiency) of revenues over (under) expenditures	(1,692,727)	(1,698,961)	60,524	1,759,485
OTHER FINANCING SOURCES (USES)				
Bond authorizations	126,000	50,000	-	(50,000)
Transfers in	-	419,235	419,235	-
Transfers out	(2,690)	(2,690)	(2,690)	-
Total other financing sources (uses)	123,310	466,545	416,545	(50,000)
Net change in fund balance	(1,569,417)	(1,232,416)	477,069	1,709,485
Fund balances (budgetary basis), July 1	1,255,220	1,255,220	1,255,220	-
Fund balances (budgetary basis), June 30	$ (314,197)	$ 22,804	$ 1,732,289	$ 1,709,485

State Shared Taxes

	Budgeted Amounts: Original Budget	Budgeted Amounts: Final Budget	Actual (Budgetary Basis)	Variance With Final Budget
REVENUES				
Taxes	$ 1,278,900	$ 1,278,900	$ 1,525,531	$ 246,631
Licenses, fines, fees, and permits	-	-	262	262
Total revenues	1,278,900	1,278,900	1,525,793	246,893
EXPENDITURES				
Expenditures	1,525,792	1,525,792	1,525,793	(1)
Total expenditures	1,525,792	1,525,792	1,525,793	(1)
Excess (deficiency) of revenues over (under) expenditures	(246,892)	(246,892)	-	246,892

STATE OF TENNESSEE
Required Supplementary Information
Note to RSI
For the Fiscal Year Ended June 30, 2022
(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).

	General	Education	Highway
Revenues			
Actual amount (budgetary basis)		$ 10,897,757	
The revenues for the Tennessee Promise Scholarship Endowment Fund are not included in the annual adopted budget		(114,005)	
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds		$ 10,783,752	
Expenditures			
Actual amount (budgetary basis)	$25,509,618	$ 10,442,153	$ 2,273,308
The expenditures for the Tennessee Promise Scholarship Endowment Fund are not included in the annual adopted budget	-	26,800	-
Capital Outlay from capital leases are not included in the annual adopted budget.	21,605	99	1,858
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$25,531,223	$ 10,469,052	$ 2,275,166
Other			
Actual amount (budgetary basis)	$ (2,271,713)	$ (153,072)	$ 416,545
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	-	124,913	-
Financing sources from capital leases are not included in the annual adopted budget.	21,605	99	1,858
Total other financing sources (uses) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ (2,250,108)	$ (28,060)	$ 418,403

2. Budgetary Process

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

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

Generally, appropriations lapse at the end of each fiscal year. It is the state's budgetary practice to appropriate matching dollars for jointly funded projects in the year of federal apportionment for the highway fund and these appropriations do not lapse at year-end but are reappropriated for subsequent year expenditure. There were no outstanding encumbrances reported as of June 30, 2022. In order to provide sufficient funding for several programs during the year, supplemental appropriations of $29.3 million were required.

Reclassifications: Budgetary expenditures related to lease payments are reclassified from expenditures by function to debt service for GAAP reporting.

This Page Intentionally Left Blank

SUPPLEMENTARY INFORMATION

This Page Intentionally Left Blank

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, 2022
(Expressed in Thousands)

	Special Revenue Funds	Debt Service Fund	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	$ 428,953	$ 12,755	$ 44,752	$ 486,460
Investments	43,495	-	687,423	730,918
Receivables, net	453,710	9,056	3,018	465,784
Due from other funds	23	-	-	23
Due from component units	-	-	1,331	1,331
Loans receivable	-	3,185	-	3,185
Prepayments and others	21	-	-	21
Total assets	$ 926,202	$ 24,996	$ 736,524	$ 1,687,722
LIABILITIES				
Accounts payable and accruals	66,093	68	587	66,748
Due to other funds	232	-	-	232
Due to component units	1,466	-	2,672	4,138
Unearned revenue	8	-	-	8
Total liabilities	67,799	68	3,259	71,126
DEFERRED INFLOWS OF RESOURCES	318,929	3,686	-	322,615
FUND BALANCES				
Nonspendable				
Permanent fund and endowment corpus	$ -	$ -	$ 421,365	$ 421,365
Restricted	304,071	-	283,875	587,946
Committed	235,403	-	28,025	263,428
Assigned	-	21,242	-	21,242
Total fund balances	539,474	21,242	733,265	1,293,981
Total liabilities, deferred inflows of resources and fund balances	$ 926,202	$ 24,996	$ 736,524	$ 1,687,722

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, 2022
(Expressed in Thousands)

	Special Revenue Funds	Debt Service Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES				
Taxes:				
Sales and use	$ -	$ 91,312	$ -	$ 91,312
Fuel	23,003	76,000	-	99,003
Business	-	174,188	-	174,188
Other	74,342	-	-	74,342
Licenses, fines, fees, and permits	390,511	2,700	3,956	397,167
Investment income (loss)	(2,861)	-	(48,752)	(51,613)
Federal	49,170	-	-	49,170
Departmental services	32,850	824	-	33,674
Other	4	-	-	4
Total revenues	567,019	345,024	(44,796)	867,247
EXPENDITURES				
General government	29,453	-	-	29,453
Education	-	-	9,376	9,376
Law, justice and public safety	7,209	-	-	7,209
Recreation and resources development	244,556	-	36	244,592
Regulation of business and professions	139,883	-	-	139,883
Debt service:				
Principal	117	142,401	-	142,518
Interest	20	49,805	-	49,825
Debt issuance costs	-	2,627	-	2,627
Capital outlay	483	-	-	483
Total expenditures	421,721	194,833	9,412	625,966
Excess (deficiency) of revenues over (under) expenditures	145,298	150,191	(54,208)	241,281
OTHER FINANCING SOURCES (USES)				
Bond premium	-	215	-	215
Refunding bond issuance	-	501,241	-	501,241
Refunding payment to escrow	-	(500,827)	-	(500,827)
Right-to-use leases	483	-	-	483
Transfers in	3,523	3,624	250,000	257,147
Transfers out	(610)	(149,302)	-	(149,912)
Total other financing sources (uses)	3,396	(145,049)	250,000	108,347
Net change in fund balances	148,694	5,142	195,792	349,628
Fund balances, July 1	390,780	16,100	537,473	944,353
Fund balances, June 30	$ 539,474	$ 21,242	$ 733,265	$ 1,293,981

This Page Intentionally Left Blank

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, 2022
(Expressed in Thousands)

	Debt Service Fund		
	Budget	Actual (Budgetary Basis)	Variance
REVENUES			
Taxes	$ 341,500	$ 341,500	$ -
Licenses, fines, fees, and permits	2,700	2,700	-
Departmental services	823	824	1
Total revenues	345,023	345,024	1
EXPENDITURES			
Debt service	195,047	194,833	214
Total expenditures	195,047	194,833	214
Excess (deficiency) of revenues over (under) expenditures	149,976	150,191	215
OTHER FINANCING SOURCES (USES)			
Bond premium	215	215	-
Refunding bond proceeds	414	414	-
Transfers in	3,624	3,624	-
Transfers out	(149,302)	(149,302)	-
Total other financing sources (uses)	(145,049)	(145,049)	-
Net change in fund balances	4,927	5,142	215
Fund balances (budgetary basis), July 1	16,100	16,100	-
Fund balances (budgetary basis), June 30	$ 21,027	$ 21,242	$ 215

NONMAJOR SPECIAL REVENUE FUNDS

Specific revenues, earmarked to finance particular activities of government, are accounted for in the Special Revenue Funds. A brief description of each fund follows.

Wildlife Resources Agency—This agency is responsible for the preservation, management, enhancement and protection of the state's wildlife resources and their environs. An additional responsibility is the enforcement of boating safety on state lakes and streams. Revenues are derived principally from hunting and fishing licenses, fees and permits.

Criminal Injuries Compensation—The Treasury Department administers this fund for the award of compensation to victims (or their dependents) who suffer personal injury or death as a result of a criminal act. The primary revenue source is the privilege tax levied by the courts at the time of conviction of the offender.

Solid Waste—This program is administered by the Department of Environment and Conservation. Revenues collected for a tipping fee on solid waste are used to provide grants to local governments to reduce the solid waste going into landfills.

Help America Vote—This program is administered by the Secretary of State. Federal funds, along with state matching dollars, are used in implementing the provisions of the federal Help America Vote Act. The provisions of the act require the funds be used to improve election administration and to replace punch card and lever voting machines.

Environmental Protection—This program is administered by the Department of Environment and Conservation. Revenues collected from the various fees under the environmental protection fund are used to offset the cost of administering regulatory environmental programs.

Hazardous Waste—This program is administered by the Department of Environment and Conservation. Revenues collected from applicants and holders of storage, treatment or disposal permits of hazardous waste are used to supervise the construction, operation, maintenance, closure and, where necessary, the post-closure care of hazardous waste facilities.

Parks Acquisition—This program is administered jointly by the Departments of Environment and Conservation, Agriculture, and Wildlife Resources. Revenues collected from the transfer of real property are used to acquire parks by both local and state governments.

Supreme Court Boards—This organization was formed by the Tennessee Supreme Court to consider and investigate alleged grounds for discipline or alleged incapacity of any attorney and to provide continuing legal education for attorneys. Revenues are collected from attorneys.

Underground Storage Tanks—This program is administered by the Department of Environment and Conservation. Revenues are collected primarily from a tax of four tenths of a cent per gallon on petroleum products and an annual fee on owners and operators of underground storage tanks containing petroleum substances.

Enhanced Emergency 911 Service—This program is administered by the Department of Commerce and Insurance. Revenues are collected from a monthly fee on users of cellular telephone services. This fee is used to enhance the effectiveness of response times when a cellular user calls 911.

Driver Education—This program is administered by the Department of Safety. Highway safety is promoted by providing driver education and training in schools, colleges, and community organizations. The $2 fee for moving traffic violations is the source of funding for this program.

Abandoned Land Program—This program is administered by the Department of Environment and Conservation. Revenues collected from surface mining permit fees and forfeited performance bonds are used to reclaim and restore lands affected by abandoned mining operations.

Agricultural Non-Point Water Pollution—This program is administered by the Department of Agriculture. Revenues collected from the transfer of real property are used to abate pollution from agricultural sources.

Salvage Title Enforcement—This program is administered by the Department of Revenue. Revenues are collected on the titlement of salvage vehicles and are used to enforce motor vehicle title and salvage laws and inspection of rebuilt vehicles.

Agricultural Promotion Boards—These boards were formed to promote the consumption of agricultural products. Revenue is derived from an assessment levied on the commercial producers of certain agricultural products.

Drycleaner's Environmental Response—This program is administered by the Department of Environment and Conservation. Revenues collected from drycleaners are an annual registration fee and a fee for the various dry-cleaning solvents used.

Agricultural Regulatory Fund—This program is administered by the Department of Agriculture. Revenues are collected from fees on the various agricultural related industries regulated by the department. These fees are then used in the administration of this regulatory function.

Tennessee Public Utility Commission—This commission is responsible for executing and enforcing all statutes governing utilities. Revenues are derived principally from inspection and supervision fees.

Fraud and Economic Crime—This program is administered by the District Attorneys General of the State. Revenues are collected from individuals prosecuted for bad checks. These monies are used to increase resources available to prosecute bad check cases.

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

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

STATE OF TENNESSEE
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2022
(Expressed in Thousands)

	Wildlife Resources Agency	Criminal Injuries Compensation	Solid Waste	Help America Vote
ASSETS				
Cash and cash equivalents	$ 55,731	$ 7,309	$ 11,597	$ 41,564
Investments	43,495	-	-	-
Receivables, net	14,112	5,716	639	1,617
Due from other funds	-	-	-	-
Prepayments and others	-	-	-	-
Total assets	$ 113,338	$ 13,025	$ 12,236	$ 43,181
LIABILITIES				
Accounts payable and accruals	7,739	4,989	287	39,092
Due to other funds	161	24	-	-
Due to component units	1,392	-	5	-
Unearned revenue	-	-	-	-
Total liabilities	9,292	5,013	292	39,092
DEFERRED INFLOWS OF RESOURCES	-	-	-	-
FUND BALANCES				
Restricted	$ 86,211	$ -	$ -	$ 4,089
Committed	17,835	8,012	11,944	-
Total fund balances	104,046	8,012	11,944	4,089
Total liabilities, deferred inflows of resources and fund balances	$ 113,338	$ 13,025	$ 12,236	$ 43,181

STATE OF TENNESSEE
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2022
(Expressed in Thousands)

Environmental Protection	Hazardous Waste	Parks Acquisition	Supreme Court Boards	Underground Storage Tanks	Enhanced Emergency 911 Service	Driver Education
$ 50,020	$ 6,681	$ 89,203	$ 5,563	$ 60,827	$ 32,350	$ 1,423
-	-	-	-	-	-	-
-	133	3,282	6	1,860	14,035	61
-	-	-	-	-	-	-
-	-	-	-	-	-	-
$ 50,020	$ 6,814	$ 92,485	$ 5,569	$ 62,687	$ 46,385	$ 1,484
13	189	2,160	81	3,458	1,847	24
-	-	8	-	16	23	-
-	-	-	-	-	-	-
-	-	-	7	-	-	-
13	189	2,168	88	3,474	1,870	24
-	-	-	-	-	16	-
$ -	$ 51	$ -	$ 5,481	$ 59,213	$ 38,930	$ -
50,007	6,574	90,317	-	-	5,569	1,460
50,007	6,625	90,317	5,481	59,213	44,499	1,460
$ 50,020	$ 6,814	$ 92,485	$ 5,569	$ 62,687	$ 46,385	$ 1,484

STATE OF TENNESSEE
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2022
(Expressed in Thousands)

	Abandoned Land Program	Agricultural Non-Point Water Pollution	Salvage Title Enforcement	Agricultural Promotion Boards
ASSETS				
Cash and cash equivalents	$ 6,252	$ 17,393	$ 4,291	$ 673
Investments	-	-	-	-
Receivables, net	185	1,515	-	34
Due from other funds	-	-	-	-
Prepayments and others	-	-	-	21
Total assets	$ 6,437	$ 18,908	$ 4,291	$ 728
LIABILITIES				
Accounts payable and accruals	169	3,387	62	151
Due to other funds	-	-	-	-
Due to component units	-	69	-	-
Unearned revenue	-	-	-	-
Total liabilities	169	3,456	62	151
DEFERRED INFLOWS OF RESOURCES	-	-	-	-
FUND BALANCES				
Restricted	$ 5,854	$ -	$ -	$ -
Committed	414	15,452	4,229	577
Total fund balances	6,268	15,452	4,229	577
Total liabilities, deferred inflows of resources and fund balances	$ 6,437	$ 18,908	$ 4,291	$ 728

STATE OF TENNESSEE
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2022
(Expressed in Thousands)

Drycleaner's Environmental Response	Agricultural Regulatory Fund	Tennessee Public Utility Commission	Fraud and Economic Crime	Vehicle Tag and Analogous Fees	Opioid Abatement Fund	Total Nonmajor Special Revenue Funds
$ 826	$ 10,925	$ 7,642	$ 3,271	$ 2,120	$ 13,292	$ 428,953
-	-	-	-	-	-	43,495
-	4	123	-	525	409,863	453,710
-	-	23	-	-	-	23
-	-	-	-	-	-	21
$ 826	$ 10,929	$ 7,788	$ 3,271	$ 2,645	$ 423,155	$ 926,202
35	-	265	-	2,145	-	66,093
-	-	-	-	-	-	232
-	-	-	-	-	-	1,466
-	-	1	-	-	-	8
35	-	266	-	2,145	-	67,799
-	-	-	-	-	318,913	318,929
$ -	$ -	$ -	$ -	$ -	$ 104,242	$ 304,071
791	10,929	7,522	3,271	500	-	235,403
791	10,929	7,522	3,271	500	104,242	539,474
$ 826	$ 10,929	$ 7,788	$ 3,271	$ 2,645	$ 423,155	$ 926,202

STATE OF TENNESSEE
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2022
(Expressed in Thousands)

	Wildlife Resources Agency	Criminal Injuries Compensation	Solid Waste	Help America Vote
REVENUES				
Taxes:				
Fuel	$ 3,032	$ -	$ -	$ -
Other	28,356	-	2,520	-
Licenses, fines, fees, and permits	50,487	7,417	6,987	-
Investment income	(3,472)	16	23	7
Federal	37,674	5,261	-	2,935
Departmental services	24,708	-	-	-
Other	-	4	-	-
Total revenues	140,785	12,698	9,530	2,942
EXPENDITURES				
General government	-	10,884	-	3,427
Law, justice and public safety	-	-	-	-
Recreation and resources development	137,712	-	3,636	-
Regulation of business and professions	-	-	-	-
Debt service:				
Principal	24	-	-	-
Interest	1	-	-	-
Capital outlay	98	-	-	-
Total expenditures	137,835	10,884	3,636	3,427
Excess (deficiency) of revenues over (under) expenditures	2,950	1,814	5,894	(485)
OTHER FINANCING SOURCES (USES)				
Right-of-use leases	98	-	-	-
Transfers in	1,979	-	17	-
Transfers out	(360)	-	-	-
Total other financing sources (uses)	1,717	-	17	-
Net change in fund balances	4,667	1,814	5,911	(485)
Fund balances, July 1	99,379	6,198	6,033	4,574
Fund balances, June 30	$ 104,046	$ 8,012	$ 11,944	$ 4,089

STATE OF TENNESSEE
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2022
(Expressed in Thousands)

Environmental Protection	Hazardous Waste	Parks Acquisition	Supreme Court Boards	Underground Storage Tanks	Enhanced Emergency 911 Service	Driver Education
$ -	$ -	$ -	$ -	$ 19,971	$ -	$ -
-	-	28,356	-	-	-	-
50,226	-	-	5,949	368	147,824	606
99	12	176	12	122	46	-
-	931	(2,001)	-	1,782	1,007	-
-	4,699	1,523	390	233	2	-
-	-	-	-	-	-	-
50,325	5,642	28,054	6,351	22,476	148,879	606
-	-	-	-	-	-	-
-	-	-	6,068	-	-	570
44,750	7,033	5,536	-	19,856	-	-
-	-	-	-	-	139,883	-
-	-	-	93	-	-	-
-	-	-	19	-	-	-
-	-	-	385	-	-	-
44,750	7,033	5,536	6,565	19,856	139,883	570
5,575	(1,391)	22,518	(214)	2,620	8,996	36
-	-	-	385	-	-	-
-	1,092	-	79	168	20	12
-	-	(250)	-	-	-	-
-	1,092	(250)	464	168	20	12
5,575	(299)	22,268	250	2,788	9,016	48
44,432	6,924	68,049	5,231	56,425	35,483	1,412
$ 50,007	$ 6,625	$ 90,317	$ 5,481	$ 59,213	$ 44,499	$ 1,460

STATE OF TENNESSEE
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2022
(Expressed in Thousands)

	Abandoned Land Program	Agricultural Non-Point Water Pollution	Salvage Title Enforcement	Agricultural Promotion Boards
REVENUES				
Taxes:				
Fuel	$ -	$ -	$ -	$ -
Other	-	13,087	-	864
Licenses, fines, fees, and permits	14	-	2,734	-
Investment income	13	36	-	1
Federal	672	-	-	-
Departmental services	60	-	-	8
Other	-	-	-	-
Total revenues	759	13,123	2,734	873
EXPENDITURES				
General government	-	-	2,076	-
Law, justice and public safety	-	-	-	-
Recreation and resources development	926	11,663	-	873
Regulation of business and professions	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	926	11,663	2,076	873
Excess (deficiency) of revenues over (under) expenditures	(167)	1,460	658	-
OTHER FINANCING SOURCES (USES)				
Right-to-use leases	-	-	-	-
Transfers in	3	-	36	-
Transfers out	-	-	-	-
Total other financing sources (uses)	3	-	36	-
Net change in fund balances	(164)	1,460	694	-
Fund balances, July 1	6,432	13,992	3,535	577
Fund balances, June 30	$ 6,268	$ 15,452	$ 4,229	$ 577

STATE OF TENNESSEE
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2022
(Expressed in Thousands)

Drycleaner's Environmental Response	Agricultural Regulatory Fund	Tennessee Public Utility Commission	Fraud and Economic Crime	Vehicle Tag and Analogous Fees	Opioid Abatement Fund	Total Nonmajor Special Revenue Funds
$ -	$ -	$ -	$ -	$ -	$ -	$ 23,003
-	-	-	-	1,159	-	74,342
459	11,426	5,410	561	4,450	95,593	390,511
2	17	-	1	1	27	(2,861)
-	-	909	-	-	-	49,170
-	40	1,187	-	-	-	32,850
-	-	-	-	-	-	4
461	11,483	7,506	562	5,610	95,620	567,019
-	-	7,456	-	5,610	-	29,453
-	-	-	571	-	-	7,209
525	12,046	-	-	-	-	244,556
-	-	-	-	-	-	139,883
-	-	-	-	-	-	117
-	-	-	-	-	-	20
-	-	-	-	-	-	483
525	12,046	7,456	571	5,610	-	421,721
(64)	(563)	50	(9)	-	95,620	145,298
-	-	-	-	-	-	483
5	-	112	-	-	-	3,523
-	-	-	-	-	-	(610)
5	-	112	-	-	-	3,396
(59)	(563)	162	(9)	-	95,620	148,694
850	11,492	7,360	3,280	500	8,622	390,780
$ 791	$ 10,929	$ 7,522	$ 3,271	$ 500	$ 104,242	$ 539,474

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, 2022
(Expressed in Thousands)

	Wildlife Resources Agency		
	Budget	**Actual (Budgetary Basis)**	**Variance**
REVENUES			
Taxes	$ 17,449	$ 31,388	$ 13,939
Licenses, fines, fees, and permits	56,008	50,487	(5,521)
Investment income	-	(3,472)	(3,472)
Federal	30,312	37,674	7,362
Departmental services	14,144	24,708	10,564
Other	-	-	-
Total revenues	117,913	140,785	22,872
EXPENDITURES			
Judicial	-	-	-
Secretary of State	-	-	-
Treasurer	-	-	-
Commissions	-	-	-
Finance and Administration	-	-	-
Safety	-	-	-
Agriculture	-	-	-
Environment and Conservation	-	-	-
Wildlife Resources	147,184	137,737	9,447
Commerce and Insurance	-	-	-
Revenue	-	-	-
Total expenditures	147,184	137,737	9,447
Excess (deficiency) of revenues over (under) expenditures	(29,271)	3,048	32,319
OTHER FINANCING SOURCES (USES)			
Transfers in	1,979	1,979	-
Transfers out	(360)	(360)	-
Total other financing sources (uses)	1,619	1,619	-
Net change in fund balances	(27,652)	4,667	32,319
Fund balances (budgetary basis), July 1	99,379	99,379	-
Fund balances (budgetary basis), June 30	$ 71,727	$ 104,046	$ 32,319

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, 2022
(Expressed in Thousands)

Criminal Injuries Compensation			Solid Waste		
Budget	Actual (Budgetary Basis)	Variance	Budget	Actual (Budgetary Basis)	Variance
$ -	$ -	$ -	$ 2,568	$ 2,520	$ (48)
12,238	7,417	(4,821)	5,810	6,987	1,177
-	16	16	-	23	23
4,138	5,261	1,123	-	-	-
-	-	-	1	-	(1)
10	4	(6)	-	-	-
16,386	12,698	(3,688)	8,379	9,530	1,151
-	-	-	-	-	-
-	-	-	-	-	-
16,386	10,884	5,502	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	8,409	3,636	4,773
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
16,386	10,884	5,502	8,409	3,636	4,773
-	1,814	1,814	(30)	5,894	5,924
-	-	-	17	17	-
-	-	-	-	-	-
-	-	-	17	17	-
-	1,814	1,814	(13)	5,911	5,924
6,198	6,198	-	6,033	6,033	-
$ 6,198	$ 8,012	$ 1,814	$ 6,020	$ 11,944	$ 5,924

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, 2022
(Expressed in Thousands)

	Help America Vote		
	Budget	Actual (Budgetary Basis)	Variance
REVENUES			
Taxes	$ -	$ -	$ -
Licenses, fines, fees, and permits	-	-	-
Investment income	-	7	7
Federal	26,500	2,935	(23,565)
Departmental services	-	-	-
Other	-	-	-
Total revenues	26,500	2,942	(23,558)
EXPENDITURES			
Judicial	-	-	-
Secretary of State	27,500	3,427	24,073
Treasurer	-	-	-
Commissions	-	-	-
Finance and Administration	-	-	-
Safety	-	-	-
Agriculture	-	-	-
Environment and Conservation	-	-	-
Wildlife Resources	-	-	-
Commerce and Insurance	-	-	-
Revenue	-	-	-
Total expenditures	27,500	3,427	24,073
Excess (deficiency) of revenues over (under) expenditures	(1,000)	(485)	515
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	(1,000)	(485)	515
Fund balances (budgetary basis), July 1	4,574	4,574	-
Fund balances (budgetary basis), June 30	$ 3,574	$ 4,089	$ 515

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, 2022
(Expressed in Thousands)

Environmental Protection			Hazardous Waste		
Budget	Actual (Budgetary Basis)	Variance	Budget	Actual (Budgetary Basis)	Variance
$ -	$ -	$ -	$ -	$ -	$ -
56,413	50,226	(6,187)	-	-	-
-	99	99	-	12	12
-	-	-	15,990	931	(15,059)
-	-	-	4,683	4,699	16
-	-	-	-	-	-
56,413	50,325	(6,088)	20,673	5,642	(15,031)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
57,091	44,750	12,341	24,705	7,033	17,672
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
57,091	44,750	12,341	24,705	7,033	17,672
(678)	5,575	6,253	(4,032)	(1,391)	2,641
-	-	-	1,092	1,092	-
-	-	-	-	-	-
-	-	-	1,092	1,092	-
(678)	5,575	6,253	(2,940)	(299)	2,641
44,432	44,432	-	6,924	6,924	-
$ 43,754	$ 50,007	$ 6,253	$ 3,984	$ 6,625	$ 2,641

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, 2022
(Expressed in Thousands)

	Parks Acquisition		
	Budget	Actual (Budgetary Basis)	Variance
REVENUES			
Taxes	$ 6,931	$ 28,356	$ 21,425
Licenses, fines, fees, and permits	-	-	-
Investment income	-	176	176
Federal	-	(2,001)	(2,001)
Departmental services	-	1,523	1,523
Other	-	-	-
Total revenues	6,931	28,054	21,123
EXPENDITURES			
Judicial	-	-	-
Secretary of State	-	-	-
Treasurer	-	-	-
Commissions	-	-	-
Finance and Administration	-	-	-
Safety	-	-	-
Agriculture	-	-	-
Environment and Conservation	6,931	5,536	1,395
Wildlife Resources	-	-	-
Commerce and Insurance	-	-	-
Revenue	-	-	-
Total expenditures	6,931	5,536	1,395
Excess (deficiency) of revenues over (under) expenditures	-	22,518	22,518
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	(250)	(250)	-
Total other financing sources (uses)	(250)	(250)	-
Net change in fund balances	(250)	22,268	22,518
Fund balances (budgetary basis), July 1	68,049	68,049	-
Fund balances (budgetary basis), June 30	$ 67,799	$ 90,317	$ 22,518

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, 2022
(Expressed in Thousands)

Supreme Court Boards			Underground Storage Tanks		
Budget	Actual (Budgetary Basis)	Variance	Budget	Actual (Budgetary Basis)	Variance
$ -	$ -	$ -	$ 19,200	$ 19,971	$ 771
5,490	5,949	459	4,868	368	(4,500)
-	12	12	-	122	122
-	-	-	1,974	1,782	(192)
-	390	390	-	233	233
-	-	-	-	-	-
5,490	6,351	861	26,042	22,476	(3,566)
6,310	6,180	130	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	26,214	19,856	6,358
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
6,310	6,180	130	26,214	19,856	6,358
(820)	171	991	(172)	2,620	2,792
79	79	-	168	168	-
-	-	-	-	-	-
79	79	-	168	168	-
(741)	250	991	(4)	2,788	2,792
5,231	5,231	-	56,425	56,425	-
$ 4,490	$ 5,481	$ 991	$ 56,421	$ 59,213	$ 2,792

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, 2022
(Expressed in Thousands)

	Enhanced Emergency 911 Service		
	Budget	Actual (Budgetary Basis)	Variance
REVENUES			
Taxes	$ -	$ -	$ -
Licenses, fines, fees, and permits	147,099	147,824	725
Investment income	-	46	46
Federal	-	1,007	1,007
Departmental services	-	2	2
Other	-	-	-
Total revenues	147,099	148,879	1,780
EXPENDITURES			
Judicial	-	-	-
Secretary of State	-	-	-
Treasurer	-	-	-
Commissions	-	-	-
Finance and Administration	-	-	-
Safety	-	-	-
Agriculture	-	-	-
Environment and Conservation	-	-	-
Wildlife Resources	-	-	-
Commerce and Insurance	152,954	139,883	13,071
Revenue	-	-	-
Total expenditures	152,954	139,883	13,071
Excess (deficiency) of revenues over (under) expenditures	(5,855)	8,996	14,851
OTHER FINANCING SOURCES (USES)			
Transfers in	20	20	-
Transfers out	-	-	-
Total other financing sources (uses)	20	20	-
Net change in fund balances	(5,835)	9,016	14,851
Fund balances (budgetary basis), July 1	35,483	35,483	-
Fund balances (budgetary basis), June 30	$ 29,648	$ 44,499	$ 14,851

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, 2022
(Expressed in Thousands)

Driver Education			Abandoned Land Program		
Budget	Actual (Budgetary Basis)	Variance	Budget	Actual (Budgetary Basis)	Variance
$ -	$ -	$ -	$ -	$ -	$ -
852	606	(246)	500	14	(486)
-	-	-	-	13	13
-	-	-	1,100	672	(428)
-	-	-	-	60	60
-	-	-	-	-	-
852	606	(246)	1,600	759	(841)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
854	570	284	-	-	-
-	-	-	-	-	-
-	-	-	1,600	926	674
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
854	570	284	1,600	926	674
(2)	36	38	-	(167)	(167)
12	12	-	3	3	-
-	-	-	-	-	-
12	12	-	3	3	-
10	48	38	3	(164)	(167)
1,412	1,412	-	6,432	6,432	-
$ 1,422	$ 1,460	$ 38	$ 6,435	$ 6,268	$ (167)

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, 2022
(Expressed in Thousands)

	Agricultural Non-Point Water Pollution		
	Budget	Actual (Budgetary Basis)	Variance
REVENUES			
Taxes	$ 3,188	$ 13,087	$ 9,899
Licenses, fines, fees, and permits	-	-	-
Investment income	-	36	36
Federal	-	-	-
Departmental services	-	-	-
Other	-	-	-
Total revenues	3,188	13,123	9,935
EXPENDITURES			
Judicial	-	-	-
Secretary of State	-	-	-
Treasurer	-	-	-
Commissions	-	-	-
Finance and Administration	-	-	-
Safety	-	-	-
Agriculture	12,188	11,663	525
Environment and Conservation	-	-	-
Wildlife Resources	-	-	-
Commerce and Insurance	-	-	-
Revenue	-	-	-
Total expenditures	12,188	11,663	525
Excess (deficiency) of revenues over (under) expenditures	(9,000)	1,460	10,460
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	(9,000)	1,460	10,460
Fund balances (budgetary basis), July 1	13,992	13,992	-
Fund balances (budgetary basis), June 30	$ 4,992	$ 15,452	$ 10,460

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, 2022
(Expressed in Thousands)

Salvage Title Enforcement			Drycleaner's Environmental Response		
Budget	Actual (Budgetary Basis)	Variance	Budget	Actual (Budgetary Basis)	Variance
$ -	$ -	$ -	$ -	$ -	$ -
2,325	2,734	409	1,949	459	(1,490)
-	-	-	-	2	2
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,325	2,734	409	1,949	461	(1,488)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	1,953	525	1,428
-	-	-	-	-	-
-	-	-	-	-	-
2,451	2,076	375	-	-	-
2,451	2,076	375	1,953	525	1,428
(126)	658	784	(4)	(64)	(60)
36	36	-	5	5	-
-	-	-	-	-	-
36	36	-	5	5	-
(90)	694	784	1	(59)	(60)
3,535	3,535	-	850	850	-
$ 3,445	$ 4,229	$ 784	$ 851	$ 791	$ (60)

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, 2022
(Expressed in Thousands)

	Agricultural Regulatory Fund		
	Budget	**Actual (Budgetary Basis)**	**Variance**
REVENUES			
Taxes	$ -	$ -	$ -
Licenses, fines, fees, and permits	11,272	11,426	154
Investment income	-	17	17
Federal	-	-	-
Departmental services	2	40	38
Other	-	-	-
Total revenues	11,274	11,483	209
EXPENDITURES			
Judicial	-	-	-
Secretary of State	-	-	-
Treasurer	-	-	-
Commissions	-	-	-
Finance and Administration	-	-	-
Safety	-	-	-
Agriculture	12,792	12,046	746
Environment and Conservation	-	-	-
Wildlife Resources	-	-	-
Commerce and Insurance	-	-	-
Revenue	-	-	-
Total expenditures	12,792	12,046	746
Excess (deficiency) of revenues over (under) expenditures	(1,518)	(563)	955
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	(1,518)	(563)	955
Fund balances (budgetary basis), July 1	11,492	11,492	-
Fund balances (budgetary basis), June 30	$ 9,974	$ 10,929	$ 955

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, 2022
(Expressed in Thousands)

Tennessee Public Utility Commission			Vehicle Tag and Analogous Fees		
Budget	Actual (Budgetary Basis)	Variance	Budget	Actual (Budgetary Basis)	Variance
$ -	$ -	$ -	$ 1,159	$ 1,159	$ -
7,265	5,410	(1,855)	4,451	4,450	(1)
-	-	-	-	1	1
1,001	909	(92)	-	-	-
1,431	1,187	(244)	-	-	-
-	-	-	-	-	-
9,697	7,506	(2,191)	5,610	5,610	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
9,800	7,456	2,344	-	-	-
-	-	-	5,610	5,610	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
9,800	7,456	2,344	5,610	5,610	-
(103)	50	153	-	-	-
112	112	-	-	-	-
-	-	-	-	-	-
112	112	-	-	-	-
9	162	153	-	-	-
7,360	7,360	-	500	500	-
$ 7,369	$ 7,522	$ 153	$ 500	$ 500	$ -

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, 2022
(Expressed in Thousands)

	Total Nonmajor Special Revenue Funds		
	Budget	Actual (Budgetary Basis)	Variance
REVENUES			
Taxes	$ 50,495	$ 96,481	$ 45,986
Licenses, fines, fees, and permits	316,540	294,357	(22,183)
Investment income	-	(2,890)	(2,890)
Federal	81,015	49,170	(31,845)
Departmental services	20,261	32,842	12,581
Other	10	4	(6)
Total revenues	468,321	469,964	1,643
EXPENDITURES			
Judicial	6,310	6,180	130
Secretary of State	27,500	3,427	24,073
Treasurer	16,386	10,884	5,502
Commissions	9,800	7,456	2,344
Finance and Administration	5,610	5,610	-
Safety	854	570	284
Agriculture	24,980	23,709	1,271
Environment and Conservation	126,903	82,262	44,641
Wildlife Resources	147,184	137,737	9,447
Commerce and Insurance	152,954	139,883	13,071
Revenue	2,451	2,076	375
Total expenditures	520,932	419,794	101,138
Excess (deficiency) of revenues over (under) expenditures	(52,611)	50,170	102,781
OTHER FINANCING SOURCES (USES)			
Transfers in	3,523	3,523	-
Transfers out	(610)	(610)	-
Total other financing sources (uses)	2,913	2,913	-
Net change in fund balances	(49,698)	53,083	102,781
Fund balances (budgetary basis), July 1	378,301	378,301	-
Fund balances (budgetary basis), June 30	$ 328,603	$ 431,384	$ 102,781

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.

K-12 Mental Health Fund—This fund was established by the General Assembly to provide mental health support to students in primary and secondary schools in this state. The resources in this fund are legally restricted to the extent that only earnings, not principal, are available to the department of mental health and substance abuse services for allocation and distribution, in consultation with the department of education, for mental or behavioral health services or treatment for kindergarten through grade twelve (K-12) students or for an assessment to review current mental and behavioral health resources for K-12 students that are available in each county.

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, 2022
(Expressed in Thousands)

	Chairs of Excellence	K-12 Mental Health Fund	Other Permanent Funds	Total Permanent Funds
ASSETS				
Cash and cash equivalents	$ 6,354	$ 9,775	$ 28,623	$ 44,752
Investments	378,963	241,945	66,515	687,423
Receivables, net	1,697	1,305	16	3,018
Due from component units	1,331	-	-	1,331
Total assets	$ 388,345	$ 253,025	$ 95,154	$ 736,524
LIABILITIES				
Accounts payable and accruals	587	-	-	587
Due to component units	2,672	-	-	2,672
Total liabilities	3,259	-	-	3,259
FUND BALANCES				
Nonspendable				
Permanent fund and endowment corpus	$ 104,362	$ 225,000	$ 92,003	$ 421,365
Committed	-	28,025	-	28,025
Restricted	280,724	-	3,151	283,875
Total fund balances	385,086	253,025	95,154	733,265
Total liabilities and fund balances	$ 388,345	$ 253,025	$ 95,154	$ 736,524

STATE OF TENNESSEE
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Permanent Funds
For the Fiscal Year Ended June 30, 2022
(Expressed in Thousands)

	Chairs of Excellence	K-12 Mental Health Fund	Other Permanent Funds	Total Permanent Funds
REVENUES				
Licenses, fines, fees, and permits	$ -	$ -	$ 3,956	$ 3,956
Investment income (loss)	(46,269)	3,025	(5,508)	(48,752)
Total revenues	(46,269)	3,025	(1,552)	(44,796)
EXPENDITURES				
Education	9,376	-	-	9,376
Recreation and resources development	-	-	36	36
Total expenditures	9,376	-	36	9,412
Excess (deficiency) of revenues over (under) expenditures	(55,645)	3,025	(1,588)	(54,208)
Transfers in	-	250,000	-	250,000
Total other financing sources (uses)	-	250,000	-	250,000
Net change in fund balances	(55,645)	253,025	(1,588)	195,792
Fund balances, July 1	440,731	-	96,742	537,473
Fund balances, June 30	$ 385,086	$ 253,025	$ 95,154	$ 733,265

This Page Intentionally Left Blank

NONMAJOR ENTERPRISE FUNDS

The Enterprise Funds are used to account for the operations of state agencies that provide goods or services to the general public on a user charge basis. The state's nonmajor enterprise operations are described below.

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

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

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

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

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

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

STATE OF TENNESSEE
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2022
(Expressed in Thousands)

	Teacher Group Insurance	Local Government Group Insurance	Drinking Water	Grain Indemnity
ASSETS				
Current assets:				
Cash and cash equivalents	$ 267,821	$ 54,019	$ 118,693	$ 10,002
Receivables:				
Accounts receivable	4,196	1,210	-	-
Loans receivable	-	-	7,657	-
Total current assets	272,017	55,229	126,350	10,002
Noncurrent assets:				
Loans receivable	-	-	100,841	-
Total noncurrent assets	-	-	100,841	-
Total assets	272,017	55,229	227,191	10,002
LIABILITIES				
Current liabilities:				
Accounts payable and accruals	53,285	17,089	7	-
Unearned revenue	105	48	-	-
Total current liabilities	53,390	17,137	7	-
Noncurrent liabilities:				
Others	-	-	3,335	-
Total noncurrent liabilities	-	-	3,335	-
Total liabilities	53,390	17,137	3,342	-
NET POSITION				
Unrestricted	218,627	38,092	223,849	10,002
Total net position	$ 218,627	$ 38,092	$ 223,849	$ 10,002

STATE OF TENNESSEE

Combining Statement of Net Position

Nonmajor Enterprise Funds
June 30, 2022
(Expressed in Thousands)

Energy Efficient Schools Initiative	Client Protection	Total Nonmajor Enterprise Funds
$ 15,244	$ 1,524	$ 467,303
-	-	5,406
10,336	-	17,993
25,580	1,524	490,702
58,736	-	159,577
58,736	-	159,577
84,316	1,524	650,279
-	-	70,381
27	-	180
27	-	70,561
-	-	3,335
-	-	3,335
27	-	73,896
84,289	1,524	576,383
$ 84,289	$ 1,524	$ 576,383

STATE OF TENNESSEE
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2022
(Expressed in Thousands)

	Teacher Group Insurance	Local Government Group Insurance	Drinking Water	Grain Indemnity
Operating revenues				
Charges for services	$ -	$ -	$ 1,210	$ -
Investment income	-	-	232	-
Premiums	600,635	172,241	-	-
Total operating revenues	600,635	172,241	1,442	-
Operating expenses				
Contractual services	27,854	8,687	642	150
Benefits	558,552	162,498	-	-
Other	4,225	1,337	-	-
Total operating expenses	590,631	172,522	642	150
Operating income (loss)	10,004	(281)	800	(150)
Nonoperating revenues (expenses)				
Grants	-	-	10,929	-
Interest income	470	90	-	21
Other	-	-	(210)	-
Total nonoperating revenues (expenses)	470	90	10,719	21
Income (loss) before contributions and transfers	10,474	(191)	11,519	(129)
Transfers in	-	-	2,434	-
Transfers out	-	-	-	-
Change in net position	10,474	(191)	13,953	(129)
Net position, July 1	208,153	38,283	209,896	10,131
Net position, June 30	$ 218,627	$ 38,092	$ 223,849	$ 10,002

STATE OF TENNESSEE
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2022
(Expressed in Thousands)

Energy Efficient Schools Initiative	Client Protection	Total Nonmajor Enterprise Funds
$ 712	$ 297	$ 2,219
37	-	269
-	-	772,876
749	297	775,364
30	223	37,586
-	-	721,050
-	1	5,563
30	224	764,199
719	73	11,165
-	-	10,929
-	3	584
-	-	(210)
-	3	11,303
719	76	22,468
-	-	2,434
(600)	-	(600)
119	76	24,302
84,170	1,448	552,081
$ 84,289	$ 1,524	$ 576,383

STATE OF TENNESSEE

Combining Statement of Cash Flows

Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2022
(Expressed in Thousands)

	Teacher Group Insurance	Local Government Group Insurance	Drinking Water	Grain Indemnity
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	$ 607,288	$ 175,763	$ -	$ -
Payments to suppliers	(594,626)	(175,676)	-	-
Payments to employees	-	-	-	-
Payments for interfund services used	(514)	(112)	(642)	(150)
Net cash provided by (used for) operating activities	12,148	(25)	(642)	(150)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating grants received	-	-	10,929	-
Transfers in	-	-	2,434	-
Transfers out	-	-	-	-
Net cash provided by (used for) noncapital financing activities	-	-	13,363	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Loans issued and other disbursements to borrowers	-	-	(12,796)	-
Collection of loan principal	-	-	11,093	-
Interest received	470	90	1,449	21
Net cash provided by (used for) investing activities	470	90	(254)	21
Net increase (decrease) in cash and cash equivalents	12,618	65	12,467	(129)
Cash and cash equivalents, July 1	255,203	53,954	106,226	10,131
Cash and cash equivalents, June 30	$ 267,821	$ 54,019	$ 118,693	$ 10,002
Reconciliation of operating income to net cash provided by (used for) operating activities				
Operating income (loss)	$ 10,004	$ (281)	$ 800	$ (150)
Adjustment to reconcile operating income (loss) to net cash from operating activities:				
Interest income	-	-	(1,210)	-
Investment income	-	-	(232)	-
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:				
(Increase) decrease in receivables	(2,242)	(600)	-	-
Increase (decrease) in accounts payable	4,382	879	-	-
Increase (decrease) in unearned revenue	4	(23)	-	-
Total adjustments	2,144	256	(1,442)	-
Net cash provided by (used for) operating activities	$ 12,148	$ (25)	$ (642)	$ (150)

STATE OF TENNESSEE
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2022
(Expressed in Thousands)

Energy Efficient Schools Initiative	Client Protection	Total Nonmajor Enterprise Funds
$ 30	$ 297	$ 783,378
-	(254)	(770,556)
-	(1)	(1)
(30)	-	(1,448)
-	42	11,373
-	-	10,929
-	-	2,434
(600)	-	(600)
(600)	-	12,763
(12,442)	-	(25,238)
10,944	-	22,037
652	3	2,685
(846)	3	(516)
(1,446)	45	23,620
16,690	1,479	443,683
$ 15,244	$ 1,524	$ 467,303
$ 719	$ 73	$ 11,165
(682)	-	(1,892)
(37)	-	(269)
-	-	(2,842)
-	(31)	5,230
-	-	(19)
(719)	(31)	208
$ -	$ 42	$ 11,373

This Page Intentionally Left Blank

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the operations of state agencies that provide goods or services to other state agencies on a cost-reimbursement basis. The following operations are included in these funds:

Strategic Technology Solutions—A division of the Department of Finance and Administration, functions as the data and voice service bureau for state government.

Risk Management—Administered by the Treasury Department, this fund is used to pay awards for claims made against the state and for damage to state owned property.

Motor Vehicle Management—A division of the Department of General Services, is responsible for administering a uniform program for the operation and maintenance of all state vehicles.

General Services Printing—A division of the Department of General Services, operates a printing facility to provide such services as general printing, typesetting and binding for state agencies located in Nashville. In addition, this division provides photographic services to the various state agencies.

Facilities Revolving Fund—Created in 1989, this fund provides the maintenance, repair and total housing needs of state government for all office and warehouse space in the state, except institutional space.

Employee Group Insurance Fund—Established in January 1978, this fund is used to account for transactions pertaining to the state's self-insured group medical plan. This fund primarily includes employees of the state, University of Tennessee, and the State University and Community College System. Group life and accident insurance premiums, dental premiums, and long-term care premiums paid to private insurance companies are also recorded in this fund.

Postal Services—A division of the Department of General Services, is responsible for processing and distributing incoming, outgoing and interdepartmental mail for state agencies located in Nashville.

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

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

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

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

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

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

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

STATE OF TENNESSEE
Combining Statement of Net Position
Internal Service Funds
June 30, 2022
(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	$ 89,186	$ 244,674	$ 59,419	$ 883	$ 358,351	$ 283,347
Receivables, net	562	319	34	1	345	5,400
Due from other funds	399	-	-	-	675	-
Due from component units	-	-	6	-	10	-
Inventories, at cost	365	-	-	282	-	-
Prepayments	-	-	-	-	-	-
Total current assets	90,512	244,993	59,459	1,166	359,381	288,747
Noncurrent assets:						
Due from other funds	314	-	-	-	-	-
Right-to-use lease receivable	-	-	-	-	5,803	-
Restricted net pension assets	17,691	-	167	426	-	-
Capital assets:						
Land, at cost	-	-	-	-	61,087	-
Structures and improvements, at cost	-	-	-	-	885,516	-
Machinery and equipment, at cost	76,162	-	198,578	3,183	2,236	-
Right-to-use leases	-	-	5,134	305	290,764	-
Less: Accumulated depreciation and amortization	(54,070)	-	(124,157)	(2,738)	(350,917)	-
Construction in progress	-	-	-	-	5,863	-
Total noncurrent assets	40,097	-	79,722	1,176	900,352	-
Total assets	130,609	244,993	139,181	2,342	1,259,733	288,747
DEFERRED OUTFLOWS OF RESOURCES	42,559	-	444	937	99	-
LIABILITIES						
Current liabilities:						
Accounts payable	18,273	469	4,479	432	11,038	72,448
Accrued payroll and related deductions	8,892	-	107	186	-	-
Due to other funds	4	-	-	-	-	1
Due to component units	-	329	-	-	12	62
Lease obligations payable	-	-	1,637	60	28,921	-
Bond payable	-	-	-	-	16,266	-
Unearned revenue	-	1	-	-	-	42,051
Others	-	80,259	-	-	-	-
Total current liabilities	27,169	81,058	6,223	678	56,237	114,562
Noncurrent liabilities:						
Lease obligations payable	-	-	1,737	212	235,217	-
Commercial paper payable	-	-	-	-	7,121	-
Bonds payable	-	-	-	-	159,319	-
Others	15,897	89,478	243	388	-	-
Total noncurrent liabilities	15,897	89,478	1,980	600	401,657	-
Total liabilities	43,066	170,536	8,203	1,278	457,894	114,562
DEFERRED INFLOWS OF RESOURCES	64,367	-	858	1,714	6,706	-
NET POSITION						
Net investment in capital assets	22,092	-	76,180	478	447,240	-
Restricted for:						
Capital projects	-	-	-	-	3,907	-
Pensions	17,691	-	167	426	-	-
Unrestricted	25,952	74,457	54,217	(617)	344,085	174,185
Total net position	$ 65,735	$ 74,457	$ 130,564	$ 287	$ 795,232	$ 174,185

STATE OF TENNESSEE
Combining Statement of Net Position
Internal Service Funds
June 30, 2022
(Expressed in Thousands)

Postal Services	Central Procurement Office	Distribution Center	Records Management	Human Resources	Division of Accounts	TRICOR	Edison	Total Internal Service Funds
$ 4,704	$ 804	$ 1,347	$ 200	$ 9,741	$ 16,411	$ 7,280	$ 31,433	$ 1,107,780
1	1,204	59	-	-	2	719	-	8,646
-	-	-	-	-	16	-	-	1,090
-	-	-	5	-	-	-	-	21
163	-	42	-	-	-	3,020	-	3,872
233	-	-	-	-	-	-	-	233
5,101	2,008	1,448	205	9,741	16,429	11,019	31,433	1,121,642
-	-	-	-	-	-	-	-	314
-	-	-	-	-	-	-	-	5,803
172	907	215	97	1,975	6,622	972	2,126	31,370
-	-	-	-	-	-	746	-	61,833
-	-	-	-	-	-	2,989	-	888,505
4,735	21	77	12	170	400	9,606	113,672	408,852
117	-	-	-	-	-	213	-	296,533
(4,174)	(20)	(77)	(12)	(144)	(393)	(6,496)	(112,993)	(656,191)
-	-	-	-	-	-	-	-	5,863
850	908	215	97	2,001	6,629	8,030	2,805	1,042,882
5,951	2,916	1,663	302	11,742	23,058	19,049	34,238	2,164,524
393	1,940	631	276	5,556	18,222	2,256	5,168	78,481
94	124	72	42	239	231	1,450	983	110,374
80	473	96	50	1,062	2,726	467	1,134	15,273
-	-	-	-	23	-	15	-	43
-	-	-	1	285	-	-	-	689
35	-	-	-	-	-	68	-	30,721
-	-	-	-	-	-	-	-	16,266
-	-	-	-	-	-	-	-	42,052
-	-	-	-	-	-	-	-	80,259
209	597	168	93	1,609	2,957	2,000	2,117	295,677
-	-	-	-	-	-	90	-	237,256
-	-	-	-	-	-	-	-	7,121
-	-	-	-	-	-	-	-	159,319
194	585	275	96	1,931	6,595	937	2,511	119,130
194	585	275	96	1,931	6,595	1,027	2,511	522,826
403	1,182	443	189	3,540	9,552	3,027	4,628	818,503
744	3,237	1,026	378	8,241	25,277	3,903	7,781	124,232
643	1	-	-	26	7	6,900	679	554,246
-	-	-	-	-	-	-	-	3,907
172	907	215	97	1,975	6,622	972	2,126	31,370
4,382	(471)	610	(86)	3,516	(178)	6,503	24,192	710,747
$ 5,197	$ 437	$ 825	$ 11	$ 5,517	$ 6,451	$ 14,375	$ 26,997	$ 1,300,270

STATE OF TENNESSEE
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Fiscal Year Ended June 30, 2022
(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	$ 271,405	$ 71,783	$ 53,245	$ 6,048	$ 145,697	$ 1,000
Premiums	-	-	-	-	-	857,726
Total operating revenues	271,405	71,783	53,245	6,048	145,697	858,726
Operating expenses						
Personal services	106,581	-	1,046	2,109	-	-
Contractual services	141,795	12,293	4,591	3,206	94,134	37,935
Materials and supplies	22,632	-	24,406	923	2,441	-
Rentals and insurance	10	19,252	7,683	37	10,279	-
Depreciation and amortization	10,118	-	18,195	387	50,138	-
Benefits	-	6,637	14	-	-	799,946
Other	160	-	1	4	66	5,209
Total operating expenses	281,296	38,182	55,936	6,666	157,058	843,090
Operating income (loss)	(9,891)	33,601	(2,691)	(618)	(11,361)	15,636
Nonoperating revenues (expenses)						
Insurance claims recoveries	-	-	94	-	143	-
Gain on sales of capital assets	(158)	-	-	-	32,561	-
Interest income	-	494	-	-	1,025	513
Interest expense	-	-	(29)	(1)	(6,916)	-
Total nonoperating revenues (expenses)	(158)	494	65	(1)	26,813	513
Income (loss) before contributions and transfers	(10,049)	34,095	(2,626)	(619)	15,452	16,149
Capital contributions	-	-	694	-	-	-
Transfers in	5,543	-	4,641	469	12,302	-
Change in net position	(4,506)	34,095	2,709	(150)	27,754	16,149
Net position, July 1, restated	70,241	40,362	127,855	437	767,478	158,036
Net position, June 30	$ 65,735	$ 74,457	$ 130,564	$ 287	$ 795,232	$ 174,185

STATE OF TENNESSEE

Combining Statement of Revenues, Expenses, and Changes in Net Position

Internal Service Funds

For the Fiscal Year Ended June 30, 2022

(Expressed in Thousands)

Postal Services	Central Procurement Office	Distribution Center	Records Management	Human Resources	Division of Accounts	TRICOR	Edison	Total Internal Service Funds
$ 16,515	$ 9,090	$ 7,219	$ 1,306	$ 17,270	$ 42,364	$ 28,649	$ 24,835	$ 696,426
-	-	-	-	-	-	-	-	857,726
16,515	9,090	7,219	1,306	17,270	42,364	28,649	24,835	1,554,152
1,349	5,617	1,216	512	13,451	36,803	6,055	12,882	187,621
1,823	3,961	5,308	610	3,264	4,318	8,105	10,160	331,503
12,408	15	420	10	123	68	11,902	17	75,365
18	2	1	2	18	3	109	1	37,415
278	1	-	-	17	2	631	994	80,761
-	-	-	-	14	-	-	-	806,611
3	25	9	-	43	8	508	-	6,036
15,879	9,621	6,954	1,134	16,930	41,202	27,310	24,054	1,525,312
636	(531)	265	172	340	1,162	1,339	781	28,840
-	-	-	-	-	-	1,153	-	1,390
-	-	-	-	-	-	(33)	-	32,370
-	-	-	-	-	-	-	-	2,032
(1)	-	-	-	-	-	(1)	-	(6,948)
(1)	-	-	-	-	-	1,119	-	28,844
635	(531)	265	172	340	1,162	2,458	781	57,684
-	-	-	-	-	-	-	-	694
95	39	39	10	141	3,751	74	123	27,227
730	(492)	304	182	481	4,913	2,532	904	85,605
4,467	929	521	(171)	5,036	1,538	11,843	26,093	1,214,665
$ 5,197	$ 437	$ 825	$ 11	$ 5,517	$ 6,451	$ 14,375	$ 26,997	$ 1,300,270

STATE OF TENNESSEE

Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2022
(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	$ 9,088	$ 30,334	$ 644	$ 26	$ 3,401	$ 398,451
Receipts from interfund services provided	262,541	41,493	51,534	6,022	141,606	504,431
Payments to suppliers	(145,861)	(53,622)	(30,646)	(2,866)	(69,943)	(888,433)
Payments to employees	(124,745)	-	(1,313)	(2,646)	-	(2,121)
Payments for interfund services used	(15,713)	(8,220)	(4,528)	(1,316)	(36,003)	(1,358)
Net cash provided by (used for) operating activities	(14,690)	9,985	15,691	(780)	39,061	10,970
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers in	5,543	-	4,641	469	12,302	-
Net cash provided by (used for) noncapital financing activities	5,543	-	4,641	469	12,302	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of capital assets	(10,267)	-	(18,228)	(10)	(9,247)	-
Bond and commercial paper proceeds	-	-	-	-	57,473	-
Proceeds from sale of capital assets	-	-	2,766	-	34,983	-
Proceeds from lease receivables	-	-	-	-	476	-
Insurance claims recoveries	-	-	94	-	143	-
Principal payments	-	-	(1,761)	(34)	(96,842)	-
Interest paid	-	-	(29)	(1)	(10,851)	-
Net cash provided by (used for) capital and related financing activities	(10,267)	-	(17,158)	(45)	(23,865)	-
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received	-	494	-	-	1,025	513
Net cash provided by (used for) investing activities	-	494	-	-	1,025	513
Net increase (decrease) in cash and cash equivalents	(19,414)	10,479	3,174	(356)	28,523	11,483
Cash and cash equivalents, July 1	108,600	234,195	56,245	1,239	329,828	271,864
Cash and cash equivalents, June 30	$ 89,186	$ 244,674	$ 59,419	$ 883	$ 358,351	$ 283,347
Reconciliation of operating income to net cash provided by (used for) operating activities						
Operating income (loss)	$ (9,891)	$ 33,601	$ (2,691)	$ (618)	$ (11,361)	$ 15,636
Adjustment to reconcile operating income (loss) to net cash from operating activities:						
Depreciation and amortization	10,118	-	18,195	387	49,619	-
Loss (gain) on disposal of capital assets	-	-	(1,067)	-	-	-
Bond issuance costs	-	-	-	-	57	-
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:						
(Increase) decrease in receivables	688	-	6	(1)	(1)	(2,681)
(Increase) decrease in due from other funds	(464)	-	-	-	(170)	-
(Increase) decrease in due from component units	-	43	(6)	-	(1)	-
(Increase) decrease in inventories	(12)	-	-	(47)	-	-
(Increase) decrease in prepaids	-	-	-	14	-	-
(Increase) decrease in net pension assets	(16,763)	-	(157)	(402)	-	-
(Increase) decrease in deferred outflows of resources	(18,215)	-	(168)	(393)	-	-
Increase (decrease) in accounts payable	(38,535)	(23,917)	1,049	(1,093)	920	(1,830)
Increase (decrease) in due to other funds	4	(12)	-	(10)	(3)	-
Increase (decrease) in due to component units	-	270	-	-	1	5
Increase (decrease) in deferred inflows of resources	58,380	-	530	1,383	-	-
Increase (decrease) in unearned revenue	-	-	-	-	-	(160)
Total adjustments	(4,799)	(23,616)	18,382	(162)	50,422	(4,666)
Net cash provided by (used for) operating activities	$ (14,690)	$ 9,985	$ 15,691	$ (780)	$ 39,061	$ 10,970
Schedule of noncash investing, capital, and financing activities						
Contributions of capital assets	$ -	$ -	$ 694	$ -	$ -	$ -
Capital assets disposed of by transfer	-	-	-	-	(232)	-
Right-to-use assets acquired through lease	-	-	1,760	34	290,764	-
Amortization of bond premium	-	-	-	-	3,238	-
Amortization of bond discount	-	-	-	-	(223)	-
Refunding bond premium	-	-	-	-	1,230	-
Refunding bond proceeds	-	-	-	-	80,930	-
Total noncash capital and related financing activities	$ -	$ -	$ 2,454	$ 34	$ 375,707	$ -

STATE OF TENNESSEE

Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2022
(Expressed in Thousands)

Postal Services	Central Procurement Office	Distribution Center	Records Management	Human Resources	Division of Accounts	TRICOR	Edison	Total Internal Service Funds
$ 44	$ 3,681	$ 801	$ 100	$ 114	$ 104	$ 10,883	$ 158	$ 457,829
16,472	4,775	2,081	1,212	17,156	42,244	18,278	24,678	1,134,523
(13,156)	(628)	(567)	(505)	(1,587)	(966)	(19,365)	(7,492)	(1,235,637)
(1,608)	(6,736)	(1,534)	(609)	(15,713)	(43,132)	(7,623)	(15,298)	(223,078)
(1,122)	(3,401)	(841)	(109)	(1,616)	(3,450)	(1,682)	(2,986)	(82,345)
630	(2,309)	(60)	89	(1,646)	(5,200)	491	(940)	51,292
95	39	39	10	141	3,751	74	123	27,227
95	39	39	10	141	3,751	74	123	27,227
-	-	-	-	-	-	(671)	(161)	(38,584)
-	-	-	-	-	-	-	-	57,473
-	-	-	-	-	-	56	-	37,805
-	-	-	-	-	-	-	-	476
-	-	-	-	-	-	1,153	-	1,390
(81)	-	-	-	-	-	(55)	-	(98,773)
(1)	-	-	-	-	-	(1)	-	(10,883)
(82)	-	-	-	-	-	482	(161)	(51,096)
-	-	-	-	-	-	-	-	2,032
-	-	-	-	-	-	-	-	2,032
643	(2,270)	(21)	99	(1,505)	(1,449)	1,047	(978)	29,455
4,061	3,074	1,368	101	11,246	17,860	6,233	32,411	1,078,325
$ 4,704	$ 804	$ 1,347	$ 200	$ 9,741	$ 16,411	$ 7,280	$ 31,433	$ 1,107,780
$ 636	$ (531)	$ 265	$ 172	$ 340	$ 1,162	$ 1,339	$ 781	$ 28,840
278	1	-	-	17	2	631	994	80,242
-	-	-	-	-	-	-	-	(1,067)
-	-	-	-	-	-	-	-	57
1	(635)	(55)	-	-	-	512	-	(2,166)
-	-	-	-	-	(16)	-	-	(650)
-	-	-	6	-	-	-	-	42
5	-	(17)	-	-	-	(749)	-	(820)
175	-	-	-	-	-	-	-	189
(152)	(847)	(206)	(93)	(1,903)	(6,423)	(932)	(2,017)	(29,895)
(156)	(953)	(237)	(132)	(2,593)	(5,698)	(1,124)	(2,405)	(32,074)
(628)	(2,275)	(464)	(208)	(4,257)	(17,224)	(2,488)	(5,320)	(96,270)
-	-	-	-	(23)	-	14	-	(30)
-	-	-	1	105	-	-	-	382
471	2,931	655	343	6,668	22,997	3,288	7,027	104,673
-	-	(1)	-	-	-	-	-	(161)
(6)	(1,778)	(325)	(83)	(1,986)	(6,362)	(848)	(1,721)	22,452
$ 630	$ (2,309)	$ (60)	$ 89	$ (1,646)	$ (5,200)	$ 491	$ (940)	$ 51,292
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 694
-	-	-	-	-	-	-	-	(232)
81	-	-	-	-	-	55	-	292,694
-	-	-	-	-	-	-	-	3,238
-	-	-	-	-	-	-	-	(223)
-	-	-	-	-	-	-	-	1,230
-	-	-	-	-	-	-	-	80,930
$ 81	$ -	$ -	$ -	$ -	$ -	$ 55	$ -	$ 378,331

FIDUCIARY FUNDS

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

PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS:

1. **PENSION TRUST FUNDS**

- **The Tennessee Consolidated Retirement System (TCRS)** was established in July 1972 superseding seven former retirement systems. The accounts of each superseded system were transferred to the new system wherein separate accounting is maintained for assets and liabilities attributable to the various classes of members and beneficiaries. Benefits under the system are funded by contributions of members and employers. The level of contributions is determined by an actuarial valuation.
    - The Public Employee Retirement Plan covers employees of the state and its higher education institutions and employees of political subdivisions in Tennessee.
    - The Teacher Legacy Pension Plan covers employees of local education agencies who were hired before July 1, 2014.
    - The Teacher Hybrid Pension Plan covers employees of local education agencies who were hired after June 30, 2014.
- **Defined Contribution Pension Plan Fund–**A pension trust fund administered by Treasury. The State of Tennessee 401(k) Plan, the Optional Retirement Program (ORP) for higher education institutions, and the 3121 plans are collectively reported as the Defined Contribution Pension Plan Fund, a fiduciary component unit. The Defined Contribution Pension Plan Fund accounts for participant earnings deferred in accordance with Internal Revenue Code Sections 401(k), 401(a), and 3121, and are offered to employees of the state, the state's higher education institutions, and local and education agencies. Employer and employee contribution amounts are set in statute and made on a pre-tax basis.

2. **OTHER EMPLOYEE BENEFITS TRUST FUNDS**

- **The Deferred Compensation Plan Fund–** An employee benefit trust fund accounts for participant earnings deferred in accordance with Internal Revenue Code Section 457. The plan is administered by Treasury and is offered to state and higher education institution employees. K-12 teachers may participate in the 457(b) Plan if their local board of education has elected to offer the plan. This fund is a fiduciary component unit.
- **Other Employee Benefit Trust Funds—**This includes the Employee Flexible Benefits fund which was established in January 1988 to account for monies contributed by employees under the IRC Section 125 cafeteria plan. It also includes the State of Tennessee Postemployment Benefits Trust fund which was established in January 2019 to account for employer contributions and benefit payments made for other postemployment benefits offered to eligible retired employees of the state and certain component units.
- **Higher Education 403(b) Plan Fund–** An employee benefit trust fund accounts for the participant earnings deferred in accordance with Internal Revenue Code Sections 403(b) for employees of higher education institutions within the meaning of Section 170(b)(l)(A)(ii) of the Internal Revenue Code. The State University and Community College System (SUCCS) and the University of Tennessee established 403(b) Retirement Plans (Plan), effective January 1, 2009. Effective October 9, 2019, pursuant to Tennessee Code Annotated, Section 8-25-104, the State of Tennessee assumed sponsorship of both plans and the Chair of the Board of Trustees for the Tennessee Consolidated Retirement System became the Administrator of the Plans. The Plans are governmental plans within the meaning of Code Section 414(d) and Section 3(32) of the Employee Retirement Income Security Act of 1974.

INVESTMENT TRUST FUNDS:

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

PRIVATE-PURPOSE TRUST FUNDS:

- **College Savings Plan**— This fund accounts for the activity in the college savings plan created in September 2012 named the Tennessee Stars College Savings 529 Program (TNStars). This program offers parents and other interested persons a way to save for children's college expenses with investment options and special tax advantages. The program is not guaranteed by the State of Tennessee or any other entity.

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

CUSTODIAL FUNDS:

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

- **Local Government Tax Fund—**The purpose of this fund is to account for local levied taxes collected by the state and distributed to the various counties and cities of the state.

- **Local Fiscal Recovery Fund—**This fund accounts for the inflows and outflows of funds passed through the state to local governments under Section 603 of the Social Security Act, as added by the American Rescue Plan Act of 2021 (ARPA).

- **Custodial Accounts—**This fund is used to account for monies held by the State that are not in trusts or equivalent arrangements. The monies belong to individuals or other organizations. These include patient and resident trusts, restitution recoveries pending distribution and other various funds.

- **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").

STATE OF TENNESSEE
Combining Statement of Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
June 30, 2022
(Expressed in Thousands)

	Public Employee Retirement Plan	Teacher Legacy Pension Plan	Teacher Hybrid Pension Plan	Defined Contribution Pension Plan Fund
ASSETS				
Cash and cash equivalents	$ 12,835	$ 11,600	$ 275	$ 48,961
Cash collateral on loaned securities	1,716,699	1,551,580	36,717	-
Receivables:				
Account	-	-	-	-
Employer contributions	42,648	34,788	3,422	-
Member contributions	11,868	17,592	8,541	-
Interest and dividends	-	-	-	-
Loans receivable	-	-	-	34,181
Other	-	-	-	-
Investments, at fair value:				
Mutual funds	-	-	-	8,473,490
TRGT pooled funds	32,012,767	28,933,655	684,687	117,666
Other	-	-	-	6,818
Capital assets, at cost:				
Machinery and equipment	19,291	17,435	413	-
Less - accumulated depreciation	(16,281)	(14,715)	(348)	-
Total assets	33,799,827	30,551,935	733,707	8,681,116
LIABILITIES				
Accounts payable and accruals	17,230	14,581	783	-
Securities lending collateral	1,716,699	1,551,580	36,717	-
Total liabilities	1,733,929	1,566,161	37,500	-
NET POSITION				
Restricted for				
Pension benefits	32,065,898	28,985,774	696,207	8,681,116
Employee salary deferrals	-	-	-	-
Other postemployment benefits	-	-	-	-
Employees' flexible benefits	-	-	-	-
Total net position	$ 32,065,898	$ 28,985,774	$ 696,207	$ 8,681,116

STATE OF TENNESSEE
Combining Statement of Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
June 30, 2022
(Expressed in Thousands)

Deferred Compensation Plan Fund	Higher Education 403(b) Plan Fund	Other Employee Benefit Trust Funds	Total Pension (and Other Employee Benefit) Trust Funds
$ -	$ 9,500	$ 32,522	$ 115,693
-	-	-	3,304,996
-	-	2	2
-	-	-	80,858
-	-	-	38,001
-	-	14	14
103	78	-	34,362
-	-	936	936
623,950	809,427	417,134	10,324,001
21,296	-	-	61,770,071
1,880	-	-	8,698
-	-	-	37,139
-	-	-	(31,344)
647,229	819,005	450,608	75,683,427
-	-	4,369	36,963
-	-	-	3,304,996
-	-	4,369	3,341,959
-	-	-	70,428,995
647,229	819,005	-	1,466,234
-	-	444,891	444,891
-	-	1,348	1,348
$ 647,229	$ 819,005	$ 446,239	$ 72,341,468

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, 2022
(Expressed in Thousands)

	Public Employee Retirement Plan	Teacher Legacy Pension Plan	Teacher Hybrid Pension Plan	Defined Contribution Pension Plan Fund
ADDITIONS				
Contributions:				
Members	$ 181,590	$ 166,006	$ 85,526	$ 259,098
Employers	985,529	339,111	34,326	304,191
Transfers in from other plans	-	-	-	31,177
Other	1,327	-	-	299
Total contributions	1,168,446	505,117	119,852	594,765
Investment income:				
Net increase (decrease) in fair value of investments	(1,258,827)	(1,146,954)	(24,984)	(1,625,680)
Interest and dividends	-	-	-	342,476
Securities lending income	12,250	11,161	243	-
Total investment income (loss)	(1,246,577)	(1,135,793)	(24,741)	(1,283,204)
Less: Investment expenses	(35,275)	(32,140)	(700)	-
Securities lending expense	(3,105)	(2,829)	(62)	-
Net investment income (loss)	(1,284,957)	(1,170,762)	(25,503)	(1,283,204)
Total additions	(116,511)	(665,645)	94,349	(688,439)
DEDUCTIONS				
Benefit payments	1,587,549	1,372,746	256	603,901
Medical payments	-	-	-	-
Deceased member benefit payments	3,948	2,873	119	19,663
Other	-	-	-	-
Member/claimant distributions	31,854	17,767	5,728	-
Administrative expenses	14,137	4,928	3,198	14,563
Total deductions	1,637,488	1,398,314	9,301	638,127
Change in net position	(1,753,999)	(2,063,959)	85,048	(1,326,566)
Net position, July 1	33,819,897	31,049,733	611,159	10,007,682
Net position, June 30	$ 32,065,898	$ 28,985,774	$ 696,207	$ 8,681,116

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, 2022
(Expressed in Thousands)

Deferred Compensation Plan Fund	Higher Education 403(b) Plan Fund	Other Employee Benefit Trust Funds	Total Pension (and Other Employee Benefit) Trust Funds
$ 41,045	$ 16,138	$ 5,550	$ 754,953
15	-	142,226	1,805,398
4,574	16,939	-	52,690
-	-	-	1,626
45,634	33,077	147,776	2,614,667
(135,990)	(99,347)	(81,836)	(4,373,618)
34,854	14,489	11,000	402,819
-	-	-	23,654
(101,136)	(84,858)	(70,836)	(3,947,145)
-	-	-	(68,115)
-	-	-	(5,996)
(101,136)	(84,858)	(70,836)	(4,021,256)
(55,502)	(51,781)	76,940	(1,406,589)
52,791	84,526	-	3,701,769
-	-	68,887	68,887
4,945	-	-	31,548
-	-	5,399	5,399
-	-	-	55,349
1,590	200	4,328	42,944
59,326	84,726	78,614	3,905,896
(114,828)	(136,507)	(1,674)	(5,312,485)
762,057	955,512	447,913	77,653,953
$ 647,229	$ 819,005	$ 446,239	$ 72,341,468

STATE OF TENNESSEE
Combining Statement of Fiduciary Net Position
Investment Trust Funds
June 30, 2022
(Expressed in Thousands)

	External Retirement Investment Fund
ASSETS	
Receivables:	
Investments sold	4,216
Investments, at fair value:	
Private equities	3,485
TRGT pooled funds	312,501
Total assets	320,202
NET POSITION	
Amounts held in trust for:	
Pool participants	320,202
Total net position	$ 320,202

STATE OF TENNESSEE
Combining Statement of Changes in Fiduciary Net Position
Investment Trust Funds
For the Fiscal Year Ended June 30, 2022
(Expressed in Thousands)

	External Retirement Investment Fund
ADDITIONS	
Investment income:	
Net increase in fair value of investments	239
Interest	$ (13,323)
Total investment income (loss)	(13,084)
Less: Investment expenses	(326)
Net investment income (loss)	(13,410)
Capital share transactions:	
Shares sold	44,759
Less: Shares redeemed	(10,813)
Net capital share transactions	33,946
Total additions	20,536
DEDUCTIONS	
Administrative expenses	62
Total deductions	62
Change in net position	20,474
Net position, July 1	299,728
Net position, June 30	$ 320,202

STATE OF TENNESSEE
Combining Statement of Fiduciary Net Position
Private-Purpose Trust Funds
June 30, 2022
(Expressed in Thousands)

	College Savings Plan	Other	Total Private-Purpose Trust Funds
ASSETS			
Cash and cash equivalents	$ 9,787	$ 13,393	$ 23,180
Investments, at fair value:			
Mutual funds	241,931	23,603	265,534
Total assets	251,718	36,996	288,714
LIABILITIES			
Accounts payable and accruals	-	5	5
Total liabilities	-	5	5
NET POSITION			
Restricted for:			
Individuals, organizations and other governments	251,718	36,991	288,709
Total net position	$ 251,718	$ 36,991	$ 288,709

STATE OF TENNESSEE
Combining Statement of Changes in Fiduciary Net Position
Private-Purpose Trust Funds
For the Fiscal Year Ended June 30, 2022
(Expressed in Thousands)

	College Savings Plan	Other	Total Private-Purpose Trust Funds
ADDITIONS			
Contributions:			
Federal	$ -	$ 155	$ 155
Private	44,709	9,063	53,772
Other	110	159	269
Total contributions	44,819	9,377	54,196
Investment income:			
Net increase/(decrease) in fair value of investments	(44,299)	(4,188)	(48,487)
Interest	-	3	3
Total investment income (loss)	(44,299)	(4,185)	(48,484)
Total additions	520	5,192	5,712
DEDUCTIONS			
Payments made under trust agreements	15,278	4,958	20,236
Member/claimant distributions	-	101	101
Administrative expenses	512	74	586
Total deductions	15,790	5,133	20,923
Change in net position	(15,270)	59	(15,211)
Net position, July 1	266,988	36,932	303,920
Net position, June 30	$ 251,718	$ 36,991	$ 288,709

STATE OF TENNESSEE
Combining Statement of Fiduciary Net Position
Custodial Funds
June 30, 2022
(Expressed in Thousands)

	Retiree Health Funds	Local Government Tax Fund	Local Fiscal Recovery Fund	Custodial Accounts
ASSETS				
Cash and cash equivalents	$ 23,054	$ 456,194	$ -	$ 84,052
Receivables:				
Account	1	-	-	340
Taxes	-	428,609	-	-
Interest and dividends	-	-	-	-
Other	753	-	-	-
Due from other funds	-	-	-	3
Investments, at fair value:				
Government bonds	-	-	-	-
Investments, at amortized cost:				
Short-term investments	-	-	-	-
Total assets	23,808	884,803	-	84,395
LIABILITIES				
Accounts payable and accruals	5,083	-	-	630
Due to other governments	-	884,803	-	37,765
Total liabilities	5,083	884,803	-	38,395
NET POSITION				
Restricted for:				
Individuals, organizations and other governments	18,725	-	-	46,000
Amounts held in custody for:				
Pool participants	-	-	-	-
Total net position	$ 18,725	$ -	$ -	$ 46,000

STATE OF TENNESSEE
Combining Statement of Fiduciary Net Position
Custodial Funds
June 30, 2022
(Expressed in Thousands)

		External Investment Pools		
	Total Custodial Funds	Local Government Investment Pool	Intermediate Term Investment Fund	Total External Investment Pools
	$ 563,300	$ 1,588,412	$ 43	$ 1,588,455
	341	-	-	-
	428,609	-	-	-
	-	-	17	17
	753	-	-	-
	3	-	-	-
	-	-	11,584	11,584
	-	2,421,281	-	2,421,281
	993,006	4,009,693	11,644	4,021,337
	5,713	-	-	-
	922,568	-	-	-
	928,281	-	-	-
	64,725	-	-	-
	-	4,009,693	11,644	4,021,337
	$ 64,725	$ 4,009,693	$ 11,644	$ 4,021,337

STATE OF TENNESSEE
Combining Statement of Changes in Fiduciary Net Position
Custodial Funds
For the Fiscal Year Ended June 30, 2022
(Expressed in Thousands)

	Retiree Health Funds	Local Government Tax Fund	Local Fiscal Recovery Fund	Custodial Accounts
ADDITIONS				
Contributions:				
Members	$ 92,137	$ -	$ -	$ -
Total contributions	92,137	-	-	-
Investment income:				
Net increase/(decrease) in fair value of investments	-	-	-	-
Interest	111	-	-	25
Total investment income (loss)	111	-	-	25
Less: Investment expenses	-	-	-	-
Net investment income (loss)	111	-	-	25
Tax and fee collections for other governments	-	4,253,333	219,028	755
Member resources	12,516	-	-	714,238
Capital share transactions:				
Shares sold	-	-	-	-
Less: Shares redeemed	-	-	-	-
Net capital share transactions	-	-	-	-
Total additions	104,764	4,253,333	219,028	715,018
DEDUCTIONS				
Medical payments	94,535	-	-	-
Member/claimant distributions	3,806	-	-	714,093
Payments of taxes and fees to other governments	-	4,253,333	219,028	755
Administrative expenses	6,384	-	-	4,388
Total deductions	104,725	4,253,333	219,028	719,236
Change in net position	39	-	-	(4,218)
Net position, July 1	18,686	-	-	50,218
Net position, June 30	$ 18,725	$ -	$ -	$ 46,000

STATE OF TENNESSEE
Combining Statement of Changes in Fiduciary Net Position
Custodial Funds
For the Fiscal Year Ended June 30, 2022
(Expressed in Thousands)

	External Investment Pools		
Total Custodial Funds	Local Government Investment Pool	Intermediate Term Investment Fund	Total External Investment Pools
$ 92,137	$ -	$ -	$ -
92,137	-	-	-
-	-	(462)	(462)
136	10,094	65	10,159
136	10,094	(397)	9,697
-	(1,220)	-	(1,220)
136	8,874	(397)	8,477
4,473,116	-	-	-
726,754	-	-	-
-	7,830,066	-	7,830,066
-	(7,868,321)	-	(7,868,321)
-	(38,255)	-	(38,255)
5,292,143	(29,381)	(397)	(29,778)
94,535	-	-	-
717,899	-	-	-
4,473,116	-	-	-
10,772	-	6	6
5,296,322	-	6	6
(4,179)	(29,381)	(403)	(29,784)
68,904	4,039,074	12,047	4,051,121
$ 64,725	$ 4,009,693	$ 11,644	$ 4,021,337

COMPONENT UNITS

Tennessee Student Assistance Corporation (TSAC)—The corporation was created by the legislature in 1974 and is responsible for administering student financial assistance programs supported by federal and state funds. In 2015, TSAC's board voted to wind down the activities of the Federal Family Education Loan Program, a loan guarantee program administered by the board and separately reported as another component unit of the state. The portfolio was later transferred to the U.S. Department of Education. In this fiscal year, the remaining balances in this program were reported with the corporation.

Tennessee Community Services Agency—In 1989, the Legislature created twelve Community Services Agencies which are to provide a mechanism to coordinate health care for indigents. In 1996, the title and focus of these agencies changed to that of facilitating the providing of services to children and other citizens from state agencies. The state has significant oversight responsibilities for these agencies; therefore, they have been incorporated into the Annual Comprehensive Financial Report. In 2009, all CSAs merged operations into one agency.

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

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

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

The system consists of the following institutions:

UNIVERSITIES
Austin Peay State University, Clarksville
East Tennessee State University, Johnson City
Middle Tennessee State University, Murfreesboro
Tennessee State University, Nashville
Tennessee Technological University, Cookeville
University of Memphis, Memphis

COMMUNITY COLLEGES
Chattanooga State Community College, Chattanooga
Cleveland State Community College, Cleveland
Columbia State Community College, Columbia
Dyersburg State Community College, Dyersburg
Jackson State Community College, Jackson
Motlow State Community College, Tullahoma
Nashville State Community College, Nashville
Northeast State Community College, Blountville
Pellissippi State Community College, Knoxville
Roane State Community College, Harriman
Southwest Tennessee Community College, Memphis
Volunteer State Community College, Gallatin
Walters State Community College, Morristown

COLLEGES OF APPLIED TECHNOLOGY
Athens, Chattanooga, Covington, Crossville, Crump, Dickson, Elizabethton, Harriman, Hartsville, Hohenwald, Jacksboro, Jackson, Knoxville, Livingston, McKenzie, McMinnville, Memphis, Morristown, Murfreesboro, Nashville, Newbern, Oneida, Paris, Pulaski, Ripley, Shelbyville, Whiteville

The purpose of these colleges is to provide occupational and technical training.

The University of Tennessee Board of Trustees—The University of Tennessee was first established in 1794 by the Legislature of the Federal Territory. Since that time, it has grown into an institution of twenty-four different colleges and schools. The main campus is located in Knoxville. The other primary campuses are located in Memphis, Martin, Pulaski, and Chattanooga.

Local Development Authority—This authority was created in 1978 for the purpose of providing to local governments, through the issuing of revenue bonds or notes, the financing assistance previously provided by the State Loan Program. The Authority has also issued bonds to assist non-profit corporations in the construction of mental health, developmental disabilities, or alcohol and drug facilities. In addition, the Authority may assist small business concerns in financing pollution control facilities, farmers in financing certain capital improvements and airport authorities and municipal airports in financing improvements.

Tennessee Veterans Homes Board—Created in 1988, the primary purpose of the homes is to provide support and care for honorably discharged veterans of the United States Armed Forces. The revenue sources are the Veterans Administration, Medicaid, and a user fee.

Tennessee State School Bond Authority (TSSBA)— Established in 1965, the TSSBA provides a mechanism for financing building projects for the state's higher education institutions. Agreements are executed between the governing boards of the institutions and the TSSBA, and revenue bonds are issued using the constructed facilities as collateral. Charges levied on the universities provide the funds necessary for payment of principal and interest on bonds. The Authority also issues Qualified Zone Academy Bonds, which are part of a federal government program to finance loans to qualifying K-12 schools in the state. In addition, under the American Recovery and Reinvestment Act of 2009, the Authority issued Qualified School Construction Bonds to finance the construction, repair, or rehabilitation of public school facilities.

Certified Cotton Growers' Organization—This organization was formed to aid in the eradication of the boll weevil. Revenues are collected from assessments on cotton growers and from state appropriations.

Access Tennessee—Established in 2007, this health insurance pool offers health insurance coverage to eligible citizens of the state who are considered uninsurable because of health conditions.

.

STATE OF TENNESSEE
Combining Statement of Net Position
Component Units
June 30, 2022
(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	$ 3,417	$ 204	$ 582,583	$ 172,827	$ 1,418,060	$ 1,337,511
Investments	-	-	113,207	-	342,482	58,000
Receivables, net	3,403	55	87,944	85,495	94,793	93,222
Due from primary government	-	581	1,578	-	25,116	53,496
Inventories, at cost	-	-	-	-	3,191	8,595
Prepayments	-	3	-	7,922	16,639	7,455
Loans receivable	-	-	2,721,135	-	-	-
Other	-	-	23,632	-	4,486	8,244
Restricted assets:						
Cash and cash equivalents	-	-	33,596	26	270,023	293,226
Investments	-	-	115,096	-	701,251	1,588,402
Receivables, net	-	-	394	-	192,653	316,303
Net pension assets	892	11,322	3,135	-	117,302	86,636
Other	-	-	-	-	1,688	-
Capital assets:						
Land, at cost	-	-	-	-	181,181	100,814
Infrastructure	-	-	-	-	674,202	270,734
Structures and improvements, at cost	-	-	-	2,635	4,207,913	3,919,113
Machinery and equipment, at cost	8	13	12,701	6,647	614,218	717,792
Right-to-use leases	-	329	-	5,375	28,690	37,176
Less accumulated depreciation and amortization	(8)	(138)	(7,330)	(9,365)	(2,279,382)	(2,156,994)
Construction in progress	-	-	-	-	277,354	276,230
Total assets	7,712	12,369	3,687,671	271,562	6,891,860	7,015,955
DEFERRED OUTFLOWS OF RESOURCES	1,986	6,343	7,270	-	304,906	229,256
LIABILITIES						
Accounts payable and accruals	844	118	91,979	133,298	172,751	226,414
Due to primary government	-	-	-	132,060	6,794	1,366
Unearned revenue	-	-	1,165	1,052	94,107	74,185
Other	-	-	1,395	-	10,049	16,612
Noncurrent liabilities:						
Due within one year	229	213	101,761	2,024	67,992	93,556
Due in more than one year	647	283	2,927,831	3,155	959,543	1,329,243
Total liabilities	1,720	614	3,124,131	271,589	1,311,236	1,741,376
DEFERRED INFLOWS OF RESOURCES	3,484	9,387	11,867	-	486,296	429,868
NET POSITION						
Net investment in capital assets	-	204	5,371	1,266	2,920,477	2,032,809
Restricted for:						
Debt service	-	-	-	-	13,536	580
Capital projects	-	-	-	-	58,329	80,627
Single family bond programs	-	-	435,820	-	-	-
Pensions	892	11,322	3,135	-	117,302	86,636
Other	3,396	-	21,926	26	455,775	694,924
Permanent and endowment:						
Expendable	-	-	-	-	20,197	177,520
Nonexpendable	-	-	-	-	479,057	1,137,470
Unrestricted	206	(2,815)	92,691	(1,319)	1,334,561	863,401
Total net position	$ 4,494	$ 8,711	$ 558,943	$ (27)	$ 5,399,234	$ 5,073,967

STATE OF TENNESSEE
Combining Statement of Net Position
Component Units
June 30, 2022
(Expressed in Thousands)

Proprietary Fund Types					
Local Development Authority	Tennessee Veterans' Homes Board	Tennessee State School Bond Authority	Certified Cotton Growers'	Access Tennessee Insurance Plan	Total Component Units
$ 16,868	$ 29,635	$ 32,337	$ 497	$ 45,634	$ 3,639,573
-	-	-	4,240	-	517,929
-	4,273	12,816	42	-	382,043
-	-	-	-	-	80,771
-	509	-	-	-	12,295
-	377	-	-	-	32,396
2,084	-	1,917,915	-	-	4,641,134
-	716	-	3	-	37,081
272	3,863	6,669	-	-	607,675
-	-	273,027	-	-	2,677,776
-	-	-	-	-	509,350
-	1,425	-	-	-	220,712
-	-	-	-	-	1,688
-	2,467	-	-	-	284,462
-	3,734	-	-	-	948,670
-	53,596	-	-	-	8,183,257
-	4,714	-	-	-	1,356,093
-	-	-	-	-	71,570
-	(23,440)	-	-	-	(4,476,657)
-	9,449	-	-	-	563,033
19,224	91,318	2,242,764	4,782	45,634	20,290,851
-	3,277	34,408	-	-	587,446
136	-	15,306	188	17	641,051
-	2,705	-	-	-	142,925
-	-	2,172	-	-	172,681
-	141	-	-	-	28,197
230	1,004	92,000	-	-	359,009
794	3,066	2,163,577	-	-	7,388,139
1,160	6,916	2,273,055	188	17	8,732,002
-	886	1,468	-	-	943,256
-	46,943	-	-	-	5,007,070
-	429	-	-	-	14,545
-	-	-	-	-	138,956
-	-	-	-	-	435,820
-	1,425	-	-	-	220,712
-	10,734	-	-	-	1,186,781
-	-	-	-	-	197,717
-	-	-	-	-	1,616,527
18,064	27,262	2,649	4,594	45,617	2,384,911
$ 18,064	$ 86,793	$ 2,649	$ 4,594	$ 45,617	$ 11,203,039

STATE OF TENNESSEE
Combining Statement of Activities
Component Units
For the Year Ended June 30, 2022
(Expressed in Thousands)

		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Functions/Programs					
Component units					
Higher education institutions:					
State University and Community College System	$ 3,037,690	$ 966,904	$ 1,319,583	$ 133,387	$ (617,816)
University of Tennessee	2,555,015	934,472	1,014,409	120,569	(485,565)
Total higher education institutions	5,592,705	1,901,376	2,333,992	253,956	(1,103,381)
Loan programs:					
Tennessee Student Assistance Corporation	119,034	5,345	465	-	(113,224)
Tennessee Housing Development Agency	649,089	178,941	479,836	-	9,688
Local Development Authority	203	733	35	-	565
Tennessee State School Bond Authority	73,755	60,640	(21,655)	-	(34,770)
Total loan programs	842,081	245,659	458,681	-	(137,741)
Tennessee Education Lottery	1,891,184	1,890,180	23	-	(981)
Other programs:					
Tennessee Community Services Agency	3,024	163	3,787	-	926
Access Tennessee Insurance Plan	1,173	41	-	-	(1,132)
Tennessee Veterans' Homes Board	54,979	43,535	13,040	6,255	7,851
Certified Cotton Growers'	441	380	-	-	(61)
Total other programs	59,617	44,119	16,827	6,255	7,584
Total	$ 8,385,587	$ 4,081,334	$ 2,809,523	$ 260,211	$ (1,234,519)

STATE OF TENNESSEE
Combining Statement of Activities
Component Units
For the Year Ended June 30, 2022
(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
$ 1,080,564	$ 67,174	$ (72,276)	$ 1,805	$ 27,779	$ 487,230	$ 4,912,004	$ 5,399,234
743,100	2,405	(80,900)	2,840	58,924	240,804	4,833,163	5,073,967
1,823,664	69,579	(153,176)	4,645	86,703	728,034	9,745,167	10,473,201
113,470	-	-	-	-	246	4,248	4,494
215	-	369	-	-	10,272	548,671	558,943
-	-	-	-	-	565	17,499	18,064
-	9,712	-	-	-	(25,058)	27,707	2,649
113,685	9,712	369	-	-	(13,975)	598,125	584,150
-	-	924	-	-	(57)	30	(27)
-	-	-	-	-	926	7,785	8,711
-	-	95	-	-	(1,037)	46,654	45,617
-	24	-	-	-	7,875	78,918	86,793
-	-	38	-	-	(23)	4,617	4,594
-	24	133	-	-	7,741	137,974	145,715
$ 1,937,349	$ 79,315	$ (151,750)	$ 4,645	$ 86,703	$ 721,743	$ 10,481,296	$ 11,203,039

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, 2022
(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	$ 178,941	$ 1,889,942	$ 952,077	$ 908,470	$ 733
Investment income (loss)	(7,796)	-	6,877	7,112	35
Grants and contributions	-	-	275,915	610,839	-
Other	-	238	115,555	141,818	-
Total operating revenues	171,145	1,890,180	1,350,424	1,668,239	768
Operating expenses					
Personal services	22,096	15,028	1,701,014	1,636,199	-
Contractual services	35,694	174,816	-	-	153
Mortgage service fees	-	-	-	-	-
Materials and supplies	1,581	-	745,133	612,500	-
Rentals and insurance	38	31	-	-	-
Interest	70,315	-	-	-	50
Depreciation and amortization	6,025	1,994	137,634	170,202	-
Lottery prizes	-	1,202,358	-	-	-
Nursing home services	-	-	-	-	-
Scholarships and fellowships	-	-	428,495	104,006	-
Benefits	-	-	-	-	-
Other	17,815	9,105	-	-	-
Total operating expenses	153,564	1,403,332	3,012,276	2,522,907	203
Operating income (loss)	17,581	486,848	(1,661,852)	(854,668)	565
Nonoperating revenues (expenses)					
Grant income	488,001	-	1,001,514	354,308	-
Grant expense	(495,525)	-	-	-	-
Interest expense	-	-	(19,311)	(29,622)	-
Interest income (loss)	-	924	(80,592)	(168,873)	-
Payments from primary government	215	-	1,080,564	743,100	-
Grants and contributions	-	-	-	7,686	-
Gifts	-	-	5,765	8,439	-
Payments to primary government	-	(487,824)	-	-	-
Other	-	(5)	(114)	(1,749)	-
Total nonoperating revenues (expenses)	(7,309)	(486,905)	1,987,826	913,289	-
Income (loss) before capital grants and contributions	10,272	(57)	325,974	58,621	565
Capital payments from primary government	-	-	118,457	92,558	-
Capital grants and gifts	-	-	15,019	28,011	-
Additions to permanent endowments	-	-	27,780	58,924	-
Other	-	-	-	2,690	-
Change in net position	10,272	(57)	487,230	240,804	565
Net position, July 1, restated	548,671	30	4,912,004	4,833,163	17,499
Net position, June 30	$ 558,943	$ (27)	$ 5,399,234	$ 5,073,967	$ 18,064

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, 2022
(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
$ 42,833	$ 60,640	$ 380	$ 41	$ 4,034,057
-	(21,655)	-	-	(15,427)
-	-	-	-	886,754
702	-	-	-	258,313
43,535	38,985	380	41	5,163,697
26,387	-	-	-	3,400,724
-	771	441	135	212,010
-	-	-	-	-
-	-	-	-	1,359,214
-	-	-	1,038	1,107
-	60,291	-	-	130,656
1,842	-	-	-	317,697
-	-	-	-	1,202,358
26,630	-	-	-	26,630
-	-	-	-	532,501
-	-	-	-	-
-	12,693	-	-	39,613
54,859	73,755	441	1,173	7,222,510
(11,324)	(34,770)	(61)	(1,132)	(2,058,813)
13,012	9,712	-	-	1,866,547
-	-	-	-	(495,525)
(109)	-	-	-	(49,042)
28	-	38	95	(248,380)
-	-	-	-	1,823,879
-	-	-	-	7,686
24	-	-	-	14,228
-	-	-	-	(487,824)
(10)	-	-	-	(1,878)
12,945	9,712	38	95	2,429,691
1,621	(25,058)	(23)	(1,037)	370,878
6,254	-	-	-	217,269
-	-	-	-	43,030
-	-	-	-	86,704
-	-	-	-	2,690
7,875	(25,058)	(23)	(1,037)	720,571
78,918	27,707	4,617	46,654	10,469,263
$ 86,793	$ 2,649	$ 4,594	$ 45,617	$ 11,189,834

This Page Intentionally Left Blank

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, 2022
(Expressed in Thousands)

	Tennessee Student Assistance Corporation	Tennessee Community Services Agency	Total Governmental Fund Type Component Units
REVENUES			
Interest on investments	$ 398	$ -	$ 398
Departmental services	118,815	3,950	122,765
Other	66	-	66
Total revenues	119,279	3,950	123,229
EXPENDITURES			
Education	120,058	-	120,058
Health and social services	-	3,878	3,878
Total expenditures	120,058	3,878	123,936
Excess (deficiency) of revenues over (under) expenditures	(779)	72	(707)
Fund balances, July 1	6,755	653	7,408
Fund balances, June 30	$ 5,976	$ 725	$ 6,701
Reconciliation to net position:			
Fund balances per above	$ 5,976	$ 725	$ 6,701
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	-	204	204
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund.	(491)	(397)	(888)
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.	(991)	8,179	7,188
Net position on statement of net position	$ 4,494	$ 8,711	$ 13,205

SUPPLEMENTARY SCHEDULES

STATE OF TENNESSEE **Schedule 1**

Debt Service Requirements to Maturity

General Obligation Bonds

June 30, 2022

(Expressed in Thousands)

	General Long-Term Debt			Facilities Revolving Fund Debt		
For the Year Ended June 30	Principal	Interest	Total Require-ments	Principal	Interest	Total Require-ments
2023	$ 145,714	$ 45,570	$ 191,284	$ 16,266	$ 4,661	$ 20,927
2024	142,358	40,645	183,003	15,967	4,097	20,064
2025	134,002	36,596	170,598	15,633	3,674	19,307
2026	130,753	32,616	163,369	14,977	3,293	18,270
2027	124,196	28,618	152,814	13,104	2,960	16,064
2028	119,189	24,498	143,687	12,246	2,631	14,877
2029	111,807	20,471	132,278	10,753	2,312	13,065
2030	87,943	16,944	104,887	9,207	2,004	11,211
2031	77,911	13,814	91,725	7,704	1,715	9,419
2032	70,797	10,905	81,702	6,378	1,467	7,845
2033	48,370	8,625	56,995	5,995	1,256	7,251
2034	42,083	6,955	49,038	5,537	1,060	6,597
2035	41,547	5,420	46,967	5,443	872	6,315
2036	38,341	3,907	42,248	3,034	706	3,740
2037	25,107	2,551	27,658	2,733	566	3,299
2038	16,354	1,558	17,912	2,696	442	3,138
2039	8,883	797	9,680	2,452	329	2,781
2040	8,883	409	9,292	2,452	229	2,681
2041	2,695	161	2,856	2,235	134	2,369
2042	2,695	53	2,748	2,235	45	2,280
TOTALS	$ 1,379,628	$ 301,113	$ 1,680,741	$ 157,047	$ 34,453	$ 191,500

STATE OF TENNESSEE — **Schedule 2**

Schedule of General Obligation Outstanding Debt
All Fund Types
For the Last Five Fiscal Years

(Expressed in Thousands)

	June 30 2018	2019	2020	2021	2022
Internal service funds:					
General obligation commercial paper	$ 13,767	$ 25,130	$ 15,063	$ 63,332	$ 7,121
Facilities Revolving Fund general obligation bonds	156,640	142,172	132,553	119,254	157,047
	170,407	167,302	147,616	182,586	164,168
General long-term debt:					
General obligation bonds	1,741,155	1,596,443	1,578,402	1,436,291	1,379,628
General obligation commercial paper	151,409	212,266	105,933	144,011	82,442
	1,892,564	1,808,709	1,684,335	1,580,302	1,462,070
Totals for primary government	$ 2,062,971	$ 1,976,011	$ 1,831,951	$ 1,762,888	$ 1,626,238

STATE OF TENNESSEE — **Schedule 3**

Schedule of General Obligation
Commercial Paper Outstanding- By Purpose
All Fund Types
June 30, 2022

(Expressed in Thousands)

General obligation commercial paper - Tax exempt	$ 65,500
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	24,063
Purpose: To finance improvements to certain other projects and grants to local governments when tax-exempt is not the ideal funding source.	
Total Outstanding	$ 89,563

STATE OF TENNESSEE **Schedule 4**

Schedule of General Obligation Outstanding Debt

Component Units

For the Last Five Fiscal Years

(Expressed in Thousands)

	June 30				
	2018	**2019**	**2020**	**2021**	**2022**
Component units:					
Local Development Authority bonds	$ 2,521	$ 2,003	$ 1,543	$ 1,243	$ 1,024
Tennessee Housing Development Agency bonds	2,089,025	2,575,725	2,816,040	2,909,404	2,832,029
Veterans' Homes Board loan	4,255	3,763	3,391	3,011	3,011
Tennessee State School Bond Authority bonds	2,208,003	2,125,541	2,288,441	2,194,228	2,102,916
Tennessee State School Bond Authority revolving credit	95,299	178,739	74,481	115,521	152,661
University of Tennessee notes	55	-	-	-	-
University of Tennessee bonds	65,676	62,987	60,247	57,432	54,513
State University and Community College System notes	1,372	1,370	6,046	1,089	4,549
State University and Community College System commercial paper	2,722	2,037	1,577	1,108	768
State University and Community College System loans	-	-	730	75	111
	$ 4,468,928	$ 4,952,165	$ 5,252,496	$ 5,283,111	$ 5,151,582

STATE OF TENNESSEE
Comparative Schedules of Revenues by Source
General Fund
For the Fiscal Years Ended June 30, 2022 and 2021
(Expressed in Thousands)

Revenue by Source	For the Year Ended June 30, 2022	For the Year Ended June 30, 2021
Taxes:		
Sales and use	$ 4,694,381	$ 4,057,986
Gasoline	9,459	9,336
Motor fuel	2,313	2,206
Gasoline inspection	804	743
Total fuel taxes	12,576	12,285
Franchise	1,496,973	1,204,481
Excise	2,811,683	2,035,940
Gross receipts	212,654	215,171
Beer	12,266	12,041
Alcoholic beverage	71,289	69,410
Mixed drink	-	-
Tobacco	28,654	29,100
Business	192,948	156,002
Insurance companies premium	1,223,577	1,108,406
Retaliatory	17,568	14,183
Workers compensation premium	36,634	35,939
Enhanced coverage	600,210	602,351
Medicaid provider	11,461	10,923
Fantasy Sports	288	265
Other	1,013	831
Total business tax	6,717,218	5,495,043
Income	4,133	56,245
Privilege	600,656	484,165
Inheritance and estate	602	503
Other	32	19
Total other taxes	605,423	540,932
Total taxes	12,029,598	10,106,246
Licenses, fines, fees and permits:		
Motor vehicle registration	55,856	53,839
Motor vehicle title registration fees	20,856	20,944
Drivers licenses	18,827	28,638
Arrests, fines and fees	7,142	5,688
Regulatory board fees	185,407	176,897
Other	220,535	236,167
Total licenses, fines, fees and permits	508,623	522,173
Investment income	43,842	25,755
Federal	15,242,108	15,230,077
Departmental services:		
Charges to the public	327,640	309,033
Interdepartmental charges	1,005,957	1,033,126
Charges to cities, counties, etc.	1,224,132	1,107,039
Other	1,774	526
Total departmental services	2,559,503	2,449,724
Opioid and Tobacco Settlements	199,173	172,472
Other	70,639	102,808
Total revenues by source	$ 30,653,486	$ 28,609,255

STATE OF TENNESSEE

Schedule 6

Comparative Schedules of Expenditures by Function and Department

General Fund
For the Fiscal Years Ended June 30, 2022 and 2021
(Expressed in Thousands)

	For the Year Ended	
Expenditures by Function and Department	**June 30, 2022**	**June 30, 2021**
General government:		
Legislative	$ 51,397	$ 51,429
Secretary of State	53,434	44,585
Comptroller	117,434	111,211
Treasurer	294,262	43,999
Governor	5,654	5,324
Commissions	140,963	102,019
Finance and Administration	341,923	527,980
General Services	39,125	29,902
Revenue	120,711	420,983
Total general government	1,164,903	1,337,432
Health and social services:		
Veterans Services	8,820	7,602
Labor and Workforce Development	233,757	246,148
TennCare	14,180,600	13,076,166
Mental Health	462,589	419,087
Intellectual Disabilities	213,475	191,535
Health	1,144,041	1,104,327
Human Services	4,081,559	3,997,222
Children's Services	958,227	917,748
Total health and social services	21,283,068	19,959,835
Law, justice and public safety:		
Judicial	427,878	408,966
Correction	1,029,932	1,007,223
Probation and Paroles	8,892	8,298
Military	234,217	417,234
Bureau of Criminal Investigation	103,057	90,878
Safety	306,395	255,952
Total law, justice and public safety	2,110,371	2,188,551
Recreation and resource development:		
Agriculture	198,426	203,007
Tourist Development	37,665	54,429
Environment and Conservation	287,974	262,429
Economic and Community Development	297,879	277,816
Total recreation and resources development	821,944	797,681
Regulation of business and professions:		
Commerce and Insurance	101,785	97,261
Financial Institutions	21,819	20,800
Total regulation of business and professions	123,604	118,061
Debt service:		
Principal	5,437	-
Interest	291	-
Total debt service	5,728	-
Capital outlay	21,605	-
Total expenditures by function and department	$ 25,531,223	$ 24,401,560

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.

Contents **Page**

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,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Expenses										
Governmental activities:										
General government (3)	$ 987,800	$ 959,641	$ 858,569	$ 981,862	$ 961,058	$ 870,036	$ 937,895	$ 1,143,546	$ 3,267,910	$ 3,015,861
Education	7,083,806	7,383,077	7,302,492	7,507,413	7,927,694	8,234,390	8,576,479	8,898,197	9,495,761	10,605,705
Health and social services	14,079,899	13,912,421	14,258,216	14,930,669	14,976,007	15,192,989	15,168,397	16,603,681	19,105,994	20,235,770
Law, justice, and public safety	1,539,288	1,612,248	1,522,333	1,605,231	1,692,610	1,784,864	1,848,904	2,127,958	2,255,348	1,941,086
Recreation and resources development	554,421	646,781	666,997	665,491	628,906	716,104	719,649	786,375	935,195	883,820
Regulation of business and professions	158,228	158,644	175,667	194,662	205,684	215,749	217,075	211,446	252,866	241,988
Transportation	1,062,091	1,126,744	1,126,447	1,045,959	1,282,462	1,213,247	1,474,457	1,507,127	1,328,049	1,555,210
Intergovernmental revenue sharing (3)	844,628	897,312	980,258	1,045,095	1,073,737	1,309,519	1,388,848	1,407,229	-	-
Interest on long-term debt	71,933	67,520	60,622	60,891	58,503	62,430	62,928	58,733	51,097	17,965
Payments to fiduciary fund	22,386	827	400	680	664	372	-	-	-	-
Total governmental activities expenses	26,404,480	26,765,215	26,952,001	28,037,953	28,807,325	29,599,700	30,394,632	32,744,292	36,692,220	38,497,405
Business-type activities:										
Employment security (1)	750,529	451,470	289,415	241,852	232,690	222,988	205,234	3,969,607	3,931,631	434,261
Insurance programs	544,250	541,205	556,634	585,757	620,734	620,005	672,422	677,269	753,012	763,303
Loan programs	1,577	1,469	1,493	1,865	1,710	1,705	1,613	1,842	1,879	1,787
Other	163	76	68	367	216	1,014	305	83	695	224
Total business-type activities expenses	1,296,519	994,220	847,610	829,841	855,350	845,712	879,574	4,648,801	4,687,217	1,199,575
Total primary government expenses	$ 27,700,999	$ 27,759,435	$ 27,799,611	$ 28,867,794	$ 29,662,675	$ 30,445,412	$ 31,274,206	$ 37,393,093	$ 41,379,437	$ 39,696,980
Program Revenues										
Governmental activities:										
Charges for services:										
General government	$ 775,135	$ 812,528	$ 787,280	$ 796,608	$ 784,087	$ 1,019,219	$ 1,045,776	$ 1,066,858	$ 1,188,460	$ 1,137,177
Education	85,722	73,276	58,961	50,274	40,849	38,385	30,633	70,672	67,395	49,920
Health and social services (5)	714,788	756,038	957,133	1,030,133	1,189,026	1,071,646	1,130,530	1,248,321	1,299,646	1,814,509
Law, justice, and public safety	139,622	140,123	137,905	161,110	168,808	161,132	159,868	153,575	150,230	133,779
Recreation and resources development	155,422	145,675	153,788	164,390	169,896	175,065	184,084	175,672	195,412	203,673
Regulation of business and professions	154,896	165,611	182,959	200,087	194,108	214,121	203,660	208,333	234,485	263,266
Transportation	35,470	31,863	45,840	56,466	59,301	63,670	65,208	57,902	60,841	77,795
Operating grants and contributions (4)	11,697,733	11,355,859	11,291,412	11,930,270	11,742,175	12,064,641	11,974,935	13,456,925	17,898,087	18,285,375
Capital grants and contributions	772,061	762,251	727,573	686,774	695,029	738,173	725,242	948,533	844,303	925,919
Total governmental activities program revenues	14,530,849	14,243,224	14,342,851	15,076,112	15,043,279	15,546,052	15,519,936	17,386,791	21,938,859	22,891,413
Business-type activities:										
Charges for services:										
Employment security	632,408	370,752	343,808	290,005	288,964	260,627	256,943	286,104	265,762	250,213
Insurance programs	569,982	598,209	581,436	565,174	599,635	652,846	702,429	719,987	728,280	772,876
Loan programs	12,450	8,897	8,865	9,214	10,255	11,386	11,850	12,233	12,135	11,886
Other	231	221	230	239	236	242	155	342	287	297
Operating grants and contributions (2)	327,928	134,026	64,053	85,287	57,418	88,198	76,576	3,696,938	3,599,778	281,856
Total business-type activities program revenues	1,542,999	1,112,105	998,392	949,919	956,508	1,013,299	1,047,953	4,715,604	4,606,242	1,317,128
	$ 16,073,848	$ 15,355,329	$ 15,341,243	$ 16,026,031	$ 15,999,787	$ 16,559,351	$ 16,567,889	$ 22,102,395	$ 26,545,101	$ 24,208,541
Net (Expense)/Revenue										
Governmental activities	$ (11,873,631)	$ (12,521,991)	$ (12,609,150)	$ (12,961,841)	$ (13,764,046)	$ (14,053,648)	$ (14,874,696)	$ (15,357,501)	$ (14,753,361)	$ (15,605,992)
Business-type activities	246,480	117,885	150,782	120,078	101,158	167,587	168,379	66,803	(80,975)	117,553
Total primary government net expense	$ (11,627,151)	$ (12,404,106)	$ (12,458,368)	$ (12,841,763)	$ (13,662,888)	$ (13,886,061)	$ (14,706,317)	$ (15,290,698)	$ (14,834,336)	$ (15,488,439)

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

(accrual basis of accounting, expressed in thousands)

	FOR THE FISCAL YEAR ENDED JUNE 30,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Sales and use	$ 7,018,128	$ 7,276,443	$ 7,713,695	$ 8,258,134	$ 8,547,149	$ 8,831,333	$ 9,351,611	$ 9,624,865	$ 11,052,798	$ 12,891,509
Fuel	834,956	843,164	862,156	899,631	915,415	1,099,342	1,170,828	1,189,072	1,216,037	1,266,514
Business	4,122,814	3,948,253	4,336,333	4,631,629	5,206,841	5,196,013	5,326,127	5,546,908	6,275,672	7,642,081
Other	648,193	641,244	719,370	722,040	627,070	624,585	607,748	543,952	672,243	701,587
Unrestricted investment earnings	4,144	7,079	6,121	15,076	36,148	84,104	151,602	108,918	9,376	38,945
Miscellaneous	282,705	221,138	224,064	243,432	234,586	284,299	193,899	239,300	282,720	372,768
Contributions to permanent funds	180	547	136	170	2,624	142	145	143	143	155
Transfers	(4,256)	(4,622)	(8,046)	(1,096)	(5,290)	(4,715)	(18,521)	(7,558)	(8,611)	(5,277)
Total governmental activities	12,906,864	12,933,246	13,853,829	14,769,016	15,564,543	16,115,103	16,783,439	17,245,600	19,500,378	22,908,282
Business-type activities:										
Transfers	4,256	4,622	8,046	1,096	5,290	4,715	18,521	7,558	8,611	5,277
Total business-type activities	4,256	4,622	8,046	1,096	5,290	4,715	18,521	7,558	8,611	5,277
Total primary government general revenues and	$ 12,911,120	$ 12,937,868	$ 13,861,875	$ 14,770,112	$ 15,569,833	$ 16,119,818	$ 16,801,960	$ 17,253,158	$ 19,508,989	$ 22,913,559
Changes in Net Position										
Governmental activities	$ 1,033,233	$ 411,255	$ 1,244,679	$ 1,807,175	$ 1,800,497	$ 2,061,455	$ 1,908,743	$ 1,888,099	$ 4,747,017	$ 7,302,290
Business-type activities	250,736	122,507	158,828	121,174	106,448	172,302	186,900	74,361	(72,364)	122,830
Total primary government	$ 1,283,969	$ 533,762	$ 1,403,507	$ 1,928,349	$ 1,906,945	$ 2,233,757	$ 2,095,643	$ 1,962,460	$ 4,674,653	$ 7,425,120

(1) The increase in expenses in the employment security program between fiscal years 2019 and 2020 is due to the extra benefits provided to the unemployed in response to the pandemic. The decrease in expenses in the employment security program between the years 2021 and 2022 is due to less unemployment.

(2) The increase in operating grants and contributions for business-type activities between fiscal years 2019 and 2020 is primarily because of the extra benefits provided to the unemployed in response to the pandemic. The decrease in operating grants and contributions for business-type activities between fiscal years 2021 and 2022 is primarily because of less unemployment benefits needed.

(3) The increase in expenses for general government between fiscal years 2020 and 2021 is primarily due to changes made because of the implementation of GASBS 84. Amounts previously reported in intergovernmental revenue sharing is now reported as general government.

(4) The increase in operating grants and contributions between fiscal years 2020 and 2021 is primarily because of increased COVID funding received from the federal government.

(5) The increase in Health and social services program revenue between fiscal years 2021 and 2022 is primarily because of a new grant, a increase in drug rebates and nongovernmental revenue.

Schedule 2

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,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Governmental activities										
Net investment in capital assets (3)	$ 26,326,451	$ 26,855,523	$ 27,432,234	$ 28,201,282	$ 28,617,760	$ 29,616,706	$ 30,355,607	$ 31,425,755	$ 32,396,815	$ 33,156,399
Restricted	1,193,341	1,242,324	1,150,817	1,595,049	1,777,806	2,081,564	2,210,725	2,307,203	2,866,255	3,720,678
Unrestricted (1)(2)(4)	1,458,291	1,299,446	940,922	1,534,817	2,736,079	2,704,085	3,739,918	4,475,212	7,753,855	13,442,770
Total governmental activities net position	$ 28,978,083	$ 29,397,293	$ 29,523,973	$ 31,331,148	$ 33,131,645	$ 34,402,355	$ 36,306,250	$ 38,208,170	$ 43,016,925	$ 50,319,847
Business-type activities										
Net investment in capital assets	$									
Unrestricted	2,134,924	$ 2,264,747	$ 2,420,530	$ 2,541,704	$ 2,648,152	$ 2,806,842	$ 2,993,742	$ 3,068,103	$ 2,973,131	$ 3,095,961
Total business-type activities net position	$ 2,134,924	$ 2,264,747	$ 2,420,530	$ 2,541,704	$ 2,648,152	$ 2,806,842	$ 2,993,742	$ 3,068,103	$ 2,973,131	$ 3,095,961
Primary Government										
Net investment in capital assets	$ 26,326,451	$ 26,855,523	$ 27,432,234	$ 28,201,282	$ 28,617,760	$ 29,616,706	$ 30,355,607	$ 31,425,755	$ 32,396,815	$ 33,156,399
Restricted	1,193,341	1,242,324	1,150,817	1,595,049	1,777,806	2,081,564	2,210,725	2,307,203	2,866,255	3,720,678
Unrestricted	3,593,215	3,564,193	3,361,452	4,076,521	5,384,231	5,510,927	6,733,660	7,543,315	10,726,986	16,538,731
Total primary government net position	$ 31,113,007	$ 31,662,040	$ 31,944,503	$ 33,872,852	$ 35,779,797	$ 37,209,197	$ 39,299,992	$ 41,276,273	$ 45,990,056	$ 53,415,808

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

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

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

(4) The increase in unrestricted net position between fiscal years 2020 and 2021 is attributable to the increase in cash and cash equivalents caused by an increase in federal revenue and an increase in tax revenue. The increase in unrestricted net position between fiscal years 2021 and 2022 is due primarily to increased operating grants and contributions.

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,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Fund										
Nonspendable	$ 21,349	$ 21,075	$ 20,184	$ 18,765	$ 25,117	$ 21,208	$ 23,489	$ 31,111	$ 65,465	$ 68,975
Restricted	73,346	68,331	69,540	71,304	73,855	73,202	92,579	102,123	165,341	173,161
Committed	355,546	281,969	302,603	314,545	334,316	372,189	362,881	487,351	640,562	683,709
Assigned (1)	1,585,964	1,138,496	1,285,945	1,612,001	2,263,154	1,949,089	2,298,179	3,265,698	4,688,970	7,337,698
Unassigned (2)	476,264	567,286	885,215	1,224,464	1,008,428	1,410,118	1,651,697	1,676,074	3,770,577	3,939,527
Total general fund	$ 2,512,469	$ 2,077,157	$ 2,563,487	$ 3,241,079	$ 3,704,870	$ 3,825,806	$ 4,428,825	$ 5,562,357	$ 9,330,915	$ 12,203,070
All Other Governmental Funds										
Nonspendable	$ 150,579	$ 153,004	$ 519,590	$ 525,078	$ 531,981	$ 536,481	$ 561,387	$ 569,348	$ 586,808	$ 816,145
Restricted	990,317	1,024,350	575,853	1,020,805	1,207,452	1,507,973	1,583,287	1,667,138	2,152,028	2,293,134
Committed (3)	398,864	396,298	389,401	373,312	336,412	379,483	391,014	436,241	439,218	1,030,379
Assigned (4)	575,300	759,845	736,691	787,006	1,148,144	1,596,551	1,612,649	1,552,641	1,258,390	2,814,454
Unassigned										
Total all other governmental funds	$ 2,115,060	$ 2,333,497	$ 2,221,535	$ 2,706,201	$ 3,223,989	$ 4,020,488	$ 4,148,337	$ 4,225,368	$ 4,436,444	$ 6,954,112

(1) The increase in assigned fund balance for the general fund between fiscal years 2019 and 2020 is primarily because of an increase in the reserve for supplemental appropriation and an increase in carry forwards. The increase in assigned fund balance between the fiscal years 2020 and 2021 is primarily because of increases in carry forwards, supplemental appropriations, and the civil defense reserve. The increase in assigned fund balance between fiscal years 2021 and 2022 is primarily because of an increase in supplemental appropriations.

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

(3) The increase in committed fund balance between fiscal years 2021 and 2022 is primarily because of increases of dedicated tax revenues in the Education fund.

(4) The increase in assigned fund balance between fiscal years 2021 and 2022 is primarily because of increases in appropriations for capital projects.

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,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenues										
Taxes	$ 12,605,171	$ 12,762,694	$ 13,717,684	$ 14,536,940	$ 15,151,281	$ 15,694,388	$ 16,391,417	$ 17,176,466	$ 19,360,005	$ 22,500,812
Licenses, fines, fees, and permits	725,785	727,158	799,462	913,535	973,810	1,058,073	1,081,355	1,055,468	1,142,138	1,256,478
Interest on investments	35,987	67,117	27,865	56,708	89,231	119,676	234,307	187,336	221,890	(130,546)
Federal (7)	12,085,185	11,750,878	11,601,522	12,126,450	11,915,967	12,245,029	12,098,767	13,820,131	17,989,966	18,820,965
Departmental services	1,933,141	1,994,334	2,108,043	2,170,683	2,392,179	2,342,471	2,333,469	2,501,103	2,747,234	3,024,470
Opioid and Tobacco Settlements										199,173
Other	630,355	604,336	584,672	647,996	622,690	734,439	639,714	677,192	787,368	569,132
Total revenues	28,015,624	27,906,517	28,839,248	30,452,312	31,145,158	32,194,076	32,779,029	35,417,696	42,248,601	46,240,484
Expenditures										
Current:										
General government (5)	538,243	553,807	565,415	573,475	654,354	683,678	689,119	710,720	2,788,937	2,720,149
Education (8)	6,875,325	7,182,444	7,140,936	7,322,279	7,778,143	8,134,979	8,364,522	8,557,814	9,245,643	10,478,293
Health and social services	14,668,483	14,493,610	14,906,413	15,600,711	15,655,566	15,875,861	16,007,652	17,354,738	19,959,835	21,283,068
Law, justice, and public safety	1,499,252	1,555,028	1,552,156	1,618,669	1,693,161	1,772,563	1,868,133	2,072,747	2,195,107	2,117,580
Recreation and resources development	655,168	711,526	757,166	777,748	736,884	797,848	821,557	849,015	1,012,134	1,066,536
Regulation of business and professions	164,673	165,238	187,360	205,830	215,733	222,903	229,082	224,307	261,952	263,487
Transportation	1,864,946	1,753,581	1,708,328	1,672,379	1,728,331	1,910,831	2,017,320	2,208,900	2,135,196	2,273,259
Intergovernmental revenue sharing (5)	844,628	897,312	980,258	1,045,095	1,073,737	1,309,519	1,388,848	1,407,229		
Debt service:										
Principal	274,858	142,643	313,050	246,503	296,444	267,376	153,111	292,993	150,764	238,930
Interest	76,041	75,155	68,325	67,409	71,817	75,163	75,165	73,246	67,305	50,165
Debt issuance costs	2,659	1,452	1,741	2,324	2,225	2,193	1,741	2,093	1,581	2,627
Capital outlay	515,999	491,077	406,396	469,307	462,231	339,789	408,337	562,098	521,160	447,081
Total expenditures	27,980,275	28,022,873	28,587,544	29,601,729	30,368,626	31,392,703	32,024,587	34,315,900	38,339,614	40,941,175
Revenues over (under) expenditures	35,349	(116,356)	251,704	850,583	776,532	801,373	754,442	1,101,796	3,908,987	5,299,309
Other Financing Sources (Uses)										
Bonds and commercial paper issued	290,178	91,281	143,200	447,222	274,348	243,419	69,256	187,650	46,732	83,061
Commercial paper redeemed										
Insurance claim recoveries	1,061	1,335	1,597	1,288	725	1,058	367	1,099	673	547
Premium on bond sale			10,308	53,170	42,335	25,282		315		15,061
Refunding bonds issued (1)	25,713									501,241
Refunding bond premium (1)	11,672		81,321	98,390	214,452	36,059				
Refunding payment to escrow (1)	(25,473)		(81,092)	(98,159)	(214,016)	(35,976)				(500,827)
Right-to-use leases										24,045
Proceeds from pledged revenue	22,183	472								
Transfers in (6)	1,361,860	1,561,780	1,173,753	1,229,231	1,711,662	2,028,533	1,550,136	1,982,336	677,894	2,439,176
Transfers out (2) (3) (4)	(1,545,068)	(1,763,423)	(1,206,423)	(1,419,467)	(1,824,459)	(2,225,529)	(1,619,426)	(2,062,633)	(716,389)	(2,471,790)
Total other financing sources (uses)	142,126	(108,555)	122,664	311,675	205,047	72,846	333	108,767	8,910	90,514
Net Change in Fund Balances	$ 177,475	$ (224,911)	$ 374,368	$ 1,162,258	$ 981,579	$ 874,219	$ 754,775	$ 1,210,563	$ 3,917,897	$ 5,389,823
Debt Service as a Percentage of Noncapital Expenditures	1.3065%	0.8050%	1.3743%	1.0971%	1.2523%	1.1326%	0.7406%	1.1082%	0.5900%	0.7315%

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 refunding bonds in 2022 and did not issue any in 2021. This resulted in increases to refunding bonds issued and payments to escrow in 2022.
(2) The decrease in transfers out between 2014 and 2015 is due primarily to a reduction of transfers out from the general fund to the capital projects fund, to the debt service fund, and transfers out for the leasing of buildings.
(3) The decrease in transfers out between 2018 and 2019 is due primarily to a reduction of transfers out from the general fund to the capital projects fund, to the facilities revolving fund, and to the highway fund.
(4) The decrease in transfers out between 2020 and 2021 is due primarily to a reduction of transfers out from the general fund to the capital projects fund and the education fund. The increase in transfers out is due primarily due to increased transfers from the general fund to the capital projects fund and the highway fund.
(5) The increase in general government expenditures between 2020 and 2021 is due primarily to changes made because of the implementation of GASBS 84. Amounts previously reported as intergovernmental revenue sharing are now reported in general government.
(6) The decrease in transfers between 2020 and 2021 is due primarily to a reduction of transfers in to the capital projects fund and the education fund from the general fund. The increase of transfers in between 2021 and 2022 is primarily due to increased transfers in to the capital projects fund and highway fund from the general fund.
(7) The increase in federal revenue between 2020 and 2021 is due primarily to COVID funding.
(8) The increase in expenditures for education was due primarily to increased funding for the state's Basic Education Program, increased funding for the learning loss remediation program, and increased funding for technical skills education.

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,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Auto dealers	$ 9,275	$ 9,827	$ 10,557	$ 11,789	$ 12,607	$ 12,869	$ 13,337	$ 13,923	$ 14,229	$ 16,697
Purchases from manufacturers	4,042	4,170	4,460	4,876	5,205	5,478	5,939	6,450	7,054	8,875
Miscellaneous durable goods	16,372	16,804	17,542	18,614	20,131	21,358	22,644	24,024	26,194	31,517
Eating and drinking places	10,197	10,576	11,196	12,029	12,608	12,909	13,678	15,094	13,201	16,635
Food stores	9,690	10,249	10,696	11,103	11,514	12,122	12,793	13,211	14,564	14,604
Liquor stores	793	836	894	971	975	908	973	1,056	1,293	1,383
Hotels and motels	2,488	2,539	2,881	3,222	3,599	3,604	3,829	4,707	2,932	5,227
Other retail and service	30,178	31,134	32,884	34,916	36,530	38,038	41,291	43,621	48,285	61,199
Miscellaneous nondurable goods	8,423	8,693	9,047	9,466	9,902	9,874	10,413	10,795	10,350	13,114
Transportation, communication	6,560	6,396	6,306	6,490	6,386	8,089	8,815	8,807	7,799	8,027
Total taxable sales	$ 98,018	$ 101,224	$ 106,463	$ 113,476	$ 119,457	$ 125,249	$ 133,712	$ 141,688	$ 145,901	$ 177,278

Source: An Economic Report to the Governor of the State of Tennessee January 2022

Schedule 6

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

	FOR THE FISCAL YEAR ENDED JUNE 30,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
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%	5.25%	5.00%	5.00%	5.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Energy fuels used by manufacturer 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%	4.25%
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,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Retail:										
Building materials	$ 354,513	$ 371,086	$ 392,853	$ 430,312	$ 468,750	$ 492,326	$ 528,112	$ 585,686	$ 737,200	$ 853,785
General merchandise	836,055	845,407	854,971	889,297	895,864	881,916	883,068	911,558	983,751	1,039,892
Food stores	546,972	555,692	579,660	595,739	618,427	571,341	580,520	629,611	658,854	698,021
Auto dealers and service stations	869,748	933,751	1,013,333	1,123,746	1,177,213	1,184,189	1,230,277	1,273,167	1,481,269	1,554,068
Apparel and accessory stores	215,308	217,170	228,680	238,993	239,541	242,207	254,355	232,224	276,847	329,863
Furniture and home furnishings	221,025	228,231	250,667	268,657	281,955	291,561	301,500	302,089	340,370	377,880
Eating and drinking places	681,255	706,095	757,929	809,367	838,150	845,819	928,084	911,187	963,720	1,162,563
Miscellaneous retail stores	637,761	664,927	736,728	812,020	818,129	848,254	895,942	973,829	1,366,377	1,640,525
Total retail	4,362,637	4,522,359	4,814,821	5,168,131	5,338,029	5,357,613	5,601,858	5,819,351	6,808,388	7,656,597
Services:										
Hotels and lodging places	164,403	175,227	198,123	224,621	236,505	238,462	278,372	258,284	227,242	395,589
Personal services	49,145	49,724	52,239	52,236	52,465	53,561	56,184	51,283	51,064	62,054
Business services	260,000	273,397	276,961	298,046	304,629	322,692	381,851	420,766	564,858	702,863
Auto repair, services, and parking	172,698	178,693	189,611	204,497	208,532	215,481	235,740	254,280	265,114	320,433
Miscellaneous repair services	25,636	26,807	27,823	31,070	32,770	32,560	35,385	42,269	61,923	72,912
Motion pictures	18,323	18,900	18,160	19,341	19,517	18,459	22,196	21,255	14,584	24,903
Amusement services	69,280	73,891	81,249	90,027	96,706	103,495	118,017	113,024	101,452	167,406
Health services	10,750	15,463	14,956	17,232	17,497	17,497	17,274	21,853	24,937	21,637
Other services	37,140	40,659	45,803	46,006	43,365	41,153	61,805	64,392	59,312	74,840
Total services	807,375	852,761	904,925	983,076	1,011,986	1,043,360	1,206,824	1,247,406	1,370,486	1,842,637
Non-retail, non-services:										
Agriculture, forestry, fishing	7,096	7,304	7,189	7,957	7,939	7,835	7,886	8,886	11,165	12,347
Mining	5,814	6,765	6,822	7,727	7,787	8,153	9,005	10,016	14,202	17,632
Construction	51,094	54,483	56,717	65,278	65,093	76,564	77,913	93,038	93,659	108,871
Manufacturing	256,157	264,955	289,940	317,036	336,122	350,115	386,048	411,045	489,582	596,122
Transportation	40,728	29,009	35,272	33,769	31,262	35,741	42,624	64,255	18,516	59,004
Communications	387,780	379,013	393,980	391,511	416,319	524,788	530,000	496,669	477,608	517,761
Electric, gas, and sanitary services	239,441	245,644	252,014	247,867	260,315	263,119	269,974	263,079	265,472	292,477
Wholesale trade	436,411	447,524	460,079	499,421	527,466	551,886	606,481	621,583	697,362	899,204
Finance, insurance, real estate	14,620	15,207	18,676	22,661	29,816	32,953	37,674	40,508	47,400	62,385
Total non-retail, non-services	1,439,141	1,449,904	1,520,689	1,593,227	1,682,119	1,851,154	1,967,605	2,009,079	2,114,966	2,565,803
County Clerk	133,101	143,818	152,856	172,516	184,186	194,694	206,532	205,404	294,318	340,400
Consumer Use Tax	4,293	5,636	6,006	6,138	5,774	9,354	10,714	15,865	12,536	11,973
Unclassified (1)	258,465	279,555	278,851	305,095	321,652	431,459	417,390	359,511	420,623	411,732
Grand Total	$ 7,005,012	$ 7,254,033	$ 7,678,148	$ 8,228,183	$ 8,543,746	$ 8,887,634	$ 9,410,923	$ 9,656,616	$ 11,021,317	$ 12,829,142
Grand total as a percent of annual aggregate state tax collections	59.76%	61.62%	60.53%	61.08%	61.05%	61.01%	61.22%	63.96%	59.97%	61.39%

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.
(1) 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,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Governmental activities debt:										
General obligation bonds	$ 2,172,630	$ 1,996,458	$ 1,960,437	$ 2,124,897	$ 2,162,881	$ 2,160,357	$ 1,979,589	$ 1,949,715	$ 1,771,713	$ 1,695,430
Leases										286,429
General obligation commercial paper	215,146	324,366	197,686	245,536	192,956	165,176	237,396	120,996	207,343	89,563
Financed purchases	13,790	21,798	20,599	20,943	19,394	17,900	16,538	14,783	11,904	4,904
Annuities						400	700	1,700	1,800	2,150
Total governmental activities debt	2,401,566	2,342,622	2,178,722	2,389,853	2,375,231	2,343,833	2,234,223	2,087,194	1,992,760	2,078,476
Business-type activities debt:										
General obligation bonds										
Total business-type activities debt										
	$ 2,401,566	$ 2,342,622	$ 2,178,722	$ 2,389,853	$ 2,375,231	$ 2,343,833	$ 2,234,223	$ 2,087,194	$ 1,992,760	$ 2,078,476
Debt Ratios										
Personal income	$ 256,814,000	$ 266,467,000	$ 277,316,000	$ 287,851,000	298,646,000	318,668,000	333,927,000	346,376,000	378,589,000	N/A
Ratio of total debt to personal income	0.94%	0.88%	0.79%	0.83%	0.80%	0.74%	0.67%	0.60%	0.53%	
Population	6,496	6,549	6,600	6,651	6,716	6,770	6,829	6,887	6,975	N/A
Net general bonded debt per capita	$ 368	$ 354	$ 327	$ 359	354	344	327	303	286	
General Bonded Debt:										
General obligation bonds	$ 2,172,630	$ 1,996,458	$ 1,960,437	$ 2,124,897	$ 2,162,881	$ 2,160,357	$ 1,979,589	$ 1,949,715	$ 1,771,713	$ 1,695,430
General obligation commercial paper	215,146	324,366	197,686	245,536	192,956	165,176	237,396	120,996	207,343	89,563
Total net bonded debt	$ 2,387,776	$ 2,320,824	$ 2,158,123	$ 2,370,433	$ 2,355,837	$ 2,325,533	$ 2,216,985	$ 2,070,711	$ 1,979,056	$ 1,784,993
Debt Ratios										
Ratio of net bonded debt to total of pledged revenues	43.11%	42.55%	50.24%	49.20%	52.98%	57.70%	60.52%	68.79%	83.69%	110.12%

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

Notes: (1) N/A - not available because the source did not provide the data.
(2) See Schedule 10 for personal income and population data.
(3) Details of the state's debt can be found in Note 11 in the basic financial statements.
(4) GASB Statement No. 87 was implemented in fiscal year 2022. Prior periods were not restated.

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, 2021 to:		
General fund	$ 15,465,100 *	
Debt service fund	352,934 *	
Highway fund	1,018,668 *	
Total allocated revenues		$ 16,836,702
Legal debt service limit (10% of total allocated revenues)		1,683,670
Less: maximum annual debt service at June 30, 2022		212,211 *
Legal debt service margin		$ 1,471,459

* Obtained from the Tennessee Department of Revenue

Debt Capacity- Ten Year Trend(1)

FOR THE FISCAL YEAR ENDED JUNE 30,	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Debt limit	$ 686,288	$ 648,934	$ 637,424	$ 1,168,731	$ 1,240,437	$ 1,291,287	$ 1,325,575	$ 1,399,146	$ 1,357,252	$ 1,683,670
Total net debt service applicable to limit	243,779	227,401	225,620	241,023	240,693	238,098	229,977	228,126	221,214	212,211
Legal debt service margin	$ 442,509	$ 421,533	$ 411,804	$ 927,708	$ 999,744	$ 1,053,189	$ 1,095,598	$ 1,171,020	$ 1,136,038	$ 1,471,459
Legal debt service margin as a percentage of the debt limit	64.48%	64.96%	64.60%	79.38%	80.60%	81.56%	82.65%	83.70%	83.70%	87.40%

(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 2022 Portion Pledged	All Governmental Fund Types	Fiscal Year 2022 Pledged Amount
Gasoline tax	25%	$ 874,019	$ 218,505
Petroleum products fee	100%	71,168	71,168
Motor vehicle registration fee	50%	322,140	161,070
Franchise tax	100%	1,514,971	1,514,971
		$ 2,782,298	$ 1,965,714

(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,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Population	6,456 (est)	6,496 (est)	6,549 (est)	6,600 (est)	6,651 (est)	6,716 (est)	6,770 (est)	6,829 (est)	6,887 (est)	6,975 (est)
Total personal income	$ 243,018,000	$ 256,814,000	$ 266,467,000	$ 277,316,000	$ 287,851,000	$ 298,646,000	$ 318,668,000	$ 333,927,000	$ 346,376,000	$ 378,589,000
Per capita personal income	$ 39,682	$ 40,734	$ 42,241	$ 44,209	$ 46,805	$ 47,472	$ 49,490	$ 52,049	$ 54,225	$ 58,395
Unemployment rate	8.0%	8.2%	6.9%	5.9%	4.8%	3.0%	3.7%	3.5%	7.4%	4.2%
Unemployment rate by sector:										
Trade, Transportation, and Utilities	11.6%	12.3%	11.9%	7.8%	9.3%	8.8%	5.6%	5.2%	14.8%	N/A
Government	5.6%	5.1%	3.3%	0.2%	0.8%	2.3%	0.9%	1.8%	3.8%	N/A
Education and Health Services	4.9%	5.1%	4.6%	2.6%	3.5%	2.3%	2.3%	1.9%	4.4%	N/A
Professional and Business Services	7.3%	10.1%	8.0%	7.0%	4.6%	5.1%	5.0%	4.6%	8.1%	N/A
Manufacturing	7.7%	6.6%	6.9%	5.7%	7.9%	3.7%	3.5%	3.9%	11.4%	N/A
Leisure and Hospitality	12.2%	7.6%	7.0%	9.4%	6.4%	5.1%	7.4%	4.8%	14.6%	N/A
Financial Activities	4.2%	5.4%	2.4%	3.0%	2.1%	1.6%	0.8%	1.4%	4.2%	N/A
Natural Resources, Mining, and Construction	25.3%	19.2%	9.3%	8.3%	5.3%	3.5%	3.3%	3.1%	7.5%	N/A
Other Services	7.8%	6.3%	4.1%	7.2%	2.8%	1.6%	1.2%	2.8%	5.2%	N/A
Information	6.3%	6.8%	6.6%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: Population from www.census.gov; Unemployment rate by sector from www.bls.gov
All other from the University of Tennessee Economic Report to the Governor 2022

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 2021
January	5.1%
February	4.9%
March	5.1%
April	5.0%
May	5.0%
June	4.9%
July	4.7%
August	4.6%
September	4.4%
October	4.2%
November	4.0%
December	3.8%

Source: https://www.jobs4tn.gov

Schedule 11

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

	2021			2012		
Industry	Number of Employees	Rank	Percentage of Total Nonagricultural Wage and Salary Employment	Number of Employees	Rank	Percentage of Total Nonagricultural Wage and Salary Employment
Trade, Transportation, and Utilities	647,900	1	21.03%	573,100	1	21.08%
Government	434,400	3	14.10%	421,900	2	15.52%
Education and Health Services	429,200	4	13.93%	399,000	3	14.68%
Professional and Business Services	441,300	2	14.32%	340,100	4	12.51%
Manufacturing	347,700	5	11.28%	311,300	5	11.45%
Leisure and Hospitality	309,400	6	10.04%	276,700	6	10.18%
Financial Activities	172,600	7	5.60%	139,700	7	5.14%
Natural Resources, Mining, and Construction	133,000	8	4.32%	109,000	8	4.01%
Other Services	121,500	9	3.94%	104,200	9	3.83%
Information	44,300	10	1.44%	43,400	10	1.60%
Total	3,081,300		100.00%	2,718,400		100.00%
	Calendar Year 2021			Calendar Year 2012		
Total State Employment	3,239,205			2,846,390		

Source: An Economic Report to the Governor of the State of Tennessee January 2022
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	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General government	4,703	4,327	4,299	4,348	4,740	5,126	5,471	5,503	5,430	5,346
Education	1,259	1,118	1,122	1,167	1,357	1,332	1,317	1,130	1,129	1,101
Health and social services	17,036	16,735	16,209	15,546	15,449	15,366	15,098	15,635	15,033	14,255
Law, justice and public safety	10,940	11,249	10,826	10,675	10,839	10,707	10,518	10,836	10,321	10,289
Recreation and resources development	3,458	3,431	3,441	3,377	3,394	3,420	3,363	3,377	3,354	3,343
Regulation of business and professions	711	724	716	688	685	696	725	669	668	654
Transportation	3,678	3,439	3,355	3,487	3,838	3,953	4,078	4,070	4,008	3,760
	41,785	41,023	39,968	39,288	40,302	40,600	40,570	41,220	39,943	38,748

Source: Department of Human Resources

Schedule 13

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

Function	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General government										
Motor pool vehicles	6,280	6,181 (1)	4,462	4,374	4,265	4,272	4,268	4,207	4,430	4,535
Buildings	110	97	81	78	79	83	83	81	82	80
Machinery and equipment	5,895	6,772	6,745	6,896	7,117	7,222	7,211	7,345	7,450	7,972
Education										
Number of residential schools	5	5	5	5	5	5	5	4	4	4
Machinery and equipment	229	222	187	211	209	245	242	242	238	238
Health and social services										
Buildings	330	346	340	346	345	345	343	342	326	324
Machinery and equipment	3,020	3,357	3,499	3,746	3,957	3,602	3,645	3,589	3,714	3,935
Law, justice and public safety										
Correctional facilities	20	20	20	19	18	18	18	18	18	18
Armories	83	83	82	82	82	81	81	81	81	81
Machinery and equipment	5,246	6,441	6,452	6,803	6,772	6,934	7,136	7,586	8,012	9,763
Recreation and resources development										
Acreage of state parks	184,521	188,573	189,102	190,941	200,248	201,925	203,213	210,012	207,296	207,954
Machinery and equipment	3,220	3,198	3,245	3,256	3,344	3,387	3,435	3,522	3,625	3,766
Regulation of business and professions										
Machinery and equipment	169	230	240	841	836	816	820	751	704	689
Transportation										
State highways (in miles)	13,884	13,898	13,884	13,877	13,884	13,890	13,890	14,464	14,467	14,462
Bridges, state and local highways	19,729	19,746	19,776	19,793	19,840	19,858	19,903	19,918	20,010	20,034
Facilities	122	122	122	122	122	123	122	122	122	122
Buildings	754	755	754	752	758	769	742	772	779	784

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		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General government											
Tax returns processed (1)		3,914,540	4,682,702	4,519,309	5,068,829	5,326,693	4,518,104	2,117,373	2,115,790	2,411,391	2,311,918
New corporate charters registered		9,702	9,781	10,325	10,857	10,794	11,092	11,474	11,337	10,483	13,677
Investment return on total portfolio		0.11%	0.12%	0.25%	0.50%	1.05%	2.05%	1.83%	0.21%	0.07%	2.74%
Residential and commercial property reappraisals completed		1,495,789	640,264	338,538	547,191	1,389,649	549,487	484,498	341,527	1,501,060	748,736
Education											
Number of public schools (K-12)		1,797	1,823	1,811	1,833	1,819	1,749	1,836	1,837	1,833	N/A
Enrollment of public schools (K-12)		993,256	993,841	995,892	997,893	999,701	975,222	971,956	980,537	948,652	N/A
Number of high school graduates from public schools		62,019	61,838	62,632	64,079	64,987	64,855	61,817	61,550	60,031	N/A
Health and social services											
TennCare enrollees		1,187,082	1,271,151	1,429,411	1,550,066	1,397,400	1,418,732	1,412,603	1,449,437	1,590,298	1,687,438
Supplemental Nutrition Assistance Program		1,200,000	1,280,000	1,191,500	1,094,644	1,037,928	931,658	889,451	846,867	856,022	800,684
Percentage of population (3)		18.59%	19.70%	18.19%	16.59%	15.61%	13.87%	13.14%	12.40%	12.43%	11.48%
Temporary assistance recipients		57,000	57,000	37,041	29,889	25,496	21,732	19,030	15,746	13,170	13,370
Percentage of population (3)		0.88%	0.88%	0.57%	0.45%	0.38%	0.32%	0.28%	0.23%	0.19%	0.19%
Children in state custody (2)		8,960	8,552	8,558	8,436	8,235	8,688	9,040	8,387	8,887	9,037
Percentage of population (3)		0.14%	0.13%	0.13%	0.13%	0.12%	0.13%	0.13%	0.12%	0.13%	0.13%
Mental health institutes average daily census		480	479	493	488	506	492	452	431	453	430
Law, justice and public safety											
Correctional institutions average daily census		29,654	29,758	29,571	29,103	29,729	30,242	30,453	29,447	25,459	24,764
Department of Safety citations issued		381,588	419,122	414,310	432,832	447,417	473,410	412,046	267,662	231,336	255,092
Drivers licenses issued		1,734,205	1,741,379	1,732,106	1,793,921	1,769,595	1,910,190	1,748,933	1,815,168	1,524,740	1,138,653
Recreation and resources development											
Hunting/fishing licenses and boats registered	(est.)	538,971	569,447	577,577	537,412	511,673	556,892	562,821	541,159	791,685	567,182
Wetland acres acquired	(est.)	1,127	1,598	102,938	2,050	8,610	2,103	1,540	604	1,130	46,416
Number of visitors to state parks		29,881,059	32,063,100	33,452,320	34,004,609	37,025,015	38,798,379	36,553,885	34,726,347	38,479,604	N/A
Air pollution monitoring sites		41	40	33	36	32	30	28	27	27	27
Regulation of business and professions											
Fire safety inspections		25,601	27,724	16,508	14,037	13,742	13,959	17,046	15,948	15,993	15,266
Consumer affairs written complaints		5,407	5,447	4,654	3,821	3,704	3,783	4,283	3,966	3,806	7,054
Transportation											
Lane miles resurfaced		2,596	2,447	2,239	2,219	2,585	2,914	2,234	1,991	2,041	2,230
HELP program services provided		118,773	124,823	113,429	135,058	145,755	128,311	132,617	124,726	108,943	146,964

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

	Fees harges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
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	73,608
2019	817,348	612,411	76,662
2020	817,336	646,000	84,562
2021	818,094	673,823	72,059
2022	911,801	690,956	71,606

University of Memphis

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2013	$ 265,206	$ 87,347	$ 8,511
2014	183,140	89,106	8,469
2015	240,892	89,332	10,655
2016	190,286	95,140	10,626
2017	279,668	102,441	10,926
2018	287,128	110,827	12,310
2019	297,757	117,771	10,651
2020	316,873	123,371	13,819
2021	291,477	125,090	14,682
2022	308,338	138,589	14,180

Austin Peay State University

	Fees harges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2013	$ 85,725	$ 28,538	$ 4,343
2014	74,084	32,995	6,014
2015	78,013	34,240	6,096
2016	76,777	36,984	6,329
2017	98,754	40,379	6,332
2018	104,309	44,622	6,212
2019	109,008	47,857	6,199
2020	108,137	50,503	6,171
2021	109,841	51,600	5,144
2022	108,259	58,820	5,131

Middle Tennessee State University

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2013	$ 232,344	$ 77,194	$ 17,575
2014	180,748	81,025	19,641
2015	199,239	82,830	19,122
2016	191,688	85,857	19,914
2017	238,777	90,753	19,507
2018	245,313	97,004	19,497
2019	254,263	103,216	18,926
2020	256,646	107,749	18,122
2021	256,405	108,818	16,529
2022	264,346	116,714	16,168

East Tennessee State University

	Fees harges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2013	$ 192,055	$ 78,825	$ 9,926
2014	115,941	83,697	12,028
2015	139,579	83,129	11,439
2016	155,854	88,042	11,475
2017	177,156	93,319	11,442
2018	189,529	101,356	11,442
2019	248,232	107,768	11,748
2020	245,083	114,689	13,079
2021	235,241	117,664	13,737
2022	237,448	127,410	13,388

Tennessee State University

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2013	$ 97,174	$ 36,748	$ 4,237
2014	75,307	38,742	4,241
2015	92,297	38,216	3,600
2016	87,608	39,199	3,793
2017	121,323	41,277	3,443
2018	119,436	44,611	3,345
2019	105,990	47,442	3,387
2020	101,250	53,899	3,595
2021	106,342	52,074	3,696
2022	120,419	55,590	3,679

(continued on next page)

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

(expressed in thousands)

Tennessee Technological University

	Fees harges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
	110,217	$ 37,289	$ 3,479
2014	93,241	39,560	4,079
2015	112,938	38,394	4,052
2016	99,705	39,297	4,077
2017	126,856	42,671	4,094
2018	127,641	47,231	4,038
2019	126,042	55,021	3,782
2020	129,056	60,098	6,183
2021	128,559	61,455	9,675
2022	140,948	64,829	9,622

Dyersburg State Community College

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2013	$ 10,647	$ 6,744	
2014	9,151	7,369	
2015	8,992	7,446	
2016	9,098	8,097	
2017	9,327	8,632	
2018	9,938	9,397	
2019	10,486	9,737	
2020	10,467	10,409	
2021	10,468	10,817	
2022	10,925	11,583	

Chattanooga State Community College

	Fees harges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2013	$ 36,895	$ 21,485	$ 351
2014	32,676	26,144	374
2015	33,207	26,063	301
2016	34,152	27,541	279
	33,350	29,342	283
2018	33,654	31,145	287
2019	34,472	31,960	282
2020	33,811	33,363	286
2021	29,852	33,398	268
2022	27,187	35,370	271

Jackson State Community College

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2013	$ 14,918	$ 10,625	
2014	13,749	11,166	
2015	15,088	10,825	
2016	15,166	11,645	
2017	15,855	12,406	
2018	15,936	13,574	
2019	16,718	14,231	
2020	18,065	14,879	
2021	17,371	15,010	
2022	15,870	16,243	

e

	Fees harges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2013	$ 11,377	$ 8,686	$ 45
2014	11,513	8,898	45
2015	11,264	8,864	44
2016	11,059	9,160	44
2017	11,294	9,762	44
2018	10,636	10,998	44
2019	11,739	11,155	44
2020	12,698	12,179	41
2021	13,319	12,050	41
2022	12,370	12,993	42

Columbia State Community College

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2013	$ 15,792	$ 11,069	$ 112
2014	15,232	12,408	127
2015	16,058	12,193	127
2016	17,358	13,065	127
2017	18,508	13,910	127
2018	20,421	14,967	218
2019	22,455	15,786	339
2020	23,267	16,666	339
2021	23,011	17,693	339
2022	20,690	19,467	339

(continued on next page)

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

(expressed in thousands)

Motlow State Community College

	Fees harges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2013	$ 14,062	$ 10,124	
2014	14,036	10,702	
2015	15,314	10,451	
	17,814	11,032	
2017	20,370	11,752	
2018	22,208	13,305	
2019	23,702	15,048	
2020	25,091	17,376	
2021	22,640	19,525	
2022	20,369	22,743	

Nashville State Community College

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2013	$ 30,199	$ 14,261	$ 73
2014	28,533	15,949	73
2015	30,694	16,081	73
2016	29,616	16,679	65
2017	29,065	17,772	67
2018	27,337	20,277	69
2019	29,219	22,319	67
2020	24,810	23,142	68
2021	27,131	22,969	68
2022	24,852	23,875	69

Roane State Community College

	Fees harges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2013	$ 21,902	$ 15,265	$ 145
2014	21,902	17,480	141
2015	20,819	17,102	142
2016	20,689	17,803	142
	21,167	18,959	142
2018	21,282	20,956	142
2019	22,469	22,410	142
2020	22,764	23,847	143
2021	21,119	24,188	143
2022	21,909	26,002	

Northeast State Community College

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2013	$ 12,654	$ 12,676	$ 41
2014	17,593	13,310	40
2015	18,701	13,857	40
2016	22,271	15,082	40
2017	20,413	16,075	40
2018	19,521	18,153	40
2019	20,943	19,701	40
2020	20,893	20,883	40
2021	18,626	23,194	40
2022	20,745	24,784	

Southwest Tennessee Community College

	Fees harges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2013	$ 39,705	$ 30,572	$ 357
2014	36,221	24,805	358
2015	37,400	24,002	363
2016	33,835	24,550	342
	33,337	26,147	361
2018	33,382	27,171	362
2019	34,232	28,424	362
2020	34,427	29,961	208
2021	33,026	30,232	208
2022	32,873	31,510	212

Pellissippi State Community College

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2013	$ 44,992	$ 20,414	$ 178
2014	35,680	23,560	171
2015	18,775	24,306	172
2016	35,347	25,680	162
2017	37,677	27,373	164
2018	41,932	30,504	167
2019	42,050	32,887	164
2020	41,081	34,611	166
2021	40,583	35,794	167
2022	32,952	38,349	83

(continued on next page)

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

(expressed in thousands)

Volunteer State Community College

	Fees harges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2013	$ 25,995	$ 15,224	$ 16
2014	25,256	16,320	
2015	26,223	16,329	
2016	31,988	17,542	
2017	32,381	18,718	
2018	31,895	20,828	
2019	33,339	23,496	
2020	34,969	26,070	
2021	31,794	28,090	
2022	25,850	30,910	

Walters State Community College

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2013	$ 23,157	$ 16,837	$ 97
2014	21,112	20,464	94
2015	22,796	19,909	94
2016	22,261	20,587	94
2017	23,557	21,933	94
2018	24,007	23,490	95
2019	24,916	24,551	95
2020	25,180	25,271	95
2021	24,222	25,704	95
2022	20,559	27,130	

Source: Comptroller of the Treasury,
Division of State Government Finance

Note: Prior year amounts do not reflect later adjustments made by the institutions.

STATE OF TENNESSEE **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, 2022

Institution	Debt Service Fees	In-State Student Tuition	Non-Resident Student Tuition	Average Board Charge	Average Room Charge
University of Tennessee- Knoxville	$ 438	$ 13,244	$ 31,664	$ 4,610	$ 7,540
University of Tennessee- Chattanooga	408	9,452	25,570	3,200	6,300
University of Tennessee- Martin	380	9,912	15,952	3,960	3,260
University of Tennessee- Southern		10,200	10,200		9,300
Austin Peay State University	274	8,761	14,305	4,332	8,294
East Tennessee State University	410	9,674	21,170	4,140	5,473
Middle Tennessee State University	408	9,592	37,288	3,460	5,966
Tennessee State University	178	8,335	21,691	4,584	9,314
Tennessee Technological University	258	10,000	14,200	5,460	6,048
University of Memphis	386	10,056	15,336	3,304	6,050
Chattanooga State Community College		4,652	22,436	2,353	4,768
Cleveland State Community College		4,632	22,416	2,353	4,768
Columbia State Community College	44	4,666	22,450	2,353	4,768
Dyersburg State Community College		4,632	22,416	2,353	4,768
Jackson State Community College		4,618	22,402	2,353	4,768
Motlow State Community College		4,638	22,422	2,353	4,768
Nashville State Community College		4,594	22,378	2,353	4,768
Northeast State Community College		4,644	22,428	2,353	4,768
Pellissippi State Community College	30	4,678	22,462	2,353	4,768
Roane State Community College		4,636	22,420	2,353	4,768
Southwest Tennessee Community College		4,652	22,436	2,353	4,768
Volunteer State Community College		4,626	22,410	2,353	4,768
Walters State Community College		4,621	22,405	2,353	4,768

Source: Comptroller of the Treasury,
Division of State Government Finance

STATE OF TENNESSEE **Schedule 17**
PRINCIPAL AMOUNT OF DEBT OUTSTANDING BY INSTITUTION
COMPONENT UNITS
COLLEGE AND UNIVERSITY FUNDS
JUNE 30, 2022
(expressed in thousands)

Institution	Second Program Bonds	Commercial Paper	Total Debt
University of Tennessee	$ 945,589	$ 56,654	$ 1,002,243
Austin Peay State University	75,492	291	75,783
East Tennessee State University	153,859		153,859
Middle Tennessee State University	140,103	2,531	142,634
Tennessee State University	17,437	71,727	89,164
Tennessee Technological University	81,144	5,579	86,723
University of Memphis	163,526		163,526
Chattanooga State Community College	1,212		1,212
Cleveland State Community College	40		40
Columbia State Community College	3,282		3,282
Pellissippi State Community College	81		81
Southwest Tennessee Community College	405		405
Walters State Community College		2,500	2,500
	$ 1,582,170	$ 139,282	$ 1,721,452

Source: Comptroller of the Treasury,
Division of State Government Finance

NATIONAL FEDERATION OF MUNICIPAL ANALYSTS RECOMMENDED DISCLOSURES FOR STATE DEBT

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

General Disclosure Items

- The state is committed to complying with U.S. Securities and Exchange Commission Rule 15c2-12(b) (5) as it relates to continuing disclosure undertakings. The State reviewed the financial information, operating data and event notices filed by the State within the preceding five years with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system pursuant to the State's Rule 15c2-12 continuing disclosure undertakings and identified, among other things, the following.
  - Certain TCRS and TennCare information previously presented in tabular format in relevant Official Statements is disclosed annually in accordance with the state's continuing disclosure requirements.

  The state provides strong systemic support to assist counties and cities in financial distress. State statutes establish a proactive approach and there is no state law that permits counties and cities to file for bankruptcy. The Local Government Public Obligations Act establishes budgetary oversight for cities and counties and authorizes the state Comptroller to direct counties and cities to adjust expenditure estimates or to make additional tax levies sufficient to maintain a balanced budget. In the past few years, the state Comptroller has directed two counties to raise taxes and one city to adjust expenditures. When a local government is in financial distress as evidenced by improper internal transfers and/or borrowings of restricted utility resources, state statutes authorize the state Comptroller to approve a corrective action plan that includes a scheduled plan of repayment. The state's Water and Wastewater Financing Board (WWFB) has oversight of water and/or sewer systems that meet statutory criteria for financial distress. The WWFB has statutory authority to require counties and cities to raise rates to meet financial obligations. The state Comptroller has the authority to authorize counties and cities that are undergoing severe monetary stress to issue long-term funding bonds to pay for current expenditures pursuant to the Cash Basis Law of 1937. Local governments that issue funding bonds are subject to strict oversight by the state Comptroller. At June 30, 2022, no counties or cities in Tennessee had outstanding funding bonds. With the exception of the Emergency Financial Aid to Local Governments Law of 1995 (the "1995 Law"), the state does not have statutory authority to guarantee the debt of local governments. The 1995 law authorizes the state to guarantee the repayment of a loan made to a local government by an external lender subject to specific conditions. One condition requires the state to determine that the local government has sufficient revenue to pay annual debt service and costs of operation.

  Another condition mandates that the local government accept emergency technical assistance by means of direction, oversight, management, and approval of its financial transactions by the state Comptroller. The local government is required to pledge its full faith and credit as security and agree to pledge a sufficient amount of state-shared taxes to make principal and interest payments on the loan guaranteed by the state. Since the inception of this law, the state has not authorized the issuance of emergency financial aid notes. The 1995 Law also authorizes the state Comptroller to approve the issuance of tax and revenue anticipation notes by cities and counties in cases of economic distress due to a natural disaster certified by the Federal Emergency

Management Agency (FEMA). The proceeds may be used to pay for operating expenditures and may remain outstanding beyond the close of the fiscal year the notes are issued. At June 30, 2022, no counties or cities had outstanding notes issued pursuant to this law. Pursuant to the Local Government Public Obligations Act of 1986, the state Comptroller has authority to approve the extension of tax and revenue anticipation notes issued to fund annual appropriations when a county or city is not able to repay the notes by the end of the fiscal year. At June 30, 2022, one county had an extension note outstanding, that matures in 2025; however, the county plants to repay the remaining principal during the fiscal year ending June 30, 2023. Financial distress at this county is related to its county-owned hospital that was sold effective August 1, 2022. A city or county that receives approval to issue extension notes is subject to additional oversight from the state Comptroller until the local government regains financial stability

- Relative to other direct subsidy debt:
  - The state has been subject to having the direct subsidy reimbursements, from the federal government, related to the Series 2010 Qualified School Construction Bonds (QSCBs) issuance offset by amounts due to the federal government. In general, the subsidy payment has been offset by taxes due from the state, civil penalties and federal sequestration. Other triggers that could result in the loss or reduction of subsidy payments are future federal sequestration or changes in use by the borrower.
  - The Series 2010 QSCBs issuance shall be subject to redemption prior to their stated maturities, in whole or in part, at any time at the "Make-Whole Redemption Price". The Make-Whole Redemption Price is equal to the greater of (a) 100% of the principal amount of the series to be redeemed; or (b) the sum of the present value of the remaining scheduled payments of principal and interest on the 2010 bonds to be redeemed to the maturity date of such Series 2010 Bonds, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2010 Bonds are to be redeemed, discounted to the date on which the Series 2010 Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year containing twelve 30 day months, at the United States Treasury Rate plus 25 basis points (0.25%); plus, in each case, accrued interest on the Series 2010 Bonds to be redeemed to the redemption date.
  - 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: https://haslam.utk.edu/publication/economic-report-to-the-governor-2022/

- 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, 2022
(Thousands of U.S. Dollars)

	Returns Filed	Total (%)	Tax Collections	Total (%)
Retail Trade and Services:				
Building Materials	25,751	1.82%	$853,785	6.66%
General Merchandise	36,579	2.59%	$1,039,892	8.11%
Food Stores	59,229	4.19%	$698,021	5.44%
Auto Dealers and Service Stations	90,620	6.41%	$1,554,068	12.11%
Apparel and Accessory Stores	49,772	3.52%	$329,863	2.57%
Furniture and Home Furnishings	42,564	3.01%	$377,880	2.95%
Eating and Drinking Places	167,635	11.86%	$1,162,563	9.06%
Miscellaneous Retail Stores	242,226	17.14%	$1,640,525	12.79%
Services	332,261	23.52%	$1,842,637	14.36%
All Other:				
Non-Retail, Non-Services	271,530	19.22%	$2,565,803	20.00%
County Clerk	1,233	0.09%	$340,400	2.65%
Consumer Use Tax	7,982	0.56%	$11,973	0.09%
Unclassified	85,778	6.07%	$411,732	3.21%
Total	**1,413,160**	**100.00%**	**$12,829,142**	**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

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

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

Accounts Payable
Asset Management
Cash Management/Clearing Accounts
Cash Management Improvement Act/Grants Accounting
Centralized Accounting
Departmental Accounting
General Ledger
Payroll
Policy Development
Post Audit
Supplier File Maintenance

The Department of Finance and Administration would like to extend special appreciation to all fiscal and accounting personnel throughout the state who contributed the financial information for their agencies.