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**Tennessee  
State Government**

# Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2024

Bill Lee, Governor



# Tennessee Annual Comprehensive Financial Report For the Fiscal Year Ended June 30, 2024

BILL LEE, Governor



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# INTRODUCTORY SECTION

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December 17, 2024

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, 2024. 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, Division of State 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 Division of State Audit's staff for their many contributions to the preparation of this ACFR.

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

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

## Profile of the State of Tennessee



More songs are written, recorded, and performed live in Tennessee than anywhere else in the world, making this incredible state the mecca for real music lovers. This vibrant state is a magnet for music enthusiasts and offers stunning scenery, endless outdoor adventures, and a diverse culinary scene, creating a truly unique

experience that can't be found anywhere else.

Located in the upper south of the eastern United States, Tennessee became the 16th state of the union in 1796. In 2023 the U.S. Census Bureau estimated its population to be 7.1 million. The geography of Tennessee is unique. Its extreme breadth of 432 miles (695 km) stretches from the Appalachian Mountain boundary with North Carolina in the east to the Mississippi River borders with Missouri and Arkansas in the west; its narrow width, only 112 miles (180 km), separates its northern neighbors, Kentucky, and Virginia, from Georgia, Alabama, and Mississippi, to the south.

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

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

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

The state and its component units provide a wide range of services and funding to the citizens of Tennessee. Governmental activities include general government, education, health and social services, law, justice and public safety, recreation and resources development, regulation of business and professions, and transportation. Financial information related to these services is reflected in both summary and detail throughout this report.

Tennessee's constitution requires the state to maintain a balanced budget, and state laws dating back to 1937 detail many of the steps in the budget process. These laws require the governor to send the Legislature a budget recommendation annually, dictate what information the budget must include, and to some extent define the steps necessary to prepare the budget.

Preparation of the governor's annual budget for the State of Tennessee is the responsibility of the Commissioner of Finance and Administration, who is the state budget director. The law directs the Commissioner of Finance and Administration to prepare the budget in accordance with the Governor's directives. 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. Passage of the general appropriations act (or the budget translated into legislative language) is the General Assembly's approval of the annual budget. 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 in Tennessee continues to stabilize following the robust post-pandemic recovery. Tennessee inflation-adjusted gross domestic product (real GDP) rose by a strong rate of 4.0 percent in 2022, but then slowed to 1.9 percent in 2023. This slowdown occurred due to a reduction in consumer spending, relative to unsustainably high spending levels in 2021 and 2022, along with a moderation of job growth. In addition, the Federal Reserve kept interest rates high through all of 2023 and most of 2024 in an effort to reduce economic activity and curb inflation. This seems to have been successful, thus far, as economic growth has slowed but remained positive, while the inflation rate has trended downward.

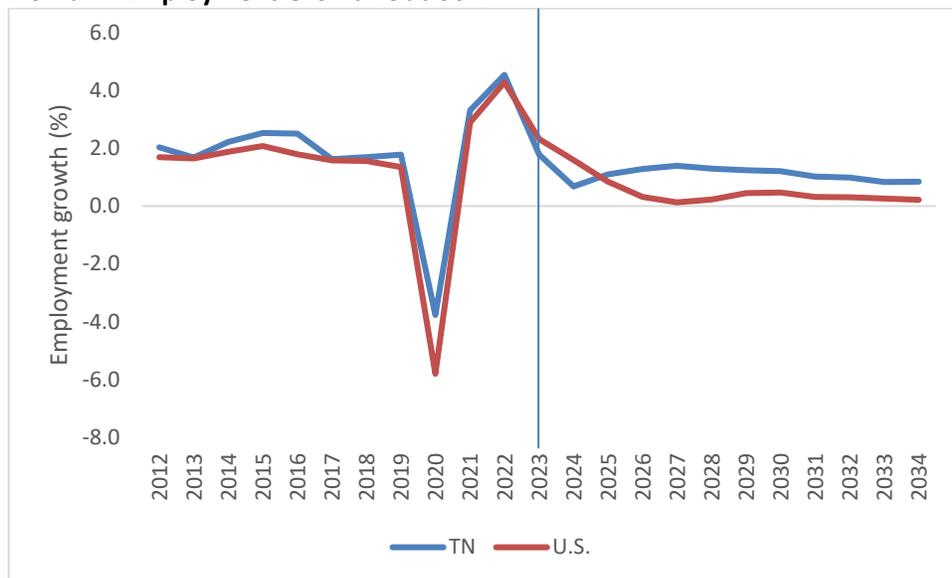
Expectations are that Tennessee real GDP will grow by 2.4 percent in 2024 and 2.5 percent in 2025 as the economic recovery continues to wind down. In 2024, economic growth in Tennessee will likely be slower than the U.S., which is projected to grow by 2.7 percent. This is likely driven by timing, as Tennessee's economy recovered from the pandemic faster than the nation, so the recovery in Tennessee is winding down sooner as well. Evidence of this can be seen in the quarterly GDP data, as Tennessee real GDP only grew by an annualized rate of 0.3 percent in the first quarter of 2024, and then 3.0 percent in the second quarter. By comparison, U.S. saw a much stronger 3.0 percent rate of growth in the first quarter, and then a slightly slower 2.5 percent growth rate in the second quarter. Nonetheless, expectations are for real GDP growth rates to remain positive in both the state and nation over the next two years.

Nonfarm employment growth in Tennessee has also begun to slow down. In 2022, the state saw a very strong 4.5 percent rate of job growth, representing an addition of over 140,000 new workers. However, job gains slowed to 1.8 percent in 2023 (an increase of 57.8 thousand jobs) and are projected to moderate even further to 0.7 percent (a gain of 22.3 thousand workers) in 2024—which would be slower than the U.S. projection of 1.6 percent growth in 2024. Slower job growth over the last 2 years can be seen across most broad sectors of the state economy. As an example, jobs in

professional and business services rose by 7.1 percent in September 2022, but then fell by 3.6 percent and 1.8 percent respectively in September 2023 and 2024. Similarly, jobs in leisure and hospitality rose by 8.0 percent in September 2022, but slowed to 3.0 percent growth in September 2023, and saw a 0.2 percent contraction in September 2024. This broad-based slowdown in employment growth does not suggest an impending recession, rather that the state economy is normalizing following an incredibly strong economic recovery. State employment growth is projected to accelerate slightly to 1.1 percent growth in 2025 and outpace the 2025 national projection of 0.8 percent.

The state’s unemployment rate currently rests at 3.2 percent as of September 2024, and averaged 3.1 percent for the third quarter. The monthly rate is only 0.2 percentage points higher than the state’s lowest rate on record (dating back to 1976), which occurred just two months prior (July 2024). By comparison, the U.S. rate sits at 4.1 percent, which is still extremely low by historical standards. Expectations are that the Tennessee rate will slowly and marginally trend upward over the next two years, averaging 3.2 percent in 2024 and 3.3 percent in 2025, as economic growth moderates and it takes longer for unemployed workers to find employment.

### Nonfarm Employment Growth Outlook



Sources: Boyd CBER UT, Bureau of Labor Statistics, S&P Global

### 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.

The accelerated funding since inception has resulted in a fully funded plan on an accrued liability basis as of June 30, 2024 (based on the market value of assets).

- Building on Tennessee's record of prudent financial stewardship and innovation in delivering high quality, cost-effective services in its TennCare program (i.e., medicaid, or the federal-state partnership to provide health coverage benefits to certain vulnerable groups), in accordance with a 2021 10-year agreement with the federal government, TennCare is currently being administered under a specified spending cap (referred to as a budget neutrality cap), which considers historical state spending, inflation and future enrollment changes. If the state can operate successfully at a lower cost than the budget neutrality cap and maintain or improve quality, it may access up to 55% of the federal share of any difference between the cap and actual spending without committing any additional state money. Being referred to as "shared savings," these dollars are being used to fund activities that enhance benefits/services to TennCare members and improve the health of Tennesseans.

Amounts accumulated from these "shared savings" through June 30, 2024 exceed \$950 million.

- 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 \$2.05 billion on June 30, 2024, 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.

State law specifies the manner in which tax revenue estimates are prepared and transmitted to the General Assembly in the annual budget document.

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). The primary investment objective for the SPIF is safety of principal, followed by liquidity and yield. No investments may be purchased with a remaining maturity of greater than 397 calendar days, the weighted average maturity cannot exceed 60 days, and the weighted average life cannot exceed 120 days.

In addition to the funds in the SPIF, certain funds (such as pension and other employee benefit trust funds) 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 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 constitution forbids the expenditure of the proceeds of any debt obligation for a purpose other than the purpose for which it was authorized. State law permits the issuance of general obligation bonds for one or more purposes authorized by the General Assembly, 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 and is a direct general obligation of the state for the payment of which, as to both principal and interest,

the full faith and credit of the state, but no specific taxes, are pledged.

- 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 state 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's commitment to conservative and prudent debt management is widely recognized by the nation's leading debt-rating agencies. Current ratings on the state's general obligation long-term debt are the highest available.

- 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. An Office of Customer Focused Government (CFG) has been established to serve as the central organizing entity that works with executive branch agencies to develop their operational plans and strategic plans to fulfill their requirements of the Accountability Act and measure their overall performance.

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 that facilitates the use of research and evidence to inform programmatic funding decisions in a way that improves outcomes for Tennessee citizens, and a statewide initiative (Tennessee Data Analytics for Transparency and Accountability, or TN DATA) to promote and facilitate data sharing among departments to gather deeper insights about program outcomes, identify gaps in the state's service, and inform intelligent policy design.

- 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.
- Agencies may not expand programs or implement new programs on the agencies' own authority. Expansion requests for new federally or other funded programs, expansions of existing federally or other funded programs, or redirected funds after the beginning of the fiscal year, are reviewed by the Department of Finance and Administration, Division of Budget, and then sent to the General Assembly's Finance, Ways and Means committees for approval. This expansion procedure is not used to increase allotments funded from state tax revenue sources. No appropriations from state tax sources may be increased except pursuant to appropriations made by law.

During the fiscal year closing process, agencies may request to carry forward unexpended state appropriations for the specified purpose, provided the agencies have the authority in statute or the appropriations act to do so. State statute gives the Commissioner of Finance and Administration authority to deny certain carry forwards and to transfer these funds to the general fund for the purpose of meeting the requirements of funding the operations of state government subject to specific provisions in the appropriations act. These transfers are known as reserve taking to close the fiscal year.

- Each state agency is required to establish an annual contract management plan addressing the general management of service contracts for which it is responsible. Contract management plans are to include (a) information about the specific staff positions and resources that will be assigned to contract management, (b) a description of the organization of identified staff and resources for the contract management responsibility; and (c) an explanation of how the contract management staff will review and supervise contracting party performance, progress, contract compliance, and pricing. Contract management practices must ensure accountability, results, and positive programmatic impact from contracts (as opposed to mere contract compliance).
- All state departments and institutions of higher education must, under Tennessee law, perform an annual management assessment of risk. Implementation guidance requires that this assessment utilize enterprise risk management practices that align with the Committee of

Sponsoring Organizations of the Treadway Commission's (COSO) enterprise risk management (ERM) framework and incorporate the Standards for Internal Control in the Federal Government's (known as the Green Book) adaption of COSO's Internal Control – Integrated Framework (2013). The guidance emphasizes the need to integrate and coordinate risk management and strong and effective internal control into existing business activities and as an integral part of managing a state department or institution of higher education.

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

In Tennessee, we are committed to spending within our means, stewarding dollars wisely and planning ahead. It's this mentality that has garnered a triple-AAA bond rating for nine consecutive years and keeps us well positioned to flourish. Bolstering these decades long commitments, the meeting of the 2024 session of the 113<sup>th</sup> General Assembly passed strategic legislation to cut taxes, invest in education, increase public safety, and strengthen Tennessee's workforce.

The Governor's agenda included passage of the Protecting Children from Social Media Act (requiring social media companies to verify the age of both current and future account holders and force minors to get parental permission) and the Tennessee Disability and Aging Act (shrinking the size of government and enabling stronger advocacy for Tennessee's fastest-growing population, adults 65 and older). Notably, this session also led Tennessee to become the first state in the nation to protect musicians and artists from having their voice stolen by artificial intelligence (AI) via the Ensuring Likeness Voice and Image Security, or the ELVIS, Act.

The roster of the fiscal year 2025 budget and legislative priorities also dedicated \$100 million to Tennessee's rainy day fund, which will bring its total to a historic \$2.1 billion, and included significant investments in tax relief, K-12 education, Tennessee's skilled workforce and conservation. Highlights include the following:

#### **Economic Opportunity & Tax Relief**

- \$393.4 million recurring funding to deliver tax cuts and spur economic growth and \$1.5 billion non-recurring funding to simplify the franchise tax in Tennessee

#### **Education**

- \$261 million additional recurring funding for the Tennessee Investment in Student Achievement (TISA) public school funding formula (including teacher pay raises)
- More than \$5 million dedicated to universal reading screeners and AP Access for All (postsecondary readiness program), which provides advanced placement (AP) courses to students across rural and urban Tennessee
- \$2.5 million to strengthen students' reading and phonics skills
- \$15 million to fund charter school facility improvements
- \$144 million to establish Education Freedom Scholarships in the future (to empower parents with the freedom to pick the right school for their child)

#### **Strong and Healthy Families**

- \$197 million over five years (the largest investment in rural health in Tennessee history) to sustain and expand rural health support by investing in apprenticeships and skilled training, greater access to specialty care and telemedicine, improved career pathways, hospital and physician practice grants, and a new Center of Excellence (focused on improving comprehensive well-being)

of children in or at risk of state custody, there are currently five centers with locations across the state)

- \$100 million over five years to strengthen mental health care by investing in community mental health centers and behavioral health hospitals, expanding substance abuse disorder treatment, intensive in-home supports, primary care training, early childhood training, and children's hospital infrastructure
- \$26.7 million investment in services for Tennesseans with disabilities
- More than \$3 million in additional funding to support crisis pregnancy non-profits, improving access to healthcare and information for expecting mothers

#### Safe Neighborhoods

- \$17 million in funding for an additional 60 state troopers and related support staff to improve public safety across the state
- \$8 million to expand the school-based behavioral health liaison program to fund 114 liaisons, giving students across Tennessee schools important resources and mental health support

#### Brighter Future

- \$63 million to create eight new state parks in addition to the five announced last year, with the goal of funding a total of 13 new state parks
- \$15 million to expand blueway (water-trail or water-based recreational corridor) access, which will drive tourism and economic activity across our rural communities
- \$20 million to improve water quality at rivers, lakes, and streams across the state, making them safe for future generations to enjoy
- \$10 million investment to recruit companies to our state that will establish a nuclear development and manufacturing ecosystem built for the future of Tennessee
- \$5 million to protect and enhance scenic beauty along our major highways
- \$3 million for Access 2030, a plan to make Tennessee state parks accessible to Tennesseans with disabilities

#### **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 2019 and the third quarter of 2024, TNECD secured more than 99,500 new job commitments and \$36.7 billion in capital investment from companies locating or expanding across the state. Job creation is taking place across Tennessee with over 42,100 new job commitments in rural counties since the beginning of 2019.

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 2024, TNECD located 50 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 \$17.8 billion, as well as generate 18,125 new job opportunities and \$8.1 billion in new salaries across the state. These jobs include 6,748 directly created by the company expansion and recruitment activity as well as 11,377 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 2024 have a projected annual rate of return of 37.2 percent. The costs of incentives are projected to be returned to the state in 2.5 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-eed.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-2024-2025-budget-publications.html>

## **Awards and Acknowledgements**

### **Certificate of Achievement Award**

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, 2023. This was the forty-fourth year that the government 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.

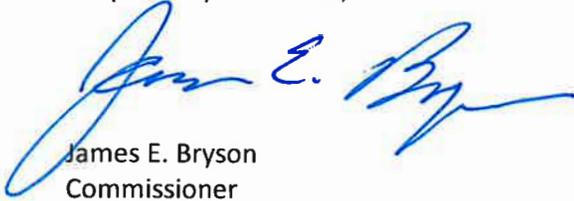
A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

### **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,

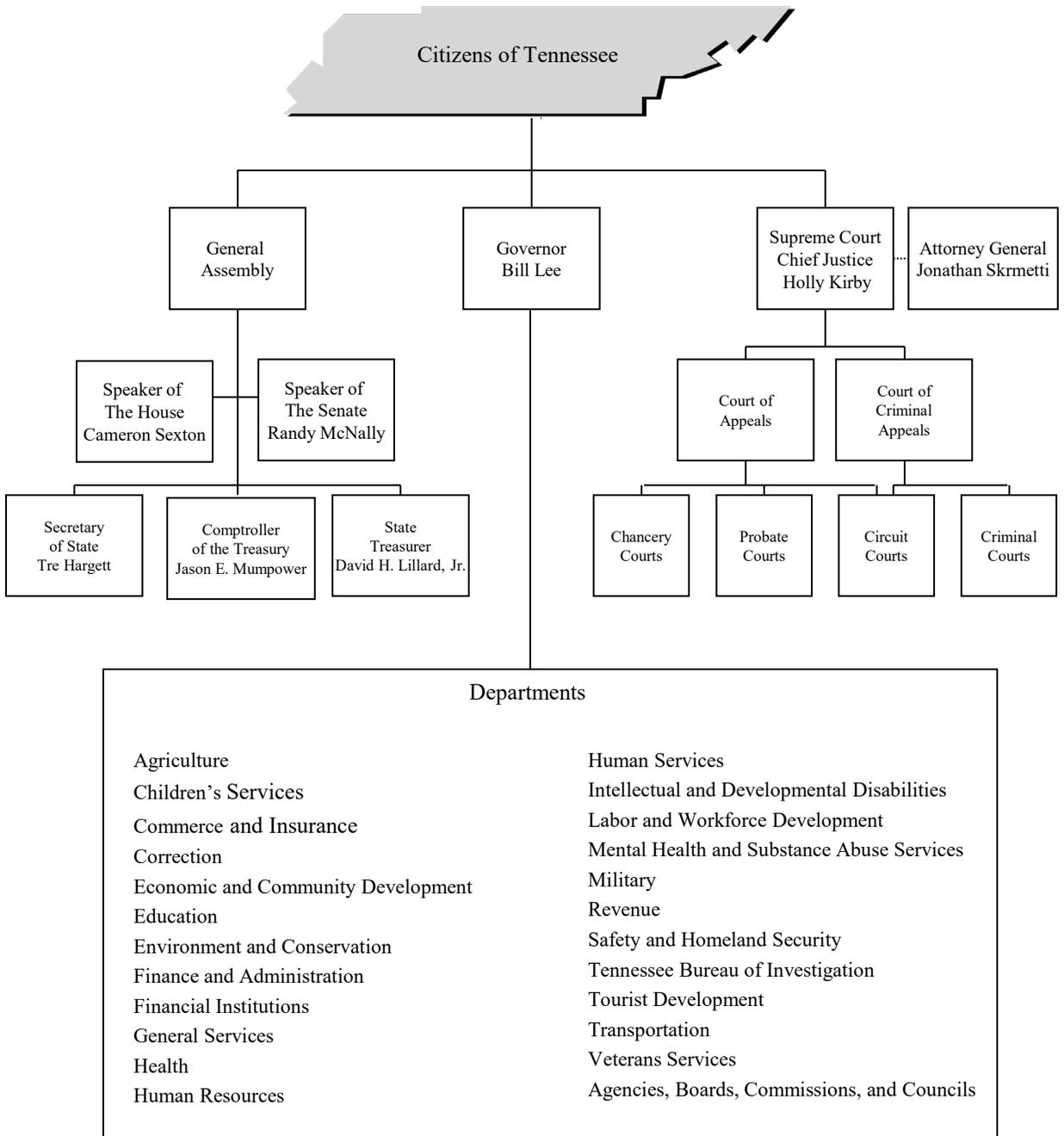


James E. Bryson  
Commissioner



Mikel J. Corricelli  
Chief of Accounts

STATE OF TENNESSEE  
 ORGANIZATION CHART  
 As of June 30, 2024





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, 2023

*Christopher P. Morrill*

Executive Director/CEO

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# FINANCIAL SECTION

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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

#### *Opinions*

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, 2024, 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, 2024, 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.

We did not audit the financial statements of the University of Chattanooga Foundation, Inc., the University of Tennessee Foundation, Inc., and the University of Tennessee Research Foundation, Inc., discretely presented component units of the University of Tennessee which represent 5.8%, 8.9%, and 4.3%, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units as of June 30, 2024; the University of Memphis Foundation, the University of Memphis Research Foundation, and the Auxiliary Services Foundation, discretely presented component units of the University of Memphis; the Herbert Herff Trust, a blended component unit of the University of Memphis which represents 1.2%, 1.9%, and 0.7%, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units as of June 30, 2024; the East Tennessee State University Foundation and the Medical Education Assistance Corporation, discretely presented component units of East Tennessee State University which represent 1.0%, 1.6%, and 0.9%, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units as of June 30, 2024. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for these entities, are based solely on the reports of the other auditors.

#### *Basis for Opinions*

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 opinions. Tennessee statutes, in addition to audit responsibilities, entrust certain other responsibilities to the

Comptroller of the Treasury. Those responsibilities include serving as a member of the board of directors of the Board of Claims, Chairs of Excellence 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.

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 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities 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 opinions.

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; and
- 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 100, *Accounting Changes and Error Corrections*, during the year ended June 30, 2024. Our opinions are not modified with respect to this matter.

As discussed in Note 4, the Tennessee Retiree Group Trust investment pool has investments valued at \$22.9 billion, whose fair values have been estimated by management in the absence of readily determinable fair values. These investments make up 0.4% of fund balance of the general fund, 26.9% of net position of the pension and other employee benefit trust funds, 32.1% 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 \$725.7 million (5.3% 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 opinions are 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 opinions on the financial statements that collectively comprise the State of Tennessee's basic financial statements. The supplementary information and supplementary schedules listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the 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*

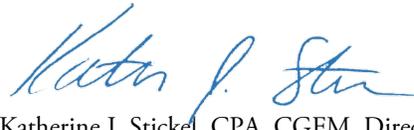
Management is responsible for the other information included in the *Annual Comprehensive Financial Report*. The other information comprises the introductory section and statistical section listed in the accompanying table of contents but

does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2024, 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 17, 2024

# 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, 2024. 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 2-13 of this report. MD&A includes a description of the basic financial statements for government, condensed financial information along with analyses of balances and financial position, descriptions of significant asset and debt activity, discussions of budgetary matters and significant issues affecting financial position.

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## FINANCIAL HIGHLIGHTS

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### 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, 2024, by \$62.4 billion (net position). Of this amount, \$23.2 billion represents unrestricted net position, which may be used to meet the state's ongoing obligations to citizens and creditors while \$34.9 billion represents net investment in capital assets.

**Changes in Net Position**— The state's net position increased by \$2.1 billion. The majority of this increase is derived from increases in cash, receivables and capital assets of \$3 billion which is partially offset by a \$1.2 billion increase in liabilities.

**Component units**—Component units reported total net position of \$13.8 billion, an increase of \$1.4 billion.

### Fund Level

At June 30, 2024, the state's governmental funds reported combined ending fund balances of \$25.3 billion, an increase of \$1.3 billion (see discussion on page 27) compared to the prior year. Of the combined fund balance, approximately \$20.9 billion is unrestricted (committed, assigned or unassigned) fund balance and is available for spending at the government's discretion or upon legislative approval; however, \$2.1 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 increased by \$295.2 million during the fiscal year to a total of \$1.9 billion. This change is primarily due to the issuance of \$497.6 million of general obligation bonds in Series 2023A and B. Debt service payments made during the year offset this increase.

The state's total other long-term debt increased by \$34.1 million during the fiscal year for a total of \$380.1 million. This increase was primarily due to an increase in right-to-use SBITA liabilities of \$25 million and right-to-use leases liabilities of \$6.7 million.

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## USING THIS ANNUAL REPORT

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This annual report consists of a series of financial statements. The statement of net position and the statement of activities (on pages 35-37) 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 40. 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

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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 24. 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.
- *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 27. The fund financial statements begin on page 40 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 58-152.

**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 \$62.4 billion as of June 30, 2024.

By far, the largest portion of the state’s net position (56.1 percent) reflects its net investment in capital assets (e.g., land, infrastructure, structures and improvements, machinery and equipment, right-to-use assets, 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 (\$23.2 billion) and may be used to meet the state’s ongoing obligations to citizens and creditors not funded by resources that are restricted. Unrestricted net position increased by \$302.7 million (1.3 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	
	2024	2023*	2024	2023*	2024	2023*
Current and other assets	\$36,216,027	\$34,163,614	\$3,700,906	\$3,426,336	\$39,916,933	\$37,589,950
Capital assets	35,523,348	34,919,470	209,536	-	35,732,884	34,919,470
Total assets	71,739,375	69,083,084	3,910,442	3,426,336	75,649,817	72,509,420
Deferred outflows of resources	1,770,346	1,790,570	-	-	1,770,346	1,790,570
Current and other liabilities	9,626,789	8,306,431	166,284	124,342	9,793,073	8,430,773
Noncurrent liabilities	4,923,577	5,051,220	9,904	7,517	4,933,481	5,058,737
Total liabilities	14,550,366	13,357,651	176,188	131,859	14,726,554	13,489,510
Deferred inflows of resources	319,000	484,617	-	-	319,000	484,617
Net position:						
Net investment in capital assets	34,758,715	34,138,338	209,536	-	34,968,251	34,138,338
Restricted	4,233,039	3,317,002	-	-	4,233,039	3,317,002
Unrestricted	19,648,601	19,576,046	3,524,718	3,294,477	23,173,319	22,870,523
Total net position	\$58,640,355	\$57,031,386	\$3,734,254	\$3,294,477	\$62,374,609	\$60,325,863

\* The 2023 amounts presented here have been restated for prior period adjustments. See Note 3 for details of these adjustments.

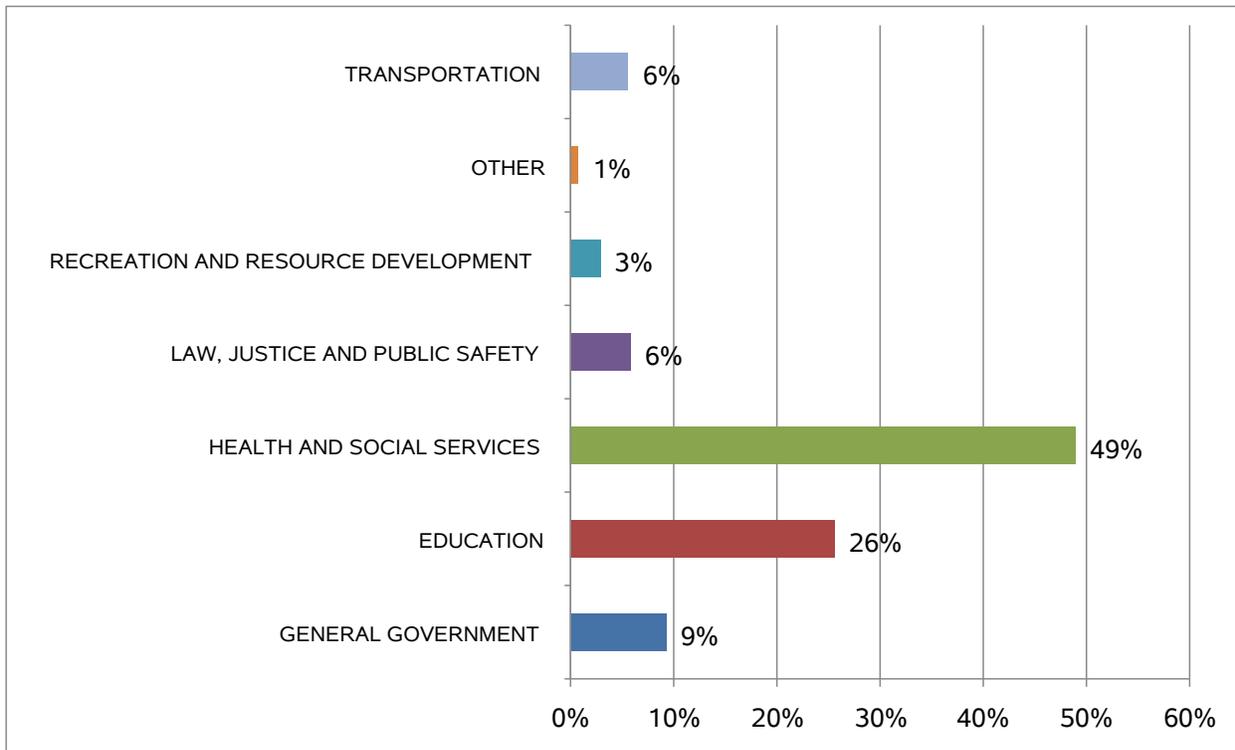
State of Tennessee

State of Tennessee Changes in Net Position For the Fiscal Year Ended June 30 (Expressed in Thousands)						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2024	2023*	2024	2023*	2024	2023*
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$4,487,856	\$3,695,036	\$1,193,042	\$1,102,274	\$5,680,898	\$4,797,310
Operating grants and contributions	18,660,334	19,200,667	109,248	85,468	18,769,582	19,286,135
Capital grants and contributions	951,352	935,608	-	-	951,352	935,608
General revenues:						
Sales Taxes	13,938,417	13,657,626	-	-	13,938,417	13,657,626
Other taxes	8,432,652	9,913,722	-	-	8,432,652	9,913,722
Other	2,035,099	1,336,501	-	-	2,035,099	1,336,501
<b>Total revenues</b>	<b>48,505,710</b>	<b>48,739,160</b>	<b>1,302,290</b>	<b>1,187,742</b>	<b>49,808,000</b>	<b>49,926,902</b>
<b>Expenses:</b>						
General government	4,361,003	4,243,220	-	-	4,361,003	4,243,220
Education	12,872,973	11,458,760	-	-	12,872,973	11,458,760
Health and social services	22,856,581	21,131,878	-	-	22,856,581	21,131,878
Law, justice and public safety	2,732,658	2,170,931	-	-	2,732,658	2,170,931
Recreation and resources development	1,361,139	885,704	-	-	1,361,139	885,704
Regulation of business and professions	311,386	273,736	-	-	311,386	273,736
Transportation	2,129,530	1,828,981	-	-	2,129,530	1,828,981
Intergovernmental revenue sharing	-	-	-	-	-	-
Interest on long-term debt	46,381	31,839	-	-	46,381	31,839
Employment security	-	-	170,814	163,774	170,814	163,774
Insurance programs	-	-	914,654	834,053	914,654	834,053
Loan programs	-	-	1,898	1,562	1,898	1,562
Other	-	-	669	226	669	226
<b>Total expenses</b>	<b>46,671,651</b>	<b>42,025,049</b>	<b>1,088,035</b>	<b>999,615</b>	<b>47,759,686</b>	<b>43,024,664</b>
Increase in net position before contributions and transfers						
Transfers	1,834,059	6,714,111	214,255	188,127	2,048,314	6,902,238
Contributions to permanent funds	(225,522)	(10,389)	225,522	10,389	-	-
Increase (decrease) in net position	432	180	-	-	432	180
<b>Net position, July 1, restated</b>	<b>1,608,969</b>	<b>6,703,902</b>	<b>439,777</b>	<b>198,516</b>	<b>2,048,746</b>	<b>6,902,418</b>
<b>Net position, June 30</b>	<b>57,031,386</b>	<b>50,327,484</b>	<b>3,294,477</b>	<b>3,095,961</b>	<b>60,325,863</b>	<b>53,423,445</b>
<b>Net position, June 30</b>	<b>\$58,640,355</b>	<b>\$57,031,386</b>	<b>\$3,734,254</b>	<b>\$3,294,477</b>	<b>\$62,374,609</b>	<b>\$60,325,863</b>
* The 2023 amounts presented here have been restated for prior period adjustments. See Note 3 for details of these adjustments.						

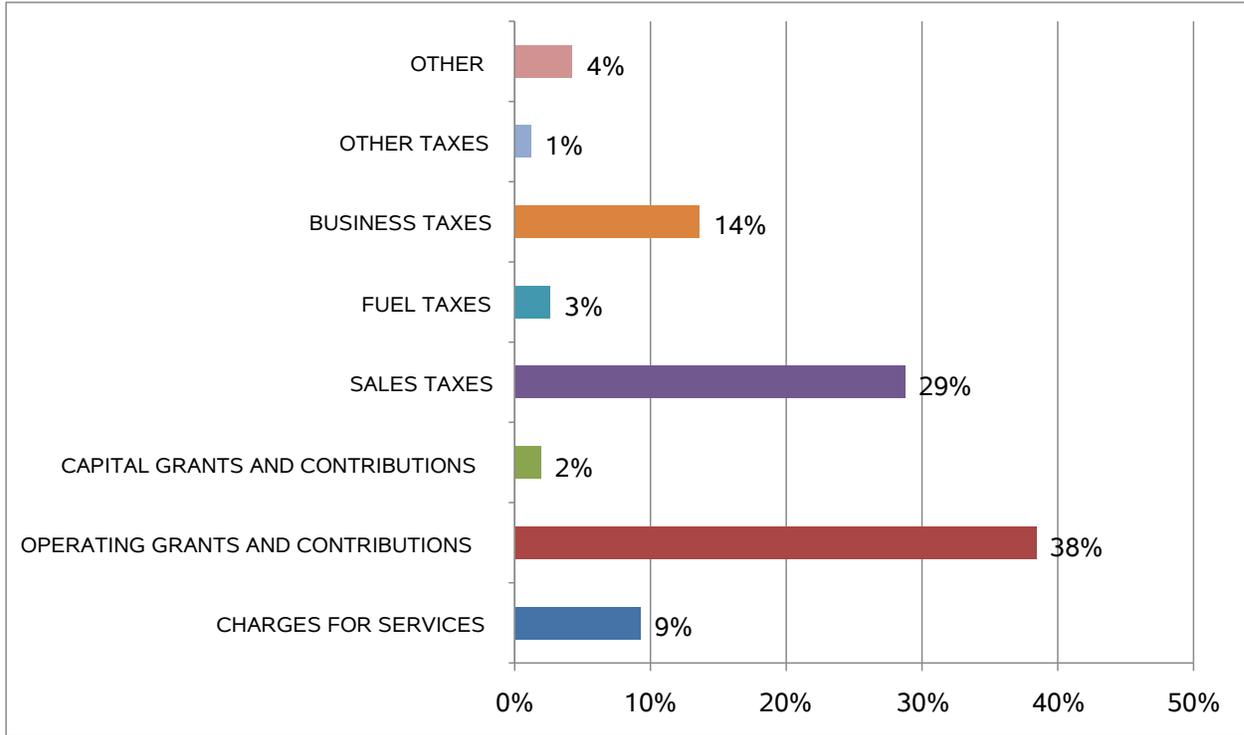
**Governmental activities.** Net position of the state’s governmental activities increased by \$1.6 billion (3 percent). This increase accounts for 78.5 percent of the total increase in net position of the primary government and is primarily the result of increases in cash (\$234 million), net capital assets (\$604 million) and investments (\$263 million). Cash and investments increased primarily due to favorable market conditions and average earnings rate for invested balances in the state pooled investment fund. The state pooled investment funds achieved an average net interest rate of 5.3 percent during the fiscal year, after accounting for fees. More information on the increases in capital assets can be found on page 27.

**Business-type activities.** Net position of the state’s business-type activities increased by \$439.8 million (13.3 percent). This is primarily the result of the establishment of the Megasite Water and Wastewater fund and the subsequent \$211.5 million increase in net position. This increase is due to the general fund transferring \$209.5 million in capital assets to the fund. The Employment Security fund’s increase in net position of \$85.3 million was also a significant factor in the overall increase. The slowing of expenditures in covid related programs and processing of returns for overpayments kept benefit payments to a 4% increase when compared to prior year. Premium revenue decreased by less than 1 percent. The Sewer Treatment Loan fund had an increase in net position of \$59.9 million. This increase in net position 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 \$294.4 million increase in net position. Of this amount, the largest increase was related to the Megasite Water and Wastewater fund.

**EXPENSES BY FUNCTION-GOVERNMENTAL ACTIVITIES**



**REVENUES BY SOURCE-GOVERNMENTAL ACTIVITIES**



**THE STATE'S FUNDS**

At June 30, 2024, governmental funds reported a decrease in total revenues and an increase 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 \$2.1 billion or 7 percent of the general fund's expenditures.

At the end of the fiscal year, the General fund reported an ending fund balance of \$9.8 billion, a \$3.8 billion decrease in comparison to prior year. A significant amount of tax refunds and liabilities contributed to approximately 40 percent of the decrease while an increase in transfers out accounted for 46 percent. Most of the increase in transfers out was derived from a \$3.3 billion transfer to the Highway fund to fulfill the requirements of the Transportation Modernization Act which was enacted to address record growth and traffic congestion, freeing up additional dollars to invest in rural and suburban communities without raising taxes or taking on debt.

The education fund reported an overall increase for inflows of \$381.1 million (3.2 percent) and an increase of outflows of \$1.1 billion (10.0 percent). Most of the increase in outflows were due to increased funding for the state's Tennessee Investment in Student Achievement (K-12 funding).

The overall fund balance decreased in the education fund by \$86.8 million. The majority of fund balance is restricted for student financial assistance. Of the \$2.1 billion fund balance in the education fund, \$361.4 million is not available for future use because it is legally or contractually required to be maintained intact and \$1.3 billion is legally restricted or committed for specific purposes. Refer to Note 13, Governmental Fund Balances on page 109, for additional information regarding those specific purposes.

The highway fund inflows increased by \$2.9 billion, and outflows increased \$245.4 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, construction, right-of-way purchases, and increased use of consultants for construction engineering.

The capital projects fund had a \$1.7 billion increase in fund balance. Most of this increase is due to a \$497.6 million increase in bonds proceeds related to the 2023A and 2023B bond sales. These bonds were issued at a premium of \$49.7 million. Overall inflows to the fund decreased by \$733.6 million, when compared to the previous year, outflows also decreased by \$347.6 million. The decrease in expenditures is due to a decrease in capital outlay for current projects while the decrease in inflows is due to lower appropriation transfers. Expenditures for capital projects are subject to various conditions that affect construction progress. The restricted fund balance of \$521 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 \$84.3 billion, an increase of approximately \$7.4 billion from the prior year. The pension trust funds were responsible for \$6.9 billion of this increase. The increase was primarily the result of favorable conditions in the financial markets; the pension trust funds incurred a net investment gain of \$8.1 billion.

The total plan net position of the OPEB trust fund is \$1.3 billion, an increase of approximately \$456.3 million from the prior year. The increase was primarily the result of employer contributions of \$385 million to the OPEB Trust. This amount was significantly higher than the actuarially determined contribution rate for the fiscal year. Another factor was investment gains of \$147.6 million, due to favorable market conditions.

### **General Fund Budgetary Highlights**

The General fund experienced a variance between the original budget and the final budget primarily due to an increase to Revenue expenditures for an anticipated increase in franchise tax refunds as a result of major changes in the calculation of the franchise tax. On a budgetary basis, these specific refunds are reported as expenditures. Also, TennCare saw an increase in the final budget due to additional funding based on prior calendar years reallocated to fiscal year 2024.

Federal revenues were overestimated by approximately 20% due to a reduced demand for health, social, and environmental services. Participation in programs such as supplemental nutrition assistance program, wellness programs and the state's Medicaid programs experienced decreases. This significantly impacted the collection of federal revenues in these programs.

Moreover, the Department of Environment and Conservation (TDEC) also had a variance in budgeted versus actual federal revenue due to timing differences between the budgeting of federal awards and the distribution of federal grants to subrecipients for the Enhancements to Water and Wastewater Infrastructure program. Due to significant vacant positions related to security, prison staff and parole officers, Correction's expenditures were less than estimated. A 23% less than expected local jail population also contributed to actual expenditures being lower than estimated. Actual expenditures in TennCare, Labor and Workforce Development, Environment and Conservation, and Finance and Administration 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. The FastTrack and the Broadband programs include the full award budget with the expenditures being recognized over the term of the contract as awards are paid contributing to the underspent budget for Economic and Community Development (ECD).

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

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### **Capital Assets**

The state's investment in capital assets at June 30, 2024, of \$39.6 billion, net of \$3.8 billion accumulated depreciation and amortization, consisted of the following:

Capital Assets—Primary Government (Expressed in Thousands)						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
Land	\$3,053,941	\$2,922,142	\$ -	\$ -	\$3,053,941	\$2,922,142
Infrastructure	28,027,300	27,495,693	-	-	28,027,300	27,495,693
Construction in progress	1,364,860	1,286,303	209,536	-	1,574,396	1,286,303
Structures and improvements	3,420,520	3,378,088	-	-	3,420,520	3,378,088
Machinery and equipment	2,940,928	2,625,823	-	-	2,940,928	2,625,823
Right-to-use leases and subscriptions	528,190	437,474	-	-	528,190	437,474
Software in development	8,914	143,014	-	-	8,914	143,014
Subtotal	39,344,653	38,288,537	209,536	-	39,554,189	38,288,537
Accumulated depreciation and amortization	(3,821,305)	(3,369,067)	-	-	(3,821,305)	(3,369,067)
Total	\$35,523,348	\$34,919,470	\$ 209,536	\$ -	\$35,732,884	\$34,919,470

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 2023 to 2024 by approximately 2.3 percent. The change was primarily due to increases of infrastructure (highways and bridges). Infrastructure increased in total by \$531.6 million, the majority of which resulted from highway and bridge projects completed and capitalized. Construction in progress for highways and bridges increased by \$738.2 million and decreased (projects completed and capitalized) by \$585.6 million. Infrastructure right-of-way acreage increased the land classification by \$93.2 million. The change in machinery and equipment of \$315.1 million resulted largely from a \$251 million increase that resulted from system projects that were placed in operation and are now classified as equipment.

In accordance with generally accepted accounting principles, the state is eligible for and has adopted an alternative approach to depreciating its roadways and bridges. Under the modified approach, governments are permitted to expense the cost of preserving roadways and bridges rather than to record a periodic charge for depreciation expense. Under the depreciation method, preservation expenses are capitalized. The state is responsible for approximately 15,000 miles of roadway and 8,437 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 154), 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 0.49 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 2023-2024 reflects a \$1.1 billion decrease from the previous year. The capital outlay budget included funding for both capital outlay projects and capital maintenance projects. A significant portion of the budgeted amounts include \$997.8 million for higher education capital outlay projects, \$288.1 million for state parks and various upgrades to current facilities. An additional \$225.8 million was allocated

for capital maintenance projects for maintaining current facilities, primarily through repair and renovation of roofing, mechanical, and electrical systems.

**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 6/30/24
Highway	\$ 923,700
Higher Education	33,611
General Government	45,868
<b>Total</b>	<b>\$ 1,003,179</b>

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	
	<u>6/30/2024</u>	<u>6/30/2023</u>
Bonds, net	\$ 1,864,946	\$ 1,517,407
Commercial Paper	20,613	72,938
<b>Total</b>	<b>\$ 1,885,559</b>	<b>\$ 1,590,345</b>

Nearly three-fourths of the outstanding debt has been issued either for capital projects of two of the state’s major component units-University of Tennessee and State University and Community College System-or provided to local governments as capital grants; assets acquired with this debt belong to those entities. The state has not issued bonds to fund infrastructure since 1976; infrastructure has been funded on a pay-as-you-go basis. Additional information on long-term obligations is presented in Note 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, 2024, the state’s maximum allowable debt service of \$2 billion was well above the maximum annual debt service of \$238.3 million, with a legal debt service margin of \$1.8 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):

	<b>Governmental Activities</b>	
	<u>6/30/2024</u>	<u>6/30/2023</u>
Right-to-use leases	\$ 304,875	\$ 298,199
Right-to-use SBITA	63,762	38,739
Financed purchase	2,726	3,832
Annuity	8,700	5,150
<b>Total</b>	<b>\$ 380,063</b>	<b>\$ 345,920</b>

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FACTS, DECISIONS, OR CONDITIONS WITH EXPECTED FUTURE IMPACT

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**Tropical Storm Helene**

Tropical storm Helene caused widespread flooding in east Tennessee in late September 2024. The impact of the flooding caused significant damage to state property that will require short and long-term repairs. More details on the estimated state property losses can be found in Note 22, Subsequent Events.

In response to the effects of the storm on Tennessee residential and commercial property, the Department of Revenue announced tax relief measures for those in impacted areas in October 2024. These measures include certain tax filing extensions and sales tax refunds for purchases of major appliances, residential furniture, or residential building supplies.

Additionally, the state allocated \$100 million to the creation of the Helene Emergency Assistance Loan program (HEAL) that provides for zero interest loans to eligible counties who have been impacted by tropical storm Helene. The financial information for the HEAL program will be reported as an enterprise fund of the State.

**Franchise Tax Property Measure Elimination**

During the 2024 session of the 113<sup>th</sup> General Assembly, legislation was passed that eliminated the property measure for computing the Tennessee Business Privilege Tax (franchise tax). This change in the franchise tax base is estimated to result in a decline of franchise tax revenues of approximately \$400 million annually.

**TennCare Shared Savings**

The state’s current federal waiver for its TennCare program (i.e., Medicaid) includes a provision that provides the state the ability to access additional federal funds for spending on programs/services that benefit the health of Medicaid and other low-income populations of the state, if the state can successfully operate its program below a specified spending cap and maintain or improve quality. Referred to as “shared savings”, the state accumulated over \$950 million of this federal funding through FY 2024. These savings are budgeted as non-recurring and the following portions have been allocated for spending over several years as follows.

- \$81 million in FY 2025 (total \$197 million total through FY 2029) for rural health initiatives.
- \$38 million in FY 2025 (total \$101 million total through FY 2029) related to both youth and adult mental health and substance use disorders.
- \$31 million in FY 2025 (total \$234 million total through FY 2031) to cover some of the state’s share of Medicaid eligibility expansions for low-income mothers and children.
- \$11 million in FY 2025 (total \$82 million total through FY 2031) to provide 100 disposable diapers per month for children under two on TennCare.

- \$2 million in FY 2025 (total \$10 million total through FY 2029) for the TennCare value-based payment initiative (i.e., a strategic approach that ties payment systems to the quality and value of care provided).

**REQUESTS FOR INFORMATION**

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

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# BASIC FINANCIAL STATEMENTS

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**STATE OF TENNESSEE**  
**Statement of Net Position**  
**June 30, 2024**  
**(Expressed in Thousands)**

	Primary Government			Total Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 27,057,324	\$ 973,373	\$ 28,030,697	\$ 4,236,036
Cash on deposit with fiscal agent	-	1,461,943	1,461,943	-
Investments	1,582,696	-	1,582,696	1,100,386
Receivables, net	6,253,140	139,583	6,392,723	475,415
Internal balances	102	(102)	-	-
Due from primary government	-	-	-	87,471
Due from component units	178,640	-	178,640	-
Inventories, at cost	107,161	-	107,161	15,888
Prepayments	12,477	-	12,477	63,946
Loans receivable, net	3,184	1,126,109	1,129,293	5,158,894
Right-to-use lease receivable	5,098	-	5,098	-
Fair value of derivatives	-	-	-	-
Other	-	-	-	55,904
Restricted assets:				
Cash and cash equivalents	521,039	-	521,039	897,139
Investments	490,384	-	490,384	3,198,452
Receivables, net	-	-	-	529,835
Net pension assets	4,782	-	4,782	4,370
Other	-	-	-	1,039
Capital assets:				
Land, at cost	3,053,941	-	3,053,941	301,014
Infrastructure	28,027,300	-	28,027,300	1,050,015
Structures and improvements, at cost	3,420,520	-	3,420,520	8,662,133
Machinery and equipment, at cost	2,940,928	-	2,940,928	1,502,482
Right-to-use leases and subscriptions	528,190	-	528,190	319,000
Less-accumulated depreciation and amortization	(3,821,305)	-	(3,821,305)	(5,058,349)
Construction in progress	1,364,860	209,536	1,574,396	1,103,757
Software in development	8,914	-	8,914	-
Total assets	71,739,375	3,910,442	75,649,817	23,704,827
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	1,770,346	-	1,770,346	552,931
<b>LIABILITIES</b>				
Accounts payable and other current liabilities	8,842,304	149,539	8,991,843	839,009
Due to primary government	-	-	-	178,640
Due to component units	87,471	-	87,471	-
Unearned revenue	697,014	16,745	713,759	215,883
Fair value of derivatives	-	-	-	-
Other	-	-	-	35,282
Noncurrent liabilities:				
Due within one year	648,585	-	648,585	470,620
Due in more than one year	4,274,992	9,904	4,284,896	8,491,329
Total liabilities	14,550,366	176,188	14,726,554	10,230,763
<b>DEFERRED INFLOWS OF RESOURCES</b>	319,000	-	319,000	256,339
<b>NET POSITION</b>				
Net investment in capital assets	34,758,715	209,536	34,968,251	5,878,894
Restricted for:				
Highway projects	897,631	-	897,631	-
Student financial assistance	233,838	-	233,838	-
Natural and wildlife resources	131,623	-	131,623	-
Capital projects	521,503	-	521,503	228,844
Single family bond programs	-	-	-	559,095
Regulatory activities	50,470	-	50,470	-
Pensions	4,782	-	4,782	4,370
Other	521,862	-	521,862	1,469,841
Permanent and endowment funds				
Expendable	1,157,385	-	1,157,385	294,930
Nonexpendable	713,945	-	713,945	1,892,544
Unrestricted	19,648,601	3,524,718	23,173,319	3,442,138
Total net position	\$ 58,640,355	\$ 3,734,254	\$ 62,374,609	\$ 13,770,656

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, 2024**  
**(Expressed in Thousands)**

	<b>Program Revenues</b>			
<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
Functions/Programs				
<b>Primary Government:</b>				
Governmental activities:				
General government	\$ 4,361,003	\$ 1,353,854	\$ 130,258	\$ 881
Education	12,872,973	95,277	3,194,911	-
Health and social services	22,856,581	2,263,329	14,315,536	5,169
Law, justice, and public safety	2,732,658	145,331	224,308	21,718
Recreation and resources development	1,361,139	267,354	330,232	4,489
Regulation of business and professions	311,386	272,111	1,556	-
Transportation	2,129,530	90,600	463,533	919,095
Interest	46,381	-	-	-
Total governmental activities	46,671,651	4,487,856	18,660,334	951,352
Business-type activities:				
Employment security	170,814	244,020	12,117	-
Insurance programs	914,654	935,190	17,314	-
Loan programs	1,898	12,913	79,717	-
Other	669	919	100	-
Total business-type activities	1,088,035	1,193,042	109,248	-
Total primary government	\$ 47,759,686	\$ 5,680,898	\$ 18,769,582	\$ 951,352
<b>Component units:</b>				
Higher education institutions	\$ 6,589,174	\$ 2,077,541	\$ 2,581,695	\$ 508,858
Loan programs	912,645	294,211	556,405	-
Lottery programs	1,903,870	1,895,115	36	-
Other	50,432	73,452	10,038	-
Total component units	\$ 9,456,121	\$ 4,340,319	\$ 3,148,174	\$ 508,858
General revenues:				
Taxes:				
Sales and use				
Fuel				
Business				
Other				
Payments from primary government				
Grants and contributions not restricted to specific programs				
Unrestricted investment earnings				
Miscellaneous				
Contributions to permanent funds				
Transfers				
Total general revenues, contributions, and transfers				
Change in net position				
Net position, July 1, restated				
Net position, June 30				

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

**STATE OF TENNESSEE**  
**Statement of Activities**  
**For the Year Ended June 30, 2024**  
**(Expressed in Thousands)**

<b>Net (Expense) Revenue and Changes in Net Position</b>				
<b>Primary Government</b>				
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total Primary Government</b>	<b>Component Units</b>	
\$ (2,876,010)	\$ -	\$ (2,876,010)	\$ -	-
(9,582,785)	-	(9,582,785)	-	-
(6,272,547)	-	(6,272,547)	-	-
(2,341,301)	-	(2,341,301)	-	-
(759,064)	-	(759,064)	-	-
(37,719)	-	(37,719)	-	-
(656,302)	-	(656,302)	-	-
(46,381)	-	(46,381)	-	-
<u>(22,572,109)</u>	<u>-</u>	<u>(22,572,109)</u>	<u>-</u>	<u>-</u>
-	85,323	85,323	-	-
-	37,850	37,850	-	-
-	90,732	90,732	-	-
-	350	350	-	-
<u>-</u>	<u>214,255</u>	<u>214,255</u>	<u>-</u>	<u>-</u>
<u>(22,572,109)</u>	<u>214,255</u>	<u>(22,357,854)</u>	<u>-</u>	<u>-</u>
-	-	-	-	(1,421,080)
-	-	-	-	(62,029)
-	-	-	-	(8,719)
-	-	-	-	33,058
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,458,770)</u>
13,938,417	-	13,938,417	-	-
1,273,109	-	1,273,109	-	-
6,588,475	-	6,588,475	-	-
571,068	-	571,068	-	-
-	-	-	-	2,340,669
534,204	-	534,204	-	39,972
1,133,869	-	1,133,869	-	353,359
367,026	-	367,026	-	10,625
432	-	432	-	84,705
<u>(225,522)</u>	<u>225,522</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>24,181,078</u>	<u>225,522</u>	<u>24,406,600</u>	<u>2,829,330</u>	<u>2,829,330</u>
1,608,969	439,777	2,048,746	1,370,560	-
57,031,386	3,294,477	60,325,863	12,400,096	-
<u>\$ 58,640,355</u>	<u>\$ 3,734,254</u>	<u>\$ 62,374,609</u>	<u>\$ 13,770,656</u>	<u>\$ -</u>

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# GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

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

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

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

**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, 2024**  
**(Expressed in Thousands)**

	<b>General</b>	<b>Education</b>	<b>Highway</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 13,179,507	\$ 307,233	\$ 5,587,358
Investments	-	763,636	-
Receivables, net	3,803,054	1,303,746	295,992
Due from other funds	2,717	28,162	2,871
Due from component units	281	152,111	-
Inventories, at cost	54,225	106	47,489
Loans receivable	1,209	-	79
Prepayments and others	10,486	-	1,612
Restricted assets:			
Cash and cash equivalents	-	-	-
Investments	129,003	361,381	-
Total assets	\$ 17,180,482	\$ 2,916,375	\$ 5,935,401
<b>LIABILITIES</b>			
Accounts payable and accruals	6,458,004	739,544	447,140
Due to other funds	47,373	32	874
Due to component units	29,563	31,135	2,388
Unearned revenue	641,588	101	5,553
Total liabilities	7,176,528	770,812	455,955
<b>DEFERRED INFLOWS OF RESOURCES</b>	196,458	63,567	58,420
<b>FUND BALANCES</b>			
<b>Nonspendable</b>			
Inventories	\$ 54,225	\$ 106	\$ 47,489
Long term portion of accounts receivable	6,429	-	-
Permanent fund and endowment corpus	-	361,381	-
Prepayments	10,395	-	-
<b>Restricted</b>	256,187	1,073,549	875,998
<b>Committed</b>	745,242	168,387	3,706,599
<b>Assigned</b>	4,970,828	478,573	790,940
<b>Unassigned</b>	3,764,190	-	-
Total fund balances	9,807,496	2,081,996	5,421,026
Total liabilities, deferred inflows of resources and fund balances	\$ 17,180,482	\$ 2,916,375	\$ 5,935,401

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

**STATE OF TENNESSEE**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2024**  
**(Expressed in Thousands)**

<u>Capital Projects</u>	<u>State Shared Taxes</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 5,861,445	\$ 20,746	\$ 862,383	\$ 25,818,672
-	-	819,060	1,582,696
21,485	178,806	639,168	6,242,251
14,082	-	27	47,859
23,871	-	1,918	178,181
-	-	-	101,820
-	-	1,896	3,184
-	-	16	12,114
521,039	-	-	521,039
-	-	-	490,384
<u>\$ 6,441,922</u>	<u>\$ 199,552</u>	<u>\$ 2,324,468</u>	<u>\$ 34,998,200</u>
192,977	174,416	55,888	8,067,969
144	-	1,350	49,773
19,274	-	4,843	87,203
-	-	8	647,250
<u>212,395</u>	<u>174,416</u>	<u>62,089</u>	<u>8,852,195</u>
-	25,136	541,928	885,509
\$ -	\$ -	\$ -	101,820
-	-	-	6,429
-	-	352,564	713,945
-	-	-	10,395
521,039	-	795,720	3,522,493
-	-	538,912	5,159,140
5,708,488	-	34,952	11,983,781
-	-	(1,697)	3,762,493
<u>6,229,527</u>	<u>-</u>	<u>1,720,451</u>	<u>25,260,496</u>
<u>\$ 6,441,922</u>	<u>\$ 199,552</u>	<u>2,324,468</u>	<u>34,998,200</u>

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**STATE OF TENNESSEE**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**To the Statement of Net Position**  
**Governmental Funds**  
**June 30, 2024**  
**(Expressed in Thousands)**

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances - governmental funds	\$	25,260,496
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		34,454,849
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds.		272,649
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.		1,426,158
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.		(326,001)
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.		<u>(2,447,796)</u>
Net position of governmental activities	\$	<u><u>58,640,355</u></u>

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

**STATE OF TENNESSEE**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2024**  
**(Expressed in Thousands)**

	General	Education	Highway
<b>REVENUES</b>			
Taxes:			
Sales and use	\$ 5,097,219	\$ 7,925,841	\$ 30,812
Fuel	12,294	-	721,241
Business	5,643,087	280,136	12,133
Other	439,095	70,225	-
Licenses, fines, fees, and permits	609,787	9,626	341,789
Investment income	1,190,019	100,267	147,208
Federal	15,670,439	2,495,283	1,215,089
Departmental services	2,735,757	152,076	74,032
Opioid and tobacco settlements	175,823	-	-
Other	126,797	520,572	14,890
Total revenues	31,700,317	11,554,026	2,557,194
<b>EXPENDITURES</b>			
General government	1,931,044	-	-
Education	-	12,481,247	-
Health and social services	23,107,694	-	-
Law, justice and public safety	2,756,185	-	-
Recreation and resources development	1,269,300	-	-
Regulation of business and professions	168,503	-	-
Transportation	-	-	2,913,762
Debt service:			
Principal	30,758	216	37
Interest	2,153	50	52
Debt issuance costs	-	-	-
Capital outlay	55,377	1,287	151
Total expenditures	29,321,014	12,482,800	2,914,002
Excess (deficiency) of revenues over (under) expenditures	2,379,303	(928,774)	(356,808)
<b>OTHER FINANCING SOURCES (USES)</b>			
Bonds and commercial paper issued	-	-	-
Bond premium	-	-	-
Right-to-use leases and subscriptions	55,377	1,287	151
Insurance claims recoveries	2,504	-	-
Transfers in	90,218	890,224	3,527,446
Transfers out	(6,284,873)	(49,575)	(2,782)
Total other financing sources (uses)	(6,136,774)	841,936	3,524,815
Net change in fund balances	(3,757,471)	(86,838)	3,168,007
Fund balances, July 1	13,564,967	2,168,834	2,253,019
Fund balances, June 30	\$ 9,807,496	\$ 2,081,996	\$ 5,421,026

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, 2024**  
**(Expressed in Thousands)**

<u>Capital Projects</u>	<u>State Shared Taxes</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 766,822	\$ 103,879	\$ 13,924,573
-	430,683	108,806	1,273,024
-	593,258	198,240	6,726,854
-	19,718	61,903	590,941
-	2,829	452,149	1,416,180
-	-	132,833	1,570,327
21,718	-	68,575	19,471,104
151,910	-	30,341	3,144,116
-	-	-	175,823
-	-	2,128	664,387
<u>173,628</u>	<u>1,813,310</u>	<u>1,158,854</u>	<u>48,957,329</u>
-	1,813,310	47,159	3,791,513
-	-	11,438	12,492,685
-	-	34,394	23,142,088
-	-	8,689	2,764,874
-	-	282,045	1,551,345
-	-	152,944	321,447
-	-	-	2,913,762
52,325	-	167,638	250,974
-	-	59,847	62,102
-	-	4,162	4,162
<u>795,864</u>	<u>-</u>	<u>-</u>	<u>852,679</u>
<u>848,189</u>	<u>1,813,310</u>	<u>768,316</u>	<u>48,147,631</u>
<u>(674,561)</u>	<u>-</u>	<u>390,538</u>	<u>809,698</u>
501,875	-	230	502,105
47,320	-	2,353	49,673
-	-	-	56,815
2,475	-	325	5,304
1,832,111	-	90,006	6,430,005
-	-	(171,811)	(6,509,041)
<u>2,383,781</u>	<u>-</u>	<u>(78,897)</u>	<u>534,861</u>
1,709,220	-	311,641	1,344,559
<u>4,520,307</u>	<u>-</u>	<u>1,408,810</u>	<u>23,915,937</u>
<u>\$ 6,229,527</u>	<u>\$ -</u>	<u>\$ 1,720,451</u>	<u>\$ 25,260,496</u>

**STATE OF TENNESSEE**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund**  
**Balances of Governmental Funds to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2024**  
**(Expressed in Thousands)**

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

Net change in fund balances - total governmental funds \$ 1,344,559

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 or subscriptions is amortized over the term of the leases or subscriptions as amortization expense. This is the amount by which capital outlays exceeded these expenses in the current year. 856,998

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. (401,000)

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 and subscription 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. (357,621)

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. 91,229

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. 74,804

Changes in net position of governmental activities \$ 1,608,969

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

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# PROPRIETARY FUNDS FINANCIAL STATEMENTS

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

**Employment Security Fund**—This fund is maintained to account for the collection of unemployment insurance premiums from employers and the payment of unemployment benefits to eligible claimants. Funds are also received from the federal government for local office building construction, supplemental unemployment programs and work incentive payments. As required by law, all funds not necessary for current benefit payments are placed on deposit with the U.S. Treasury. Interest earned from these monies is retained in the fund. Administrative and operational expenses incurred by the Department of Labor and Workforce Development are expenditures of the general fund.

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

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

**STATE OF TENNESSEE**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2024**  
**(Expressed in Thousands)**

	<b>Business Type Activities - Enterprise Funds</b>				
	<b>Sewer Treatment Loan</b>	<b>Employment Security</b>	<b>Nonmajor Enterprise Funds</b>	<b>Total</b>	<b>Governmental Activities- Internal Service Funds</b>
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 412,164	-	\$ 561,209	\$ 973,373	\$ 1,238,652
Cash on deposit with fiscal agent	-	1,461,943	-	1,461,943	-
Receivables:					
Accounts receivable	-	135,068	4,515	139,583	9,589
Loans receivable	52,139	-	15,579	67,718	-
Due from other funds	-	286	-	286	3,703
Due from component units	-	-	-	-	459
Inventories, at cost	-	-	-	-	5,341
Prepayments	-	-	-	-	157
Total current assets	<u>464,303</u>	<u>1,597,297</u>	<u>581,303</u>	<u>2,642,903</u>	<u>1,257,901</u>
Noncurrent assets:					
Loans receivable	841,596	-	216,795	1,058,391	-
Due from other funds	-	-	-	-	98
Right-to-use lease receivable	-	-	-	-	5,098
Restricted net pension assets	-	-	-	-	275
Capital assets:					
Land, at cost	-	-	-	-	66,471
Structures and improvements, at cost	-	-	-	-	889,111
Machinery and equipment, at cost	-	-	-	-	459,356
Right-to-use-leases and subscriptions	-	-	-	-	393,533
Less: Accumulated depreciation and amortization	-	-	-	-	(794,077)
Construction in progress	-	-	209,536	209,536	54,105
Total noncurrent assets	<u>841,596</u>	<u>-</u>	<u>426,331</u>	<u>1,267,927</u>	<u>1,073,970</u>
Total assets	<u>1,305,899</u>	<u>1,597,297</u>	<u>1,007,634</u>	<u>3,910,830</u>	<u>2,331,871</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
	-	-	-	-	89,541
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable and accruals	309	64,750	84,480	149,539	158,062
Due to other funds	40	348	-	388	490
Due to component units	-	-	-	-	268
Lease and subscription obligations payable	-	-	-	-	48,774
Bond payable	-	-	-	-	15,633
Unearned revenue	-	16,554	191	16,745	49,764
Others	-	-	-	-	161,033
Total current liabilities	<u>349</u>	<u>81,652</u>	<u>84,671</u>	<u>166,672</u>	<u>434,024</u>
Noncurrent liabilities:					
Pension	-	-	-	-	53,558
Lease and subscription obligations payable	-	-	-	-	244,303
Commercial paper payable	-	-	-	-	2,425
Bonds payable	-	-	-	-	124,237
Others	6,502	-	3,402	9,904	124,396
Total noncurrent liabilities	<u>6,502</u>	<u>-</u>	<u>3,402</u>	<u>9,904</u>	<u>548,919</u>
Total liabilities	<u>6,851</u>	<u>81,652</u>	<u>88,073</u>	<u>176,576</u>	<u>982,943</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
	-	-	-	-	12,311
<b>NET POSITION</b>					
Net investment in capital assets	-	-	209,536	209,536	632,430
Restricted for:					
Restricted for capital projects	-	-	-	-	464
Restricted for net pension assets	-	-	-	-	275
Unrestricted	1,299,048	1,515,645	710,025	3,524,718	792,989
Total net position	<u>\$ 1,299,048</u>	<u>\$ 1,515,645</u>	<u>\$ 919,561</u>	<u>\$ 3,734,254</u>	<u>\$ 1,426,158</u>

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

**STATE OF TENNESSEE**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2024**  
**(Expressed in Thousands)**

	<u>Business Type Activities - Enterprise Funds</u>				<b>Governmental Activities- Internal Service Funds</b>
	<b>Sewer Treatment Loan</b>	<b>Employment Security</b>	<b>Nonmajor Enterprise Funds</b>	<b>Total</b>	
Operating revenues					
Charges for services	\$ 10,748	\$ -	\$ 3,084	\$ 13,832	\$ 859,437
Investment income	19,509	-	6,945	26,454	-
Premiums	-	244,020	935,190	1,179,210	967,049
Total operating revenues	<u>30,257</u>	<u>244,020</u>	<u>945,219</u>	<u>1,219,496</u>	<u>1,826,486</u>
Operating expenses					
Personal services	-	-	-	-	273,017
Contractual services	904	-	46,004	46,908	392,638
Materials and supplies	-	-	1	1	79,094
Rentals and insurance	-	-	-	-	34,147
Depreciation and amortization	-	-	-	-	102,240
Benefits	-	170,814	862,666	1,033,480	984,114
Other	-	-	7,646	7,646	13,972
Total operating expenses	<u>904</u>	<u>170,814</u>	<u>916,317</u>	<u>1,088,035</u>	<u>1,879,222</u>
Operating income (loss)	<u>29,353</u>	<u>73,206</u>	<u>28,902</u>	<u>131,461</u>	<u>(52,736)</u>
Nonoperating revenues (expenses)					
Grants	24,367	(25,221)	31,257	30,403	-
Insurance claims recoveries	-	-	-	-	314
Loss on sales of capital assets	-	-	-	-	(241)
Interest income	-	37,338	17,414	54,752	48,705
Interest expense	-	-	-	-	(11,032)
Other	(2,123)	-	(238)	(2,361)	-
Total nonoperating revenues (expenses)	<u>22,244</u>	<u>12,117</u>	<u>48,433</u>	<u>82,794</u>	<u>37,746</u>
Income (loss) before contributions and transfers	51,597	85,323	77,335	214,255	(14,990)
Capital contributions	-	-	209,536	209,536	26,852
Transfers in	8,361	-	9,400	17,761	62,959
Transfers out	-	-	(1,775)	(1,775)	(17)
Change in net position	59,958	85,323	294,496	439,777	74,804
Net position, July 1	1,239,090	1,430,322	625,065	3,294,477	1,351,354
Net position, June 30	<u>\$ 1,299,048</u>	<u>\$ 1,515,645</u>	<u>\$ 919,561</u>	<u>\$ 3,734,254</u>	<u>\$ 1,426,158</u>

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

**STATE OF TENNESSEE**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2024**  
**(Expressed in Thousands)**

	<u>Business Type Activities - Enterprise Funds</u>				<b>Governmental Activities- Internal Service Funds</b>
	<b>Sewer Treatment Loan</b>	<b>Employment Security</b>	<b>Nonmajor Enterprise Funds</b>	<b>Total</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers and users	\$ -	\$ 244,859	\$ 950,477	\$ 1,195,336	\$ 518,633
Receipts from interfund services provided	-	485	-	485	1,359,813
Payments to suppliers	-	-	(920,044)	(920,044)	(1,425,022)
Payments to employees	-	-	(2)	(2)	(278,149)
Payments for unemployment benefits	-	(188,083)	-	(188,083)	-
Payments for interfund services used	(887)	-	(1,054)	(1,941)	(91,502)
Net cash provided by (used for) operating activities	<u>(887)</u>	<u>57,261</u>	<u>29,377</u>	<u>85,751</u>	<u>83,773</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Operating and nonoperating grants	24,368	(4,273)	31,257	51,352	-
Reimbursements	-	-	-	-	-
Negative cash balance implicitly financed	-	81	-	81	-
Transfers in	8,360	-	9,402	17,762	62,944
Transfers out	-	-	(1,775)	(1,775)	-
Net cash provided by (used for) noncapital financing activities	<u>32,728</u>	<u>(4,192)</u>	<u>38,884</u>	<u>67,420</u>	<u>62,944</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Purchase of capital assets	-	-	-	-	(73,630)
Bond and commercial paper proceeds	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-	3,545
Proceeds from lease receivables	-	-	-	-	349
Insurance claims recoveries	-	-	-	-	314
Principal payments	-	-	-	-	(71,145)
Interest paid	-	-	-	-	(12,573)
Net cash provided by (used for) capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(153,140)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Loans issued and other disbursements to borrowers	(69,624)	-	(61,437)	(131,061)	-
Collection of loan principal	52,826	-	18,884	71,710	-
Interest received	30,566	37,338	26,625	94,529	48,705
Net cash provided by (used for) investing activities	<u>13,768</u>	<u>37,338</u>	<u>(15,928)</u>	<u>35,178</u>	<u>48,705</u>
Net increase (decrease) in cash and cash equivalents	45,609	90,407	52,333	188,349	42,282
Cash and cash equivalents, July 1	<u>366,555</u>	<u>1,371,536</u>	<u>508,876</u>	<u>2,246,967</u>	<u>1,196,370</u>
Cash and cash equivalents, June 30	<u>\$ 412,164</u>	<u>\$ 1,461,943</u>	<u>\$ 561,209</u>	<u>\$ 2,435,316</u>	<u>\$ 1,238,652</u>

(continued on next page)

**STATE OF TENNESSEE**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2024**  
**(Expressed in Thousands)**

(continued from previous page)

	<u>Business Type Activities - Enterprise Funds</u>				<b>Governmental Activities- Internal Service Funds</b>
	<b>Sewer Treatment Loan</b>	<b>Employment Security</b>	<b>Nonmajor Enterprise Funds</b>	<b>Total</b>	
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</b>					
Operating income (loss)	\$ 29,353	\$ 73,206	\$ 28,902	\$ 131,461	\$ (52,736)
Adjustment to reconcile operating income (loss) to net cash from operating activities:					
Depreciation and amortization	-	-	-	-	102,240
Loss on disposal of capital assets	-	-	-	-	(890)
Interest income	(19,509)	-	(6,945)	(26,454)	-
Investment income	(10,748)	-	(2,120)	(12,868)	-
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:					
Decrease (increase) in receivables	-	(23,524)	(2,735)	(26,259)	2,212
Decrease (increase) in due from other funds	-	(192)	-	(192)	(2,176)
Decrease (increase) in due from component units	-	-	-	-	(386)
Decrease (increase) in inventories	-	-	-	-	381
Decreases (increase) in assets held for sale	-	-	-	-	-
Decrease (increase) in prepaids	-	-	-	-	(32)
Decrease (increase) in net pension assets	-	-	-	-	720
Decrease (increase) in deferred outflows of resources	-	-	-	-	2,293
Increase (decrease) in accounts payable	-	4,240	12,277	16,517	34,978
Increase (decrease) in due to other funds	17	-	-	17	259
Increase (decrease) in due to component units	-	-	-	-	(98)
Increase (decrease) in deferred inflows of resources	-	-	-	-	(7,370)
Increase (decrease) in unearned revenue	-	3,531	(2)	3,529	4,378
Total adjustments	(30,240)	(15,945)	475	(45,710)	136,509
Net cash provided by (used for) operating activities	<u>\$ (887)</u>	<u>\$ 57,261</u>	<u>\$ 29,377</u>	<u>\$ 85,751</u>	<u>\$ 83,773</u>
Schedule of noncash investing, capital, and financing activities					
Contributions of capital assets	\$ -	\$ -	\$ 209,536	\$ 209,536	\$ 26,852
Capital assets disposed of by transfer	-	-	-	-	(17)
Capital assets acquired by transfer	-	-	-	-	16
Right-to-use assets acquired	-	-	-	-	58,555
Right-to-use assets retired	-	-	-	-	(476)
Amortization of bond premium	-	-	-	-	1,646
Amortization of bond discount	-	-	-	-	45
Others	318	-	-	318	-
Total noncash capital and related financing activities	<u>\$ 318</u>	<u>\$ -</u>	<u>\$ 209,536</u>	<u>\$ 209,854</u>	<u>\$ 86,621</u>

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

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# FIDUCIARY FUNDS FINANCIAL STATEMENTS

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

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

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

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

**STATE OF TENNESSEE**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2024**  
**(Expressed in Thousands)**

	<u>Custodial Funds</u>				
	<u>Pension and Other Employee Benefit Trust Funds</u>	<u>Investment Trust Funds</u>	<u>Private-Purpose Trust Funds</u>	<u>Custodial Funds</u>	<u>External Investment Pools</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 186,896	\$ 7	\$ 32,631	\$ 588,287	\$ 2,687,483
Cash collateral on loaned securities	3,052,828	-	-	-	-
Receivables:					
Employer contributions	81,268	-	-	-	-
Member contributions	45,383	-	-	-	-
Taxes	-	-	-	461,454	-
Interest and dividends	3,449	-	-	-	-
Investments sold	-	3,411	-	-	-
Loans receivable	45,981	-	-	-	-
Other	1,212	-	-	649	-
Due from other funds	-	-	-	5	-
Investments, at fair value:					
Mutual funds	14,318,514	-	388,370	-	-
Private equities	-	3,021	-	-	-
TRGT pooled funds	69,640,795	422,039	-	-	-
Other	13,752	-	-	-	-
Investments, at amortized cost:					
Short-term investments	-	-	-	-	2,903,420
Capital assets, at cost:					
Total assets	<u>87,390,078</u>	<u>428,478</u>	<u>421,001</u>	<u>1,050,395</u>	<u>5,590,903</u>
<b>LIABILITIES</b>					
Accounts payable and accruals	36,713	-	-	7,593	-
Due to other funds	-	-	-	1,300	-
Securities lending collateral	3,052,828	-	-	-	-
Due to other governments	-	-	55	975,543	-
Total liabilities	<u>3,089,541</u>	<u>-</u>	<u>55</u>	<u>984,436</u>	<u>-</u>
<b>NET POSITION</b>					
Restricted for					
Pensions	81,215,606	-	-	-	-
Employee salary deferrals	1,762,115	-	-	-	-
Other postemployment benefits	1,321,743	-	-	-	-
Employees' flexible benefits	1,073	-	-	-	-
Individuals, organizations and other governments	-	-	420,946	65,959	-
Amounts held in trust for					
Pool participants	-	428,478	-	-	5,590,903
Total net position	<u>\$ 84,300,537</u>	<u>\$ 428,478</u>	<u>\$ 420,946</u>	<u>65,959</u>	<u>5,590,903</u>

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

**STATE OF TENNESSEE**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Fiscal Year Ended June 30, 2024**  
**(Expressed in Thousands)**

	<u>Custodial Funds</u>				
	<u>Pension and Other Employee Benefit Trust Funds</u>	<u>Investment Trust Funds</u>	<u>Private-Purpose Trust Funds</u>	<u>Custodial Funds</u>	<u>External Investment Pools</u>
<b>ADDITIONS</b>					
Contributions:					
Members	\$ 946,164	\$ -	\$ -	\$ 103,702	\$ -
Employers	2,308,749	-	-	-	-
Federal	-	-	249	-	-
Private	-	-	54,829	-	-
Transfers in from other plans	100,858	-	-	-	-
Other	1,183	-	108	-	-
Total contributions	<u>3,356,954</u>	<u>-</u>	<u>55,186</u>	<u>103,702</u>	<u>-</u>
Investment income:					
Net increase in fair value of investments	8,030,515	(41)	46,438	-	-
Interest and dividends	286,236	37,424	87	3,019	289,530
Securities lending income	218,830	-	-	-	-
Total investment income	<u>8,535,581</u>	<u>37,383</u>	<u>46,525</u>	<u>3,019</u>	<u>289,530</u>
Less: Investment expenses	(66,463)	(388)	-	-	(1,623)
Securities lending expense	(202,686)	-	-	-	-
Net investment income	<u>8,266,432</u>	<u>36,995</u>	<u>46,525</u>	<u>3,019</u>	<u>287,907</u>
Capital share transactions:					
Shares sold	-	40,043	-	-	10,283,585
Less: shares redeemed	-	(12,486)	-	-	(9,677,716)
Net capital share transactions	<u>-</u>	<u>27,557</u>	<u>-</u>	<u>-</u>	<u>605,869</u>
Tax and fee collections for other governments					
Member resources	-	-	-	4,607,920	-
Total additions	<u>11,623,386</u>	<u>64,552</u>	<u>101,711</u>	<u>5,412,615</u>	<u>893,776</u>
<b>DEDUCTIONS</b>					
Benefit payments	4,079,763	-	-	-	-
Medical payments	71,455	-	-	106,872	-
Deceased member benefit payments	31,970	-	-	-	-
Payments made under trust agreements	5,727	-	26,339	-	-
Member/claimant distributions	54,936	-	207	689,778	-
Payments of taxes and fees to other governments	-	-	-	4,607,920	-
Administrative expenses	52,061	64	747	10,874	-
Total deductions	<u>4,295,912</u>	<u>64</u>	<u>27,293</u>	<u>5,415,444</u>	<u>-</u>
Change in net position	7,327,474	64,488	74,418	(2,829)	893,776
Net position, July 1	<u>76,973,063</u>	<u>363,990</u>	<u>346,528</u>	<u>68,788</u>	<u>4,697,127</u>
Net position, June 30	<u>\$ 84,300,537</u>	<u>\$ 428,478</u>	<u>\$ 420,946</u>	<u>\$ 65,959</u>	<u>\$ 5,590,903</u>

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

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**Notes to the Financial Statements**

For the Fiscal Year Ended June 30, 2024

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# NOTE 1

## Summary of Significant Accounting Policies

### A. Financial Reporting Entity

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

#### Blended Component Units

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

#### Discretely Presented Component Units

1. **Tennessee Student Assistance Corporation (TSAC)** (Governmental Fund Type) is responsible for administering federal and state student financial assistance programs. The majority of the board is either appointed by the governor or are state officials. TSAC's budget is approved by the state.
2. **Tennessee Community Services Agency (TCSA)** (Governmental Fund Type) provides coordination of funds and programs for the care of the citizens of the state. The board of the agency is appointed by the governor and the plan of operation and budget must be approved by the state.
3. **Tennessee Housing Development Agency (THDA)** (Proprietary Fund Type) is responsible for making loans and mortgages to qualified sponsors, builders, developers and purchasers of low and moderate income family dwellings. The board of the agency consists of state officials, appointees of the governor, and appointees of the Speakers of the House and Senate. The agency budget is approved by the state.
4. **Tennessee Education Lottery Corporation (TELC)** (Proprietary Fund Type) is responsible for the operation of a state lottery with net proceeds to be given to the state to be used for education programs and purposes in accordance with the Constitution of Tennessee. The corporation is governed by a board of directors composed of seven directors appointed by the governor.
5. **State University and Community College System** (Proprietary Fund Type) includes six state universities, thirteen community colleges and twenty-four 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, the State University and Community College System, and the Tennessee Student Assistance Corporation. The Authority also finances improvement projects for qualifying K-12 schools in the state in conjunction with a federal government program. The board of the Authority consists primarily of state officials. The state can also impose its will on the Authority.
10. **Tennessee Certified Cotton Growers’ Organization** (Proprietary Fund Type) was formed to aid in the eradication of the boll weevil. The majority of the board is appointed by the Commissioner of the Department of Agriculture. The state can also impose its will on the organization.
11. **The Access Tennessee (AccessTN)** (Proprietary Fund Type) health insurance pool was established to offer health insurance coverage to eligible citizens of the state who are considered uninsurable because of health conditions. The board of the insurance pool consists of state officials, appointees of the Speakers of House and Senate, and appointees of the Commissioner of Finance and Administration. The funding plan and plan of operation of the insurance pool are approved by the state.

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

<b>Tennessee Housing Development Agency</b> Andrew Jackson Building, 3rd floor 502 Deaderick Street Nashville, TN 37243	<b>Tennessee Local Development Authority</b> Cordell Hull Building 425 Rep. John Lewis Parkway N. Nashville, TN 37243
<b>Tennessee Veterans’ Homes Board</b> 345 Compton Road Murfreesboro, TN 37130	<b>Tennessee State School Bond Authority</b> Cordell Hull Building 425 Rep. John Lewis Parkway N. Nashville, TN 37243
<b>University of Tennessee</b> Office of the Treasurer 400 W. Summit Hill Drive, UT Tower 10th floor Knoxville, TN 37996-0100	<b>State University and Community College System</b> 1 Bridgestone Park Nashville, TN 37214
<b>Tennessee Education Lottery Corporation</b> One Century Place 23 Century Boulevard, Suite 200 Nashville, TN 37214	All others may be obtained at the following: <b>Finance &amp; Administration, Division of Accounts</b> 21st Floor William R. Snodgrass Tennessee Tower 312 Rosa L. Parks Avenue Nashville, TN 37243

**Fiduciary Component Units**

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

Representatives, and two are appointed by the Governor. Because of the State's trustee responsibilities for these systems and plans, Generally Accepted Accounting Principles (GAAP) requires them to be reported as pension trust funds of the primary government rather than discrete component units.

**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) and Section 457(e) Plans, which are 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

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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, Doe Mountain Recreation Authority, and the Tennessee Self-Insurers' Guaranty Association.

## C. Jointly Governed Organizations

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1. **The Southern Regional Education Compact** has 16 member states. Tennessee paid \$216,932 for 2024 membership dues.
2. **The Compact for Education** has 50 member states, plus Puerto Rico, the Virgin Islands, American Samoa, and the District of Columbia. Tennessee paid \$77,300 for 2024 membership dues.
3. **The Interstate Mining Compact** has 25 member states. Tennessee paid \$19,671 for 2024 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 2024 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 \$29,700 for 2024 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 \$38,600 for 2024 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 \$12,719 for 2024 membership dues.
10. **The Nurse Licensure Compact** is comprised of 40 states plus the Virgin Islands and Guam.
11. **The Physical Therapy Licensure Compact** is comprised of 38 states plus the District of Columbia.
12. **The Interstate Commission of Emergency Medical Services Personnel Practice** is comprised of 24 states.
13. **The Interstate Medical Licensure Compact** is comprised of 40 states plus the District of Columbia and Guam.
14. **The Psychology Interjurisdictional Compact** is comprised of 39 states plus the District of Columbia.
15. **The Occupational Therapy Licensure Compact** is comprised of 30 states.
16. **The Audiology and Speech-Language Pathology Interstate Compact** is comprised of 31 states.
17. **The Counseling Compact** is comprised of 34 states.
18. **The Dentist and Dental Hygienist Compact** is comprised of 10 states.
19. **The Physician Assistant Licensure Compact** is comprised of 12 states.
20. **The Social Work Licensure Compact** is comprised of 19 states.
21. **The Cosmetology Licensure Compact** is comprised of 7 states.

#### **D. Joint Ventures**

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

<b>Tennessee-Tombigbee Waterway Development Compact</b>			
	2023		2022
Current assets	\$	568	\$ 675
Capital assets, less depreciation		237	252
<b>Total assets</b>		<b>805</b>	<b>927</b>
Total liabilities			
Net position		805	927
<b>Total liabilities and net position</b>	<b>\$</b>	<b>805</b>	<b>\$ 927</b>
Revenues	\$	366	\$ 507
Expenses		488	387
Excess of revenues over expenses		(122)	120
Beginning net position		927	807
<b>Ending net position</b>	<b>\$</b>	<b>805</b>	<b>\$ 927</b>

### **E. Government-wide and Fund Financial Statements**

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

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. 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 or held in fiduciary capacity. Fiduciary activities include the following funds:
  1. **Pension and Other Employee Benefit Trust Funds** – account for activities and balances of the defined benefit pension plans administered by the Tennessee Consolidated Retirement System, the defined contribution pension plans, the deferred compensation plans, the employee flexible benefits plan, higher education 403(b) plan fund, and the State of Tennessee Postemployment Benefit Trust.
  2. **Investment Trust Funds** – account for deposits belonging to entities outside of the state’s financial reporting entity.
  3. **Private Purpose Trust Funds** – account for contributions made to 1) *College Savings Plan* – funds created under Section 529 of the Internal Revenue Code and 2) other small similar funds - funds from liquidated assets of domestic insurance companies that are in receivership and funds held in individual accounts under the state's Achieving a Better Life Experience (ABLE) Act program.
  4. **The Custodial Funds** – account for assets the state holds on behalf of others, including local levied taxes held for various local governments, assets in postemployment benefit plans that are not equivalent to a qualified trust held for retirees, deposits from local governments in cash and investment pools, and other receipts held for others that are not held under trust arrangements.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation 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**

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**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, right-to-use leases, and subscription-based information technology arrangements (SBITAs)), 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, right-to-use leases, and SBITAs, are defined by the state as assets with an initial 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. SBITAs are capitalized if the total subscription and capitalizable implementation payments are \$200,000 or more and with a maximum possible term of more than 12 months. Capitalized assets, with the exception of right-to-use leases and SBITAs, 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. Similarly, SBITAs are valued at the present value of future subscription payments, capitalizable initial costs necessary to place the subscription asset into service, and subscription payments made before the commencement of the SBITA term. Capitalized assets, except for land, infrastructure, right-to-use leases, and SBITAs, 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 and SBITAs**— The state frequently enters into lease agreements as a lessee or lessor for uses such as office buildings, parking, land, and machinery and equipment. The state also enters into numerous subscription-based information technology arrangements (SBITA) for use of vendor-provided information technologies such as registration and record keeping software, online research libraries and databases, and cloud-based data storage and platform. For short-term leases and SBITAs with a maximum possible term of 12 months or less at commencement, the state recognizes periodic inflows or outflows of resources. For lease and SBITA contracts of more than 12 months in which the state is the lessee or the subscriber, the state recognizes a lease or SBITA liability and an intangible right-to-use lease or SBITA asset based on the present value of future lease or SBITA payments in accordance with the contract. Lease and SBITA right-to-use assets are reported as capital assets and their 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. Likewise, the SBITA assets are amortized over the term of the SBITA as the state does not subscribe to any information technology beyond its useful life. In the fund financial statements, governmental fund types recognize an expenditure and other financing source in the period the lease or the SBITA is initially recognized. For subsequent lease and SBITA 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 or SBITA contract, the state uses its estimated incremental borrowing rates for various maturity durations as the discount rates for leases and SBITAs. These rates are based on the state's general obligation bonds for different maturity durations. Lease and SBITA amendments that are expected to

significantly change the amount of the lease or SBITA liability or lease 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. Similarly, payments based on future performance or usage are not included in the measurement of the SBITA liability but are recognized as outflows of the current period.

**Deferred Outflows/Inflows**—Deferred outflows of resources represents a consumption of net assets that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The primary government has three items that qualify for reporting in this category. The first is the result of five pension related factors. The first factor is the difference between the actual and expected economic and demographic factors that were less favorable than anticipated, the second factor is the net effect from changes in actuarial assumptions, the third factor is investment returns were less than projected, the fourth factor is the change in proportionate share of net pension liabilities and assets, and the fifth factor is contributions made subsequent to the measurement date. The second item is refunding of debt. The third item is related to the estimate of the state's Other Postemployment Benefit (OPEB) liabilities.

Deferred inflows of resources represent an acquisition of net assets that applies to a future period, and so will not be recognized as an inflow of resources (revenue) until that time. The primary government has four items that qualify for reporting in this category. The first item is the result of two pension related factors. The first factor is the difference between the actual and expected economic and demographic factors that were more favorable than anticipated and the second factor is the change in proportionate share of net pension liabilities and assets. The other three items are related to debt refunding, the estimate of the state's OPEB liabilities, and right-to-use lease activities.

As of June 30, 2024, the primary government reported the following deferred outflows of resources and deferred inflows of resources (expressed in thousands):

<b>Primary Government</b>	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension related items:		
Differences between expected and actual experience	\$ 273,964	\$ 4,599
Assumption changes	11,482	
Net difference between projected and actual earnings	98,963	
Effects of change in proportion	6,425	47
Contributions subsequent to the measurement date	602,039	
Total pension related items	992,873	4,646
Refunding debt	5,063	9,899
Other post-employment benefit related items	772,410	298,988
Right-to-use lease		5,467

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. As of June 30, 2024, the governmental funds reported unavailable revenues from the following sources (expressed in thousands):

<b>Governmental funds</b>	Deferred Inflows of Resources
Unavailable revenues from:	
Taxes	\$ 176,555
Federal grants	703,952
Others	5,002

**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, 2024, the state reported \$795 million of net pension liability, \$4.8 million of net pension asset, \$992.9 million of deferred outflows of resources, \$4.6 million of deferred inflows of resources, and \$569 million of pension expenses.

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

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

- **Net Investment in Capital Assets** - consists of capital assets (including restricted capital assets), net of accumulated depreciation/amortization, and reduced by the outstanding balances of any bonds, notes or commercial paper, and right-to-use leases and subscriptions 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 \$4.2 billion restricted by the primary government, \$447.8 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**

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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, 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.”

The details of this \$2.5 billion difference are as follows (expressed in thousands):

State of Tennessee

Bonds payable	\$ (1,564,290)
Plus: premium on bonds issued (to be amortized as interest expense)	(160,786)
Net deferred outflows/inflows of resources for bond refundings (to be amortized as interest expense)	(4,438)
Commercial paper payable	(18,188)
Accrued interest payable	(17,364)
Financed purchase	(2,725)
Right-to-use leases and subscriptions	(75,264)
Claims and judgments	(39,451)
Compensated absences	(504,259)
Pollution remediation	(61,071)
Other long-term liabilities and accounts payable	40
Net adjustment to reduce fund balance—total governmental funds to arrive at net position—governmental activities	\$ (2,447,796)

**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 or subscriptions is amortized over the term of the lease or subscription as amortization expense. The details of this \$857 million difference are as follows (expressed in thousands):

Capital outlay	\$ 1,322,220
Depreciation and amortization expense	(465,222)
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	\$ 856,998

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 over the life of the debt in the statement of activities. This reconciliation element also includes the assumption of right-to-use lease and subscription liabilities and the fulfillment of such obligations.” The details of this \$357.6 million difference are as follows (expressed in thousands):

Debt issued or incurred:	
Issuance of general obligation bonds	\$ (497,610)
Issuance of commercial paper	(4,495)
Bond premium capitalized	(49,673)
Right-to-use leases and subscriptions obligation committed	(56,816)
Debt reduced:	
General obligation debt	167,233
Commercial paper redeemed	52,325
Right-to-use leases and subscriptions obligation fulfilled	31,415
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	
	\$ (357,621)

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 \$91.2 million difference are as follows (expressed in thousands):

Pension	\$ 41,934
Compensated absences	(136,088)
Claims and judgments	(967)
Accrued interest	(9,141)
Financed purchase	(84)
Other postemployment benefits	270,318
Pollution remediation	(16,866)
Loss on disposal of capital assets	(73,382)
Amortization of bond premiums	14,898
Amortization of deferred outflows/inflows of resources	48
Other costs	559
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	
	\$ 91,229

## NOTE 3

### Accounting Changes and Error Corrections

#### Changes in Accounting Principle

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During the fiscal year ended, June 30, 2024, the state implemented the following new accounting standards issued by the Governmental Accounting Standards Board (GASB).

- Statement No. 99, *Omnibus 2022*, provides guidance on exchange and exchange-like financial guarantees and derivatives that do not meet the criteria to be an investment or hedging derivative instrument. The implementation of this standard did not have an impact on the financial statements and note disclosures.
- Statement No. 100, *Accounting Changes and Error Corrections-an amendment of GASB Statement No. 62*, enhances accounting and financial reporting requirements for accounting changes and error corrections. The implementation of this standard did not have an impact on the financial statements but did have an impact on note disclosures.

**Correction of an Error in Previously Issued Financial Statements**

**Primary Government**

- Governmental activities—\$302.750 million, net increase in net position, this correction of an error is due to federal revenue being recorded in the wrong fiscal year which resulted in the understatement of receivables and federal revenue in the governmental activities. At the fund level, this error resulted in an understatement of receivables and deferred inflows which had no effect on fund balance in the prior year.

**Component Units**

- The State University and Community College System (SUCCS) erred in the calculation of allowance for doubtful accounts and other calculation errors at the various institutions which resulted in a net decrease to net position of \$1.6 million (expressed in thousands):

	<b>7/1/2023</b>		<b>7/1/2023</b>
	<b>As previously reported</b>	<b>Error correction</b>	<b>As restated</b>
Government-wide			
Governmental activities	\$ 56,728,636	\$ 302,750	\$57,031,386
Total government-wide	<u>\$ 56,728,636</u>	<u>\$ 302,750</u>	<u>\$57,031,386</u>
Discretely presented component units			
State University and Community College System	\$ 6,077,187	\$ (1,601)	\$6,075,586
Total discretely presented component units	<u>\$ 6,077,187</u>	<u>\$ (1,601)</u>	<u>\$6,075,586</u>

**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.

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, invests in commingled funds and private equities.

State of Tennessee

As of June 30, 2024, the state's investments for all funds were as follows (expressed in thousands):

POOLED INVESTMENT AND OTHER FUNDS INVESTMENTS

(continued on next page)

Credit Quality Rating	SPIF	TRGT	State Funds Investment Portfolios	Education Fund	K-12 Mental Health Fund	COE	College Savings Plan
AAA	\$ 449,989	\$ 663,515		\$ 32		\$ 1,581	
AA	\$99,981	258,578		49		2,419	
A		922,520		80	\$ 14,679	\$ 3,908	
BBB		2,157,399		174	95,057	8,513	
BB		297,695			18,789		
B		155,810			3,204		
CCC		51,413					
CC		5,906					
NR	17,648,994	3,961,471	\$ 48,790	620	64,427	30,326	
A1 (Commercial paper)	958,167						
	19,157,131	8,474,307	48,790	955	196,156	46,747	
Government agencies and obligations <sup>1</sup>	14,898,007	6,455,225	59,944	1,830	47,780	89,520	
Total debt investments	34,055,138	14,929,532	108,734	2,785	243,936	136,267	
<b>Non Fixed Income Assets</b>							
Equity		29,024,000					
Investment in mutual funds		3,082,450		1,122,232		330,124	351,838
Self-Directed Brokerage Accounts							
Preferred stock		150,194					
Real estate		6,726,214					
Private equities		9,078,340					
Strategic lending		7,051,585					
Derivatives (not rated)		32					
Certificate of deposit classified as short term	31,400						
Short-term investment fund at custodian		(6,726)					
Less: short term	(15,501,663)	(1,031,337)					
Total investments	\$ 18,584,875	\$69,004,284	\$ 108,734	\$1,125,017	\$ 243,936	\$ 466,391	\$351,838
Net noninvestment assets		1,246,684					
Pool's net position <sup>2</sup>		<u>\$70,250,968</u>					

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

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

State of Tennessee

(continued from prior page)

Credit Quality Rating	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							\$ 1,115,117
AA							361,027
A							941,187
BBB							2,261,143
BB							316,484
B							159,014
CCC							51,413
CC							5,906
NR							21,754,628
A1 (Commercial paper)							958,167
							27,924,086
Government agencies and obligations <sup>1</sup>							21,552,306
Total debt investments							49,476,392
<b>Non Fixed Income Assets</b>							
Equity							29,024,000
Investment in mutual funds	\$ 36,532	\$ 1,241,363	\$11,367,080	\$ 813,153	\$ 896,918		19,241,690
Self-Directed Brokerage Accounts			9,745	4,007			13,752
Preferred stock							150,194
Real estate							6,726,214
Private equities						\$ 3,021	9,081,361
Strategic lending							7,051,585
Derivatives (not rated)							32
Certificate of deposit classified as short term							31,400
Short-term investment fund at custodian							(6,726)
Less: short term							(16,533,000)
Total investments	<u>\$ 36,532</u>	<u>\$ 1,241,363</u>	<u>\$11,376,825</u>	<u>\$ 817,160</u>	<u>\$ 896,918</u>	<u>\$ 3,021</u>	<u>\$104,256,894</u>

### **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, 2024, are included in the previous schedule. Securities are rated using Nationally Recognized Statistical Rating Organizations (NRSROs) 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 of 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 is 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.

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 \$350 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, 2024, SPIF, K-12 Fund, and State Funds Investment Portfolios separately held investments in certain organizations representing five percent (5%) or more of its total investments, excluding those organizations whose issues are explicitly guaranteed by the United States government, and investments in mutual funds, external investment pools, and other pooled investments (expressed in thousands):

<b>State Pooled Investment Fund (SPIF)</b>		
Issuer Organization	Carry Value	Percentage
Federal Home Loan Bank	\$ 16,812,190	49.37

<b>K-12 Mental Health Fund (K-12)</b>		
Issuer Organization	Carry Value	Percentage
Federal National Mortgage Association	\$ 29,054	11.91
Federal Home Loan Mortgage Corp	23,451	9.61

<b>State Funds Investment Portfolios</b>		
Issuer Organization	Fair Value	Percentage
Federal National Mortgage Association	\$ 21,506	19.78
Federal Farm Credit Banks	25,387	23.35

**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, 2024, the weighted average maturity of the pool was forty-six (46) days and the weighted average life of the pool was forty-six (46) 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, 2024, the combined SPIF portfolio and other state cash deposits and investments had the following weighted average maturities (expressed in thousands):

<b>State Pooled Investment Fund Weighted Average Maturity</b>		
Deposit/Investment Type	Carry Value	Weighted Average Maturity (Months)
U.S. Government Agencies	\$ 18,198,964	1.55
U.S. Government Treasuries	14,898,007	1.75
Commercial paper	958,167	1.86

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.

State of Tennessee

<b>Tennessee Retiree Group Trust Debt Investments June 30, 2024 (expressed in thousands)</b>		
Investment Type	Fair Value	Effective Duration (Years)
<b>Debt Investments:</b>		
<b>Government Fixed Income</b>		
Government Agencies	\$ 83,824	4.16
Government Bonds	4,620,090	12.56
Government Mortgage-Backed	4,316,829	5.43
Government Asset-Backed	63,976	4.99
Municipal Bonds	15,629	7.94
<b>Corporate Fixed Income</b>		
Commercial Mortgage-Backed	250,093	1.74
Asset Backed Securities	1,031,329	0.59
Corporate Bonds	3,509,699	7.24
<b>Short Term</b>		
Short Term Bills and Notes	1,038,063	
<b>Total Debt Investments</b>	<b>\$ 14,929,532</b>	

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.

<b>Chairs of Excellence Debt Investments June 30, 2024 (expressed in thousands)</b>		
Investment Type	Fair Value	Effective Duration (Years)
<b>Debt Investments</b>		
<b>U.S. Government</b>		
U.S. Government Treasuries	\$ 52,049	8.35
U.S. TIPS	34,058	6.74
U.S. Agencies	873	5.87
Government Mortgage-Backed	31,262	5.98
Government Asset-Backed	1,517	5.59
Municipal Bonds	490	0.13
<b>Corporate Fixed Income</b>		
Corporate Mortgage-Backed	931	0.12
Corporate Bonds	13,381	3.74
Corporate Asset-Backed	1,706	0.11
<b>Total Debt Investments</b>	<b>\$ 136,267</b>	

State of Tennessee

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

<b>Education Fund Debt Investments June 30, 2024 (expressed in thousands)</b>		
Investment Type	Fair Value	Effective Duration (Years)
Debt Investments		
U.S. Government		
U.S. Government Treasuries	\$ 1,063	8.35
U.S. TIPS	696	6.74
U.S. Agencies	18	5.87
Government Mortgage-Backed	639	5.98
Government Asset-Backed	31	5.59
Municipal Bonds	10	0.13
Corporate Fixed Income		
Corporate Mortgage-Backed	19	0.12
Corporate Bonds	274	3.74
Corporate Asset-Backed	35	0.11
<b>Total Debt Investments</b>	<b>\$ 2,785</b>	

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

<b>K-12 Mental Health Fund Debt Investments June 30, 2024 (expressed in thousands)</b>		
Investment Type	Fair Value	Effective Duration (Years)
U.S. Government Treasuries	\$ 47,780	14.06
Government Mortgage-Backed	52,505	6.19
Corporate Asset-Backed	101,379	0.44
Corporate Bonds	42,272	8.62

<b>State Funds Investment Portfolio Debt Investments June 30, 2024 (expressed in thousands)</b>		
Investment Type	Fair Value	Effective Duration (Years)
U.S. Government Treasuries	\$ 53,864	10.12
Government Mortgage-Backed	54,870	24.95

**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, 2024, was as follows (expressed in thousands):

Currency	Total Fair Value	Fixed Income	Equity	Cash
Australian Dollar	\$ 395,173		\$ 395,173	
British Pound Sterling	1,557,288	630	1,554,426	2,232
Canadian Dollar	1,175,997		1,175,295	702
Danish Krone	418,508		418,508	
Euro Currency	4,019,102	723	4,015,121	3,258
Hong Kong Dollar	109,484		109,483	1
Japanese Yen	1,520,823		1,516,282	4,541
New Israeli Shekel	1,698		1,698	
New Zealand Dollar	279		279	
Norwegian Krone	47,359		47,354	5
Singapore Dollar	91,824		91,344	480
Swedish Krona	248,625		248,625	
Swiss Franc	579,020		579,020	
<b>Total</b>	<b>\$10,165,180</b>	<b>1,353</b>	<b>\$10,152,608</b>	<b>\$ 11,219</b>

**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, 2024, 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, 2024, 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):

State of Tennessee

	Changes in Fair Value		Fair Value at June 30, 2024		
	Financial Statement Classification	Amount	Financial Statement Classification	Amount	Notional Amount
Foreign Currency Forward Contracts					
	EUR	10		10	
	GBP	4		4	
	Investment Income (loss)	\$ 14	Derivative Instruments Receivable	\$ 14	
Future Contracts	Investment Income (loss)	\$ 38,288	Derivative Instruments Payable	\$ (14,837)	\$ 3,458,830
TBA Mortgage-Backed Credit Default Swaps	Investment Income (loss)	\$ 2,333	Derivative Instruments Receivable	\$ 3,733	\$ 1,400
TBA Mortgage-Backed Securities	Investment Income (loss)	\$ 17	Derivative Instruments Asset	\$ 17	50,479

**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, 2024, the TRGT had uninsured and uncollateralized cash deposits of \$11.2 million in foreign currency held by our master custodian, State Street, in State Street’s name. These deposits were used for investments pending settlement.

**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, 2024 the TRGT had the following securities on loan and received the cash collateral (expressed in thousands) as shown below:

<b>Securities on Loan</b>	<b>Fair Value of Securities on Loan</b>	<b>Cash Collateral Received</b>
Fixed	\$ 1,285,922	\$ 1,316,000
Equity	<u>1,731,506</u>	<u>1,772,005</u>
Total	<u>\$ 3,017,428</u>	<u>\$ 3,088,005</u>

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

## **B. Component Units**

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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, 2024, the University’s investments were rated as follows (expressed in thousands):

State of Tennessee

Rated Debt Instruments	Fair Value	Credit Quality Rating			
		P-1*	Aaa	Aa1	Aa2
U.S. Treasuries	\$ 156		\$ 156		
U.S. Treasuries (in pool)	543,696		543,696		
U.S. Treasuries Strips	59,280		59,280		
U.S. Agencies	16		16		
U.S. Agencies (in pool)	706,554	\$ 120,116	448,781	\$ 9,831	
U.S. Agencies Strips	60,429		60,429		
Commercial Paper (in pool)	417,126	417,126			
Corporate Bonds	90				
Mutual Funds – Bonds	111,707				\$ 45,317
<b>Total</b>	<b>\$ 1,899,054</b>	<b>\$ 537,242</b>	<b>\$ 1,112,358</b>	<b>\$ 9,831</b>	<b>\$ 45,317</b>
(Continued)					
Rated Debt Instruments	Aa3	A2	Credit Quality Rating		
			Baa1	Baa2	Ba2
U.S. Treasuries					
U.S. Treasuries (in pool)					
U.S. Treasuries Strips					
U.S. Agencies					
U.S. Agencies (in pool)					
U.S. Treasuries Strips					
Commercial Paper (in pool)					
Corporate Bonds			\$ 25	\$ 65	
Mutual Funds – Bonds	\$ 58,743	\$ 5,543		892	\$ 483
<b>Total</b>	<b>\$ 58,743</b>	<b>\$ 5,543</b>	<b>\$ 25</b>	<b>\$ 957</b>	<b>\$ 483</b>
(Continued)					
Rated Debt Instruments	B2	Credit Quality Rating			
		Unrated			
U.S. Treasuries					
U.S. Treasuries (in pool)					
U.S. Treasuries Strips					
U.S. Agencies					
U.S. Agencies (in pool)		\$ 127,826			
U.S. Treasuries Strips					
Commercial Paper (in pool)					
Corporate Bonds					
Mutual Funds – Bonds	\$ 729				
<b>Total</b>	<b>\$ 729</b>	<b>\$ 127,826</b>			

\* Short-term ratings from Moody's

**Interest Rate Risk**

The University does not have a formal policy that addresses interest rate risk. As of June 30, 2024, the University had the following debt investments and maturities (expressed in thousands):

State of Tennessee

Investment Type	Fair Value	Investment Maturities (in years)			
		Less Than 1	1 to 5	6 to 10	More Than 10
U.S. Treasuries	\$ 156				\$ 156
U.S. Treasuries (in pool)	543,696	\$ 217,083	\$ 319,592	\$ 7,021	
U.S. Treasuries Strips	59,280		51,967	7,313	
U.S. Agencies	16		16		
U.S. Agencies (in pool)	706,554	261,572	351,110	79,784	14,088
Commercial Paper (in pool)	417,126	417,126			
U.S. Agencies Strips	60,429		19,523	40,906	
Corporate Bonds	90	25			65
Bond Mutual Funds	111,707		59,472	51,262	973
	<u>\$1,899,054</u>	<u>\$ 895,806</u>	<u>\$ 801,680</u>	<u>\$ 186,286</u>	<u>\$ 15,282</u>

University foundations' investments in the amount of \$468.187 million are not included in these disclosures because the foundations utilize private-sector accounting standards.

**Foreign Currency Risk**

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of a deposit or investment. The university has \$3.240 million invested in foreign corporate equities at June 30, 2024.

**Alternative Investments**

In its Consolidated Investment Pool, as part of its endowment assets, the University has investments in one hundred thirty-four limited partnerships, limited companies, corporations, and limited liability corporations. At June 30, 2024, the estimated fair value of these assets is \$725.671 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, 2024, debt investments of the System and its foundations (that utilize governmental accounting standards) were rated by Standard and Poor's as follows (expressed in thousands):

State of Tennessee

Rated Debt Instruments	Fair Value	Credit Quality Rating									
		US Treasury <sup>1</sup> / Agency	AAA	AA	A	BBB	BB	B	CCC	C	Not Rated
U.S. Treasuries	\$179,233	\$179,233									
U.S. Agencies	125,073	18		\$125,055							
Corporate Bonds	15,871		\$ 436	192	\$7,187	\$8,056					
Mutual Funds—Bonds	79,395		8,429	709	773	1,584	\$13,122	\$22	\$ 4	\$225	\$54,527
<b>Total Debt Instruments</b>	<b>\$399,572</b>	<b>\$179,251</b>	<b>\$8,865</b>	<b>\$125,956</b>	<b>\$7,960</b>	<b>\$9,640</b>	<b>\$13,122</b>	<b>\$22</b>	<b>\$ 4</b>	<b>\$225</b>	<b>\$54,527</b>

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

**Interest Rate Risk**

The System does not have a formal investment policy that limits investment maturities as a means of managing its exposure to interest rate risk. As of June 30, 2024, debt investments and maturities of the system and its foundations (that utilize governmental accounting standards) follow (expressed in thousands):

Investment Type	Fair Value	Investment Maturities (in years)				
		Less Than 1	1 to 5	6 to 10	More Than 10	Undetermined
U.S. Treasuries	\$ 179,233	\$ 6,742	\$ 167,859	\$ 4,632		
U.S. Agencies	125,073	32,046	88,586	1,899	\$ 2,525	17
Corporate Bonds	15,871	565	10,154	5,126	26	
Mutual Funds—Bonds	79,395		12,192	12,843	93	54,267
<b>Total Debt Investments</b>	<b>\$ 399,572</b>	<b>\$ 39,353</b>	<b>\$ 278,791</b>	<b>\$ 24,500</b>	<b>\$ 2,644</b>	<b>\$ 54,284</b>

The investments of certain foundations of the System are not included in these disclosures because these foundations utilize private-sector accounting standards. These foundations reported investments at fair value in the amount of \$505.440 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 value of total investments must mature within five years. No more than 50 percent of the daily fair 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, 2024, were rated by Standard and Poor’s and/or Moody’s as follows (expressed in thousands):

State of Tennessee

Rated Debt Instruments	Fair Value	Credit Quality Rating	
		AAA	AA+
U.S. Agency Coupon	\$ 150,326		\$ 150,326
U.S. Agency Discount	698,726	\$ 698,726	
Government Mortgage-backed Securities	172,598		172,598
<b>Total Debt Instruments</b>	<b>\$ 1,021,650</b>	<b>\$ 698,726</b>	<b>\$ 322,924</b>

In addition to these investments, the agency has \$35,258,142.42 invested in a money market fund. This fund is measured at amortized cost and has a Standard and Poor's rating of AAA.

**Concentration of Credit Risk**

At June 30, 2024, 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	\$ 679,802	66.54
Federal Home Loan Mortgage Corp	91,364	8.94
Federal National Mortgage Admin	145,501	14.24
Government National-Mortgage Association	104,983	10.28

**Interest Rate Risk**

As of June 30, 2024, the Agency had the following debt investments and effective duration (expressed in thousands):

Investment Type	Fair Value	Effective Duration (Years)
U.S. Agency Coupon	\$ 150,326	0.903
U.S. Agency Discount	698,726	0.131
Government Mortgage-backed Securities*	172,598	6.046
<b>Total</b>	<b>\$ 1,021,650</b>	

\*Modified Duration was used in the place of Effective Duration on pass through investments where average life was used instead of PSA speed.

# NOTE 5

## Fair Value Measurements

### A. Primary Government

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The fair value of assets held at June 30, 2024, represents the price that would be received were the asset to be sold or the liability transferred in an orderly transaction between market participants. Assets held are categorized for fair value measurement within the fair value hierarchy established by Generally Accepted Accounting Principles (GAAP). The hierarchy is based on the valuation inputs used to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

State of Tennessee

<b>Investments Measured at Fair Value</b> (expressed in thousands)						
Fund	Investment Aggregation	GAAP Hierarchy			NAV	Total Investments
		Level 1	Level 2	Level 3		
Tennessee Retiree Group Trust	US Government Agencies		\$ 83,824			\$ 83,824
	US Government Treasuries	\$ 4,590,941	29,149			4,620,090
	Government Mortgage Backed	70,939	4,232,561	\$ 13,329		4,316,829
	Government Asset Backed		63,976			63,976
	Municipal Bonds		10,274	5,355		15,629
	Commercial Mortgage Backed		152,190	97,903		250,093
	Corporate Asset Backed Securities		372,548	658,781		1,031,329
	Corporate Bonds		3,496,587	13,112		3,509,699
	Corporate Equities	32,070,008		36,442		32,106,450
	Preferred Stocks	96,066	22,440	31,688		150,194
	Limited Partnership Units			1,276,811	\$14,853,114	16,129,925
	Real Estate			3,380,081	3,346,133	6,726,214
	Derivative Instruments			32		32
Education Fund	Mutual Funds	1,122,232				1,122,232
	Corporate Asset Backed		29	6		35
	Corporate Bonds		274			274
	Corporate Mortgage Backed			19		19
	Government Asset Backed		31			31
	Government Mortgage Backed		639			639
	Municipal Bonds		10			10
	US Government Agencies		18			18
	US Government Inflation Indexed	524	172			696
	US Government Treasuries	487	576			1,063
Chairs of Excellence	Exchange Traded Equity Funds	330,124				330,124
	Corporate Asset Backed		1,416	290		1,706
	Corporate Bonds		13,381			13,381
	Corporate Mortgage Backed			931		931
	Government Asset Backed		1,517			1,517
	Government Mortgage Backed		31,262			31,262
	Municipal Bonds		490			490
	US Government Agencies		873			873
	US Government Inflation Indexed	25,650	8,408			34,058
US Government Treasuries	23,833	28,216			52,049	
Employee Group OPEB Trust	Mutual Funds	1,241,363				1,241,363
College Savings Plans	Mutual Funds	351,838				351,838
Other private purpose trust fund	Mutual Funds	36,532				36,532
Defined Contribution Pension Plan Fund	Mutual Funds	11,376,825				11,376,825
Deferred Compensation Plan Fund	Mutual Funds	817,160				817,160
Higher Education 403(b) Plan Fund	Mutual Funds	896,918				896,918
State Fund Investment Portfolios	US Government Treasuries	53,864				53,864
	Government Mortgage Backed		54,870			54,870
K-12 Mental Health Fund	US Government Treasuries	47,780				47,780
	Government Mortgage Backed		52,505			52,505
	Corporate Bonds		42,272			42,272
	Corporate Asset Backed		7,862	93,517		101,379
External Retirement Investment Fund	Limited Partnership Units				3,021	3,021
<b>Total Investments</b>		<b>\$ 53,153,084</b>	<b>\$ 8,708,402</b>	<b>\$ 5,608,265</b>	<b>\$18,202,268</b>	<b>\$85,672,019</b>

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

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

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

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

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

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

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

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

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

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

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:

State of Tennessee

Investments measured at NAV	Strategy	Number of Funds	NAV	Remaining Life	Redemption Terms	Redemption Restrictions
Limited Partnership	Traditional private equity and strategic lending	207	\$14,853,114	Various	N/A	Various transfer and sale restrictions
Real Estate Limited Partnerships	Real Estate Commingled Investments	44	3,346,133	N/A	N/A	Various transfer and sale restrictions
Limited Partnerships	Traditional Private Equity	5	3,021	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, 2024 (expressed in thousands):

	6/30/2024	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments and other assets by fair value level				
Debt securities				
U.S. Treasuries	\$ 616,504	\$ 616,504		
U.S. Agencies	766,999		\$ 766,999	
Corporate bonds	89		89	
Corporate commercial paper	417,126			\$ 417,126
Total debt securities	1,800,718	616,504	767,088	417,126
Corporate stock				
Domestic	30,151	29,952	155	44
International	3,240	3,240		
Total equity securities	33,391	33,192	155	44
Pooled investment vehicles (ETFs; Open-end funds with published and non-published values)				
Equity	343,142	343,142		
Bonds	52,964	52,504	460	
Balanced	18	18		
Real Estate	323	323		
Total pooled investment vehicles	396,447	395,987	460	
Real estate gifts	1,134			1,134
Assets held by others	6,673			6,673
Other assets	33,789		33,789	
Private capital investments				
Private equities	306,201			306,201
Private credit/debit	49,281			49,281
Private real assets	161,682			161,682
Private, other	3,427			3,427
Total private capital investments	520,591			520,591
Hedge funds				
Long/short equity	21,863			21,863
Credit	13			13
Diversified	18,030			18,030
Total hedge funds	39,906			39,906
Investments measured at the Net Asset Value (NAV)				
Pooled investment vehicles (other open-end funds)	502,016			
Limited partnerships	99,896			
Hedge funds, long/short equity	79,105			
Hedge funds, credit	28,665			
Hedge funds, diversified	57,405			
Total investments measured at NAV	767,087			
Total investments and cash equivalents	\$3,599,736			

**Debt securities**—The fair value of the majority of the debt securities category at June 30, 2024, was determined based on Level 1 and Level 2 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. 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 \$1.134 million, the valuation of which is determined by periodic appraisals.

**Assets held by others**—This category consists of separately invested portfolios of \$6.673 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, 2024, 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 \$251.882 million of unfunded commitments at June 30, 2024.

**Hedge funds**—Most hedge funds invest in public securities for which pricing is readily available. These funds are measured at net asset value per share (or its equivalent). Some hedge funds, however, invest in private instruments for which no public pricing is available, and their fair value is determined based on Level 3 inputs. These inputs are similar to those utilized by Private Capital Investments described above. Hedge funds 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	\$ 502,016		daily, quarterly	2 days- 45 days
Hedge funds, long/short equity	79,105		monthly, annually	5 days- 90 days
Hedge funds, credit	28,665		annually	90 days
Hedge funds, diversified	57,405		quarterly, semi-annually	60 days- 90 days
Limited partnerships	99,896	\$ 16,250	none, monthly, quarterly	30 days- 90 days

State of Tennessee

**State University and Community College System**

The system categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The system has the following recurring fair value measurements as of June 30, 2024 (expressed in thousands):

	Fair Value Measurements Using			
	6/30/2024	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
U.S. Treasuries	\$ 179,233	\$ 179,233		
U.S. Agencies	125,073	59,599	\$ 65,474	
Corporate bonds	15,871	10,941	4,930	
Mutual bond funds	32,559	32,256	303	
Other	6,070	1,306	4,764	
Total debt securities	<u>358,806</u>	<u>283,335</u>	<u>75,471</u>	
Equity securities				
Corporate stock	39,578	39,578		
Mutual equity funds	86,158	86,152	6	
Real estate	5,200			\$ 5,200
Equity REITs	2,000	2,000		
Private Equities	311			311
Other	9,149	9,139	10	
Total equity securities	<u>142,396</u>	<u>136,869</u>	<u>16</u>	<u>5,511</u>
Investments measured at the Net Asset Value (NAV)				
Mutual bond funds	46,836			
Mutual equity funds	158,225			
Equity REITs	75			
Private equities	15,814			
Hedge funds	9,203			
Natural resources	2,465			
Other	15,387			
Total investments measured at NAV	<u>248,005</u>			
FASB foundations' investments at fair value	441,542	346,270	40,539	54,733
FASB foundations' investments at NAV	63,898			
Total FASB foundations' investments	<u>505,440</u>			
Total investments and cash equivalents	<u>\$1,254,647</u>			

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

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

Investments measured at NAV	NAV	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Mutual bond funds	\$ 46,836		Daily, monthly	5 business days
Mutual equity funds	158,225		Daily, monthly	5 business days
Equity REITs	75		not applicable	not applicable
Private equities	15,814	\$ 7,383	not applicable	not applicable
Hedge funds	9,203		Various	Various
Natural resources	2,465	361	not applicable	not applicable
Other	15,387	3,741	Daily	not applicable

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

**Tennessee Housing Development Agency**

The agency categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The agency has the following recurring fair value measurements as of June 30, 2024 (expressed in thousands):

Investments by fair value level	6/30/2024	Fair Value Measurements Using	
		Significant Other Observable Inputs (Level 2)	
Debt securities			
U.S. Agency Coupon	\$ 150,326	\$	150,326
U.S. Agency Discount	698,726		698,726
Government Mortgage-backed Securities	172,598		172,598
Total debt securities	\$ 1,021,650	\$	1,021,650

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, 2024, other than lease receivables and loans receivable, for the state’s individual major funds and nonmajor and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, consist of the following (expressed in thousands):

### Primary Government

	<b>Accounts including Due From Other Governments</b>	<b>Taxes and Certain Other Licenses, Fees, and Permits</b>	<b>Other</b>	<b>Total Receivables</b>	<b>Allowance for Uncollectibles</b>	<b>Net Total Receivables</b>
Governmental activities:						
General	\$ 2,192,548	\$ 1,738,591		\$3,931,139	\$ (128,085)	\$3,803,054
Education	486,699	850,838	\$ 1,768	1,339,305	(35,559)	1,303,746
Highway	179,507	111,572	5,038	296,117	(125)	295,992
Capital projects	21,485			21,485		21,485
State shared taxes		182,289		182,289	(3,483)	178,806
Nonmajor governmental funds	598,595	35,934	5,090	639,619	(451)	639,168
Internal service funds	16,741			16,741	(7,152)	9,589
Total-governmental activities	<u>\$ 3,495,575</u>	<u>\$ 2,919,224</u>	<u>\$11,896</u>	<u>\$6,426,695</u>	<u>\$ (174,855)</u>	<u>\$6,251,840</u>
Amounts not expected to be collected within one year		<u>\$ 351,360</u>				<u>\$ 351,360</u>
Business-type activities:						
Employment security	\$ 263,825	\$ 57,798	\$ 4,470	\$ 326,093	\$ (191,025)	\$ 135,068
Nonmajor enterprise funds	4,968			4,968	(453)	4,515
Total-business-type activities	<u>\$ 268,793</u>	<u>\$ 57,798</u>	<u>\$ 4,470</u>	<u>\$ 331,061</u>	<u>\$ (191,478)</u>	<u>\$ 139,583</u>

# NOTE 7

## Capital Assets

### A. Primary Government

Capital asset activity for the year ended June 30, 2024, was as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,922,142	\$ 131,967	\$ (168)	\$ 3,053,941
Infrastructure	27,495,693	585,597	(53,990)	28,027,300
Construction in progress	1,286,303	895,310	(816,753)	1,364,860
Software in development	143,014	123,457	(257,557)	8,914
Capital assets, being depreciated or amortized:				
Structures and improvements	3,378,088	49,584	(7,152)	3,420,520
Machinery and equipment	2,625,823	425,815	(110,710)	2,940,928
Right to use leases and subscriptions:				
Land	3,097			3,097
Structures and improvements	344,673	35,658	(13,662)	366,669
Machinery and equipment	24,476	20,848	(5,851)	39,473
Subscription-based IT arrangements	65,228	60,279	(6,556)	118,951
Total capital assets	38,288,537	2,328,515	(1,272,399)	39,344,653
Less accumulated depreciation or amortization for:				
Structures and improvements	(1,547,820)	(74,935)	5,250	(1,617,505)
Machinery and equipment	(1,723,208)	(409,106)	88,332	(2,043,982)
Right to use leases	(79,090)	(52,138)	17,583	(113,645)
Subscription-based IT arrangements	(18,949)	(33,783)	6,559	(46,173)
Total accumulated depreciation or amortization	(3,369,067)	(569,962)	117,724	(3,821,305)
Governmental activities capital assets, net	\$ 34,919,470	\$ 1,758,553	\$ (1,154,675)	\$ 35,523,348
Business-Type activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ 209,536	\$ -	\$ 209,536

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

State of Tennessee

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Governmental activities:	
General government	\$ 24,890
Education	2,369
Health and social services	325,405
Law, justice and public safety	63,192
Recreation and resource development	15,438
Regulation of business and professions	1,637
Transportation	34,791
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	102,240
Total depreciation or amortization expense – governmental activities	<u>\$ 569,962</u>

**Highway Construction Commitments**— At June 30, 2024, the Department of Transportation had contractual commitments of approximately \$811.1 million for construction of various highway projects. Funding of these future expenditures is expected to be provided from federal grants (\$788.9 million) and general obligation bond authorizations (\$22.2 million).

**B. Discretely Presented Component Units**

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Capital asset activity for the year ended June 30, 2024, for the discretely presented component units was as follows (expressed in thousands):

State of Tennessee

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Component Units:</b>				
Capital assets, not being depreciated:				
Art and collections	\$ 12,045	\$ 856	\$ (1,870)	\$ 11,031
Land	275,402	11,063	(1,524)	284,941
Construction in progress	596,892	645,400	(138,535)	1,103,757
Capital assets, being depreciated:				
Infrastructure	993,246	58,298	(2,709)	1,048,835
Structures and improvements	8,387,259	136,070	(20,804)	8,502,525
Machinery and equipment	1,398,969	128,549	(64,479)	1,463,039
Right to use assets:				
Land	276	5,886		6,162
Infrastructure	3,353			3,353
Structures and improvements	96,864	10,248	(7,686)	99,426
Machinery and equipment	7,844	3,350	(2,399)	8,795
Other	1,381		(5)	1,376
Subscription-based IT arrangements	120,767	77,460	(5,891)	192,336
Total capital assets	<u>11,894,298</u>	<u>1,077,180</u>	<u>(245,902)</u>	<u>12,725,576</u>
Less accumulated depreciation or amortization for:				
Infrastructure	(526,012)	(43,980)	1,710	(568,282)
Structures and improvements	(3,139,179)	(185,659)	15,155	(3,309,683)
Machinery and equipment	(933,756)	(93,932)	61,032	(966,656)
Right to use assets	(25,297)	(16,739)	3,859	(38,177)
Subscription-based IT arrangements	(24,228)	(31,763)	1,851	(54,140)
Total accumulated depreciation or amortization	<u>(4,648,472)</u>	<u>(372,073)</u>	<u>83,607</u>	<u>(4,936,938)</u>
Component Units capital assets, net	<u>\$7,245,826</u>	<u>\$ 705,107</u>	<u>\$ (162,295)</u>	<u>\$7,788,638</u>

The University of Tennessee foundations and certain State University and Community College System foundations utilize FASB standards; therefore, only the June 30, 2024, balances are available as follows (expressed in thousands):

	<b>Ending Balance</b>
Capital assets, not being depreciated:	
Art and collections	\$ 875
Land	16,073
Total capital assets, not being depreciated	<u>16,948</u>
Capital assets, being depreciated:	
Infrastructure	1,180
Structures and improvements	159,608
Machinery and equipment	27,537
Right to use asset	7,552
Total capital assets being depreciated	<u>195,877</u>
Less: total accumulated depreciation	<u>(121,411)</u>
Total capital assets, being depreciated, net	<u>74,466</u>
Total capital assets, net	<u>\$ 91,414</u>

# NOTE 8

## Interfund Balances, Payables and Receivables

### A. Interfund Balances

Interfund balances at June 30, 2024, for the state’s individual major funds, nonmajor funds, internal service funds, and fiduciary funds in the aggregate consist of the following (expressed in thousands):

**Due From**

	General	Education	Highway	Capital Projects	Nonmajor Governmental Funds	Employment Security	Sewer Treatment Loan	Internal Service Funds	Fiduciary Funds	Total
General		\$ 18	\$ 567	\$ 37	\$ 1,284	\$ 348	\$ 40	\$ 423		\$ 2,717
Education	\$28,162									28,162
D Highway	2,871									2,871
U Capital projects	13,745	14	307		16					14,082
E Nonmajor governmental funds					27					27
T Employment security	286									286
O Internal service funds	2,304			107	23			67	\$ 1,300	3,801
Custodial funds	5									5
<b>Total</b>	<b>\$47,373</b>	<b>\$ 32</b>	<b>\$ 874</b>	<b>\$ 144</b>	<b>\$ 1,350</b>	<b>\$ 348</b>	<b>\$ 40</b>	<b>\$ 490</b>	<b>\$ 1,300</b>	<b>\$51,951</b>

### B. Component Units Payables

Component units’ accounts payable to the primary government at June 30, 2024, consisted of the following (expressed in thousands):

**Payable From Component Units**

	Tennessee Education Lottery	State University and Community College System	University of Tennessee	Nonmajor Component Units	Total
<b>P A Y A B L E S</b>					
<b>PRIMARY GOVERNMENT:</b>					
B General		\$ 237	\$ 36	\$ 8	\$ 281
L Education	\$ 152,088	23			152,111
E Capital Projects Nonmajor governmental funds		4,852		19,019	23,871
T Internal service funds		339	1,918	110	1,918
<b>O Total</b>	<b>\$ 152,088</b>	<b>\$ 5,451</b>	<b>\$ 1,964</b>	<b>\$ 19,137</b>	<b>\$178,640</b>

**C. Component Units Receivables**

Component units' accounts receivable from the primary government at June 30, 2024 consisted of the following (expressed in thousands):

**Receivable from Primary Government**

Receivable to Component Units:	Receivable from Primary Government						Total
	General	Education	Highway	Capital Projects	Nonmajor Governmental Funds	Internal Service Funds	
Tennessee Housing Development Agency	\$ 768						\$ 768
State University and Community College System	11,151	\$14,291	\$1,119	\$ 2,549	\$ 2,232	\$ 42	31,384
University of Tennessee	15,457	16,844	1,269	16,725	2,611	226	53,132
Nonmajor component units	2,187						2,187
<b>Total</b>	<b>\$29,563</b>	<b>\$31,135</b>	<b>\$2,388</b>	<b>\$19,274</b>	<b>\$ 4,843</b>	<b>\$ 268</b>	<b>\$87,471</b>

**NOTE 9**

**Interfund Transfers**

Transfers between the various primary government funds for fiscal year ended June 30, 2024, are as follows (expressed in thousands):

Transfers Out	Transfers In									Total
	General	Education	Highway	Capital Projects	Nonmajor Governmental Funds	Sewer Treatment	Nonmajor Enterprise Funds	Internal Service Funds	Private Purpose Trust Funds	
General		\$888,449	\$3,443,646	\$1,782,381	\$ 90,006	\$8,361	\$9,400	\$62,522	\$ 108	\$6,284,873
Education				49,575						49,575
Highway	\$ 2,782									2,782
Nonmajor Governmental Funds	87,436		83,800	155				420		171,811
Nonmajor Enterprise Funds		1,775								1,775
Internal Service Funds								17		17
<b>Total</b>	<b>\$90,218</b>	<b>\$890,224</b>	<b>\$3,527,446</b>	<b>\$1,832,111</b>	<b>\$ 90,006</b>	<b>\$8,361</b>	<b>\$9,400</b>	<b>\$62,959</b>	<b>\$ 108</b>	<b>\$6,510,833</b>

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

In the fiscal year ended June 30, 2024, the general fund transferred \$6.3 billion to other funds in accordance with statute or budgetary authorizations for the following purposes: \$3.4 billion for highway expenditures, \$1.8 billion for capital outlay expenditures, \$880 million to subsidize the activities of the education fund, \$71.8 million to subsidize superfund remediation activities, \$55.2 million for OPEB expenditures in various funds, \$25.7 million to provide appropriations to internal service funds, \$3.3 million for debt service payments, and, \$25.7 million to provide appropriations to finance various programs in other funds.

The highway fund received a transfer from the debt service fund for \$83.8 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 and Subscription-Based Information Technology Arrangements (SBITAs)

#### 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, 2024, 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
2025	\$ 46,904	\$ 8,423
2026	41,212	7,064
2027	31,166	5,943
2028	26,398	5,130
2029	24,283	4,402
2030 - 2034	86,512	12,977
2035 - 2039	44,142	3,580
2040 - 2044	2,775	413
2045 - 2049	311	177
2050 - 2054	447	127
Thereafter	725	57
Total	\$ 304,875	\$ 48,293

#### 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, 2024, the state had \$354 thousand in current lease receivables and \$5.1 million in noncurrent lease receivables and recognized total lease-related revenue of \$289 thousand in governmental activities. There was no additional revenue for variable and other payments not included in the measurement of the lease receivables.

**C. Subscription-Based Information Technology Arrangements (SBITAs)**

The state routinely enters into arrangements for the use of vendor-provided information technology in its daily operations. The contracts often include variable payments and termination penalties that are not known or certain at the time of the SBITA liability measurement. These expenses are recognized in the period in which they occur. For fiscal year ended June 30, 2024, the state paid \$7.7 million for variable performance based SBITA payments and made no termination penalty payments. The following is a schedule of future principal and interest payments due for SBITAs (expressed in thousands).

For the Year(s) Ended June 30	Principal	Interest
2025	\$ 31,296	\$ 1,876
2026	17,011	889
2027	9,808	364
2028	3,315	148
2029	893	79
2030 - 2034	1,439	120
Total	\$ 63,762	\$ 3,476

## NOTE 11

### Long-Term Liabilities

**A. General Obligation Bonds**

Bonds Payable at June 30, 2024, are shown below (expressed in thousands):

Governmental activities:	Amount
General obligation bonds, 1.9% to 5.2%, due in generally decreasing amounts of principal and interest from \$131.8 million in 2025 to \$26.1 million in 2043	\$ 1,032,680
General obligation refunding bonds, 2015 Series B, 3% to 5%, principal and interest due in amounts from \$10.6 million in 2025 to \$14.3 million in 2029	54,385
General obligation refunding bonds, 2016 Series B, 5%, principal and interest due in amounts from \$14.4 million in 2025 to \$9.6 million in 2032	105,435
General obligation refunding bonds, 2016 Series C, 1.97% to 2.67%, principal and interest due in the amount of \$8.2 million in 2025 to \$2.5 million in 2032	43,890
General obligation refunding bonds, 2021 Series A, 5%, principal and interest due in amounts from \$8 million in 2025 to \$6.3 million in 2033	51,795
General obligation refunding bonds, 2021 Series B, 0.65% to 1.98%, principal and interest due in amounts from \$65.4 million in 2025 to \$13.7 million in 2036	400,920
Total bonds outstanding	1,689,105
Plus unamortized bond premium	175,841
Total bonds payable	\$ 1,864,946

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, 2024:

August 2023: Bond Series 2023A in the amount of \$452.7 million  
                   Bond Series 2023B in the amount of \$44.9 million

The August 2023, bond series 2023A, general obligation bond issuance in the amount of \$452.7 million represents tax-exempt bonds maturing serially through 2043 at an interest rate of 5 percent. The bonds were sold at a premium of \$49.7 million. Proceeds of the bond issue and premium were deposited into a trust to be used for qualifying capital expenditures.

The August 2023, bond series 2023B, general obligation bond issuance in the amount of \$44.9 million represents taxable bonds maturing serially through 2043 at varying interest rates of 4.5 to 5.3 percent. Proceeds of the bond issue was used to redeem commercial paper.

**Prior-Year Defeasance of Debt**

In current and prior years, the state defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on old bonds. Accordingly, the assets held in non-state administered trust accounts and the liability for the defeased bonds are not included in the state’s financial statements. The entirety of these trust account assets are covered under trust agreements where the substitution of essentially risk-free monetary assets with monetary assets that are not essentially risk-free is not strictly prohibited. On June 30, 2024, \$249.2 million of bonds outstanding are considered defeased.

**B. General Obligation Commercial Paper**

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Governmental activities commercial paper payable at June 30, 2024, is shown below (expressed in thousands):

	Commercial Paper
General obligation commercial paper, interest rates at 3.77% tax exempt and 5.54% for taxable, varying maturities	\$ 20,613

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 TCRS has agreed to serve as standby commercial paper purchaser for commercial paper issued by the Funding Board of the State of Tennessee. By serving as a standby commercial paper purchaser, the TCRS receives an annual fee of 35 basis points on the \$350 million maximum issuance under this agreement during times when both Moody’s and Standard and Poor’s investment ratings assigned to the State of Tennessee’s general obligation bonds are Aaa and AAA respectively, 45 basis points during times when either Moody’s or Standard and Poor’s has assigned ratings of Aa and AA respectively, or 55 basis points during times when either Moody’s or Standard and Poor’s has assigned ratings lower than Aa and AA respectively. In the unlikely event that the TCRS would be called upon to purchase the commercial paper, the TCRS would receive interest at a rate equal to prime plus 150 basis points subject to a floor of 5 percent (5%); provided, however, in no event shall the Standby Purchase Rate be in excess of the maximum rate as defined in Section 47-14-103, Tennessee Code Annotated. The Program expires and the Standby Purchase Agreement terminates on July 1, 2026. At June 30, 2024, \$20.6 million of commercial paper was outstanding (\$15.5 million tax exempt and \$5.1 million federally taxable), this left an unused CP capacity of \$329.4 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**

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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

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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 2024, \$2 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, 2024, are as follows (expressed in thousands):

For the Year(s) Ended June 30	General Obligation Bonds		Total Requirements
	Principal	Interest	
2025	\$ 174,520	\$ 63,845	\$ 238,365
2026	170,615	58,240	228,855
2027	162,185	52,670	214,855
2028	156,320	46,986	203,306
2029	147,445	41,406	188,851
2030-2034	486,330	139,326	625,656
2035-2039	270,991	60,756	331,747
2040-2043	120,699	13,511	134,210
	<u>\$ 1,689,105</u>	<u>\$ 476,740</u>	<u>\$ 2,165,845</u>

Debt service requirements to maturity for commercial paper payable at June 30, 2024, are as follows (expressed in thousands):

For the Year(s) Ended June 30	Commercial Paper Payable		Total Requirements
	Principal	Interest	
2025	\$ 20,613	\$ 263	\$ 20,876

Debt service requirements to maturity for all emergency first responder annuities at June 30, 2024, are as follows (expressed in thousands):

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For the Year(s) Ended June 30	Emergency First Responder Annuity		Total Requirements
	Principal	Interest	
2025	\$ 2,650	\$ -	\$ 2,650
2026	2,500	-	2,500
2027	2,250	-	2,250
2028	1,300	-	1,300
	<u>\$ 8,700</u>	<u>\$ -</u>	<u>\$ 8,700</u>

Debt service requirements to maturity for all financed purchases at June 30, 2024, are as follows (expressed in thousands):

For the Year(s) Ended June 30	Financed Purchase		Total Requirements
	Principal	Interest	
2025	\$ 1,182	\$ 94	\$ 1,276
2026	1,262	33	1,295
2027	282	1	283
	<u>\$ 2,726</u>	<u>\$ 128</u>	<u>\$ 2,854</u>

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

A summary of general obligation bonds authorized and unissued at June 30, 2024, 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 7/1/2023	Authorized	Canceled	Unissued 6/30/2024
Highway	\$ 919,800	\$ 87,700	\$ 83,800	\$ 923,700
Higher Education	33,766	-	155	33,611
General government	590,568	-	544,700	45,868
Totals	<u>\$ 1,544,134</u>	<u>\$ 87,700</u>	<u>\$ 628,655</u>	<u>\$ 1,003,179</u>

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

A summary of changes in long-term obligations for the year ended June 30, 2024 follows (expressed in thousands):

	Beginning			Ending	Amounts
	Balance	Additions	Reductions	Balance	Due Within
					One Year
Governmental activities:					
Bonds and commercial paper governmental funds	\$1,425,942	\$551,778	\$(234,456)	\$1,743,264	\$158,887
Bonds and commercial paper internal service funds	164,403	-	(22,108)	142,295	15,633
Right-to-use leases - governmental funds	23,346	8,562	(6,555)	25,353	4,449
Right-to-use leases - internal service funds	274,853	47,943	(43,274)	279,522	42,455
Right-to-use SBITA - governmental funds	28,055	48,253	(26,397)	49,911	24,681
Right-to-use SBITA - internal service funds	10,684	10,612	(7,445)	13,851	6,615
Financed purchase	3,832	-	(1,106)	2,726	1,182
Compensated absences	393,540	233,417	(88,724)	538,233	183,334
Emergency responder	5,150	6,500	(2,950)	8,700	2,650
Governmental activities					
Long-term debt	<u>\$2,329,805</u>	<u>\$907,065</u>	<u>\$(433,015)</u>	<u>\$2,803,855</u>	<u>\$439,886</u>
Other long-term liabilities					
Pension				794,997	-
Other postemployment benefits				976,799	36,962
Pollution remediation				61,071	8,554
Unstructured claims and judgements				286,855	163,183
Taxes				-	-
Total other long-term liabilities				<u>\$2,119,722</u>	<u>\$208,699</u>
Total governmental activities				<u>\$4,923,577</u>	<u>\$648,585</u>
Total long-term governmental liabilities				<u>\$4,274,992</u>	
Business-type activities:					
Deposits payable				<u>\$ 9,904</u>	

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

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, right-to-use-leases, right-to-use SBITA, OPEB and pension liabilities. Claims and judgments are obligations of the highway fund (special revenue fund), risk management fund (internal service fund), debt 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, 2024, were as follows (expressed in thousands):

	Vendors	Salaries and Benefits	Accrued Interest	Due To Other Governments	Other	Total Payables
<b>Governmental activities:</b>						
General	\$1,340,351	\$133,892		\$3,356,518	\$2,240,107	\$7,070,868
Education	293,932	5,335		439,886	391	739,544
Highway	214,655	11,306		221,179		447,140
Capital projects	159,510			33,467		192,977
State shared taxes	298.00			174,118		174,416
Nonmajor governmental funds	17,826	2,961	\$ 17,364	32,563	2,538	73,252
Internal service funds	133,737	9,011	1,004	239	116	144,107
<b>Total— governmental activities</b>	<b>\$2,160,309</b>	<b>\$162,505</b>	<b>\$ 18,368</b>	<b>\$4,257,970</b>	<b>\$2,243,152</b>	<b>\$8,842,304</b>
<b>Business-type activities:</b>						
Employment security				\$ 59,301	\$ 5,449	\$ 64,750
Sewer treatment loan			\$ 309			309
Nonmajor enterprise funds	\$ 84,256		188	36		84,480
<b>Total—business-type activities</b>	<b>\$ 84,256</b>		<b>\$ 497</b>	<b>\$ 59,337</b>	<b>\$ 5,449</b>	<b>\$149,539</b>

# NOTE 13

## Governmental Fund Balances

Balances as of June 30, 2024, were as follows (expressed in thousands):

	Restricted Purposes	Committed Purposes	Assigned Purposes
<b>General Fund</b>			
General operations:			
Legislature			\$ 99,007
Constitutional offices	\$ 11,180	\$ 31,149	83,561
Administrative services		71,629	891,106
Children's services	4,028		35,500
Public health	21,513	256,100	1,671,700
Human services	4,944	4,053	75,363
Business and industry development	10,280		973,566
Judicial	49,042	22,513	36,283
Natural resources	14,123	92,470	148,110
Public safety	5	37,629	683,016
Agriculture	497	2,203	74,325
Employment and business regulation	11,272	208,949	141,017
Other	129,303	18,547	58,274
Total general fund	\$ 256,187	\$ 745,242	\$ 4,970,828
<b>Education Fund</b>			
After school program	\$ 52,302		
Lottery for education	233,838		
Energy efficient school initiative	1,695		
TN Promise Scholarship Endowment Fund	784,602		
Other	1,112	\$ 168,387	\$ 478,573
Total education fund	\$ 1,073,549	\$ 168,387	\$ 478,573
<b>Highway Fund</b>			
State matching	\$ 875,998		
Railway, aeronautics, and waterway program		\$ 349,066	
State aid		3,354,419	
Future highway projects			\$ 686,389
Railroad inspection		3,114	
Aeronautics Economic Development			28,534
Other			76,017
Total highway fund	\$ 875,998	\$ 3,706,599	\$ 790,940
<b>Capital Projects Fund</b>			
Total capital projects fund	\$ 521,039		\$ 5,708,488
<b>Nonmajor Governmental Funds</b>			
Debt service	\$ 7,969		\$ 34,952
Chairs of excellence	367,606		
Criminal injuries		\$ 7,378	
Wildlife resources	80,747	26,173	
Underground storage tanks	65,351		
Enhanced emergency 911	38,041	6,796	
Environmental protection		74,795	
Solid and hazardous waste	55	113,577	
Parks acquisition		119,702	
Public health		107,395	
Other	235,951	83,096	
Total nonmajor governmental funds	\$ 795,720	\$ 538,912	\$ 34,952

## Budget Stabilization Accounts

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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 \$2.1 billion as of June 30, 2024.

**(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, 2024, 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, 2024 (expressed in thousands):

<b>Condensed Statement of Net Position Component Units</b>						
	Tennessee Housing Development Agency	Tennessee Education Lottery	State University and Community College System	University of Tennessee	Nonmajor Component Units	Total Component Units
<b>Assets</b>						
Cash, investments, and other assets	\$4,492,352	\$277,491	\$ 2,193,839	\$2,075,943	\$238,640	\$9,278,265
Due from primary government	768		31,384	53,132	2,187	87,471
Due from other component units					1,828,204	1,828,204
Restricted assets	161,715	94	1,580,832	2,546,899	341,295	4,630,835
Capital assets, net	4,595	2,726	4,271,596	3,475,758	125,377	7,880,052
<b>Total assets</b>	<b>4,659,430</b>	<b>280,311</b>	<b>8,077,651</b>	<b>8,151,732</b>	<b>2,535,703</b>	<b>23,704,827</b>
Deferred outflows	7,182		282,122	224,567	39,060	552,931
<b>Liabilities</b>						
Accounts payable and other current liabilities	128,477	124,111	335,653	469,096	26,404	1,083,741
Due to primary government		152,088	5,451	1,964	19,137	178,640
Due to other component units			712,478	1,115,726		1,828,204
Long-term liabilities	3,901,719	4,018	453,627	494,511	2,286,303	7,140,178
<b>Total liabilities</b>	<b>4,030,196</b>	<b>280,217</b>	<b>1,507,209</b>	<b>2,081,297</b>	<b>2,331,844</b>	<b>10,230,763</b>
Deferred inflows	1,531		101,756	149,813	3,239	256,339
<b>Net position</b>						
Net investment in capital assets	4,595	2,726	3,475,151	2,273,259	123,163	5,878,894
Restricted	581,508	94	1,393,963	2,458,551	15,508	4,449,624
Unrestricted	48,782	(2,726)	1,881,694	1,413,379	101,009	3,442,138
<b>Total net position</b>	<b>\$ 634,885</b>	<b>\$ 94</b>	<b>\$ 6,750,808</b>	<b>\$6,145,189</b>	<b>\$239,680</b>	<b>\$13,770,656</b>

State of Tennessee

<b>Condensed Statement of Activities Component Units</b>						
	Tennessee Housing Development Agency	Tennessee Education Lottery	State University and Community College System	University of Tennessee	Nonmajor Component Units	Total
Expenses	\$692,361	\$1,903,870	\$3,446,048	\$3,143,126	\$270,716	\$ 9,456,121
Program Revenues						
Charges for services	216,275	1,895,115	962,211	1,115,330	151,388	4,340,319
Operating grants and contributions	537,098	36	1,143,841	1,437,854	29,345	3,148,174
Capital grants and contributions			400,580	108,278		508,858
Total program revenues	753,373	1,895,151	2,506,632	2,661,462	180,733	7,997,351
Net program revenues (expense)	61,012	(8,719)	(939,416)	(481,664)	(89,983)	(1,458,770)
General Revenues						
Payments from primary government	897		1,319,714	895,560	124,498	2,340,669
Unrestricted grants and contributions			30,051	168	9,753	39,972
Unrestricted investment earnings (losses)	1,546	8,757	232,294	108,163	2,599	353,359
Miscellaneous			7,351	3,274		10,625
Total general revenues	2,443	8,757	1,589,410	1,007,165	136,850	2,744,625
Contributions to permanent funds			25,228	59,477		84,705
Change in net position	63,455	38	675,222	584,978	46,867	1,370,560
Net Position- July 1, restated	571,430	56	6,075,586	5,560,211	192,813	12,400,096
Net Position - June 30	\$634,885	\$ 94	\$6,750,808	\$6,145,189	\$239,680	\$13,770,656

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 \$1.342 billion were made to the State University and Community College System and \$863 million to UT.
- Capital project expenditures in the amount of \$390.9 million were made for the State University and Community College System and \$94.8 million to UT in the form of expenditures in the capital projects fund for projects at these school systems.
- The State University and Community College System paid the primary government \$87.2 million to reimburse the state for projects that were not a part of the capital appropriations.
- The TELC generated net lottery proceeds of \$501.3 million for the state’s Lottery for Education Account.

The most significant transaction among component units is that in which the Tennessee State School Bond Authority, a nonmajor component unit, makes loans to the University of Tennessee and the State University and

State of Tennessee

Community College System to finance certain capital projects. At June 30, 2024 the Authority’s loan receivable (expressed in thousands) consisted of:

	Current	Noncurrent
State University and Community College System	\$ 45,062	\$ 663,905
University of Tennessee	54,473	1,058,330
<b>Total</b>	<b>\$ 99,535</b>	<b>\$ 1,722,235</b>

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

**Tennessee Housing Development Agency (THDA)**

Bonds Payable at June 30, 2024, is shown below (expressed in thousands):

Housing finance program bonds, and residential finance program bonds, various series, .13% to 6.534%, due in amounts of principal and interest ranging from \$209.3 million in 2025 to \$36.7 million in 2055	\$3,656,205
Plus unamortized bond premium	69,217
Less unamortized bond discount	(280)
<b>Total bonds payable</b>	<b>\$3,725,142</b>

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

Bond sales during the year ended June 30, 2024, included the following issues:

- July 2023—Residential Finance program bonds of \$235 million
- November 2023— Residential Finance program bonds of \$360 million
- March 2024— Residential Finance program bonds of \$270 million
- June 2024— Residential Finance program bonds of \$255 million

**Redemption of Bonds and Notes**

During the year ended June 30, 2024, bonds were retired at par before maturity in the Housing Finance Program in the amount of \$4,770,000 and in the Residential Finance Program in the amount of \$162,235,000. The respective carrying values of the bonds were \$4,933,652 and \$168,543,566. This resulted in revenue to the Housing Finance Program of \$163,652 and to the Residential Finance Program of \$6,308,566.

On July 25, 2023 the agency sold \$235,000,000 in Residential Finance Program Bonds, Issue 2023-2.

On November 8, 2023 the agency issued \$360,000,000 in Residential Finance Program Bonds, Issue 2023-3.

On March 21, 2024 the agency issued \$270,000,000 in Residential Finance Program Bonds, Issue 2024-1.

On June 25, 2024 the agency issued \$255,000,000 in Residential Finance Program Bonds, Issue 2024-2.

Debt Service requirements to maturity for revenue bonds payable at June 30, 2024, are as follows (expressed in thousands):

State of Tennessee

For the Year(s) Ended June 30	Revenue Bonds		Total Requirements
	Principal	Interest	
2025	\$ 72,055	\$ 137,202	\$ 209,257
2026	122,415	144,838	267,253
2027	125,505	141,271	266,776
2028	125,720	137,492	263,212
2029	128,940	133,500	262,440
2030-2034	609,035	602,576	1,211,611
2035-2039	581,095	496,074	1,077,169
2040-2044	646,230	373,276	1,019,506
2045-2049	688,445	231,290	919,735
2050-2054	521,680	81,169	602,849
2055	35,085	1,586	36,671
	<u>\$ 3,656,205</u>	<u>\$ 2,480,274</u>	<u>\$ 6,136,479</u>

The agency's bond resolutions govern the outstanding bonds payable for all bond programs in the amount of \$3,656,205 (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 \$3,656,205 (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, 2024, is \$68,073,331.

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

**Tennessee Local Development Authority (TLDA)**

Bonds Payable at June 30, 2024, is shown below (expressed in thousands):

Revenue bonds, 4.25% to 4.375%, due in generally decreasing amounts of principal and interest from \$269 thousand in 2025 to \$21 thousand in 2029	\$ 560
Less unamortized bond discount	(4)
Total bonds payable	<u>\$ 556</u>

The revenue bonds listed above are not obligations of the state. They are secured by pledges of resources from the facilities to which they relate and by certain other revenues, fees, and assets of TLDA. Debt Service requirements to maturity for TLDA's revenue bonds payable at June 30, 2024, are as follows (expressed in thousands):

State of Tennessee

For the Year(s) Ended June 30	Revenue Bonds		Total Requirements
	Principal	Interest	
2025	\$ 245	\$ 24	\$ 269
2026	260	13	273
2027	15	2	17
2028	20	2	22
2029	20	1	21
	\$ 560	\$ 42	\$ 602

**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, 2024, are shown below (expressed in thousands):

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Revenue bonds, various Series, 0.339% to 5.1%, due in varying amounts of principal and interest from \$171.3 million in 2025 to \$16.1 million in 2053	\$2,089,740
Plus unamortized bond premium	126,987
Less unamortized bond discount	(11)
Total bonds payable	\$2,216,716
Revolving credit facility, interest rates ranging from 1.79% to 5.69%, varying maturities	\$ 62,874

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, 2024, are as follows (expressed in thousands):

For the Year(s) Ended June 30	Revenue Bonds		Total Requirements
	Principal	Interest	
2025	\$ 99,535	\$ 71,753	\$ 171,288
2026	101,255	68,068	169,323
2027	275,720	62,335	338,055
2028	305,270	52,976	358,246
2029	88,455	44,354	132,809
2030-2034	383,325	186,257	569,582
2035-2039	337,925	132,380	470,305
2040-2044	284,260	75,556	359,816
2045-2049	150,720	31,027	181,747
2050-2053	63,275	6,152	69,427
	\$ 2,089,740	\$ 730,858	\$ 2,820,598

The Authority may issue taxable and/or tax-exempt bonds. Proceeds for the tax-exempt bonds issued after September 1, 1986, are subject to the 1986 Tax Reform Act. The Authority invests, records, and reports these proceeds in the manner set forth by the U.S. Treasury and Internal Revenue Service to maintain the tax-exempt status of the bonds. Arbitrage liabilities, when applicable, are reported as a current accrued liability. For the year ended June 30, 2024, the Authority had an arbitrage liability of \$206,728 on the 2019 Series A Bonds.

**Revolving Credit Facility Program**

The Authority issues short-term debt to finance certain capital projects for the State’s higher education institutions. On May 1, 2024, the Authority entered into a RCA with Bank of America, National Association. As of the closing of the RCA, the current amount not to exceed was \$200,000,000 and is subject to increase or decrease at the discretion of the Authority with an aggregate principal amount outstanding at any time not to exceed \$300,000,000. The RCF may be issued and the proceeds utilized to fund either tax-exempt or taxable loans. As of June 30, 2024, of the \$200,000,000, \$48,902,784 of tax-exempt RCF loans and \$13,971,323 of taxable RCF loans were outstanding and \$137,125,893 was unused.

**Events of Default**

Debt issued and outstanding 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 does not have sufficient 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 issued and outstanding 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 taxes, 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, 2024, follows (expressed in thousands):

<b>Changes in Long-term Liabilities</b>					
	Beginning			Ending	Amounts
	Balance	Additions	Reductions	Balance	Due Within
					One Year
Revenue bonds, notes, and loans payable:					
University of Tennessee (UT)	\$1,084,260	\$ 94,272	\$ (65,729)	\$1,112,803	\$ 54,473
State University and Community College System (SUCCS)	749,091	27,851	(53,832)	723,110	48,135
Tennessee Housing Development Agency (THDA)	2,819,743	1,138,914	(233,514)	3,725,143	121,015
Nonmajor component units	2,356,148	35,000	(109,454)	2,281,694	100,109
Long-term debt	\$7,009,242	\$1,296,037	\$ (462,529)	\$7,842,750	\$323,732
Other long-term liabilities:					
Compensated absences:					
UT	101,723	61,597	(53,843)	109,477	53,843
SUCCS	92,945	59,360	(50,847)	101,458	23,510
THDA	2,168	1,576	(665)	3,079	1,470
Tennessee Education Lottery Corporation (TELC)	770	1,994	(1,105)	1,659	1,110
Nonmajor component units	1,992	1,388	(1,120)	2,260	1,159
Due to grantors, unearned revenue, annuities payable, prizes annuities payable:					
UT	21,333	9,993	(11,847)	19,479	
SUCCS	9,469	516	(1,293)	8,692	
TELC	464	175	(106)	533	
THDA	142,498	11,473	(21,375)	132,596	
Escrow deposits and arbitrage rebate payable:					
THDA	32,329	109,279	(105,987)	35,621	18,601
Lease					
UT	36,118	4,537	(7,609)	33,046	4,708
SUCCS	44,717	12,567	(10,172)	47,112	8,416
TELC	2,785		(959)	1,826	1,292
Nonmajor component units	544		(151)	393	153
Subscription-based IT arrangements					
UT	23,767	14,235	(13,542)	24,460	9,448
SUCCS	41,118	24,942	(24,596)	41,464	18,181
Pension:					
UT				129,171	
SUCCS				173,453	
THDA				4,618	
Nonmajor component units				1,712	
Other postemployment benefits:					
UT				64,689	
SUCCS				67,306	
THDA				662	
Nonmajor component units				244	
Component units long-term liabilities	\$7,563,982	\$1,609,669	\$ (767,746)	\$8,847,760	\$465,623

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 \$114.1 million (\$4.997 million due within one year).

## **E. Endowments – Component Units**

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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. 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, 2024, net appreciation of \$249.608 million is available to be spent, of which \$214.306 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, 2024, net appreciation of \$45.322 million is available to be spent, of which \$44.538 million is restricted to specific purposes.

# **NOTE 15**

## **Risk Management**

### **A. Teacher Group Insurance**

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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, 2024, included 126 local education agencies and one education cooperative, with 58,960 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):

	2024	2023
Unpaid claims at beginning of year	\$ 43,435	\$ 41,795
Incurred claims:		
Provision for insured events of the current year	840,024	735,664
Increase (decrease) in provision for insured events of prior years	8,077	(2,935)
Total incurred claims expenses	848,101	732,729
Payments:		
Claims attributable to insured events of the current year	787,516	692,371
Claims attributable to insured events of prior years	50,139	38,718
Total payments	837,655	731,089
Total unpaid claims at end of year	<u>\$ 53,881</u>	<u>\$ 43,435</u>

## B. Local Government Group Insurance

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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, 2024, included 69 counties, 216 municipalities and 104 quasi-governmental organizations, with 17,045 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):

	2024	2023
Unpaid claims at beginning of year	\$ 11,608	\$ 13,810
Incurred claims:		
Provision for insured events of the current year	211,188	201,330
Increase (decrease) in provision for insured events of prior years	(1,233)	(1,925)
Total incurred claims expenses	209,955	199,405
Payments:		
Claims attributable to insured events of the current year	199,833	189,813
Claims attributable to insured events of prior years	10,071	11,794
Total payments	209,904	201,607
Total unpaid claims at end of year	<u>\$ 11,659</u>	<u>\$ 11,608</u>

### 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 self-insures against property and cyber liability losses through the RMF. The state purchases commercial insurance for real property, crime, and fidelity coverage on the state's officials and employees above the limits of the RMF. For property coverage, the deductible for an individual state agency is 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 of \$2.5 million per occurrence for all perils and is responsible for an additional annual aggregate of \$25 million in excess of the \$2.5 million per occurrence. Purchased insurance coverage is responsible for losses exceeding these limits to the maximum insurance coverage of \$600 million per year for perils other than earthquake and flood. The maximum flood insurance coverage is \$50 million per year. The maximum earthquake insurance coverage is \$50 million per year. For cyber coverage, the RMF is responsible for the \$1.5 million per occurrence and is responsible for an additional aggregate of \$10 million in excess of the \$1.5 million per occurrence. Settled claims resulting from these risks have not exceeded maximum commercial insurance coverage in any of the past three fiscal years.

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State of Tennessee

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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 \$94.63 million (discounted at 4.0 percent) at June 30, 2024 and \$92.42 million (discounted at 4.0 percent) at June 30, 2023. The accrued liability for incurred property losses was \$25.1 million at June 30, 2024 and \$23.7 million at June 30, 2023. The changes in the balances of the claims liabilities during fiscal years 2023 and 2024 were as follows (expressed in thousands):

	2023-2024	2022-2023
Beginning of Fiscal Year Liability	\$ 216,168	\$ 169,738
Current Year Claims and Changes in Estimates	41,522	78,712
Claim Payments	(48,296)	(32,282)
Balance at Fiscal Year-End	<u>\$ 209,394</u>	<u>\$ 216,168</u>

The RMF held \$241 million in cash at June 30, 2024 and \$254 million in cash at June 30, 2023 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**

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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, 2024, included 63,616 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):

	2024	2023
Unpaid claims at beginning of year	\$ 57,454	\$ 56,866
Incurred claims:		
Provision for insured events of the current year	1,057,241	968,942
Increase (decrease) in provision for insured events of prior years	6,716	(3,298)
Total incurred claims expenses	1,063,957	965,644
Payments:		
Claims attributable to insured events of the current year	993,013	911,801
Claims attributable to insured events of prior years	62,790	53,255
Total payments	1,055,803	965,056
Total unpaid claims at end of year	\$ 65,608	\$ 57,454

## NOTE 16

### Other Postemployment Benefits (OPEB)

For the year ended June 30, 2024, primary government employers reported \$976.8 million of net OPEB liability, \$389.9 million of deferred outflows of resources related to OPEB, \$298.9 million of deferred inflows of resources related to OPEB, \$97.5 million of OPEB expense and \$382.4 million of deferred outflows of benefits paid subsequent to the measurement date. Component unit employers reported \$132.9 million of net OPEB liability, \$55.9 million of deferred outflows of resources related to OPEB, \$170.4 million of deferred inflows of resources related to OPEB, \$(17) million of OPEB expense, and \$39.5 million of deferred outflows of benefits paid subsequent to the measurement date. These totals are aggregated for all OPEB plans applicable for the above employers for which they participate. Details of the primary government amounts are shown below (expressed in thousands):

	Employee Group OPEB Plan	Tennessee Plan (state)	Teacher Group OPEB Plan	Tennessee Plan (k-12)	Total
Net OPEB liability	\$ 266,188	\$ 156,117	\$ 370,396	\$ 184,098	\$ 976,799
Deferred outflows of resources	191,516	19,411	111,613	67,431	389,971
Deferred inflows of resources	118,940	34,669	64,599	80,781	298,989
OPEB expense	43,992	1,552	38,546	13,436	97,526
Contributions/benefits subsequent to measurement date	345,479	7,635	17,643	11,684	382,441

#### 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. Tennessee highway patrol members who retire with at least 25 years of service shall receive 80 percent of the schedule premium, regardless of date of hire. Also, any commissioned member of the Tennessee Wildlife Resources Agency or Tennessee Bureau of Investigation who retires with at least 25 years of service shall receive 80% of the scheduled premium.

**Employees covered by benefit terms**—At July 1, 2023, the following employees were covered by the benefit terms of the EGOP:

	Primary Government	Component Units
Inactive employees currently receiving benefit payments	4,146	1,892
Inactive employees entitled to but not yet receiving benefit payments	70	28
Active employees eligible for benefit payments	20,548	13,585
	<u>24,764</u>	<u>15,505</u>

**Contributions**—Annually, an insurance committee, created in accordance with Tennessee Code Annotated (TCA) 8-27-201, establishes the required contributions to the plan by member employees through the premiums established to approximate claims cost for the year. Pre-age 65 retired members of the EGOP pay a premium based on a blended rate that considers the cost of active and retired employees as well as their individual years of service. These payments are made to the OPEB Trust. Employers currently contribute to the OPEB Trust based on an actuarially determined contribution (ADC) rate calculated in a manner to meet the funding goals of the state. During the fiscal year ended June 30, 2024, the total ADC for primary government and component unit employers was \$69.8 million and \$39.7 million respectively. The OPEB Trust recognized contributions of \$345.5 million from the primary government and \$39.5 million from the component units during the reporting period. The state general assembly has the authority to change the contribution requirements of the employers participating in the EGOP.

2. Net OPEB Liability

The primary government and component unit employers EGOP related net OPEB liabilities of \$266.2 million and \$132.9 million, respectively, was measured as of June 30, 2023, and was determined by an actuarial valuation as of June 30, 2023.

**Actuarial assumptions**—The total OPEB liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

<b>Inflation</b>	2.25 percent
<b>Salary increases</b>	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
<b>Healthcare cost trend rates</b>	10.31 percent for 2024, decreasing annually to an ultimate rate of 4.50 percent for 2035 and later years
<b>Retiree's share of benefit-related costs</b>	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this valuation a weighted average has been used with weights derived from the current distribution of members among plans offered.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2023, valuations were the same as those employed in the July 1, 2022, 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-2021 from the central year. 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-2021. 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 with MP-2021.

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

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

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

Asset Class	Long-term Expected Real Rate of Return
U.S. equity	4.65%
Developed market international equity	4.55%
Emerging market international equity	4.94%
Cash (Gov't)	1.32%
Private equity and strategic lending	5.43%
U.S. fixed income	2.59%
Real estate	4.16%

**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):**

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a)-(b)
<b>EGOP- Primary government</b>			
Balances at June 30, 2022	\$ 768,281	\$ 296,479	\$ 471,802
Changes for the year:			
Service cost	22,512		22,512
Interest	45,909		45,909
Differences between expected and actual experience	(4,903)		(4,903)
Change in assumptions	64,359		64,359
Contributions from employer		396,859	(396,859)
OPEB plan net investment income		41,725	(41,725)
Changes in proportion and differences between contributions and proportionate share of contributions	621	(104,472)	105,093
Benefit payments	(53,361)	(53,361)	-
Net changes	75,137	280,751	(205,614)
Balances at June 30, 2023	\$ 843,418	\$ 577,230	\$ 266,188
<b>EGOP- Component units</b>			
Balances at June 30, 2022	\$ 384,588	\$ 148,412	\$ 236,176
Changes for the year:			
Service cost	11,240		11,240
Interest	22,921		22,921
Differences between expected and actual experience	(2,448)		(2,448)
Change in assumptions	32,133		32,133
Contributions from employer		41,194	(41,194)
OPEB plan net investment income		20,833	(20,833)
Changes in proportion and differences between contributions and proportionate share of contributions	(621)	104,472	(105,093)
Benefit payments	(26,712)	(26,712)	-
Net changes	36,513	139,787	(103,274)
Balances at June 30, 2023	\$ 421,101	\$ 288,199	\$ 132,902

**Changes in assumptions**—The mortality scale was updated from MP2020 to MP2021. This change increased the liability by 0.05%. The medical and drug trend rate assumptions were updated to reflect more recent experience and a change in expected per capita health claims to reflect more recent information as of the measurement date. This change increased the liability by 8.2%.

**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):

State of Tennessee

	1% Decrease (5%)	Discount Rate (6%)	1% Increase (7%)
Primary government	\$ 302,176	\$ 266,188	\$ 183,913
Component units	141,462	132,902	89,547

**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 (9.31 percent decreasing to 3.50 percent) or 1-percentage-point higher (11.31 percent decreasing to 5.50 percent) than the current healthcare cost trend rate (expressed in thousands):

	Healthcare Cost Trend Rate		
	1% Decrease (9.31% decreasing to 3.50%)	(10.31% decreasing to 4.50%)	1% Increase (11.31% decreasing to 5.50%)
Primary government	\$ 169,862	\$ 266,188	\$ 322,006
Component units	81,566	132,902	152,390

**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, 2024, the primary government recognized OPEB expense of \$44 million. Component unit employers recognized OPEB expense of \$(17) million.

**Deferred outflows of resources and deferred inflows of resources**— For the fiscal year ended June 30, 2024, 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):

<b>EGOP- Primary government</b>	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience		\$ 34,283
Changes of assumptions	\$ 68,492	70,596
Difference between projected and actual earnings on plan investments	8,411	
Changes in proportion and differences between contributions and proportionate share of contributions	114,613	14,061
Contributions subsequent to the measurement date	345,479	-
Total	<u>\$ 536,995</u>	<u>\$ 118,940</u>
<b>EGOP- Component units</b>	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience		\$ 17,117
Changes of assumptions	\$ 34,197	35,247
Difference between projected and actual earnings on plan investments	4,199	
Changes in proportion and differences between contributions and proportionate share of contributions	17,486	118,038
Contributions subsequent to the measurement date	39,549	
Total	<u>\$ 95,431</u>	<u>\$ 170,402</u>

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

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

<b>EGOP- Primary government</b>		
For the year ended June 30:		
	2025	\$ 197
	2026	3,093
	2027	32,937
	2028	24,154
	2029	12,195
<b>EGOP- Component units</b>		
For the year ended June 30:		
	2025	\$ (38,857)
	2026	(38,593)
	2027	(13,875)
	2028	(17,603)
	2029	(5,592)

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.

State of Tennessee

**Employees covered by benefit terms**—At July 1, 2023, 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	10,825	7,466
Inactive employees entitled to but not yet receiving benefit payments	5,714	3,075
Active employees	22,605	15,897
	<u>39,144</u>	<u>26,438</u>

In accordance with TCA 8-27-209, the state insurance committees established by TCAs 8-27-201, 8-27-301, and 8-27-701 determine the required payments to the plan by member employers and employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own developed policies. During the current reporting period, the State of Tennessee paid \$4.9 million and \$2.7 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 \$94.5 million and \$61.7 million, related to benefits offered to primary government and component unit employees, respectively, was measured as of June 30, 2023, and was determined by an actuarial valuation as of June 30, 2023.

**Actuarial assumptions**—The total OPEB liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

<b>Inflation</b>	2.25 percent
<b>Salary increases</b>	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
<b>Healthcare cost trend rates</b>	The premium subsidies provided to retirees in the Tennessee Plan are assumed to remain unchanged for the entire projection; therefore, trend rates are not applicable.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2023, valuations were the same as those employed in the July 1, 2022, 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-2021 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-2021. 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-2021.

**Discount rate**—The discount rate used to measure the total OPEB liability was 3.65 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Bond Buyer GO 20-Bond Municipal Bond Index. This is a change of .11 percent from the prior year discount rate of 3.54 percent.

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

<b>TNP</b>	
<b>State Employees</b>	
	Total OPEB Liability
Balances at June 30, 2022	\$ 91,373
Changes for the year:	
Service cost	1,167
Interest	3,174
Differences between expected and actual experience	5,027
Change in assumptions	(822)
Changes in proportion and differences between contributions and proportionate share of contributions	(309)
Benefit payments	(5,153)
Net changes	3,084
Balances at June 30, 2023	\$ 94,457
<b>Component unit employees</b>	
	Total OPEB Liability- continued
Balances at June 30, 2022	\$ 59,104
Changes for the year:	
Service cost	762
Interest	2,072
Differences between expected and actual experience	3,282
Change in assumptions	(536)
Changes in proportion and differences between contributions and proportionate share of contributions	309
Benefit payments	(3,333)
Net changes	2,556
Balances at June 30, 2023	\$ 61,660
Total OPEB Liability- Primary Government	\$ 156,117

**Changes in assumptions**– The discount rate was changed from 3.54% as of the beginning of the measurement period to 3.65% as of June 30, 2023. This change in assumption decreased the total OPEB liability by 1.21 percent. The mortality scale was updated from MP2020 to MP2021. This increased the total OPEB liability by .35 percent. The medical and drug trend rate assumptions were updated to reflect more recent experience as of the measurement date. This has zero impact on the liability for state and CU employees due to the flat rate subsidy offered to retirees.

**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 (2.65 percent) or 1-percentage-point higher (4.65 percent) than the current discount rate (expressed in thousands):

	1% Decrease (2.65%)	Discount Rate (3.65%)	1% Increase (4.65%)
State employees	\$ 106,023	\$ 94,457	\$ 84,706
Component unit employees	68,817	61,660	55,586

**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, 2024, the state recognized OPEB expense of \$434 thousand and \$1.1 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, 2024, the state reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the TNP from the following sources (expressed in thousands):

<b>TNP</b>		
<b>State employees</b>		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 4,175	\$ 1,451
Changes of assumptions	7,569	19,525
Changes in proportion and differences between contributions and proportionate share of contributions	425	967
Payments subsequent to the measurement date	4,945	
Total	<u>\$ 17,114</u>	<u>\$ 21,943</u>
<b>Component unit employees</b>		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 2,726	\$ 947
Changes of assumptions	4,941	12,746
Changes in proportion and differences between contributions and proportionate share of contributions	967	425
Payments subsequent to the measurement date	2,690	
Total	<u>\$ 11,324</u>	<u>\$ 14,118</u>

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):

<b>TNP</b>		
<b>State employees</b>		
For the year ended June 30:		
	2025	\$ (2,191)
	2026	(1,634)
	2027	(3,590)
	2028	(2,440)
	2029	81
<b>Component unit employees</b>		
For the year ended June 30:		
	2025	\$ (1,077)
	2026	(1,021)
	2027	(2,072)
	2028	(1,461)
	2029	147

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

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

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

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

**Benefits provided**—The state offers the TGOP to provide health insurance coverage to eligible pre-65 retired teachers and disabled participants of local education agencies. The TNP is offered to help fill most of the coverage gaps created by Medicare for eligible post-65 retired teachers and disabled participants of local education agencies. This insurance coverage is the only postemployment benefit provided to retirees. The 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, receive the same plan benefits as active employees, at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Individual employers may also provide a direct subsidy, according to their own policies and TCA. The state, as a governmental nonemployer contributing entity, provides a direct subsidy for eligible retirees premiums, based on years of service. Therefore, retirees with 30 or more years of service will receive 45%; 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, 2024, the state paid \$17.6 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, 2023, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

<b>Inflation</b>	2.25 percent
<b>Salary increases</b>	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
<b>Healthcare cost trend rates</b>	Health trend for the TGOP is 10.31 percent in 2024, decreasing annually to an ultimate rate of 4.50 percent for 2035 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, 2023, valuations were the same as those employed in the July 1, 2022, 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-2021 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-2021. 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-2021.

**Discount rate**—The discount rate used to measure the total OPEB liability was 3.65 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Bond Buyer 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 (2.65 percent) or 1-percentage-point higher (4.65 percent) than the current discount rate (expressed in thousands):

	1% Decrease (2.65%)	Discount Rate (3.65%)	1% Increase (4.65%)
Share of collective total OPEB liability- TGOP	\$ 397,905	\$ 370,396	\$ 344,215
Share of collective total OPEB liability- TNP	211,532	184,098	161,601

**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 (9.31 percent decreasing to 3.50 percent) or 1-percentage-point higher (11.31 percent decreasing to 5.50 percent) than the current healthcare cost trend rate. Premium subsidies in the TNP are projected to remain unchanged, and consequently, trend rates are not applicable (expressed in thousands):

	Healthcare Cost Trend Rates		
	1% Decrease (9.31% decreasing to 3.50%)	(10.31% decreasing to 4.50%)	1% Increase (11.31% decreasing to 5.50%)
Share of collective total OPEB liability- TGOP	\$ 332,353	\$ 370,396	\$ 414,489

**2. Total OPEB Liability**

At June 30, 2024, the state reported a liability of \$370.4 million and \$184.1 million for its proportionate shares of the collective total OPEB liability from special funding situations related to the TGOP and TNP, respectively. The total OPEB liabilities were measured as of June 30, 2023, by an actuarial valuation dated June 30, 2023. 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, 2023, the state's proportion of the collective total LEA employer liabilities for the TGOP and TNP was 32.9% and 68.8%, respectively. This resulted in a change in proportion from the prior measurement date of 1.8% and (8.9)% to the TGOP and TNP, respectively.

**Changes in assumptions**– The discount rate was changed from 3.54% as of the beginning of the measurement period to 3.65% as of June 30, 2023. This change in assumption decreased the total OPEB liability. The mortality scale was updated from MP2020 to MP2021. Other changes in assumptions include adjustments to health trend rates.

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

**OPEB expense**– For the year ended June 30, 2024, the state recognized OPEB expense of \$38.5 million and \$13.4 million in the TGOP and TNP, respectively, related to special funding situations. At June 30, 2024, 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):

<b>TGOP</b>	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 13,377	\$ 20,105
Changes of assumptions	57,318	37,020
Changes in proportion and differences between benefits paid and proportionate share of benefits paid	40,918	7,474
Payments subsequent to the measurement date	17,643	
Total	\$ 129,256	\$ 64,599
<b>TNP</b>	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 9,321	\$ 11,775
Changes of assumptions	30,827	65,195
Changes in proportion and differences between benefits paid and proportionate share of benefits paid	27,283	3,811
Payments subsequent to the measurement date	11,684	
Total	\$ 79,115	\$ 80,781

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.

State of Tennessee

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

<b>TGOP</b>		
For the year ended June 30:		
	2025	\$ 6,522
	2026	6,562
	2027	6,868
	2028	8,009
	2029	8,453
	Thereafter	10,600
<b>TNP</b>		
For the year ended June 30:		
	2025	\$ 5,373
	2026	(1,119)
	2027	(3,591)
	2028	(3,770)
	2029	(5,056)
	Thereafter	(5,187)

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 section A of this note 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, 2024, the annual money-weighted rate of return on investments was 13.37 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, 2024, were as follows (expressed in thousands):

Total OPEB liability	\$1,291,349
Plan fiduciary net position	(1,321,743)
Net OPEB liability	<u>\$ (30,394)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	102.35%

**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	\$ 61,404	\$ (30,394)	\$ (115,573)

**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 (9.31 percent decreasing to 3.50 percent) or 1-percentage-point higher (11.31 percent decreasing to 5.50 percent) than the current healthcare cost trend rate (expressed in thousands).

	Healthcare Cost Trend Rates		
	1% Decrease (9.31% decreasing to 3.50%)	(10.31% decreasing to 4.50%)	1% Increase (11.31% decreasing to 5.50%)
Net OPEB Liability	\$ (149,531)	\$ (30,394)	\$ 106,582

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

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

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

**Employees covered by benefit terms**—At the measurement date of June 30, 2023, 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	62,096
Inactive employees entitled to but not yet receiving benefits	36,898
Active employees	27,395
	126,389

**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 2024, the state made a one-time direct contribution of \$300

million to the plan. For the year ended June 30, 2024, employer contributions by the state, including its share of the one-time direct contribution mentioned, were \$562.4 million based on an average rate of 36.40 percent of covered payroll. For the year ended June 30, 2024, employer contributions by the four previously mentioned component units, including their shares of the one-time direct contribution mentioned, were \$214.3 million based on an average rate of 35.76 percent of covered payroll.

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

**2. Net Pension Liability (Asset)**

The net pension liability of the state, as well as that of the four previously mentioned component units, was measured as of June 30, 2023, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of that date.

**Actuarial assumptions**—The total pension liability as of June 30, 2023, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

<b>Inflation</b>	2.25 percent
<b>Salary increases</b>	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
<b>Investment rate of return</b>	6.75 percent, net of pension plan investment expenses, including inflation
<b>Cost-of-living adjustment</b>	2.125 percent

Mortality rates were based on customized tables based on actual experience, including a projection of mortality improvement using Scale MP-2021 (generational projection).

The actuarial assumptions used in the June 30, 2023, 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%

State of Tennessee

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):**

<b>Primary Government</b>	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at 6/30/22	\$ 13,655,593	\$ 12,808,560	\$ 847,033
Effects of change in proportion	175,926	165,014	10,912
Adjusted balance at 6/30/2022	13,831,519	12,973,574	857,945
Changes for the year:			
Service cost	119,648		119,648
Interest	914,577		914,577
Differences between expected and actual experience	351,491		351,491
Contributions-employer		587,332	(587,332)
Contributions-employees		595	(595)
Net investment income		864,680	(864,680)
Benefit payments, including refunds of employee contributions	(803,751)	(803,751)	-
Administrative expense		(3,866)	3,866
Other		(77)	77
Net changes	\$ 581,965	\$ 644,913	\$ (62,948)
Balance at 6/30/23	\$ 14,413,484	\$ 13,618,487	\$ 794,997

<b>Component Units</b>	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at 6/30/22	\$ 5,551,174	\$ 5,206,843	\$ 344,331
Effects of change in proportion	(175,926)	(165,014)	(10,912)
Adjusted balance at 6/30/2022	5,375,248	5,041,829	333,419
Changes for the year:			
Service cost	46,498		46,498
Interest	355,426		355,426
Differences between expected and actual experience	136,598		136,598
Contributions-employer		228,251	(228,251)
Contributions-employees		231	(231)
Net investment income		336,035	(336,035)
Benefit payments, including refunds of employee contributions	(312,356)	(312,356)	-
Administrative expense		(1,502)	1,502
Other		(33)	33
Net changes	\$ 226,166	\$ 250,626	\$ (24,460)
Balance at 6/30/23	\$ 5,601,414	\$ 5,292,455	\$ 308,959

State of Tennessee

**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**

	Current Discount Rate		
	1% Decrease (5.75%)	(6.75%)	1% Increase (7.75%)
Net pension liability (asset)	\$ 2,512,373	\$ 794,997	\$ (643,780)

**Component Units**

	Current Discount Rate		
	1% Decrease (5.75%)	(6.75%)	1% Increase (7.75%)
Net pension liability (asset)	\$ 976,366	\$ 308,959	\$ (250,188)

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

**Pension expense**—For the year ended June 30, 2024, the state and the four mentioned component units recognized pension expense of \$538.5 million and \$200.6 million, respectively.

**Deferred outflows of resources and deferred inflows of resources**—For the year ended June 30, 2024, the state and its four component units mentioned reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

<b>Primary Government</b>	Deferred Outflows of Resources	Deferred Inflows of Resources
	Differences between expected and actual experience	\$ 258,729
Net difference between projected and actual earnings on pension plan investments	\$ 93,295	
Effects of change in proportion	\$ 5,153	
Contributions subsequent to the measurement date of June 30, 2023	\$ 562,375	

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2023,” will be recognized as a reduction to net pension liability in the following measurement period.

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

Year Ended June 30:		
	2025	\$ 190,794
	2026	(123,443)
	2027	289,102
	2028	724
		\$ 357,177

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	\$ 100,548	
Net difference between projected and actual earnings on pension plan investments	\$ 36,257	
Effects of change in proportion		\$ 5,153
Contributions subsequent to the measurement date of June 30, 2023	\$ 214,269	

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2023,” will be recognized as a reduction to net pension liability in the following measurement period.

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

Year Ended June 30:		
2025	\$	66,992
2026		(47,973)
2027		112,352
2028		281
	\$	131,652

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, 2024, the state reported a payable of \$11.9 million and the four mentioned component units reported a payable of \$9.8 million for the outstanding amount of contributions to the pension plan required at year ended June 30, 2024.

**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, 2023, 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	322
Inactive employees entitled to but not yet receiving benefits	27,382
Active employees	32,689
	60,393

**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, 2024, to the State and Higher Education Employee Retirement Plan were \$39.7 million, which is 2.7 percent of covered payroll. Employer contributions by the four previously mentioned component units were \$19.3 million, which is 2.58 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, 2023, 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, 2023, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

<b>Inflation</b>	2.25 percent
<b>Salary increases</b>	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
<b>Investment rate of return</b>	6.75 percent, net of pension plan investment expenses, including inflation
<b>Cost-of-living adjustment</b>	2.125 percent

Mortality rates were based on customized tables based on actual experience, including a projection of mortality improvement using Scale MP-2021 (generational projection).

The actuarial assumptions used in the June 30, 2023, 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-

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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):**

<b>Primary Government</b>	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at 6/30/22	\$ 344,074	\$ 360,621	\$ (16,547)
Effects of change in proportion	1	1	0
Adjusted balance at 6/30/2022	344,075	360,622	(16,547)
Changes for the year:			
Service cost	83,751		83,751
Interest	28,712		28,712
Differences between expected and actual experience	14,508		14,508
Contributions-employer		29,979	(29,979)
Contributions-employees		58,928	(58,928)
Net investment income		27,038	(27,038)
Benefit payments, including refunds of employee contributions	(4,924)	(4,924)	-
Administrative expense		(1,079)	1,079
Other		338	(338)
Net changes	\$ 122,047	\$ 110,280	\$ 11,767
Balance at 6/30/23	\$ 466,122	\$ 470,902	\$ (4,780)

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Component Units	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at 6/30/22	\$ 174,513	\$ 182,906	\$ (8,393)
Effects of change in proportion	(1)	(1)	0
Adjusted balance at 6/30/2022	174,512	182,905	(8,393)
Changes for the year:			
Service cost	42,477		42,477
Interest	14,562		14,562
Differences between expected and actual experience	7,358		7,358
Contributions-employer		15,205	(15,205)
Contributions-employees		29,888	(29,888)
Net investment income		13,713	(13,713)
Benefit payments, including refunds of employee contributions	(2,497)	(2,497)	-
Administrative expense		(547)	547
Other		171	(171)
Net changes	\$ 61,900	\$ 55,933	\$ 5,967
Balance at 6/30/23	\$ 236,412	\$ 238,838	\$ (2,426)

**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 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)	\$ 108,346	\$ (4,780)	\$ (89,871)

**Component Units**

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net pension liability (asset)	\$ 54,952	\$ (2,426)	\$ (45,581)

**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, 2024, the state and the four previously mentioned component units recognized pension expense of \$30.5 million and \$15.1 million, respectively.

**Deferred outflows of resources and deferred inflows of resources**—For the year ended June 30, 2024, 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):

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<b>Primary Government</b>	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 15,235	\$ 4,599
Assumption changes	\$ 11,482	
Net difference between projected and actual earnings on pension plan investments	\$ 5,668	
Effects of change in proportion	\$ 1,272	\$ 47
Contributions subsequent to the measurement date of June 30, 2023	\$ 39,664	

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2023,” 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:		
2025	\$	3,549
2026		2,703
2027		11,240
2028		3,784
2029		3,756
Thereafter		3,979
	\$	29,011

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

<b>Component Units</b>	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,727	\$ 2,332
Assumption changes	\$ 5,824	
Net difference between projected and actual earnings on pension plan investments	\$ 2,875	
Effects of change in proportion	\$ 47	\$ 1,272
Contributions subsequent to the measurement date of June 30, 2023	\$ 19,326	

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2023,” 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:			
	2025	\$	1,425
	2026		998
	2027		5,328
	2028		1,562
	2029		1,659
	Thereafter		1,897
		\$	12,869

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, 2024, the state reported a payable of \$1.5 million and the four previously mentioned component units reported a payable of \$1.5 million for the outstanding amount of contributions to the pension plan required at year ended June 30, 2024.

**C. Defined Contribution Plan**

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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, 2024, there were 37,322 ORP accounts with balances, of those 13,159 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, 2024, the State of Tennessee institutions of higher education recognized pension expenses of \$107.4 million for their contributions to the ORP and reported a related total liability of \$1.3 million at June 30, 2024.

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, 2024, employees of the state and four of its discretely presented component units that participated in the 401(k) plan were eligible for a \$1 match for every \$1 contributed up to \$100 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, 2024, the plan had 117,782 active members from the state and its higher education institutions, 77,957 from the local education agencies, and 18,836 from the political subdivisions. For fiscal year ended June 30, 2024, the state and the four mentioned component units recognized pension expenses of \$176.4 million for its contributions to the Section 401(k) plans and reported a related liability of \$6.6 million at June 30, 2024.

## NOTE 18

### External Investment Pools

#### A. State Pooled Investment Fund

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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. Tennessee Retiree Group Trust

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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 and its component units, has been included in the various funds and component units.

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

## NOTE 19

### Contingencies and Commitments

#### A. Litigation

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The State is a defendant in a number of lawsuits or is subject to potentially be named as a party to lawsuits or other assessments that are associated with its normal governmental operations. Although the outcomes are uncertain, some of these litigations could involve substantial losses. 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 \$57.2 million. This would have a .103% 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**

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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**

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Tennessee has signed on to various opioid-related legal agreements with certain manufacturers, distributors, and retailers to resolve legal claims for their role in the opioid crisis. Though some of these are national settlements, some of the agreements are the result of one-state agreements. The rules regarding the use of the settlement funds are generally the same among the agreements, including the requirement for funds to be used for opioid abatement.

As a result of the agreements that are in effect at June 30, 2024, the state has recognized a receivable of \$700.5 million, with \$583 million of the receivable amount being deposited into an opioid abatement fund pursuant to TCA 9-4-1301.

Other opioid-related settlements and claims will be subject to approval by the state, local governments, and the relevant courts.

## **D. Pollution Remediation Obligations**

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The state has recognized a liability for its pollution remediation obligations based on guidance in GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations. A pollution remediation obligation is a liability to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments, site cleanups, and postremediation monitoring. The recognition of a pollution remediation obligation is required when any of the following obligating events occur:

- The state is compelled to take remediation action because of imminent danger to the public;
- The state is in violation of pollution related permit or license;
- The state is identified as a responsible party or potentially responsible party by a regulator;
- The state is named or has evidence that it will be named in a lawsuit; or
- The state commences or legally obligates itself to commence pollution remediation activities.

The pollution remediation obligation is an estimate, and this estimate is subject to change resulting from price increases or decreases, changes in technology, or changes in legal or regulatory requirements. In addition, recoveries from other responsible parties can reduce the state's obligation. Several agencies within state government have programs to investigate and oversee remediation activities. These program personnel have the expertise to estimate the remediation obligations based on prior experience with similar remediation activities. These obligations are measured at current value using the expected cash flow technique. In addition, historical data is used in the estimation process for common sites with which the state has experience.

The state's pollution remediation obligations are primarily from chemical, fuel, and asbestos contamination. These obligations are the result of violations of various federal and state environmental laws.

During the fiscal year, the state spent \$3.5 million for remediation activities and had an expected recovery of \$2 thousand from responsible parties. At June 30, 2024, the state had a pollution remediation obligation of \$61.1 million and an estimated potential recovery of \$4.7 million from other responsible parties.

### **E. Federal Grants**

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

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.

### **F. SBITA Commitments**

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As of June 30, 2024, the state has several SBITAs that have not yet commenced, with future subscription and capitalizable implementation payments committed of \$28.9 million, on an undiscounted basis, over various periods extended to October 28, 2033.

## **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**

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

#### **B. Job Creation Program**

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This program provides reductions in franchise and excise taxes to encourage companies to create and retain jobs. The program is established under TCA 67-4-2109. Abatements may be granted to businesses agreeing to create and retain a certain number of jobs in qualified business enterprises. 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.

Included within this program area established under TCA 67-4-2109 is also a film/qualified production credit for 40% or 50% of qualified payroll expenses. This abatement promotes qualified film and entertainment productions and associated job opportunities in Tennessee. Abatements will only be granted after a qualified production completes an application and business plan and receives a determination by the commissioner of Economic and Community Development and Revenue that the qualified production is in the best interests of the state based on the investment made, jobs created, impact to the community, and any other matters deemed appropriate by the commissioners.

**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 or community development entities. The program is established under TCA 67-4-2109. Abatements may be granted to financial institutions providing low-interest loans to community development financial institutions or to non-profit organizations and government agencies that agree to build and renovate low-income housing. Abatements obtained for loans for eligible housing entities or activities must receive a certification from THDA. The abatement is administered as a credit on the financial institution’s franchise and excise tax return. The amount of the abatement is calculated using either (1) the percentage of the loan or long-term investment made or (2) percentage annually of the unpaid principal balance of the loan made.

**D. Development Opportunity Program**

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

The following table shows the amount of taxes abated by the state during the fiscal year ended June 30, 2024.

<b>Tax Abatement Program</b>	<b>Amount of Taxes Abated (in thousands)</b>
Manufacturing and Industrial Machinery Program	\$75,464
Job Creation Program	106,034
Community Investment Program	67,207
Development Opportunity Program	3,737

**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)(H). Abatements may be granted to taxpayers who make capital investments in excess of \$10 million or more in a qualified, new or expanded warehouse or distribution facility. The qualified data center program is established under TCA 67-6-102(81). Abatements may be granted to taxpayers who make a required capital investment in excess of \$100 million and create at least 15 net new full-time employee jobs in a qualified data center. Both 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 software and equipment purchases amounts total \$5 billion.

## Note 21

### Impairments and Insurance Recoveries

For the year ended June 30, 2024, an impairment loss of \$9.2 million was recorded in the health and social services function of the Statement of Activities because of the obsolescence of internally generated software used by TennCare.

## Note 22

### Subsequent Events

#### A. Primary government

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In September 2024, multiple state, and component unit capital assets, including roadways and bridges, were significantly damaged by the impacts of tropical storm Helene. Surveyors are currently assessing the full extent of the loss, following which the agencies will file claims for reimbursement with the state's Risk Management fund, an internal service fund. Only losses to structures and contents will be reimbursed from the Risk Management fund. Current estimates suggest losses up to \$17.7 million to structures and contents and \$ 462.9 million to roadways and bridges.

#### B. Component units

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Subsequent to June 30, the Tennessee State School Bond Authority (TSSBA) has issued \$63 million in revolving credit facility.

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# REQUIRED SUPPLEMENTARY INFORMATION

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## Infrastructure Assets Reported Using the Modified Approach

### A. Roadways

#### Measurement Scale

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

#### Established Condition Level

The state intends to maintain roadways so that the reported condition level each year does not fall below 3.006 for MQA.

#### Assessed Conditions

The following table presents the MQA of all rated segments.

For the Period Ended	Maintenance Quality Assurance
06/30/24	3.494
06/30/23	3.437
06/30/22	3.497

#### 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
06/30/24	\$ 683,862	\$ 837,400
06/30/23	572,770	918,226
06/30/22	544,780	713,373
06/30/21	547,685	582,408
06/30/20	481,703	660,630

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

### B. Bridges

#### Measurement Scale

The state maintains information on its 8,437 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
06/30/24	83%
06/30/22	83%
06/30/20	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
06/30/24	\$ 79,500	\$ 129,124
06/30/23	65,000	64,846
06/30/22	54,000	96,609
06/30/21	54,000	84,646
06/30/20	50,525	85,505

\* 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	2023	2024
<b>Total OPEB liability</b>							
Service cost	\$ 47,219	\$ 42,521	\$ 44,521	\$ 26,249	\$ 26,936	\$ 23,686	\$ 22,512
Interest	28,003	32,021	34,324	46,916	44,735	46,349	45,909
Changes of benefit terms	-	-	-	-	-	5,693	-
Differences between actual and expected experience	-	(37,420)	(14,447)	(25,201)	(2,113)	(11,433)	(4,903)
Changes of assumptions	(40,226)	46,108	(149,693)	(25,485)	10,364	(20,088)	64,359
Changes in proportion and differences between contributions and proportionate share of contributions	-	(29,514)	20,618	(4,221)	(5,693)	1,078	621
Benefit payments	(61,649)	(57,061)	(61,238)	(54,077)	(53,449)	(48,679)	(53,361)
Net change in total OPEB liability	(26,653)	(3,345)	(125,915)	(35,819)	20,780	(3,394)	75,137
Total OPEB liability-beginning	942,627	915,974	912,629	786,714	750,895	771,675	768,281
Total OPEB liability-ending (a)	\$ 915,974	\$ 912,629	\$ 786,714	\$ 750,895	\$ 771,675	\$ 768,281	\$ 843,418
<b>Plan fiduciary net position</b>							
Contributions-employer	\$ -	\$ -	\$ 260,984	\$ 103,683	\$ 99,095	\$ 97,571	\$ 396,859
Net investment income	-	-	3,487	(2,975)	63,591	(47,206)	41,725
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	(59,031)	(1,541)	(1,317)	(2,419)	(104,472)
Benefit payments, including refunds of employee contributions	-	-	(61,238)	(54,077)	(53,449)	(48,679)	(53,361)
Net change in plan fiduciary net position	-	-	144,202	45,090	107,920	(733)	280,751
Plan fiduciary net position-beginning	-	-	-	144,202	189,292	297,212	296,479
Plan fiduciary net position-ending (b)	\$ -	\$ -	\$ 144,202	\$ 189,292	\$ 297,212	\$ 296,479	\$ 577,230
<b>Net OPEB liability - ending (a)-(b)</b>	\$ 915,974	\$ 912,629	\$ 642,512	\$ 561,603	\$ 474,463	\$ 471,802	\$ 266,188
Covered-employee payroll	\$ 1,369,106	\$ 1,416,041	\$ 1,463,373	\$ 1,414,478	\$ 1,371,486	\$ 1,406,936	\$ 1,387,730
Net OPEB liability as a percentage of covered-employee payroll	66.90%	64.45%	43.91%	39.70%	34.59%	33.53%	19.18%
<p>In fiscal year 2019, the state transitioned the EGOP from a pay-as-you-go arrangement to a prefunding arrangement where assets are accumulated in a qualified trust and benefits are paid directly from that trust.                      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.</p>							

State of Tennessee

State of Tennessee							
Other Postemployment Benefits							
Schedule of Changes in the Net OPEB Liability and Related Ratios							
(expressed in thousands)							
<b>CLOSED EMPLOYEE GROUP OPEB PLAN</b>							
<b>Component Units</b>							
	2018	2019	2020	2021	2022	2023	2024
<b>Total OPEB liability</b>							
Service cost	\$ 21,990	\$ 22,020	\$ 21,458	\$ 12,876	\$ 13,544	\$ 11,857	\$ 11,240
Interest	13,041	16,582	16,543	23,015	22,494	23,202	22,921
Changes of benefit terms	-	-	-	-	-	2,850	-
Differences between actual and expected experience	-	(19,378)	(6,963)	(12,362)	(1,063)	(5,723)	(2,448)
Changes of assumptions	(18,733)	23,877	(72,147)	(12,502)	5,211	(10,056)	32,133
Changes in proportion and differences between contributions and proportionate share of contributions	-	29,514	(20,618)	4,221	5,693	(1,078)	(621)
Benefit payments	(28,710)	(26,573)	(31,713)	(26,063)	(26,220)	(24,477)	(26,712)
Net change in total OPEB liability	(12,412)	46,042	(93,440)	(10,815)	19,659	(3,425)	36,513
Total OPEB liability-beginning	438,979	426,567	472,609	379,169	368,354	388,013	384,588
Total OPEB liability-ending (a)	<u>\$ 426,567</u>	<u>\$ 472,609</u>	<u>\$ 379,169</u>	<u>\$ 368,354</u>	<u>\$ 388,013</u>	<u>\$ 384,588</u>	<u>\$ 421,101</u>
<b>Plan fiduciary net position</b>							
Contributions-employer	\$ -	\$ -	\$ 40,502	\$ 49,339	\$ 49,514	\$ 44,656	\$ 41,194
Net investment income	-	-	1,681	(1,460)	31,975	(23,630)	20,833
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	59,031	1,541	1,317	2,419	104,472
Benefit payments, including refunds of employee contributions	-	-	(31,713)	(26,063)	(26,220)	(24,477)	(26,712)
Net change in plan fiduciary net position	-	-	69,501	23,357	56,586	(1,032)	139,787
Plan fiduciary net position-beginning	-	-	-	69,501	92,858	149,444	148,412
Plan fiduciary net position-ending (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,501</u>	<u>\$ 92,858</u>	<u>\$ 149,444</u>	<u>\$ 148,412</u>	<u>\$ 288,199</u>
<b>Net OPEB liability - ending (a)-(b)</b>	<u>\$ 426,567</u>	<u>\$ 472,609</u>	<u>\$ 309,668</u>	<u>\$ 275,496</u>	<u>\$ 238,569</u>	<u>\$ 236,176</u>	<u>\$ 132,902</u>
Covered-employee payroll	\$ 1,353,254	\$ 1,339,543	\$ 1,260,809	\$ 1,183,016	\$ 1,117,645	\$ 1,064,733	\$ 1,009,015
Net OPEB liability as a percentage of covered-employee payroll	31.52%	35.28%	24.56%	23.29%	21.35%	22.18%	13.17%
<p>In fiscal year 2019, the state transitioned the EGOP from a pay-as-you-go arrangement to a prefunding arrangement where assets are accumulated in a qualified trust and benefits are paid directly from that trust.</p> <p>The amounts reported for each fiscal year were determined as of the prior fiscal year-end.</p> <p>This schedule is intended to display ten years of information. Additional years will be displayed as they become available.</p>							

State of Tennessee

State of Tennessee							
Other Postemployment Benefits							
Schedule of Changes in the Total OPEB Liability and Related Ratios							
(expressed in thousands)							
<b>CLOSED TENNESSEE OPEB PLAN</b>							
<b>State Employees</b>							
	2018	2019	2020	2021	2022	2023	2024
<b>Total OPEB liability</b>							
Service cost	\$ 2,560	\$ 2,046	\$ 1,480	\$ 1,599	\$ 2,288	\$ 1,865	\$ 1,167
Interest	3,455	3,790	3,792	3,719	2,762	2,317	3,174
Changes of benefit terms	-	-	-	-	-	-	-
Differences between actual and expected experience	-	(3,200)	(870)	(535)	(1,437)	(84)	5,027
Changes of assumptions	(9,094)	(743)	1,843	19,166	(15,829)	(15,585)	(822)
Changes in proportion and differences between contributions and proportionate share of contributions	-	(3,531)	1,591	(225)	(589)	2	(309)
Benefit payments	(4,588)	(4,696)	(4,833)	(4,955)	(5,077)	(5,075)	(5,153)
Net change in total OPEB liability	(7,667)	(6,334)	3,003	18,769	(17,882)	(16,560)	3,084
Total OPEB liability-beginning	118,044	110,377	104,043	107,046	125,815	107,933	91,373
Total OPEB liability-ending	\$ 110,377	\$ 104,043	\$ 107,046	\$ 125,815	\$ 107,933	\$ 91,373	\$ 94,457
Covered-employee payroll	\$ 1,420,835	\$ 1,541,486	\$ 1,575,865	\$ 1,561,360	\$ 1,527,025	\$ 1,523,258	\$ 1,546,516
Total OPEB liability as a percentage of covered-employee payroll	7.77%	6.75%	6.79%	8.06%	7.07%	6.00%	6.11%
<b>Component Unit Employees</b>							
	2018	2019	2020	2021	2022	2023	2024
<b>Total OPEB liability</b>							
Service cost	\$ 1,551	\$ 1,353	\$ 940	\$ 1,022	\$ 1,480	\$ 1,207	\$ 762
Interest	2,093	2,507	2,409	2,376	1,787	1,499	2,072
Changes of benefit terms	-	-	-	-	-	-	-
Differences between actual and expected experience	-	(2,117)	(553)	(342)	(930)	(55)	3,282
Changes of assumptions	(5,511)	(492)	1,171	12,244	(10,239)	(10,082)	(536)
Changes in proportion and differences between contributions and proportionate share of contributions	-	3,531	(1,591)	225	589	(2)	309
Benefit payments	(2,780)	(2,845)	(3,197)	(3,148)	(3,244)	(3,283)	(3,333)
Net change in total OPEB liability	(4,647)	1,937	(821)	12,377	(10,557)	(10,716)	2,556
Total OPEB liability-beginning	71,531	66,884	68,821	68,000	80,377	69,820	59,104
Total OPEB liability-ending	\$ 66,884	\$ 68,821	\$ 68,000	\$ 80,377	\$ 69,820	\$ 59,104	\$ 61,660
Covered-employee payroll	\$ 1,574,315	\$ 1,524,863	\$ 1,484,617	\$ 1,414,167	\$ 1,342,569	\$ 1,307,592	\$ 1,244,291
Total OPEB liability as a percentage of covered-employee payroll	4.25%	4.51%	4.58%	5.68%	5.20%	4.52%	4.96%
<p>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.</p> <p>The amounts reported for each fiscal year were determined as of the prior fiscal year-end.</p> <p>This schedule is intended to display ten years of information. Additional years will be displayed as they become available.</p>							

**B. Schedule of Contributions**

State of Tennessee Other Postemployment Benefits Schedule of Contributions to State of Tennessee Postemployment Benefits Trust (expressed in thousands)						
<b>CLOSED EMPLOYEE GROUP OPEB PLAN</b>						
<b>Primary Government</b>						
	2019	2020	2021	2022	2023	2024
Actuarially determined contribution	\$ 88,739	\$ 95,731	\$ 87,287	\$ 81,439	\$ 74,380	\$ 69,835
Contributions in relation to the actuarially determined contribution	260,984	103,683	99,096	97,570	396,859	345,479
Contribution deficiency (excess)	(172,245)	(7,952)	(11,809)	(16,131)	(322,479)	(275,644)
Covered-employee payroll	\$ 1,463,373	\$ 1,414,478	\$ 1,371,486	\$ 1,406,936	\$ 1,387,730	\$ 1,461,703
Total OPEB contributions as a percentage of covered-employee payroll	17.83%	7.33%	7.23%	6.93%	28.60%	23.64%
<b>Component Units</b>						
	2019	2020	2021	2022	2023	2024
Actuarially determined contribution	\$ 47,071	\$ 49,665	\$ 49,787	\$ 44,864	\$ 41,354	\$ 39,708
Contributions in relation to the actuarially determined contribution	40,502	49,339	49,514	44,656	41,194	39,549
Contribution deficiency (excess)	6,569	326	273	208	160	159
Covered-employee payroll	\$ 1,260,809	\$ 1,183,016	\$ 1,117,645	\$ 1,064,733	\$ 1,009,015	\$ 1,015,292
Total OPEB contributions as a percentage of covered-employee payroll	3.21%	4.17%	4.43%	4.19%	4.08%	3.90%
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	13 years
Asset valuation	5 year smoothed
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-2021 from the central year. 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-2021. 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 with MP-2021.

**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)							
<b>CLOSED TEACHER GROUP OPEB PLAN</b>							
	2018	2019	2020	2021	2022	2023	2024
State's proportion of the collective total OPEB liability	29%	26%	28%	28%	30%	31%	33%
State's proportionate share of the collective total OPEB liability	\$ 256,924	\$ 216,247	\$ 232,297	\$ 260,059	\$ 305,828	\$ 314,185	\$ 370,396
<b>CLOSED TENNESSEE OPEB PLAN</b>							
	2018	2019	2020	2021	2022	2023	2024
State's proportion of the collective total OPEB liability	54%	75%	73%	76%	77%	78%	69%
State's proportionate share of the collective total OPEB liability	\$ 215,044	\$ 206,298	\$ 222,668	\$ 266,093	\$ 218,593	\$ 179,599	\$ 184,098
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	2023	2024
<b>Total pension liability</b>										
Service cost	\$ 201,090	\$ 200,001	\$ 193,571	\$ 183,931	\$ 181,736	\$ 175,903	\$ 171,553	\$ 166,681	\$ 182,152	\$ 166,146
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	1,226,163	1,270,003
Differences between actual and expected experience	(186,051)	170,534	(30,039)	97,904	83,828	(29,767)	39,450	(212,751)	345,696	488,089
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)	(1,060,925)	(1,116,107)
Net change in total pension liability	297,662	626,398	412,065	931,466	498,106	371,074	424,682	1,129,258	693,086	808,131
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	\$ 18,513,681	\$19,206,767
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	\$ 19,206,767	\$20,014,898
<b>Plan fiduciary net position</b>										
Contributions-employer	\$410,608	\$392,466	\$366,962	\$360,337	\$436,666	\$433,581	\$435,177	\$426,984	\$677,593	\$815,583
Contributions-employee	1,676	915	1,176	625	406	864	374	318	560	826
Net investment income	1,931,471	407,762	350,633	1,481,770	1,167,919	1,096,732	757,315	3,984,023	(724,289)	1,200,715
Benefit payments, including refunds of employee contributions	(741,380)	(788,612)	(840,494)	(874,626)	(914,064)	(955,844)	(992,367)	(1,029,468)	(1,060,925)	(1,116,107)
Administrative expense	(2,791)	(2,803)	(3,654)	(3,741)	(3,930)	(3,420)	(3,170)	(2,984)	(3,016)	(5,368)
Other	-	17,333	2,158	2,067	(14,702)	2,411	1,206	543	(46)	(110)
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	(1,110,123)	895,539
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	\$ 19,125,526	\$18,015,403
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	\$ 18,015,403	\$18,910,942
<b>Net pension liability (asset)-ending (a)-(b)</b>	\$ 689,950	\$1,289,287	\$1,824,571	\$1,789,605	\$1,615,416	\$ 1,412,166	\$ 1,638,313	\$ (611,845)	\$ 1,191,364	\$ 1,103,956
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%	93.80%	94.48%
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	\$ 2,060,797
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%)	58.08%	53.57%
The amounts reported for each fiscal year were determined as of the prior fiscal year-end.										

State of Tennessee

<b>State of Tennessee</b> <b>Tennessee Consolidated Retirement Fund</b> <b>Schedule of Changes in the State of Tennessee's Net Pension Liability (Asset) and Related Ratios</b> <b>Based on Participation in the State and Higher Education Employee Retirement Plan of TCRS</b> <b>(expressed in thousands)</b>									
	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Total pension liability</b>									
Service cost	\$ 7,431	\$ 18,693	\$ 33,132	\$ 46,815	\$ 57,928	\$ 71,903	\$ 80,629	\$ 100,182	\$ 126,228
Interest	279	1,883	4,504	8,091	12,715	18,489	25,448	32,837	43,274
Differences between actual and expected experience	(1,164)	689	272	451	(931)	1,920	(10,427)	3,271	21,866
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)	(7,982)	(7,421)
Net change in total pension liability	6,536	21,032	38,256	53,278	66,406	87,521	117,250	128,308	183,947
Total pension liability-beginning		6,536	27,568	65,824	\$119,102	\$ 185,508	\$ 273,029	\$ 390,279	\$ 518,587
Total pension liability-ending (a)	<u>\$ 6,536</u>	<u>\$ 27,568</u>	<u>\$ 65,824</u>	<u>\$ 119,102</u>	<u>\$ 185,508</u>	<u>\$ 273,029</u>	<u>\$ 390,279</u>	<u>\$ 518,587</u>	<u>\$ 702,534</u>
<b>Plan fiduciary net position</b>									
Contributions-employer	\$4,214	\$11,923	\$20,449	\$28,663	\$15,572	\$19,803	\$22,790	\$27,136	\$45,184
Contributions-employee	5,154	15,113	25,927	36,495	45,105	55,381	61,650	71,269	88,816
Net investment income	142	600	6,595	9,733	13,806	12,953	89,487	(19,863)	40,751
Benefit payments, including refunds of employee contributions	(10)	(233)	(1,290)	(2,079)	(3,306)	(4,791)	(5,303)	(7,982)	(7,421)
Administrative expense	(183)	(726)	(1,244)	(1,699)	(1,869)	(2,142)	(2,296)	(2,722)	(1,626)
Other			134			53	456	662	509
Net change in plan fiduciary net position	9,317	26,677	50,571	71,113	69,308	81,257	166,784	68,500	166,213
Plan fiduciary net position-beginning		9,317	35,994	86,565	157,678	226,986	308,243	475,027	543,527
Plan fiduciary net position-ending (b)	<u>\$ 9,317</u>	<u>\$ 35,994</u>	<u>\$ 86,565</u>	<u>\$ 157,678</u>	<u>\$ 226,986</u>	<u>\$ 308,243</u>	<u>\$ 475,027</u>	<u>\$ 543,527</u>	<u>\$ 709,740</u>
<b>Net pension liability (asset)-ending (a)-(b)</b>	<u>\$ (2,781)</u>	<u>\$ (8,426)</u>	<u>\$ (20,741)</u>	<u>\$ (38,576)</u>	<u>\$ (41,478)</u>	<u>\$ (35,214)</u>	<u>\$ (84,748)</u>	<u>\$ (24,940)</u>	<u>\$ (7,206)</u>
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%	104.81%	101.03%
Covered payroll	\$ 107,086	\$ 305,424	\$ 518,664	\$ 727,339	\$ 900,952	\$ 1,105,290	\$ 1,223,688	\$ 1,410,333	\$ 1,764,454
Net pension liability (asset) as a percentage of covered payroll	(2.60%)	(2.76%)	(4.00%)	(5.30%)	(4.60%)	(3.19%)	(6.93%)	(1.77%)	(0.41%)
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)										
	2015	2016	2017	2018	2019	2020	2021	2022	2023*	2024
Actuarially determined contribution	\$ 392,466	\$ 366,114	\$ 360,434	\$ 435,455	\$ 433,581	\$ 435,177	\$ 426,985	\$ 427,593	\$ 465,583	\$ 476,644
Contributions in relation of the actuarially determined contribution	392,466	366,114	360,434	435,455	433,581	435,177	426,985	677,593	815,583	776,644
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (250,000)	\$ (350,000)	\$ (300,000)
Covered payroll	\$2,540,327	\$2,375,501	\$2,333,672	\$2,280,469	\$2,213,382	\$2,173,446	\$2,073,599	\$2,051,258	\$2,060,797	\$2,144,283
Contributions as a percentage of covered payroll	15.45%	15.41%	15.44%	19.09%	19.59%	20.02%	20.59%	33.03%	39.58%	36.22%

\* These amounts have been revised from prior year reported.

### Notes to Schedule of Contributions

**Valuation Date:** Actuarially determined contribution rates for 2024 were calculated based on the June 30, 2022, 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 fair value
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 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	2.125 percent

State of Tennessee

<b>Schedule of the State of Tennessee's Contributions</b>										
<b>State and Higher Education Employee Retirement Plan</b>										
<b>(expressed in thousands)</b>										
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Actuarially determined contribution	\$ 2,142	\$ 6,446	\$ 6,232	\$ 9,820	\$ 15,572	\$ 19,803	\$ 22,790	\$ 27,136	\$ 45,184	\$ 58,990
Contributions in relation of the actuarially determined contribution	4,255	12,016	20,339	28,611	15,572	19,803	22,790	27,136	45,184	58,990
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	\$1,764,454	\$ 2,219,726
Contributions as a percentage of covered payroll	3.97%	3.93%	3.92%	3.93%	1.73%	1.79%	1.86%	1.92%	2.56%	2.66%

**Notes to Schedule of Contributions**

**Valuation Date:** Actuarially determined contribution rates for 2024 were calculated based on the June 30, 2022, 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 fair value
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 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	2.125 percent

The Closed State and Higher Education Pension Plan and the State and Higher Education Retirement Plan are parts of TCRS, a public employee retirement system. The information of the annual money-weighted rate of return of the system is presented in TCRS's financial report which can be obtained at <https://treasury.tn.gov>.

**State of Tennessee Postemployment Benefits Trust Information**

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

<b>State of Tennessee Postemployment Benefits Trust Schedule of Changes in the Closed EGOP's Net OPEB Liability and Related Ratios (expressed in thousands)</b>						
	2019	2020	2021	2022	2023	2024
<b>Total OPEB liability</b>						
Service cost	\$65,979	\$40,419	\$40,282	\$38,849	\$36,964	\$35,102
Interest	50,851	72,620	70,591	69,384	70,180	69,801
Changes in benefit terms	-	-	-	-	9,495	-
Differences between actual and expected experience	-	(37,425)	(25,926)	(32,751)	(18,332)	(15,420)
Changes of assumptions	(199,731)	(31,242)	(29,109)	16,235	(24,516)	112,354
Benefit payments, including refunds of employee contributions	(92,951)	(80,140)	(75,864)	(73,155)	(80,073)	(76,360)
Net change in total OPEB liability	(\$175,852)	(\$35,768)	(\$20,026)	\$18,562	(\$6,282)	\$125,477
Total OPEB liability-beginning	1,385,238	1,209,386	1,173,618	1,153,592	1,172,154	1,165,872
Total OPEB liability-ending (a)	<u>\$1,209,386</u>	<u>\$1,173,618</u>	<u>\$1,153,592</u>	<u>\$1,172,154</u>	<u>\$1,165,872</u>	<u>\$1,291,349</u>
<b>Plan fiduciary net position</b>						
Contributions-employer	\$301,486	\$153,022	\$148,609	\$142,226	\$438,053	\$385,028
Net investment income	5,167	(4,435)	91,762	(70,836)	62,558	147,646
Benefit payments, including refunds of employee contributions	(92,951)	(80,140)	(75,864)	(73,155)	(80,073)	(76,360)
Administrative expense	-	-	-	-	-	-
Net change in plan fiduciary net position	213,702	68,447	164,507	(1,765)	420,538	\$456,314
Plan fiduciary net position-beginning	-	213,702	282,149	446,656	444,891	865,429
Plan fiduciary net position-ending (b)	<u>\$213,702</u>	<u>\$282,149</u>	<u>\$446,656</u>	<u>\$444,891</u>	<u>\$865,429</u>	<u>\$1,321,743</u>
<b>Net OPEB liability-ending (a)-(b)</b>	<u>\$995,684</u>	<u>\$891,469</u>	<u>\$706,936</u>	<u>\$727,263</u>	<u>\$300,443</u>	<u>(\$30,394)</u>
Plan fiduciary net position as a percentage of total OPEB liability	17.67%	24.04%	38.72%	37.95%	74.23%	102.35%
<p>This schedule is intended to display ten years of information. Additional years will be displayed as they become available.</p> <p>For 2019, the amount noted for change in assumptions is primarily due to the change in discount rate used to roll the total liability forward from the June 30, 2018 actuarial date to June 30, 2019.</p>						

**B. Schedule of Contributions**

<b>Schedule of Employer Contributions to the State of Tennessee Postemployment Benefits Trust (expressed in thousands)</b>						
	2019	2020	2021	2022	2023	2024
Actuarially determined contribution	\$135,810	\$145,397	\$137,075	\$126,303	\$115,734	\$109,543
Contributions in relation of the actuarially determined contribution	301,486	153,022	148,609	142,226	438,053	385,028
Contribution deficiency (excess)	<u>(\$165,676)</u>	<u>(\$7,625)</u>	<u>(\$11,534)</u>	<u>(\$15,923)</u>	<u>(\$322,319)</u>	<u>(\$275,485)</u>
This schedule is intended to display ten years of information. Additional years will be displayed as they become available.						

**Notes to Schedule of Contributions**

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

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	13 years
Asset valuation	5 year smoothed
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-2021 from the central year. 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-2021. 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 with MP-2021.

**C. Schedule of Investment Returns**

<b>Schedule of Investment Returns State of Tennessee Postemployment Benefits Trust</b>						
	2019	2020	2021	2022	2023	2024
Annual money-weighted rate of return, net of investment expense	6%	-0.95%	29.76%	-14.23%	8.76%	13.37%
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, 2024**  
**(Expressed in Thousands)**

	General			
	Budgeted Amounts			
	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget
<b>REVENUES</b>				
Taxes	\$ 12,767,159	\$ 12,767,159	\$ 12,743,412	\$ (23,747)
Licenses, fines, fees, and permits	589,814	589,814	609,787	19,973
Investment income	494,550	494,550	1,190,019	695,469
Federal	19,009,240	19,867,446	15,670,439	(4,197,007)
Departmental services	2,377,359	2,626,323	2,735,757	109,434
Opioid and tobacco settlements	150,000	150,000	175,823	25,823
Other	9,313	9,313	126,797	117,484
Total revenues	<u>35,397,435</u>	<u>36,504,605</u>	<u>33,252,034</u>	<u>(3,252,571)</u>
<b>EXPENDITURES</b>				
General government				
Legislative	171,546	171,546	70,414	101,132
Secretary of State	110,174	110,000	60,343	49,657
Comptroller	180,336	180,362	142,520	37,842
Treasurer	396,815	397,535	362,827	34,708
Governor	6,902	7,397	7,110	287
Commissions	260,610	266,036	211,501	54,535
Finance and Administration	1,626,204	1,438,051	767,574	670,477
General Services	104,133	64,766	52,580	12,186
Revenue	265,215	1,824,992	1,815,581	9,411
Miscellaneous Appropriations	2,793	2,793	-	2,793
Health and social services				
Veterans Services	16,264	22,039	19,488	2,551
Labor and Workforce Development	457,298	464,474	238,997	225,477
TennCare	17,115,829	18,005,640	15,936,742	2,068,898
Mental Health	679,107	768,225	683,110	85,115
Intellectual Disabilities	400,233	433,476	343,040	90,436
Health	1,435,784	1,487,842	1,158,204	329,638
Human Services	5,222,396	5,311,961	3,370,761	1,941,200
Children's Services	1,463,442	1,528,521	1,372,112	156,409
Law, justice, and public safety				
Judicial	600,251	607,406	544,463	62,943
Correction	1,462,681	1,493,170	1,332,799	160,371
Probation and Paroles	12,198	12,979	12,354	625
Military	145,847	271,581	179,962	91,619
Bureau of Criminal Investigation	157,376	174,813	156,354	18,459
Safety	1,169,278	1,177,202	540,006	637,196
Recreation and resources development				
Agriculture	279,194	341,772	236,770	105,002
Tourist Development	109,204	127,104	73,052	54,052
Environment and Conservation	2,069,997	2,081,849	585,151	1,496,698
Economic and Community Development	1,997,182	2,033,806	375,036	1,658,770
Regulation of business and professions				
Commerce and Insurance	251,337	262,363	142,677	119,686
Financial Institutions	35,628	36,995	25,826	11,169
Total expenditures	<u>38,205,254</u>	<u>41,106,696</u>	<u>30,817,354</u>	<u>10,289,342</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,807,819)</u>	<u>(4,602,091)</u>	<u>2,434,680</u>	<u>7,036,771</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance claims recoveries	2,505	2,504	2,504	-
Transfers in	90,218	90,218	90,218	-
Transfers out	(6,689,912)	(6,284,873)	(6,284,873)	-
Total other financing sources (uses)	<u>(6,597,189)</u>	<u>(6,192,151)</u>	<u>(6,192,151)</u>	<u>-</u>
Net change in fund balances	<u>(9,405,008)</u>	<u>(10,794,242)</u>	<u>(3,757,471)</u>	<u>7,036,771</u>
Fund balances (budgetary basis), July 1	13,564,967	13,564,967	13,564,967	-
Fund balances (budgetary basis), June 30	<u>\$ 4,159,959</u>	<u>\$ 2,770,725</u>	<u>\$ 9,807,496</u>	<u>\$ 7,036,771</u>

**STATE OF TENNESSEE**  
**Schedule of Revenues, Expenditures, and Changes in Fund**  
**Balances - Budget and Actual**  
**Required Supplementary Information**  
**Major Governmental Funds**  
**For the Fiscal Year Ended June 30, 2024**  
**(Expressed in Thousands)**

**Education**

	<b>Budgeted Amounts</b>			
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual (Budgetary Basis)</b>	<b>Variance With Final Budget</b>
<b>REVENUES</b>				
Taxes	\$ 8,548,800	\$ 8,548,800	\$ 8,276,202	\$ (272,598)
Licenses, fines, fees, and permits	4,785	4,785	5,989	1,204
Investment income	175	175	11,915	11,740
Federal	1,827,295	2,542,676	2,495,283	(47,393)
Departmental services	157,094	150,863	152,076	1,213
Other	499,549	499,549	520,572	21,023
Total revenues	<u>11,037,698</u>	<u>11,746,848</u>	<u>11,462,037</u>	<u>(284,811)</u>
<b>EXPENDITURES</b>				
K-12 Education	9,551,616	10,308,036	9,639,929	668,107
Higher education	2,874,754	2,898,559	2,816,810	81,749
Total expenditures	<u>12,426,370</u>	<u>13,206,595</u>	<u>12,456,739</u>	<u>749,856</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,388,672)</u>	<u>(1,459,747)</u>	<u>(994,702)</u>	<u>465,045</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,295,262	1,295,262	890,224	(405,038)
Transfers out	(133,136)	(182,711)	(182,711)	-
Total other financing sources (uses)	<u>1,162,126</u>	<u>1,112,551</u>	<u>707,513</u>	<u>(405,038)</u>
Net change in fund balance	(226,546)	(347,196)	(287,189)	60,007
Fund balances (budgetary basis), July 1	1,223,207	1,223,207	1,223,207	-
Fund balances (budgetary basis), June 30	<u>\$ 996,661</u>	<u>\$ 876,011</u>	<u>\$ 936,018</u>	<u>\$ 60,007</u>

**Highway**

	<b>Budgeted Amounts</b>			
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual (Budgetary Basis)</b>	<b>Variance With Final Budget</b>
<b>REVENUES</b>				
Taxes	\$ 758,500	\$ 758,500	\$ 764,186	\$ 5,686
Licenses, fines, fees, and permits	343,359	343,359	341,789	(1,570)
Investment income	-	-	147,208	147,208
Federal	1,442,497	5,211,873	1,215,089	(3,996,784)
Departmental services	55,793	256,587	74,032	(182,555)
Other	10,945	10,945	14,890	3,945
Total revenues	<u>2,611,094</u>	<u>6,581,264</u>	<u>2,557,194</u>	<u>(4,024,070)</u>
<b>EXPENDITURES</b>				
Transportation	5,268,093	12,311,121	2,913,851	9,397,270
Total expenditures	<u>5,268,093</u>	<u>12,311,121</u>	<u>2,913,851</u>	<u>9,397,270</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,656,999)</u>	<u>(5,729,857)</u>	<u>(356,657)</u>	<u>5,373,200</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond authorizations	87,700	-	-	-
Transfers in	-	3,527,446	3,527,446	-
Transfers out	(2,782)	(2,782)	(2,782)	-
Total other financing sources (uses)	<u>84,918</u>	<u>3,524,664</u>	<u>3,524,664</u>	<u>-</u>
Net change in fund balance	(2,572,081)	(2,205,193)	3,168,007	5,373,200
Fund balances (budgetary basis), July 1	2,253,019	2,253,019	2,253,019	-
Fund balances (budgetary basis), June 30	<u>\$ (319,062)</u>	<u>\$ 47,826</u>	<u>\$ 5,421,026</u>	<u>\$ 5,373,200</u>

**State Shared Taxes**

	<b>Budgeted Amounts</b>			
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual (Budgetary Basis)</b>	<b>Variance With Final Budget</b>
<b>REVENUES</b>				
Taxes	\$ 1,649,600	\$ 1,649,600	\$ 1,810,481	\$ 160,881
Licenses, fines, fees, and permits	-	-	2,829	2,829
Total revenues	<u>1,649,600</u>	<u>1,649,600</u>	<u>1,813,310</u>	<u>163,710</u>
<b>EXPENDITURES</b>				
General government	1,813,310	1,813,310	1,813,310	-
Total expenditures	<u>1,813,310</u>	<u>1,813,310</u>	<u>1,813,310</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(163,710)</u>	<u>(163,710)</u>	<u>-</u>	<u>163,710</u>

STATE OF TENNESSEE  
Required Supplementary Information  
Note to RSI  
For the Fiscal Year Ended June 30, 2024  
(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).

	<u>General</u>	<u>Education</u>	<u>Highway</u>
<b>Revenues</b>			
Actual amount (budgetary basis)	\$ 33,252,034	\$ 11,462,037	
Certain tax refunds are treated as reductions of revenue on fund statements and as expenditures on the budget to actual.	(1,551,717)	-	
The revenues for the Tennessee Promise Scholarship Endowment Fund are not included in the annually adopted budget.	<u>-</u>	<u>91,989</u>	
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u><u>31,700,317</u></u>	<u><u>\$ 11,554,026</u></u>	
<b>Expenditures</b>			
Actual amount (budgetary basis)	\$ 30,817,354	\$ 12,456,739	\$ 2,913,851
Certain tax refunds are treated as reductions of revenue on fund statements and as expenditures on the budget to actual.	(1,551,717)	-	-
The expenditures for the Tennessee Promise Scholarship Endowment Fund are not included in the annually adopted budget.	-	24,774	-
Capital outlay from right-to-use leases and subscriptions are not included in the annual adopted budget.	<u>55,377</u>	<u>1,287</u>	<u>151</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u><u>\$ 29,321,014</u></u>	<u><u>\$ 12,482,800</u></u>	<u><u>\$ 2,914,002</u></u>
<b>Other financing sources (uses)</b>			
Actual amount (budgetary basis)	\$ (6,192,151)	\$ 707,513	\$ 3,524,664
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.	-	133,136	-
Financing sources from right-to-use leases and subscriptions are not included in the annual adopted budget.	<u>55,377</u>	<u>1,287</u>	<u>151</u>
Total other financing sources (uses) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u><u>\$ (6,136,774)</u></u>	<u><u>\$ 841,936</u></u>	<u><u>\$ 3,524,815</u></u>

2. Budgetary Process

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

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

Generally, appropriations lapse at the end of each fiscal year. It is the state's budgetary practice to appropriate matching dollars for jointly funded projects in the year of federal apportionment for the highway fund and these appropriations do not lapse at year-end but are reappropriated for subsequent year expenditure. There were no outstanding encumbrances reported as of June 30, 2024. In order to provide sufficient funding for several programs during the year, supplemental appropriations of \$1.2 billion were required.

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

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# SUPPLEMENTARY INFORMATION

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# NONMAJOR GOVERNMENTAL FUNDS

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**Special Revenue Funds**—A description of these funds is found later in this section.

**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, 2024**  
**(Expressed in Thousands)**

	<b>Special Revenue Funds</b>	<b>Debt Service Fund</b>	<b>Permanent Funds</b>	<b>Total Nonmajor Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 777,608	\$ 31,877	\$ 52,898	\$ 862,383
Investments	42,990	-	776,070	819,060
Receivables, net	622,280	11,782	5,106	639,168
Due from other funds	27	-	-	27
Due from component units	-	-	1,918	1,918
Loans receivable	-	1,896	-	1,896
Prepayments and others	16	-	-	16
Total assets	\$ 1,442,921	\$ 45,555	\$ 835,992	\$ 2,324,468
<b>LIABILITIES</b>				
Accounts payable and accruals	55,878	10	-	55,888
Due to other funds	148	-	1,202	1,350
Due to component units	1,098	-	3,745	4,843
Unearned revenue	8	-	-	8
Total liabilities	57,132	10	4,947	62,089
<b>DEFERRED INFLOWS OF RESOURCES</b>	539,304	2,624	-	541,928
<b>FUND BALANCES</b>				
<b>Nonspendable</b>				
Permanent fund and endowment corpus	\$ -	\$ -	\$ 352,564	\$ 352,564
<b>Restricted</b>	414,968	7,969	372,783	795,720
<b>Committed</b>	431,517	-	107,395	538,912
<b>Assigned</b>	-	34,952	-	34,952
<b>Unassigned</b>	-	-	(1,697)	(1,697)
Total fund balances	846,485	42,921	831,045	1,720,451
Total liabilities, deferred inflows of resources and fund balances	\$ 1,442,921	\$ 45,555	\$ 835,992	\$ 2,324,468

**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, 2024**  
**(Expressed in Thousands)**

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Permanent Funds</u>	<u>Total Nonmajor Governmental Funds</u>
<b>REVENUES</b>				
Taxes:				
Sales and use	\$ 6,319	\$ 97,560	\$ -	\$ 103,879
Fuel	25,006	83,800	-	108,806
Business	-	198,240	-	198,240
Other	61,903	-	-	61,903
Licenses, fines, fees, and permits	449,269	2,700	180	452,149
Investment income	33,404	21,250	78,179	132,833
Federal	68,575	-	-	68,575
Departmental services	29,817	524	-	30,341
Other	5	1,871	252	2,128
Total revenues	<u>674,298</u>	<u>405,945</u>	<u>78,611</u>	<u>1,158,854</u>
<b>EXPENDITURES</b>				
General government	47,159	-	-	47,159
Education	-	-	11,438	11,438
Health and social services	32,999	-	1,395	34,394
Law, justice, and public safety	8,689	-	-	8,689
Recreation and resources development	282,010	-	35	282,045
Regulation of business and professions	152,944	-	-	152,944
Debt service:				
Principal	405	167,233	-	167,638
Interest	106	59,741	-	59,847
Debt issuance costs	-	4,162	-	4,162
Total expenditures	<u>524,312</u>	<u>231,136</u>	<u>12,868</u>	<u>768,316</u>
Excess (deficiency) of revenues over (under) expenditures	<u>149,986</u>	<u>174,809</u>	<u>65,743</u>	<u>390,538</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bonds and commercial paper issued	-	230	-	230
Bond premium	-	2,353	-	2,353
Insurance claims recoveries	325	-	-	325
Transfers in	86,676	3,330	-	90,006
Transfers out	(670)	(171,141)	-	(171,811)
Total other financing sources (uses)	<u>86,331</u>	<u>(165,228)</u>	<u>-</u>	<u>(78,897)</u>
Net change in fund balances	236,317	9,581	65,743	311,641
Fund balances, July 1	610,168	33,340	765,302	1,408,810
Fund balances, June 30	<u>\$ 846,485</u>	<u>\$ 42,921</u>	<u>\$ 831,045</u>	<u>\$ 1,720,451</u>

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**STATE OF TENNESSEE**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual (Budgetary Basis)**  
**Debt Service Fund**  
**For the Fiscal Year Ended June 30, 2024**  
**(Expressed in Thousands)**

	<b>Debt Service Fund</b>		
	<b>Budget</b>	<b>Actual (Budgetary Basis)</b>	<b>Variance</b>
<b>REVENUES</b>			
Taxes	\$ 379,600	\$ 379,600	\$ -
Licenses, fines, fees, and permits	2,700	2,700	-
Investment income	-	21,250	21,250
Departmental services	524	524	-
Other	-	1,871	1,871
Total revenues	382,824	405,945	23,121
<b>EXPENDITURES</b>			
Debt service	231,136	231,136	-
Total expenditures	231,136	231,136	-
Excess (deficiency) of revenues over (under) expenditures	151,688	174,809	23,121
<b>OTHER FINANCING SOURCES (USES)</b>			
Bonds and commercial paper issued	-	230	230
Bond premium	2,353	2,353	-
Transfers in	3,330	3,330	-
Transfers out	(171,141)	(171,141)	-
Total other financing sources (uses)	(165,458)	(165,228)	230
Net change in fund balances	(13,770)	9,581	23,351
Fund balances (budgetary basis), July 1	33,340	33,340	-
Fund balances (budgetary basis), June 30	\$ 19,570	\$ 42,921	\$ 23,351

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# NONMAJOR SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**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, 2024**  
**(Expressed in Thousands)**

	<u>Wildlife Resources Agency</u>	<u>Criminal Injuries Compensation</u>	<u>Solid Waste</u>	<u>Help America Vote</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 63,729	\$ 5,127	\$ 25,601	\$ 28,534
Investments	42,990	-	-	-
Receivables, net	10,435	3,845	656	1,634
Due from other funds	-	-	-	-
Prepayments and others	-	-	-	-
Total assets	<u>\$ 117,154</u>	<u>\$ 8,972</u>	<u>\$ 26,257</u>	<u>\$ 30,168</u>
<b>LIABILITIES</b>				
Accounts payable and accruals	9,279	1,512	2,104	28,100
Due to other funds	16	82	-	-
Due to component units	939	-	-	-
Unearned revenue	-	-	-	-
Total liabilities	<u>10,234</u>	<u>1,594</u>	<u>2,104</u>	<u>28,100</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
<b>Restricted</b>	\$ 80,747	-\$	-\$	2,068
<b>Committed</b>	26,173	7,378	24,153	-
Total fund balances	<u>106,920</u>	<u>7,378</u>	<u>24,153</u>	<u>2,068</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 117,154</u>	<u>\$ 8,972</u>	<u>\$ 26,257</u>	<u>\$ 30,168</u>

**STATE OF TENNESSEE**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**  
**June 30, 2024**  
**(Expressed in Thousands)**

continued on next page

<u>Environmental Protection</u>	<u>Hazardous Waste</u>	<u>Parks Acquisition</u>	<u>Supreme Court Boards</u>	<u>Underground Storage Tanks</u>	<u>Enhanced Emergency 911 Service</u>	<u>Driver Education</u>
\$ 74,800	\$ 114,529	\$ 122,163	\$ 4,598	\$ 66,684	\$ 31,713	\$ 1,519
-	-	-	-	-	-	-
-	119	2,201	3	1,778	15,686	60
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 74,800</u>	<u>\$ 114,648</u>	<u>\$ 124,364</u>	<u>\$ 4,601</u>	<u>\$ 68,462</u>	<u>\$ 47,399</u>	<u>\$ 1,579</u>
5	1,016	4,662	94	3,111	1,306	23
-	-	-	-	-	27	-
-	-	-	-	-	-	-
-	-	-	7	-	-	-
<u>5</u>	<u>1,016</u>	<u>4,662</u>	<u>101</u>	<u>3,111</u>	<u>1,333</u>	<u>23</u>
-	-	-	-	-	1,229	-
\$ -	\$ 55	\$ -	\$ 4,500	\$ 65,351	\$ 38,041	\$ -
<u>74,795</u>	<u>113,577</u>	<u>119,702</u>	<u>-</u>	<u>-</u>	<u>6,796</u>	<u>1,556</u>
<u>74,795</u>	<u>113,632</u>	<u>119,702</u>	<u>4,500</u>	<u>65,351</u>	<u>44,837</u>	<u>1,556</u>
<u>\$ 74,800</u>	<u>\$ 114,648</u>	<u>\$ 124,364</u>	<u>\$ 4,601</u>	<u>\$ 68,462</u>	<u>\$ 47,399</u>	<u>\$ 1,579</u>

**STATE OF TENNESSEE**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**  
**June 30, 2024**  
**(Expressed in Thousands)**

	<u>Abandoned Land Program</u>	<u>Agricultural Non- Point Water Pollution</u>	<u>Salvage Title Enforcement</u>	<u>Agricultural Promotion Boards</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 8,481	\$ 14,970	\$ 5,601	\$ 586
Investments	-	-	-	-
Receivables, net	12	1,016	-	43
Due from other funds	-	-	-	-
Prepayments and others	-	-	-	16
Total assets	<u>\$ 8,493</u>	<u>\$ 15,986</u>	<u>\$ 5,601</u>	<u>\$ 645</u>
<b>LIABILITIES</b>				
Accounts payable and accruals	154	1,113	82	112
Due to other funds	-	-	-	-
Due to component units	-	159	-	-
Unearned revenue	-	-	-	-
Total liabilities	<u>154</u>	<u>1,272</u>	<u>82</u>	<u>112</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
<b>Restricted</b>	\$ 6,976	-	-	-
<b>Committed</b>	1,363	14,714	5,519	533
Total fund balances	<u>8,339</u>	<u>14,714</u>	<u>5,519</u>	<u>533</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,493</u>	<u>\$ 15,986</u>	<u>\$ 5,601</u>	<u>\$ 645</u>

**STATE OF TENNESSEE**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**  
**June 30, 2024**  
**(Expressed in Thousands)**

<u>Drycleaner's Environmental Response</u>	<u>Agricultural Regulatory Fund</u>	<u>Tennessee Public Utility Commission</u>	<u>Fraud and Economic Crime</u>	<u>Vehicle Tag and Analogous Fees</u>	<u>Opioid Abatement Fund</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 6,027	\$ 16,757	\$ 8,556	\$ 3,134	\$ 2,658	\$ 171,841	\$ 777,608
-	-	-	-	-	-	42,990
-	674	3	-	651	583,464	622,280
-	-	27	-	-	-	27
-	-	-	-	-	-	16
<u>\$ 6,027</u>	<u>\$ 17,431</u>	<u>\$ 8,586</u>	<u>\$ 3,134</u>	<u>\$ 3,309</u>	<u>\$ 755,305</u>	<u>\$ 1,442,921</u>
47	-	349	-	2,809	-	55,878
-	-	23	-	-	-	148
-	-	-	-	-	-	1,098
-	-	1	-	-	-	8
<u>47</u>	<u>-</u>	<u>373</u>	<u>-</u>	<u>2,809</u>	<u>-</u>	<u>57,132</u>
-	-	-	-	-	538,075	539,304
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 217,230	\$ 414,968
<u>5,980</u>	<u>17,431</u>	<u>8,213</u>	<u>3,134</u>	<u>500</u>	<u>-</u>	<u>431,517</u>
<u>5,980</u>	<u>17,431</u>	<u>8,213</u>	<u>3,134</u>	<u>500</u>	<u>217,230</u>	<u>846,485</u>
<u>\$ 6,027</u>	<u>\$ 17,431</u>	<u>\$ 8,586</u>	<u>\$ 3,134</u>	<u>\$ 3,309</u>	<u>\$ 755,305</u>	<u>\$ 1,442,921</u>

**STATE OF TENNESSEE**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**  
**For the Fiscal Year Ended June 30, 2024**  
**(Expressed in Thousands)**

	<u>Wildlife Resources Agency</u>	<u>Criminal Injuries Compensation</u>	<u>Solid Waste</u>	<u>Help America Vote</u>
<b>REVENUES</b>				
Taxes:				
Sales and use	\$ -	\$ -	\$ -	-
Fuel	4,770	-	-	-
Other	23,185	-	2,825	-
Licenses, fines, fees, and permits	48,764	8,401	7,501	-
Investment income	3,913	343	1,258	139
Federal	46,298	3,378	-	15,039
Departmental services	24,004	-	-	-
Other	-	5	-	-
Total revenues	<u>150,934</u>	<u>12,127</u>	<u>11,584</u>	<u>15,178</u>
<b>EXPENDITURES</b>				
General government	-	11,455	-	16,605
Health and social services	-	-	-	-
Law, justice, and public safety	-	-	-	-
Recreation and resources development	151,617	-	8,840	-
Regulation of business and professions	-	-	-	-
Debt service:				
Principal	31	-	-	-
Interest	-	-	-	-
Total expenditures	<u>151,648</u>	<u>11,455</u>	<u>8,840</u>	<u>16,605</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(714)</u>	<u>672</u>	<u>2,744</u>	<u>(1,427)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance claims recoveries	325	-	-	-
Transfers in	7,264	-	71	200
Transfers out	(420)	-	-	-
Total other financing sources (uses)	<u>7,169</u>	<u>-</u>	<u>71</u>	<u>200</u>
Net change in fund balances	6,455	672	2,815	(1,227)
Fund balances, July 1	<u>100,465</u>	<u>6,706</u>	<u>21,338</u>	<u>3,295</u>
Fund balances, June 30	<u>\$ 106,920</u>	<u>\$ 7,378</u>	<u>\$ 24,153</u>	<u>\$ 2,068</u>

**STATE OF TENNESSEE**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**  
**For the Fiscal Year Ended June 30, 2024**  
**(Expressed in Thousands)**

continued on next page

	<u>Environmental Protection</u>	<u>Hazardous Waste</u>	<u>Parks Acquisition</u>	<u>Supreme Court Boards</u>	<u>Underground Storage Tanks</u>	<u>Enhanced Emergency 911 Service</u>	<u>Driver Education</u>
\$	-\$	-\$	-\$	-\$	-\$	-\$	-
	-	-	-	-	20,236	-	-
	-	-	23,185	-	-	-	-
	49,471	100	-	6,169	1,086	153,549	661
	3,406	5,330	5,996	276	3,386	1,011	-
	-	1,257	-	-	1,146	-	-
	-	4,300	85	281	25	2	-
	-	-	-	-	-	-	-
	<u>52,877</u>	<u>10,987</u>	<u>29,266</u>	<u>6,726</u>	<u>25,879</u>	<u>154,562</u>	<u>661</u>
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	7,452	-	-	604
	42,026	9,469	17,252	-	24,989	-	-
	-	-	-	-	-	152,944	-
	-	-	-	374	-	-	-
	-	-	-	106	-	-	-
	<u>42,026</u>	<u>9,469</u>	<u>17,252</u>	<u>7,932</u>	<u>24,989</u>	<u>152,944</u>	<u>604</u>
	<u>10,851</u>	<u>1,518</u>	<u>12,014</u>	<u>(1,206)</u>	<u>890</u>	<u>1,618</u>	<u>57</u>
	-	-	-	-	-	-	-
	-	72,203	-	331	827	98	35
	-	-	(250)	-	-	-	-
	<u>-</u>	<u>72,203</u>	<u>(250)</u>	<u>331</u>	<u>827</u>	<u>98</u>	<u>35</u>
	10,851	73,721	11,764	(875)	1,717	1,716	92
	63,944	39,911	107,938	5,375	63,634	43,121	1,464
\$	<u><u>74,795</u></u>	<u><u>113,632</u></u>	<u><u>119,702</u></u>	<u><u>4,500</u></u>	<u><u>65,351</u></u>	<u><u>44,837</u></u>	<u><u>1,556</u></u>

**STATE OF TENNESSEE**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**  
**For the Fiscal Year Ended June 30, 2024**  
**(Expressed in Thousands)**

	<u>Abandoned Land Program</u>	<u>Agricultural Non- Point Water Pollution</u>	<u>Salvage Title Enforcement</u>	<u>Agricultural Promotion Boards</u>
<b>REVENUES</b>				
Taxes:				
Sales and use	\$ -	\$ -	\$ -	-
Fuel	-	-	-	-
Other	-	10,701	-	828
Licenses, fines, fees, and permits	21	-	2,960	-
Investment income	427	765	-	5
Federal	300	-	-	-
Departmental services	-	-	-	7
Other	-	-	-	-
Total revenues	<u>748</u>	<u>11,466</u>	<u>2,960</u>	<u>840</u>
<b>EXPENDITURES</b>				
General government	-	-	2,481	-
Health and social services	-	-	-	-
Law, justice, and public safety	-	-	-	-
Recreation and resources development	98	13,303	-	906
Regulation of business and professions	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>98</u>	<u>13,303</u>	<u>2,481</u>	<u>906</u>
Excess (deficiency) of revenues over (under) expenditures	<u>650</u>	<u>(1,837)</u>	<u>479</u>	<u>(66)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance claims recoveries	-	-	-	-
Transfers in	2	-	134	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>2</u>	<u>-</u>	<u>134</u>	<u>-</u>
Net change in fund balances	652	(1,837)	613	(66)
Fund balances, July 1	7,687	16,551	4,906	599
Fund balances, June 30	<u>\$ 8,339</u>	<u>\$ 14,714</u>	<u>\$ 5,519</u>	<u>\$ 533</u>

**STATE OF TENNESSEE**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**  
**For the Fiscal Year Ended June 30, 2024**  
**(Expressed in Thousands)**

<u>Drycleaner's Environmental Response</u>	<u>Agricultural Regulatory Fund</u>	<u>Tennessee Public Utility Commission</u>	<u>Fraud and Economic Crime</u>	<u>Vehicle Tag and Analogous Fees</u>	<u>Opioid Abatement Fund</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ -	\$ 6,319	\$ -	\$ -	\$ -	\$ -	\$ 6,319
-	-	-	-	-	-	25,006
-	-	-	-	1,179	-	61,903
374	12,582	6,453	618	6,414	144,145	449,269
269	635	-	27	33	6,185	33,404
-	-	1,157	-	-	-	68,575
-	38	1,075	-	-	-	29,817
-	-	-	-	-	-	5
<u>643</u>	<u>19,574</u>	<u>8,685</u>	<u>645</u>	<u>7,626</u>	<u>150,330</u>	<u>674,298</u>
-	-	8,992	-	7,626	-	47,159
-	-	-	-	-	32,999	32,999
-	-	-	633	-	-	8,689
381	13,129	-	-	-	-	282,010
-	-	-	-	-	-	152,944
-	-	-	-	-	-	405
-	-	-	-	-	-	106
<u>381</u>	<u>13,129</u>	<u>8,992</u>	<u>633</u>	<u>7,626</u>	<u>32,999</u>	<u>524,312</u>
<u>262</u>	<u>6,445</u>	<u>(307)</u>	<u>12</u>	<u>-</u>	<u>117,331</u>	<u>149,986</u>
-	-	-	-	-	-	325
5,007	-	504	-	-	-	86,676
-	-	-	-	-	-	(670)
<u>5,007</u>	<u>-</u>	<u>504</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>86,331</u>
5,269	6,445	197	12	-	117,331	236,317
711	10,986	8,016	3,122	500	99,899	610,168
<u>\$ 5,980</u>	<u>\$ 17,431</u>	<u>\$ 8,213</u>	<u>\$ 3,134</u>	<u>\$ 500</u>	<u>\$ 217,230</u>	<u>\$ 846,485</u>

**STATE OF TENNESSEE**  
**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual (Budgetary Basis)**  
**All Nonmajor Budgeted Special Revenue Funds**  
**For the Fiscal Year Ended June 30, 2024**  
**(Expressed in Thousands)**

<b>Wildlife Resources Agency</b>			
	<b>Budget</b>	<b>Actual (Budgetary Basis)</b>	<b>Variance</b>
<b>REVENUES</b>			
Taxes	\$ 19,919	\$ 27,955	\$ 8,036
Licenses, fines, fees, and permits	52,984	48,764	(4,220)
Investment income	-	3,913	3,913
Federal	50,917	46,298	(4,619)
Departmental services	26,688	24,004	(2,684)
Other	-	-	-
Total revenues	150,508	150,934	426
<b>EXPENDITURES</b>			
Judicial	-	-	-
Secretary of State	-	-	-
Treasurer	-	-	-
Commissions	-	-	-
Finance and Administration	-	-	-
Mental Health	-	-	-
Safety	-	-	-
Agriculture	-	-	-
Environment and Conservation	-	-	-
Wildlife Resources	175,774	151,648	24,126
Commerce and Insurance	-	-	-
Revenue	-	-	-
Total expenditures	175,774	151,648	24,126
Excess (deficiency) of revenues over (under) expenditures	(25,266)	(714)	24,552
<b>OTHER FINANCING SOURCES (USES)</b>			
Insurance claims recoveries	325	325	-
Transfers in	7,264	7,264	-
Transfers out	(420)	(420)	-
Total other financing sources (uses)	7,169	7,169	-
Net change in fund balances	(18,097)	6,455	24,552
Fund balances (budgetary basis), July 1	100,465	100,465	-
Fund balances (budgetary basis), June 30	\$ 82,368	\$ 106,920	\$ 24,552

**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, 2024**  
**(Expressed in Thousands)**

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<u>Criminal Injuries Compensation</u>			<u>Solid Waste</u>		
<u>Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance</u>	<u>Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance</u>
\$ -	\$ -	\$ -	\$ 2,683	\$ 2,825	\$ 142
12,687	8,401	(4,286)	6,009	7,501	1,492
-	343	343	-	1,258	1,258
3,689	3,378	(311)	-	-	-
-	-	-	1	-	(1)
10	5	(5)	-	-	-
<u>16,386</u>	<u>12,127</u>	<u>(4,259)</u>	<u>8,693</u>	<u>11,584</u>	<u>2,891</u>
-	-	-	-	-	-
-	-	-	-	-	-
16,386	11,455	4,931	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	10,736	8,840	1,896
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>16,386</u>	<u>11,455</u>	<u>4,931</u>	<u>10,736</u>	<u>8,840</u>	<u>1,896</u>
-	672	672	(2,043)	2,744	4,787
-	-	-	-	-	-
-	-	-	71	71	-
-	-	-	-	-	-
-	-	-	<u>71</u>	<u>71</u>	-
-	672	672	(1,972)	2,815	4,787
6,706	6,706	-	21,338	21,338	-
<u>\$ 6,706</u>	<u>\$ 7,378</u>	<u>\$ 672</u>	<u>\$ 19,366</u>	<u>\$ 24,153</u>	<u>\$ 4,787</u>

**STATE OF TENNESSEE**  
**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual (Budgetary Basis)**  
**All Nonmajor Budgeted Special Revenue Funds**  
**For the Fiscal Year Ended June 30, 2024**  
**(Expressed in Thousands)**

	<b>Help America Vote</b>		
	<b>Budget</b>	<b>Actual (Budgetary Basis)</b>	<b>Variance</b>
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Licenses, fines, fees, and permits	-	-	-
Investment income	-	139	139
Federal	26,500	15,039	(11,461)
Departmental services	-	-	-
Other	-	-	-
Total revenues	26,500	15,178	(11,322)
<b>EXPENDITURES</b>			
Judicial	-	-	-
Secretary of State	27,927	16,605	11,322
Treasurer	-	-	-
Commissions	-	-	-
Finance and Administration	-	-	-
Mental Health	-	-	-
Safety	-	-	-
Agriculture	-	-	-
Environment and Conservation	-	-	-
Wildlife Resources	-	-	-
Commerce and Insurance	-	-	-
Revenue	-	-	-
Total expenditures	27,927	16,605	11,322
Excess (deficiency) of revenues over (under) expenditures	(1,427)	(1,427)	-
<b>OTHER FINANCING SOURCES (USES)</b>			
Insurance claims recoveries	-	-	-
Transfers in	200	200	-
Transfers out	-	-	-
Total other financing sources (uses)	200	200	-
Net change in fund balances	(1,227)	(1,227)	-
Fund balances (budgetary basis), July 1	3,295	3,295	-
Fund balances (budgetary basis), June 30	\$ 2,068	\$ 2,068	\$ -

**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, 2024**  
**(Expressed in Thousands)**

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Environmental Protection			Hazardous Waste		
Budget	Actual (Budgetary Basis)	Variance	Budget	Actual (Budgetary Basis)	Variance
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
62,992	49,471	(13,521)	-	100	100
-	3,406	3,406	-	5,330	5,330
-	-	-	2,690	1,257	(1,433)
-	-	-	5,630	4,300	(1,330)
-	-	-	-	-	-
62,992	52,877	(10,115)	8,320	10,987	2,667
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
63,897	42,026	21,871	83,118	9,469	73,649
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
63,897	42,026	21,871	83,118	9,469	73,649
(905)	10,851	11,756	(74,798)	1,518	76,316
-	-	-	-	-	-
-	-	-	72,203	72,203	-
-	-	-	-	-	-
-	-	-	72,203	72,203	-
(905)	10,851	11,756	(2,595)	73,721	76,316
63,944	63,944	-	39,911	39,911	-
\$ 63,039	\$ 74,795	\$ 11,756	\$ 37,316	\$ 113,632	\$ 76,316

**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, 2024**  
**(Expressed in Thousands)**

	<b>Parks Acquisition</b>		
	<b>Budget</b>	<b>Actual (Budgetary Basis)</b>	<b>Variance</b>
<b>REVENUES</b>			
Taxes	\$ 6,931	\$ 23,185	\$ 16,254
Licenses, fines, fees, and permits	-	-	-
Investment income	-	5,996	5,996
Federal	-	-	-
Departmental services	-	85	85
Other	-	-	-
Total revenues	6,931	29,266	22,335
<b>EXPENDITURES</b>			
Judicial	-	-	-
Secretary of State	-	-	-
Treasurer	-	-	-
Commissions	-	-	-
Finance and Administration	-	-	-
Mental Health	-	-	-
Safety	-	-	-
Agriculture	-	-	-
Environment and Conservation	19,081	17,252	1,829
Wildlife Resources	-	-	-
Commerce and Insurance	-	-	-
Revenue	-	-	-
Total expenditures	19,081	17,252	1,829
Excess (deficiency) of revenues over (under) expenditures	(12,150)	12,014	24,164
<b>OTHER FINANCING SOURCES (USES)</b>			
Insurance claims recoveries	-	-	-
Transfers in	-	-	-
Transfers out	(250)	(250)	-
Total other financing sources (uses)	(250)	(250)	-
Net change in fund balances	(12,400)	11,764	24,164
Fund balances (budgetary basis), July 1	107,938	107,938	-
Fund balances (budgetary basis), June 30	\$ 95,538	\$ 119,702	\$ 24,164

**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, 2024**  
**(Expressed in Thousands)**

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Supreme Court Boards			Underground Storage Tanks		
Budget	Actual (Budgetary Basis)	Variance	Budget	Actual (Budgetary Basis)	Variance
\$ -	\$ -	\$ -	\$ 20,500	\$ 20,236	\$ (264)
5,490	6,169	679	5,181	1,086	(4,095)
-	276	276	-	3,386	3,386
-	-	-	1,973	1,146	(827)
-	281	281	-	25	25
-	-	-	-	-	-
5,490	6,726	1,236	27,654	25,879	(1,775)
7,604	7,932	(328)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	27,962	24,989	2,973
-	-	-	-	-	-
-	-	-	-	-	-
7,604	7,932	(328)	27,962	24,989	2,973
(2,114)	(1,206)	908	(308)	890	1,198
-	-	-	-	-	-
331	331	-	827	827	-
-	-	-	-	-	-
331	331	-	827	827	-
(1,783)	(875)	908	519	1,717	1,198
5,375	5,375	-	63,634	63,634	-
\$ 3,592	\$ 4,500	\$ 908	\$ 64,153	\$ 65,351	\$ 1,198

**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, 2024**  
**(Expressed in Thousands)**

<b>Enhanced Emergency 911 Service</b>			
	<b>Budget</b>	<b>Actual (Budgetary Basis)</b>	<b>Variance</b>
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Licenses, fines, fees, and permits	158,995	153,549	(5,446)
Investment income	-	1,011	1,011
Federal	-	-	-
Departmental services	-	2	2
Other	-	-	-
Total revenues	158,995	154,562	(4,433)
<b>EXPENDITURES</b>			
Judicial	-	-	-
Secretary of State	-	-	-
Treasurer	-	-	-
Commissions	-	-	-
Finance and Administration	-	-	-
Mental Health	-	-	-
Safety	-	-	-
Agriculture	-	-	-
Environment and Conservation	-	-	-
Wildlife Resources	-	-	-
Commerce and Insurance	164,897	152,944	11,953
Revenue	-	-	-
Total expenditures	164,897	152,944	11,953
Excess (deficiency) of revenues over (under) expenditures	(5,902)	1,618	7,520
<b>OTHER FINANCING SOURCES (USES)</b>			
Insurance claims recoveries	-	-	-
Transfers in	98	98	-
Transfers out	-	-	-
Total other financing sources (uses)	98	98	-
Net change in fund balances	(5,804)	1,716	7,520
Fund balances (budgetary basis), July 1	43,121	43,121	-
Fund balances (budgetary basis), June 30	\$ 37,317	\$ 44,837	\$ 7,520

**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, 2024**  
**(Expressed in Thousands)**

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Driver Education			Abandoned Land Program		
Budget	Actual (Budgetary Basis)	Variance	Budget	Actual (Budgetary Basis)	Variance
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
886	661	(225)	581	21	(560)
-	-	-	-	427	427
-	-	-	1,112	300	(812)
-	-	-	-	-	-
-	-	-	-	-	-
886	661	(225)	1,693	748	(945)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,118	604	514	-	-	-
-	-	-	-	-	-
-	-	-	1,692	98	1,594
-	-	-	-	-	-
-	-	-	-	-	-
1,118	604	514	1,692	98	1,594
(232)	57	289	1	650	649
-	-	-	-	-	-
35	35	-	2	2	-
-	-	-	-	-	-
35	35	-	2	2	-
(197)	92	289	3	652	649
1,464	1,464	-	7,687	7,687	-
\$ 1,267	\$ 1,556	\$ 289	\$ 7,690	\$ 8,339	\$ 649

**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, 2024**  
**(Expressed in Thousands)**

	<b>Agricultural Non-Point Water Pollution</b>		
	<b>Budget</b>	<b>Actual (Budgetary Basis)</b>	<b>Variance</b>
<b>REVENUES</b>			
Taxes	\$ 7,188	\$ 10,701	\$ 3,513
Licenses, fines, fees, and permits	-	-	-
Investment income	-	765	765
Federal	-	-	-
Departmental services	-	-	-
Other	-	-	-
Total revenues	7,188	11,466	4,278
<b>EXPENDITURES</b>			
Judicial	-	-	-
Secretary of State	-	-	-
Treasurer	-	-	-
Commissions	-	-	-
Finance and Administration	-	-	-
Mental Health	-	-	-
Safety	-	-	-
Agriculture	17,188	13,303	3,885
Environment and Conservation	-	-	-
Wildlife Resources	-	-	-
Commerce and Insurance	-	-	-
Revenue	-	-	-
Total expenditures	17,188	13,303	3,885
Excess (deficiency) of revenues over (under) expenditures	(10,000)	(1,837)	8,163
<b>OTHER FINANCING SOURCES (USES)</b>			
Insurance claims recoveries	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	(10,000)	(1,837)	8,163
Fund balances (budgetary basis), July 1	16,551	16,551	-
Fund balances (budgetary basis), June 30	\$ 6,551	\$ 14,714	\$ 8,163

**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, 2024**  
**(Expressed in Thousands)**

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Salvage Title Enforcement			Drycleaner's Environmental Response		
Budget	Actual (Budgetary Basis)	Variance	Budget	Actual (Budgetary Basis)	Variance
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2,583	2,960	377	1,982	374	(1,608)
-	-	-	-	269	269
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,583	2,960	377	1,982	643	(1,339)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	6,983	381	6,602
-	-	-	-	-	-
-	-	-	-	-	-
2,648	2,481	167	-	-	-
2,648	2,481	167	6,983	381	6,602
(65)	479	544	(5,001)	262	5,263
-	-	-	-	-	-
134	134	-	5,007	5,007	-
-	-	-	-	-	-
134	134	-	5,007	5,007	-
69	613	544	6	5,269	5,263
4,906	4,906	-	711	711	-
\$ 4,975	\$ 5,519	\$ 544	\$ 717	\$ 5,980	\$ 5,263

**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, 2024**  
**(Expressed in Thousands)**

<b>Agricultural Regulatory Fund</b>			
	<b>Budget</b>	<b>Actual (Budgetary Basis)</b>	<b>Variance</b>
<b>REVENUES</b>			
Taxes	\$ -	\$ 6,319	\$ 6,319
Licenses, fines, fees, and permits	13,733	12,582	(1,151)
Investment income	-	635	635
Federal	-	-	-
Departmental services	2	38	36
Other	-	-	-
Total revenues	13,735	19,574	5,839
<b>EXPENDITURES</b>			
Judicial	-	-	-
Secretary of State	-	-	-
Treasurer	-	-	-
Commissions	-	-	-
Finance and Administration	-	-	-
Mental Health	-	-	-
Safety	-	-	-
Agriculture	13,853	13,129	724
Environment and Conservation	-	-	-
Wildlife Resources	-	-	-
Commerce and Insurance	-	-	-
Revenue	-	-	-
Total expenditures	13,853	13,129	724
Excess (deficiency) of revenues over (under) expenditures	(118)	6,445	6,563
<b>OTHER FINANCING SOURCES (USES)</b>			
Insurance claims recoveries	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	(118)	6,445	6,563
Fund balances (budgetary basis), July 1	10,986	10,986	-
Fund balances (budgetary basis), June 30	\$ 10,868	\$ 17,431	\$ 6,563

**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, 2024**  
**(Expressed in Thousands)**

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Tennessee Public Utility Commission			Vehicle Tag and Analogous Fees		
Budget	Actual (Budgetary Basis)	Variance	Budget	Actual (Budgetary Basis)	Variance
\$ -	\$ -	\$ -	\$ 1,179	\$ 1,179	\$ -
8,001	6,453	(1,548)	6,447	6,414	(33)
-	-	-	-	33	33
1,094	1,157	63	-	-	-
1,431	1,075	(356)	-	-	-
-	-	-	-	-	-
10,526	8,685	(1,841)	7,626	7,626	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
10,649	8,992	1,657	-	-	-
-	-	-	7,626	7,626	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
10,649	8,992	1,657	7,626	7,626	-
(123)	(307)	(184)	-	-	-
-	-	-	-	-	-
504	504	-	-	-	-
-	-	-	-	-	-
504	504	-	-	-	-
381	197	(184)	-	-	-
8,016	8,016	-	500	500	-
\$ 8,397	\$ 8,213	\$ (184)	\$ 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, 2024**  
**(Expressed in Thousands)**

<b>Opioid Abatement Fund</b>			
	<b>Budget</b>	<b>Actual (Budgetary Basis)</b>	<b>Variance</b>
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Licenses, fines, fees, and permits	-	144,145	144,145
Investment income	-	6,185	6,185
Federal	-	-	-
Departmental services	41	-	(41)
Other	-	-	-
Total revenues	41	150,330	150,289
<b>EXPENDITURES</b>			
Judicial	-	-	-
Secretary of State	-	-	-
Treasurer	-	-	-
Commissions	-	-	-
Finance and Administration	-	-	-
Mental Health	33,472	32,999	473
Safety	-	-	-
Agriculture	-	-	-
Environment and Conservation	-	-	-
Wildlife Resources	-	-	-
Commerce and Insurance	-	-	-
Revenue	-	-	-
Total expenditures	33,472	32,999	473
Excess (deficiency) of revenues over (under) expenditures	(33,431)	117,331	150,762
<b>OTHER FINANCING SOURCES (USES)</b>			
Insurance claims recoveries	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	(33,431)	117,331	150,762
Fund balances (budgetary basis), July 1	99,899	99,899	-
Fund balances (budgetary basis), June 30	\$ 66,468	\$ 217,230	\$ 150,762

**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, 2024**  
**(Expressed in Thousands)**

<b>Total Nonmajor Special Revenue Funds</b>			
<b>Budget</b>	<b>Actual (Budgetary Basis)</b>	<b>Variance</b>	
\$ 58,400	\$ 92,400	\$	34,000
338,551	448,651		110,100
-	33,372		33,372
87,975	68,575		(19,400)
33,793	29,810		(3,983)
10	5		(5)
518,729	672,813		154,084
7,604	7,932		(328)
27,927	16,605		11,322
16,386	11,455		4,931
10,649	8,992		1,657
7,626	7,626		-
33,472	32,999		473
1,118	604		514
31,041	26,432		4,609
213,469	103,055		110,414
175,774	151,648		24,126
164,897	152,944		11,953
2,648	2,481		167
692,611	522,773		169,838
(173,882)	150,040		323,922
325	325		-
86,676	86,676		-
(670)	(670)		-
86,331	86,331		-
(87,551)	236,371		323,922
606,447	606,447		-
\$ 518,896	\$ 842,818	\$	323,922

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# PERMANENT FUNDS

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**Chairs of Excellence Fund**—This fund was created by the General Assembly in 1986. Its purpose is to endow faculty chairs at the State University and Community College System and University of Tennessee campuses in order to attract more highly qualified professors. For a chair to be established, private contributions which a school collects are matched by monies the state has appropriated to fund this program. The chair also receives the interest earned from investment of these matched monies.

**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, 2024**  
**(Expressed in Thousands)**

	<u>Chairs of Excellence</u>	<u>K-12 Mental Health Fund</u>	<u>Other Permanent Funds</u>	<u>Total Permanent Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 5,747	\$ 11,478	\$ 35,673	\$ 52,898
Investments	466,391	243,936	65,743	776,070
Receivables, net	1,907	3,183	16	5,106
Due from component units	1,918	-	-	1,918
Total assets	<u>\$ 475,963</u>	<u>\$ 258,597</u>	<u>\$ 101,432</u>	<u>\$ 835,992</u>
<b>LIABILITIES</b>				
Due to other funds	-	1,202	-	1,202
Due to component units	3,745	-	-	3,745
Total liabilities	<u>3,745</u>	<u>1,202</u>	<u>-</u>	<u>4,947</u>
<b>FUND BALANCES</b>				
<b>Nonspendable</b>				
Permanent fund and endowment corpus	\$ 104,612	\$ 150,000	\$ 97,952	\$ 352,564
<b>Restricted</b>	367,606	-	5,177	372,783
<b>Committed</b>	-	107,395	-	107,395
<b>Unassigned</b>	-	-	(1,697)	(1,697)
Total fund balances	<u>472,218</u>	<u>257,395</u>	<u>101,432</u>	<u>831,045</u>
Total liabilities and fund balances	<u>\$ 475,963</u>	<u>\$ 258,597</u>	<u>\$ 101,432</u>	<u>\$ 835,992</u>

**STATE OF TENNESSEE**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Permanent Funds**  
**For the Fiscal Year Ended June 30, 2024**  
**(Expressed in Thousands)**

	<u>Chairs of Excellence</u>	<u>K-12 Mental Health Fund</u>	<u>Other Permanent Funds</u>	<u>Total Permanent Funds</u>
<b>REVENUES</b>				
Licenses, fines, fees, and permits	\$ -	\$ -	\$ 180	\$ 180
Investment income (loss)	62,734	12,212	3,233	78,179
Other	250	-	2	252
Total revenues	<u>62,984</u>	<u>12,212</u>	<u>3,415</u>	<u>78,611</u>
<b>EXPENDITURES</b>				
Education	11,438	-	-	11,438
Health and social services	-	1,395	-	1,395
Recreation and resources development	-	-	35	35
Total expenditures	<u>11,438</u>	<u>1,395</u>	<u>35</u>	<u>12,868</u>
Excess (deficiency) of revenues over (under) expenditures	<u>51,546</u>	<u>10,817</u>	<u>3,380</u>	<u>65,743</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	51,546	10,817	3,380	65,743
Fund balances, July 1	420,672	246,578	98,052	765,302
Fund balances, June 30	<u>\$ 472,218</u>	<u>\$ 257,395</u>	<u>\$ 101,432</u>	<u>\$ 831,045</u>

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# NONMAJOR ENTERPRISE FUNDS

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

**Megasite Water and Wastewater**—Established under Tennessee Code Annotated (TCA) 64-9, and administered by the Department of General Services, this fund is used to account for the system that provides water and wastewater treatment services to customers on the initial megasite property.

**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, 2024**  
**(Expressed in Thousands)**

	<u>Megasite Water and Wastewater</u>	<u>Teacher Group Insurance</u>	<u>Local Government Group Insurance</u>	<u>Drinking Water</u>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 2,000	\$ 322,075	\$ 89,280	\$ 118,473
Receivables:				
Accounts receivable	-	3,682	833	-
Loans receivable	-	-	-	9,127
Total current assets	<u>2,000</u>	<u>325,757</u>	<u>90,113</u>	<u>127,600</u>
Noncurrent assets:				
Loans receivable	-	-	-	155,025
Capital assets:				
Construction in progress	<u>209,536</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total noncurrent assets	<u>209,536</u>	<u>-</u>	<u>-</u>	<u>155,025</u>
Total assets	<u>211,536</u>	<u>325,757</u>	<u>90,113</u>	<u>282,625</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accruals	-	68,295	15,286	188
Unearned revenue	-	113	37	-
Total current liabilities	<u>-</u>	<u>68,408</u>	<u>15,323</u>	<u>188</u>
Noncurrent liabilities:				
Others	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,402</u>
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,402</u>
Total liabilities	<u>-</u>	<u>68,408</u>	<u>15,323</u>	<u>3,590</u>
<b>NET POSITION</b>				
Net investment in capital assets	209,536	-	-	-
Unrestricted	<u>2,000</u>	<u>257,349</u>	<u>74,790</u>	<u>279,035</u>
Total net position	<u>\$ 211,536</u>	<u>\$ 257,349</u>	<u>\$ 74,790</u>	<u>\$ 279,035</u>

**STATE OF TENNESSEE**  
**Combining Statement of Net Position**  
**Nonmajor Enterprise Funds**  
**June 30, 2024**  
**(Expressed in Thousands)**

<b>Grain Indemnity</b>	<b>Energy Efficient Schools Initiative</b>	<b>Client Protection</b>	<b>Total Nonmajor Enterprise Funds</b>
\$ 10,556	\$ 16,707	\$ 2,118	\$ 561,209
-	-	-	4,515
-	6,452	-	15,579
<u>10,556</u>	<u>23,159</u>	<u>2,118</u>	<u>581,303</u>
-	61,770	-	216,795
-	-	-	209,536
-	61,770	-	426,331
<u>10,556</u>	<u>84,929</u>	<u>2,118</u>	<u>1,007,634</u>
-	711	-	84,480
-	41	-	191
<u>-</u>	<u>752</u>	<u>-</u>	<u>84,671</u>
-	-	-	3,402
-	-	-	3,402
<u>-</u>	<u>752</u>	<u>-</u>	<u>88,073</u>
-	-	-	209,536
<u>10,556</u>	<u>84,177</u>	<u>2,118</u>	<u>710,025</u>
<u>\$ 10,556</u>	<u>\$ 84,177</u>	<u>\$ 2,118</u>	<u>\$ 919,561</u>

**STATE OF TENNESSEE**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**Nonmajor Enterprise Funds**  
**For the Fiscal Year Ended June 30, 2024**  
**(Expressed in Thousands)**

	<u>Megasite Water and Wastewater</u>	<u>Teacher Group Insurance</u>	<u>Local Government Group Insurance</u>	<u>Drinking Water</u>
Operating revenues				
Charges for services	\$ 530	\$ -	\$ -	\$ 1,529
Investment income	-	-	-	5,906
Premiums	-	740,115	195,075	-
Total operating revenues	<u>530</u>	<u>740,115</u>	<u>195,075</u>	<u>7,435</u>
Operating expenses				
Contractual services	530	34,378	9,779	949
Materials and supplies	-	-	-	-
Benefits	-	691,696	170,970	-
Other	-	5,872	1,772	-
Total operating expenses	<u>530</u>	<u>731,946</u>	<u>182,521</u>	<u>949</u>
Operating income (loss)	<u>-</u>	<u>8,169</u>	<u>12,554</u>	<u>6,486</u>
Nonoperating revenues (expenses)				
Grants	-	-	-	31,257
Interest income	-	13,213	3,556	-
Other	-	-	-	(238)
Total nonoperating revenues (expenses)	<u>-</u>	<u>13,213</u>	<u>3,556</u>	<u>31,019</u>
Income (loss) before contributions and transfers	-	21,382	16,110	37,505
Capital contributions	209,536	-	-	-
Transfers in	2,000	2,287	-	5,113
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	211,536	23,669	16,110	42,618
Net position, July 1	-	233,680	58,680	236,417
Net position, June 30	<u>\$ 211,536</u>	<u>\$ 257,349</u>	<u>\$ 74,790</u>	<u>\$ 279,035</u>

**STATE OF TENNESSEE**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**Nonmajor Enterprise Funds**  
**For the Fiscal Year Ended June 30, 2024**  
**(Expressed in Thousands)**

<u>Grain Indemnity</u>	<u>Energy Efficient Schools Initiative</u>	<u>Client Protection</u>	<u>Total Nonmajor Enterprise Funds</u>
\$ -	\$ 636	\$ 389	\$ 3,084
-	1,039	-	6,945
-	-	-	935,190
-	1,675	389	945,219
187	45	136	46,004
-	-	1	1
-	-	-	862,666
-	-	2	7,646
187	45	139	916,317
(187)	1,630	250	28,902
-	-	-	31,257
545	-	100	17,414
-	-	-	(238)
545	-	100	48,433
358	1,630	350	77,335
-	-	-	209,536
-	-	-	9,400
-	(1,775)	-	(1,775)
358	(145)	350	294,496
10,198	84,322	1,768	625,065
<u>\$ 10,556</u>	<u>\$ 84,177</u>	<u>\$ 2,118</u>	<u>\$ 919,561</u>

**STATE OF TENNESSEE**  
**Combining Statement of Cash Flows**  
**Nonmajor Enterprise Funds**  
**For the Fiscal Year Ended June 30, 2024**  
**(Expressed in Thousands)**

	<u>Megasite Water and Wastewater</u>	<u>Teacher Group Insurance</u>	<u>Local Government Group Insurance</u>	<u>Drinking Water</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 530	\$ 750,428	\$ 199,085	\$ -
Payments to suppliers	(530)	(732,047)	(186,380)	(949)
Payments to employees	-	-	-	-
Payments for interfund services used	-	(674)	(148)	-
Net cash provided by (used for) operating activities	<u>-</u>	<u>17,707</u>	<u>12,557</u>	<u>(949)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Operating and nonoperating grants	-	-	-	31,257
Transfers in	2,000	2,288	-	5,114
Transfers out	-	-	-	-
Net cash provided by (used for) noncapital financing activities	<u>2,000</u>	<u>2,288</u>	<u>-</u>	<u>36,371</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Loans issued and other disbursements to borrowers	-	-	-	(51,011)
Collection of loan principal	-	-	-	8,391
Interest received	-	13,213	3,556	7,623
Net cash provided by (used for) investing activities	<u>-</u>	<u>13,213</u>	<u>3,556</u>	<u>(34,997)</u>
Net increase (decrease) in cash and cash equivalents	2,000	33,208	16,113	425
Cash and cash equivalents, July 1	<u>-</u>	<u>288,867</u>	<u>73,167</u>	<u>118,048</u>
Cash and cash equivalents, June 30	<u>\$ 2,000</u>	<u>\$ 322,075</u>	<u>\$ 89,280</u>	<u>\$ 118,473</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</b>				
Operating income (loss)	\$ -	\$ 8,169	\$ 12,554	\$ 6,486
Adjustment to reconcile operating income (loss) to net cash from operating activities:				
Interest income	-	-	-	(5,906)
Investment income	-	-	-	(1,529)
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:				
Decrease (increase) in receivables	-	(2,288)	(447)	-
Increase (decrease) in accounts payable	-	11,819	459	-
Increase (decrease) in unearned revenue	-	7	(9)	-
Total adjustments	<u>-</u>	<u>9,538</u>	<u>3</u>	<u>(7,435)</u>
Net cash provided by (used for) operating activities	<u>\$ -</u>	<u>\$ 17,707</u>	<u>\$ 12,557</u>	<u>\$ (949)</u>
<b>Schedule of noncash capital and related financing activities</b>				
Contributions of capital assets	\$ 209,536	\$ -	\$ -	\$ -
Total noncash capital and related financing activities	<u>\$ 209,536</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**STATE OF TENNESSEE**  
**Combining Statement of Cash Flows**  
**Nonmajor Enterprise Funds**  
**For the Fiscal Year Ended June 30, 2024**  
**(Expressed in Thousands)**

<b>Grain Indemnity</b>	<b>Energy Efficient Schools Initiative</b>	<b>Client Protection</b>	<b>Total Nonmajor Enterprise Funds</b>
\$ -	\$ 45	\$ 389	\$ 950,477
-	-	(138)	(920,044)
-	-	(2)	(2)
(187)	(45)	-	(1,054)
(187)	-	249	29,377
-	-	-	31,257
-	-	-	9,402
-	(1,775)	-	(1,775)
-	(1,775)	-	38,884
-	(10,426)	-	(61,437)
-	10,493	-	18,884
545	1,588	100	26,625
545	1,655	100	(15,928)
358	(120)	349	52,333
10,198	16,827	1,769	508,876
\$ 10,556	\$ 16,707	\$ 2,118	\$ 561,209
\$ (187)	\$ 1,630	\$ 250	\$ 28,902
-	(1,039)	-	(6,945)
-	(591)	-	(2,120)
-	-	-	(2,735)
-	-	(1)	12,277
-	-	-	(2)
-	(1,630)	(1)	475
\$ (187)	\$ -	\$ 249	\$ 29,377
\$ -	\$ -	\$ -	\$ 209,536
\$ -	\$ -	\$ -	\$ 209,536

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# INTERNAL SERVICE FUNDS

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

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

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

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

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

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

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

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

**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, 2024**  
**(Expressed in Thousands)**

	<u>Strategic Technology Solutions</u>	<u>Risk Management</u>	<u>Motor Vehicle Management</u>	<u>General Services Printing</u>	<u>Facilities Revolving Fund</u>	<u>Employee Group Insurance</u>
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 96,092	\$ 298,534	\$ 48,856	\$ 3,614	\$ 392,956	\$ 331,390
Receivables, net	520	457	9	-	371	4,352
Due from other funds	725	-	434	-	1,243	-
Due from component units	-	454	-	-	-	-
Inventories, at cost	297	-	-	348	-	-
Prepayments	-	-	-	-	-	-
Total current assets	<u>97,634</u>	<u>299,445</u>	<u>49,299</u>	<u>3,962</u>	<u>394,570</u>	<u>335,742</u>
Noncurrent assets:						
Due from other funds	98	-	-	-	-	-
Right-to-use lease receivable	-	-	-	-	5,098	-
Restricted net pension assets	159	-	2	3	-	-
Capital assets:						
Land, at cost	-	-	-	-	65,725	-
Structures and improvements, at cost	-	-	-	-	885,937	-
Machinery and equipment, at cost	73,423	70	251,646	2,793	3,245	-
Right-to-use-leases and subscriptions	18,738	-	36,005	305	337,267	-
Less: Accumulated depreciation and amortization	(66,549)	(8)	(152,889)	(2,798)	(446,956)	-
Construction in progress	-	-	-	-	54,033	-
Total noncurrent assets	<u>25,869</u>	<u>62</u>	<u>134,764</u>	<u>303</u>	<u>904,349</u>	<u>-</u>
Total assets	<u>123,503</u>	<u>299,507</u>	<u>184,063</u>	<u>4,265</u>	<u>1,298,919</u>	<u>335,742</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>48,425</u>	<u>-</u>	<u>833</u>	<u>1,066</u>	<u>57</u>	<u>-</u>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	12,490	781	5,940	297	24,521	85,768
Accrued payroll and related deductions	12,528	-	195	261	-	-
Due to other funds	-	-	-	-	64	3
Due to component units	-	41	-	-	6	73
Lease and subscription obligations payable	5,116	-	11,535	61	31,783	-
Bond payable	-	-	-	-	15,633	-
Unearned revenue	-	1	-	-	-	49,760
Others	-	161,033	-	-	-	-
Total current liabilities	<u>30,134</u>	<u>161,856</u>	<u>17,670</u>	<u>619</u>	<u>72,007</u>	<u>135,604</u>
Noncurrent liabilities:						
Pension	29,934	-	363	552	-	-
Lease and subscription obligations payable	5,832	-	11,078	89	227,013	-
Commercial paper payable	-	-	-	-	2,425	-
Bonds payable	-	-	-	-	124,237	-
Others	15,849	95,071	249	312	-	-
Total noncurrent liabilities	<u>51,615</u>	<u>95,071</u>	<u>11,690</u>	<u>953</u>	<u>353,675</u>	<u>-</u>
Total liabilities	<u>81,749</u>	<u>256,927</u>	<u>29,360</u>	<u>1,572</u>	<u>425,682</u>	<u>135,604</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>3,045</u>	<u>-</u>	<u>156</u>	<u>162</u>	<u>5,755</u>	<u>-</u>
<b>NET POSITION</b>						
Net investment in capital assets	14,402	62	112,116	150	497,760	-
Restricted for:						
Capital projects	-	-	-	-	464	-
Pensions	159	-	2	3	-	-
Unrestricted	72,573	42,518	43,262	3,444	369,315	200,138
Total net position	<u>\$ 87,134</u>	<u>\$ 42,580</u>	<u>\$ 155,380</u>	<u>\$ 3,597</u>	<u>\$ 867,539</u>	<u>\$ 200,138</u>

**STATE OF TENNESSEE**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
**June 30, 2024**  
**(Expressed in Thousands)**

	Postal Services	Central Procurement Office	Distribution Center	Records Management	Human Resources	Division of Accounts	TRICOR	Edison	Total Internal Service Funds
\$	3,887	\$ 2,677	\$ 586	\$ 158	\$ 8,825	\$ 10,359	\$ 6,158	\$ 34,560	\$ 1,238,652
	-	1,946	38	-	-	2	1,894	-	9,589
	-	-	-	-	1	-	1,300	-	3,703
	-	-	-	5	-	-	-	-	459
	214	-	144	-	-	-	4,338	-	5,341
	157	-	-	-	-	-	-	-	157
	<u>4,258</u>	<u>4,623</u>	<u>768</u>	<u>163</u>	<u>8,826</u>	<u>10,361</u>	<u>13,690</u>	<u>34,560</u>	<u>1,257,901</u>
	-	-	-	-	-	-	-	-	98
	-	-	-	-	-	-	-	-	5,098
	3	12	2	1	16	47	10	20	275
	-	-	-	-	-	-	746	-	66,471
	-	-	-	-	-	-	3,174	-	889,111
	4,760	14	113	12	207	411	10,342	112,320	459,356
	142	223	-	-	-	-	367	486	393,533
	(4,419)	(148)	(87)	(12)	(195)	(397)	(7,462)	(112,157)	(794,077)
	-	-	-	-	-	-	72	-	54,105
	<u>486</u>	<u>101</u>	<u>28</u>	<u>1</u>	<u>28</u>	<u>61</u>	<u>7,249</u>	<u>669</u>	<u>1,073,970</u>
	<u>4,744</u>	<u>4,724</u>	<u>796</u>	<u>164</u>	<u>8,854</u>	<u>10,422</u>	<u>20,939</u>	<u>35,229</u>	<u>2,331,871</u>
	<u>549</u>	<u>2,090</u>	<u>664</u>	<u>326</u>	<u>6,507</u>	<u>20,561</u>	<u>2,732</u>	<u>5,731</u>	<u>89,541</u>
	148	108	26	45	252	284	3,643	1,090	135,393
	104	762	109	67	1,688	4,616	681	1,658	22,669
	1	-	-	-	1	-	421	-	490
	-	-	-	1	147	-	-	-	268
	48	45	-	-	-	-	72	114	48,774
	-	-	-	-	-	-	-	-	15,633
	-	-	3	-	-	-	-	-	49,764
	-	-	-	-	-	-	-	-	161,033
	<u>301</u>	<u>915</u>	<u>138</u>	<u>113</u>	<u>2,088</u>	<u>4,900</u>	<u>4,817</u>	<u>2,862</u>	<u>434,024</u>
	240	1,316	339	190	3,815	11,650	1,594	3,565	53,558
	22	-	-	-	-	-	-	269	244,303
	-	-	-	-	-	-	-	-	2,425
	-	-	-	-	-	-	-	-	124,237
	133	669	182	73	1,857	6,536	972	2,493	124,396
	395	1,985	521	263	5,672	18,186	2,566	6,327	548,919
	<u>696</u>	<u>2,900</u>	<u>659</u>	<u>376</u>	<u>7,760</u>	<u>23,086</u>	<u>7,383</u>	<u>9,189</u>	<u>982,943</u>
	<u>111</u>	<u>154</u>	<u>151</u>	<u>19</u>	<u>835</u>	<u>1,257</u>	<u>254</u>	<u>412</u>	<u>12,311</u>
	413	43	25	-	12	14	7,167	266	632,430
	-	-	-	-	-	-	-	-	464
	3	12	2	1	16	47	10	20	275
	<u>4,070</u>	<u>3,705</u>	<u>623</u>	<u>94</u>	<u>6,738</u>	<u>6,579</u>	<u>8,857</u>	<u>31,073</u>	<u>792,989</u>
\$	<u>4,486</u>	<u>3,760</u>	<u>650</u>	<u>95</u>	<u>6,766</u>	<u>6,640</u>	<u>16,034</u>	<u>31,359</u>	<u>1,426,158</u>

**STATE OF TENNESSEE**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2024**  
**(Expressed in Thousands)**

	<u>Strategic Technology Solutions</u>	<u>Risk Management</u>	<u>Motor Vehicle Management</u>	<u>General Services Printing</u>	<u>Facilities Revolving Fund</u>	<u>Employee Group Insurance</u>
Operating revenues						
Charges for services	\$ 373,147	\$ 76,901	\$ 65,663	\$ 8,917	\$ 155,652	\$ 1,000
Premiums	-	-	-	-	-	967,049
Total operating revenues	<u>373,147</u>	<u>76,901</u>	<u>65,663</u>	<u>8,917</u>	<u>155,652</u>	<u>968,049</u>
Operating expenses						
Personal services	149,120	-	1,816	2,805	-	-
Contractual services	177,293	13,950	5,111	3,434	113,616	41,736
Materials and supplies	15,867	-	29,315	1,514	4,934	-
Rentals and insurance	9	23,548	3,592	5	6,751	-
Depreciation and amortization	13,371	7	31,905	199	55,671	-
Benefits	-	66,673	134	-	-	917,307
Other	183	97	5	8	-	6,313
Total operating expenses	<u>355,843</u>	<u>104,275</u>	<u>71,878</u>	<u>7,965</u>	<u>180,972</u>	<u>965,356</u>
Operating income (loss)	<u>17,304</u>	<u>(27,374)</u>	<u>(6,215)</u>	<u>952</u>	<u>(25,320)</u>	<u>2,693</u>
Nonoperating revenues (expenses)						
Insurance claims recoveries	-	-	307	-	7	-
Gain (loss) on sales of capital assets	(251)	-	-	-	10	-
Interest income	-	14,331	-	-	21,249	13,125
Interest expense	(409)	-	(977)	(2)	(9,635)	-
Total nonoperating revenues (expenses)	<u>(660)</u>	<u>14,331</u>	<u>(670)</u>	<u>(2)</u>	<u>11,631</u>	<u>13,125</u>
Income (loss) before contributions and transfers	16,644	(13,043)	(6,885)	950	(13,689)	15,818
Capital contributions	-	-	948	-	25,873	-
Transfers in	7,662	-	17,642	1,079	24,620	2,125
Transfers out	-	-	-	-	-	-
Change in net position	24,306	(13,043)	11,705	2,029	36,804	17,943
Net position, July 1	62,828	55,623	143,675	1,568	830,735	182,195
Net position, June 30	<u>\$ 87,134</u>	<u>\$ 42,580</u>	<u>\$ 155,380</u>	<u>\$ 3,597</u>	<u>\$ 867,539</u>	<u>\$ 200,138</u>

**STATE OF TENNESSEE**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2024**  
**(Expressed in Thousands)**

<u>Postal Services</u>	<u>Central Procurement Office</u>	<u>Distribution Center</u>	<u>Records Management</u>	<u>Human Resources</u>	<u>Division of Accounts</u>	<u>TRICOR</u>	<u>Edison</u>	<u>Total Internal Service Funds</u>
\$ 20,239	\$ 12,494	\$ 5,137	\$ 1,508	\$ 23,986	\$ 57,192	\$ 26,198	\$ 31,403	\$ 859,437
-	-	-	-	-	-	-	-	967,049
<u>20,239</u>	<u>12,494</u>	<u>5,137</u>	<u>1,508</u>	<u>23,986</u>	<u>57,192</u>	<u>26,198</u>	<u>31,403</u>	<u>1,826,486</u>
2,098	8,961	1,514	833	21,256	58,246	8,074	18,294	273,017
2,245	3,568	3,472	683	4,475	5,577	6,467	11,011	392,638
15,822	36	578	4	112	25	10,872	15	79,094
24	23	1	1	33	2	157	1	34,147
189	67	6	-	13	2	730	80	102,240
-	-	-	-	-	-	-	-	984,114
3	33	16	-	355	6,587	371	1	13,972
<u>20,381</u>	<u>12,688</u>	<u>5,587</u>	<u>1,521</u>	<u>26,244</u>	<u>70,439</u>	<u>26,671</u>	<u>29,402</u>	<u>1,879,222</u>
<u>(142)</u>	<u>(194)</u>	<u>(450)</u>	<u>(13)</u>	<u>(2,258)</u>	<u>(13,247)</u>	<u>(473)</u>	<u>2,001</u>	<u>(52,736)</u>
-	-	-	-	-	-	-	-	314
-	-	-	-	-	-	-	-	(241)
-	-	-	-	-	-	-	-	48,705
<u>(3)</u>	<u>(2)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3)</u>	<u>(1)</u>	<u>(11,032)</u>
<u>(3)</u>	<u>(2)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3)</u>	<u>(1)</u>	<u>37,746</u>
(145)	(196)	(450)	(13)	(2,258)	(13,247)	(476)	2,000	(14,990)
-	-	-	-	16	-	15	-	26,852
186	164	157	56	779	7,432	328	729	62,959
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(17)</u>	<u>(17)</u>
41	(32)	(293)	43	(1,463)	(5,815)	(133)	2,712	74,804
<u>4,445</u>	<u>3,792</u>	<u>943</u>	<u>52</u>	<u>8,229</u>	<u>12,455</u>	<u>16,167</u>	<u>28,647</u>	<u>1,351,354</u>
<u>\$ 4,486</u>	<u>\$ 3,760</u>	<u>\$ 650</u>	<u>\$ 95</u>	<u>\$ 6,766</u>	<u>\$ 6,640</u>	<u>\$ 16,034</u>	<u>\$ 31,359</u>	<u>\$ 1,426,158</u>

**STATE OF TENNESSEE**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2024**  
**(Expressed in Thousands)**

	<u>Strategic Technology Solutions</u>	<u>Risk Management</u>	<u>Motor Vehicle Management</u>	<u>General Services Printing</u>	<u>Facilities Revolving Fund</u>	<u>Employee Group Insurance</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers and users	\$ 8,164	\$ 39,492	\$ 616	\$ 186	\$ 919	\$ 451,410
Receipts from interfund services provided	364,617	36,988	63,827	8,746	154,250	573,793
Payments to suppliers	(176,434)	(77,258)	(35,599)	(3,373)	(77,946)	(1,000,727)
Payments to employees	(150,234)	-	(1,943)	(2,971)	-	(1,654)
Payments for interfund services used	(19,491)	(9,033)	(5,151)	(1,406)	(38,515)	(1,225)
Net cash provided by (used for) operating activities	<u>26,622</u>	<u>(9,811)</u>	<u>21,750</u>	<u>1,182</u>	<u>38,708</u>	<u>21,597</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfers in	7,646	-	17,642	1,079	24,621	2,125
Net cash provided by (used for) noncapital financing activities	<u>7,646</u>	<u>-</u>	<u>17,642</u>	<u>1,079</u>	<u>24,621</u>	<u>2,125</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Purchase of capital assets	(6,197)	(70)	(46,964)	(24)	(19,058)	-
Proceeds from sale of capital assets	-	-	3,518	-	14	-
Proceeds from lease receivables	-	-	-	-	349	-
Insurance claims recoveries	-	-	307	-	7	-
Principal payments	(5,717)	-	(11,035)	(61)	(54,013)	-
Interest paid	(417)	-	(943)	(2)	(11,202)	-
Net cash provided by (used for) capital and related financing activities	<u>(12,331)</u>	<u>(70)</u>	<u>(55,117)</u>	<u>(87)</u>	<u>(83,903)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest received	-	14,331	-	-	21,249	13,125
Net cash provided by (used for) investing activities	<u>-</u>	<u>14,331</u>	<u>-</u>	<u>-</u>	<u>21,249</u>	<u>13,125</u>
Net increase (decrease) in cash and cash equivalents	21,937	4,450	(15,725)	2,174	675	36,847
Cash and cash equivalents, July 1	74,155	294,084	64,581	1,440	392,281	294,543
Cash and cash equivalents, June 30	<u>\$ 96,092</u>	<u>\$ 298,534</u>	<u>\$ 48,856</u>	<u>\$ 3,614</u>	<u>\$ 392,956</u>	<u>\$ 331,390</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</b>						
Operating income (loss)	\$ 17,304	\$ (27,374)	\$ (6,215)	\$ 952	\$ (25,320)	\$ 2,693
Adjustment to reconcile operating income (loss) to net cash from operating activities:						
Depreciation and amortization	13,371	7	31,905	199	55,671	-
Loss on disposal of capital assets	-	-	(877)	-	-	-
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:						
Decrease (increase) in receivables	30	(48)	61	13	(16)	3,199
Decrease (increase) in due from other funds	(396)	-	(424)	-	(55)	-
Decrease (increase) in due from component units	-	(420)	20	3	10	-
Decrease (increase) in inventories	(5)	-	-	176	-	-
Decrease (increase) in prepaids	-	-	7	-	-	-
Decrease (increase) in net pension assets	451	-	4	9	-	-
Decrease (increase) in deferred outflows of resources	1,616	-	(116)	32	-	-
Increase (decrease) in accounts payable	(2,229)	18,061	(2,521)	(66)	8,770	11,403
Increase (decrease) in due to other funds	-	-	-	-	64	(3)
Increase (decrease) in due to component units	-	(37)	-	-	6	(70)
Increase (decrease) in deferred inflows of resources	(3,520)	-	(94)	(136)	(422)	-
Increase (decrease) in unearned revenue	-	-	-	-	-	4,375
Total adjustments	<u>9,318</u>	<u>17,563</u>	<u>27,965</u>	<u>230</u>	<u>64,028</u>	<u>18,904</u>
Net cash provided by (used for) operating activities	<u>\$ 26,622</u>	<u>\$ (9,811)</u>	<u>\$ 21,750</u>	<u>\$ 1,182</u>	<u>\$ 38,708</u>	<u>\$ 21,597</u>
<b>Schedule of noncash investing, capital, and financing activities</b>						
Contributions of capital assets	\$ -	\$ -	\$ 948	\$ -	\$ 25,873	\$ -
Capital assets disposed of by transfer	-	-	-	-	-	-
Capital assets acquired by transfer	16	-	-	-	-	-
Right-to-use assets acquired	6,341	-	20,625	-	31,103	-
Right-to-use assets retired	-	-	-	-	(476)	-
Amortization of bond premium	-	-	-	-	1,646	-
Amortization of bond discount	-	-	-	-	45	-
Total noncash capital and related financing activities	<u>\$ 6,357</u>	<u>\$ -</u>	<u>\$ 21,573</u>	<u>\$ -</u>	<u>\$ 58,191</u>	<u>\$ -</u>

**STATE OF TENNESSEE**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2024**  
**(Expressed in Thousands)**

	Postal Services	Central Procurement Office	Distribution Center	Records Management	Human Resources	Division of Accounts	TRICOR	Edison	Total Internal Service Funds
\$	25	\$ 6,628	\$ 914	\$ 111	\$ 187	\$ 121	\$ 9,683	\$ 177	\$ 518,633
	20,214	6,044	2,106	1,398	23,798	57,071	15,735	31,226	1,359,813
	(16,568)	(494)	(662)	(565)	(1,921)	(7,692)	(15,271)	(10,512)	(1,425,022)
	(2,240)	(8,986)	(1,648)	(867)	(21,611)	(59,143)	(8,565)	(18,287)	(278,149)
	(1,529)	(3,061)	(1,147)	(125)	(2,575)	(4,520)	(2,209)	(1,515)	(91,502)
	(98)	131	(437)	(48)	(2,122)	(14,163)	(627)	1,089	83,773
	186	164	157	56	779	7,432	328	729	62,944
	186	164	157	56	779	7,432	328	729	62,944
	(98)	-	-	-	-	(11)	(1,185)	(23)	(73,630)
	-	-	-	-	-	-	13	-	3,545
	-	-	-	-	-	-	-	-	349
	-	-	-	-	-	-	-	-	314
	(47)	(45)	-	-	-	-	(123)	(104)	(71,145)
	(3)	(2)	-	-	-	-	(3)	(1)	(12,573)
	(148)	(47)	-	-	-	(11)	(1,298)	(128)	(153,140)
	-	-	-	-	-	-	-	-	48,705
	-	-	-	-	-	-	-	-	48,705
	(60)	248	(280)	8	(1,343)	(6,742)	(1,597)	1,690	42,282
	3,947	2,429	866	150	10,168	17,101	7,755	32,870	1,196,370
\$	\$ 3,887	\$ 2,677	\$ 586	\$ 158	\$ 8,825	\$ 10,359	\$ 6,158	\$ 34,560	\$ 1,238,652
\$	(142)	(194)	(450)	(13)	(2,258)	(13,247)	(473)	2,001	(52,736)
	189	67	6	-	13	2	730	80	102,240
	-	-	-	-	-	-	(13)	-	(890)
	2	178	(19)	-	-	-	(1,188)	-	2,212
	-	-	-	-	(1)	-	(1,300)	-	(2,176)
	-	-	-	1	-	-	-	-	(386)
	-	-	295	-	-	-	(85)	-	381
	(39)	-	-	-	-	-	-	-	(32)
	8	29	4	1	33	97	29	55	720
	4	38	108	24	347	(124)	39	325	2,293
	(27)	177	(275)	(36)	463	467	1,737	(946)	34,978
	1	-	-	-	1	-	196	-	259
	-	-	-	-	3	-	-	-	(98)
	(94)	(164)	(109)	(25)	(723)	(1,358)	(299)	(426)	(7,370)
	-	-	3	-	-	-	-	-	4,378
	44	325	13	(35)	136	(916)	(154)	(912)	136,509
\$	\$ (98)	\$ 131	\$ (437)	\$ (48)	\$ (2,122)	\$ (14,163)	\$ (627)	\$ 1,089	\$ 83,773
\$	-	-	-	-	16	-	15	-	26,852
	-	-	-	-	-	-	-	(17)	(17)
	-	-	-	-	-	-	-	-	16
	-	-	-	-	-	-	-	486	58,555
	-	-	-	-	-	-	-	-	(476)
	-	-	-	-	-	-	-	-	1,646
	-	-	-	-	-	-	-	-	45
\$	\$ -	\$ -	\$ -	\$ -	\$ 16	\$ -	\$ 15	\$ 469	\$ 86,621

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# FIDUCIARY FUNDS

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

## INVESTMENT TRUST FUNDS:

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

## PRIVATE-PURPOSE TRUST FUNDS:

- **College Savings Plan**—This fund accounts for the activity in the college savings plan created in September 2012 named the Tennessee Stars College Savings 529 Program (TNStars). This program offers parents and other interested persons a way to save for children’s college expenses with investment options and special tax advantages. The program is not guaranteed by the State of Tennessee or any other entity.
- **Other**—These funds account for trust arrangements under which the principal and income benefit individuals or private organizations. These funds include funds from liquidated assets of domestic insurance companies that are in receivership and held for the benefit of policy holders, creditors, and other claimants. Other funds also include funds held in individual accounts under the state’s Achieving a Better Life Experience (ABLE) Act program.

## CUSTODIAL FUNDS:

- **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.
- **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.

**STATE OF TENNESSEE**  
**Combining Statement of Fiduciary Net Position**  
**Pension and Other Employee Benefit Trust Funds**  
**June 30, 2024**  
**(Expressed in Thousands)**

	<b>Public Employee Retirement Plan</b>	<b>Teacher Legacy Pension Plan</b>	<b>Teacher Hybrid Pension Plan</b>	<b>Defined Contribution Pension Plan Fund</b>
	<u>Plan</u>	<u>Plan</u>	<u>Pension Plan</u>	<u>Fund</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 12,854	\$ 11,057	\$ 402	\$ 60,647
Cash collateral on loaned securities	1,614,004	1,388,289	50,535	-
Receivables:				
Employer contributions	50,489	23,712	7,066	-
Member contributions	15,501	17,840	12,042	-
Interest and dividends	-	-	-	-
Loans receivable	-	-	-	45,840
Other	-	-	-	-
Investments, at fair value:				
Mutual funds	-	-	-	11,367,080
TRGT pooled funds	36,717,279	31,582,442	1,149,624	163,080
Other	-	-	-	9,745
Total assets	<u>38,410,127</u>	<u>33,023,340</u>	<u>1,219,669</u>	<u>11,646,392</u>
<b>LIABILITIES</b>				
Accounts payable and accruals	16,439	14,140	515	-
Securities lending collateral	1,614,004	1,388,289	50,535	-
Total liabilities	<u>1,630,443</u>	<u>1,402,429</u>	<u>51,050</u>	<u>-</u>
<b>NET POSITION</b>				
Restricted for				
Pension benefits	36,779,684	31,620,911	1,168,619	11,646,392
Employee salary deferrals	-	-	-	-
Other postemployment benefits	-	-	-	-
Employees' flexible benefits	-	-	-	-
Total net position	<u>\$ 36,779,684</u>	<u>\$ 31,620,911</u>	<u>\$ 1,168,619</u>	<u>\$ 11,646,392</u>

**STATE OF TENNESSEE**  
**Combining Statement of Fiduciary Net Position**  
**Pension and Other Employee Benefit Trust Funds**  
**June 30, 2024**  
**(Expressed in Thousands)**

<b>Deferred Compensation Plan Fund</b>	<b>Higher Education 403(b) Plan Fund</b>	<b>Other Employee Benefit Trust Funds</b>	<b>Total Pension (and Other Employee Benefit) Trust Funds</b>
\$ -	\$ 19,526	\$ 82,410	\$ 186,896
-	-	-	3,052,828
-	-	1	81,268
-	-	-	45,383
-	-	3,449	3,449
84	57	-	45,981
-	-	1,212	1,212
813,153	896,918	1,241,363	14,318,514
28,370	-	-	69,640,795
4,007	-	-	13,752
<u>845,614</u>	<u>916,501</u>	<u>1,328,435</u>	<u>87,390,078</u>
-	-	5,619	36,713
-	-	-	3,052,828
<u>-</u>	<u>-</u>	<u>5,619</u>	<u>3,089,541</u>
-	-	-	81,215,606
845,614	916,501	-	1,762,115
-	-	1,321,743	1,321,743
-	-	1,073	1,073
<u>\$ 845,614</u>	<u>\$ 916,501</u>	<u>\$ 1,322,816</u>	<u>\$ 84,300,537</u>

**STATE OF TENNESSEE**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Pension and Other Employee Benefit Trust Funds**  
**For the Fiscal Year Ended June 30, 2024**  
**(Expressed in Thousands)**

	<u>Public Employee Retirement Plan</u>	<u>Teacher Legacy Pension Plan</u>	<u>Teacher Hybrid Pension Plan</u>	<u>Defined Contribution Pension Plan Fund</u>
<b>ADDITIONS</b>				
Contributions:				
Members	\$ 252,415	\$ 166,078	\$ 117,699	\$ 341,017
Employers	1,197,306	225,543	69,300	431,463
Transfers in from other plans	-	-	-	60,857
Other	1,170	-	-	-
Total contributions	<u>1,450,891</u>	<u>391,621</u>	<u>186,999</u>	<u>833,337</u>
Investment income:				
Net increase in fair value of investments	3,315,083	2,885,723	96,862	1,425,215
Interest and dividends	-	-	-	215,132
Securities lending income	115,192	100,272	3,366	-
Total investment income	<u>3,430,275</u>	<u>2,985,995</u>	<u>100,228</u>	<u>1,640,347</u>
Less: Investment expenses	(34,986)	(30,455)	(1,022)	-
Securities lending expense	<u>(106,694)</u>	<u>(92,875)</u>	<u>(3,117)</u>	<u>-</u>
Net investment income	<u>3,288,595</u>	<u>2,862,665</u>	<u>96,089</u>	<u>1,640,347</u>
Total additions	<u>4,739,486</u>	<u>3,254,286</u>	<u>283,088</u>	<u>2,473,684</u>
<b>DEDUCTIONS</b>				
Benefit payments	1,784,549	1,494,363	729	665,264
Medical payments	-	-	-	-
Deceased member benefit payments	2,178	2,280	129	22,038
Other	-	-	-	-
Member/claimant distributions	29,292	18,499	7,145	-
Administrative expenses	20,352	7,152	2,964	14,913
Total deductions	<u>1,836,371</u>	<u>1,522,294</u>	<u>10,967</u>	<u>702,215</u>
Change in net position	2,903,115	1,731,992	272,121	1,771,469
Net position, July 1	<u>33,876,569</u>	<u>29,888,919</u>	<u>896,498</u>	<u>9,874,923</u>
Net position, June 30	<u>\$ 36,779,684</u>	<u>\$ 31,620,911</u>	<u>\$ 1,168,619</u>	<u>\$ 11,646,392</u>

**STATE OF TENNESSEE**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Pension and Other Employee Benefit Trust Funds**  
**For the Fiscal Year Ended June 30, 2024**  
**(Expressed in Thousands)**

<b>Deferred Compensation Plan Fund</b>	<b>Higher Education 403(b) Plan Fund</b>	<b>Other Employee Benefit Trust Funds</b>	<b>Total Pension (and Other Employee Benefit) Trust Funds</b>
\$ 47,608	\$ 15,217	\$ 6,130	\$ 946,164
109	-	385,028	2,308,749
18,849	21,152	-	100,858
9	4	-	1,183
<u>66,575</u>	<u>36,373</u>	<u>391,158</u>	<u>3,356,954</u>
106,399	95,344	105,889	8,030,515
20,160	9,187	41,757	286,236
-	-	-	218,830
<u>126,559</u>	<u>104,531</u>	<u>147,646</u>	<u>8,535,581</u>
-	-	-	(66,463)
-	-	-	(202,686)
<u>126,559</u>	<u>104,531</u>	<u>147,646</u>	<u>8,266,432</u>
<u>193,134</u>	<u>140,904</u>	<u>538,804</u>	<u>11,623,386</u>
55,580	79,278	-	4,079,763
-	-	71,455	71,455
5,345	-	-	31,970
-	-	5,727	5,727
-	-	-	54,936
1,385	149	5,146	52,061
<u>62,310</u>	<u>79,427</u>	<u>82,328</u>	<u>4,295,912</u>
130,824	61,477	456,476	7,327,474
714,790	855,024	866,340	76,973,063
<u>\$ 845,614</u>	<u>\$ 916,501</u>	<u>\$ 1,322,816</u>	<u>\$ 84,300,537</u>

**STATE OF TENNESSEE**  
**Combining Statement of Fiduciary Net Position**  
**Investment Trust Funds**  
**June 30, 2024**  
**(Expressed in Thousands)**

		<u>External Retirement</u>	<u>Investment Fund</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$		7
Receivables:			
Investments sold			3,411
Investments, at fair value:			
Private equities			3,021
TRGT pooled funds			<u>422,039</u>
Total assets			<u>428,478</u>
<b>NET POSITION</b>			
Amounts held in trust for:			
Pool participants			<u>428,478</u>
Total net position	\$		<u><u>428,478</u></u>

**STATE OF TENNESSEE**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Investment Trust Funds**  
**For the Fiscal Year Ended June 30, 2024**  
**(Expressed in Thousands)**

		<u>External Retirement Investment Fund</u>
<b>ADDITIONS</b>		
Investment income:		
Net increase in fair value of investments	\$	(41)
Interest		37,424
Total investment income		<u>37,383</u>
Less: Investment expenses		<u>(388)</u>
Net investment income		<u>36,995</u>
Capital share transactions:		
Shares sold		40,043
Less: Shares redeemed		<u>(12,486)</u>
Net capital share transactions		<u>27,557</u>
Total additions		<u>64,552</u>
<b>DEDUCTIONS</b>		
Administrative expenses		<u>64</u>
Total deductions		<u>64</u>
Change in net position		64,488
Net position, July 1		<u>363,990</u>
Net position, June 30	\$	<u><u>428,478</u></u>

**STATE OF TENNESSEE**  
**Combining Statement of Fiduciary Net Position**  
**Private-Purpose Trust Funds**  
**June 30, 2024**  
**(Expressed in Thousands)**

	<u>College Savings Plan</u>	<u>Other</u>	<u>Total Private- Purpose Trust Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 14,210	\$ 18,421	\$ 32,631
Investments, at fair value:			
Mutual funds	<u>351,838</u>	<u>36,532</u>	<u>388,370</u>
Total assets	<u>366,048</u>	<u>54,953</u>	<u>421,001</u>
<b>LIABILITIES</b>			
Due to other governments	<u>-</u>	<u>55</u>	<u>55</u>
Total liabilities	<u>-</u>	<u>55</u>	<u>55</u>
<b>NET POSITION</b>			
Restricted for:			
Individuals, organizations and other governments	<u>366,048</u>	<u>54,898</u>	<u>420,946</u>
Total net position	<u>\$ 366,048</u>	<u>\$ 54,898</u>	<u>\$ 420,946</u>

**STATE OF TENNESSEE**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Private-Purpose Trust Funds**  
**For the Fiscal Year Ended June 30, 2024**  
**(Expressed in Thousands)**

	<u>College Savings Plan</u>	<u>Other</u>	<u>Total Private-Purpose Trust Funds</u>
<b>ADDITIONS</b>			
Contributions:			
Federal	\$ -	\$ 249	\$ 249
Private	44,203	10,626	54,829
Other	108	-	108
Total contributions	<u>44,311</u>	<u>10,875</u>	<u>55,186</u>
Investment income:			
Net increase in fair value of investments	41,015	5,423	46,438
Interest	-	87	87
Total investment income	<u>41,015</u>	<u>5,510</u>	<u>46,525</u>
Total additions	<u>85,326</u>	<u>16,385</u>	<u>101,711</u>
<b>DEDUCTIONS</b>			
Payments made under trust agreements	20,454	5,885	26,339
Member/claimant distributions	-	207	207
Administrative expenses	652	95	747
Total deductions	<u>21,106</u>	<u>6,187</u>	<u>27,293</u>
Change in net position	64,220	10,198	74,418
Net position, July 1	301,828	44,700	346,528
Net position, June 30	<u>\$ 366,048</u>	<u>\$ 54,898</u>	<u>\$ 420,946</u>

**STATE OF TENNESSEE**  
**Combining Statement of Fiduciary Net Position**  
**Custodial Funds**  
**June 30, 2024**  
**(Expressed in Thousands)**

	<b>Retiree Health Funds</b>	<b>Local Government Tax Fund</b>	<b>Custodial Accounts</b>	<b>Total Custodial Funds</b>	<b>External Investment Pool</b>
					<b>Local Government Investment Pool</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 24,100	\$ 477,689	\$ 86,498	\$ 588,287	\$ 2,687,483
Receivables:					
Taxes	-	461,454	-	461,454	-
Other	649	-	-	649	-
Due from other funds	-	-	5	5	-
Investments, at amortized cost:					
Short-term investments	-	-	-	-	2,903,420
Total assets	<u>24,749</u>	<u>939,143</u>	<u>86,503</u>	<u>1,050,395</u>	<u>5,590,903</u>
<b>LIABILITIES</b>					
Accounts payable and accruals	6,443	502	648	7,593	-
Due to other funds	-	-	1,300	1,300	-
Due to other governments	-	938,641	36,902	975,543	-
Total liabilities	<u>6,443</u>	<u>939,143</u>	<u>38,850</u>	<u>984,436</u>	<u>-</u>
<b>NET POSITION</b>					
Restricted for:					
Individuals, organizations and other governments	18,306	-	47,653	65,959	-
Amounts held in custody for:					
Pool participants	-	-	-	-	5,590,903
Total net position	<u>\$ 18,306</u>	<u>\$ -</u>	<u>\$ 47,653</u>	<u>\$ 65,959</u>	<u>\$ 5,590,903</u>

**STATE OF TENNESSEE**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Custodial Funds**  
**For the Fiscal Year Ended June 30, 2024**  
**(Expressed in Thousands)**

	<u>Retiree Health Funds</u>	<u>Local Government Tax Fund</u>	<u>Custodial Accounts</u>	<u>Total Custodial Funds</u>	<u>External Investment Pool</u>
					<u>Local Government Investment Pool</u>
<b>ADDITIONS</b>					
Contributions:					
Members	\$ 103,702	\$ -	\$ -	\$ 103,702	\$ -
Total contributions	<u>103,702</u>	<u>-</u>	<u>-</u>	<u>103,702</u>	<u>-</u>
Investment income:					
Interest	2,490	-	529	3,019	289,530
Total investment income	<u>2,490</u>	<u>-</u>	<u>529</u>	<u>3,019</u>	<u>289,530</u>
Less: Investment expenses	-	-	-	-	(1,623)
Net investment income	<u>2,490</u>	<u>-</u>	<u>529</u>	<u>3,019</u>	<u>287,907</u>
Tax and fee collections for other governments	-	4,607,056	864	4,607,920	-
Member resources	10,225	-	687,749	697,974	-
Capital share transactions:					
Shares sold	-	-	-	-	10,283,585
Less: shares redeemed	-	-	-	-	(9,677,716)
Net capital share transactions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>605,869</u>
Total additions	<u>116,417</u>	<u>4,607,056</u>	<u>689,142</u>	<u>5,412,615</u>	<u>893,776</u>
<b>DEDUCTIONS</b>					
Medical payments	106,872	-	-	106,872	-
Member/claimant distributions	4,052	-	685,726	689,778	-
Payments of taxes and fees to other governments	-	4,607,056	864	4,607,920	-
Administrative expenses	7,561	-	3,313	10,874	-
Total deductions	<u>118,485</u>	<u>4,607,056</u>	<u>689,903</u>	<u>5,415,444</u>	<u>-</u>
Change in net position	(2,068)	-	(761)	(2,829)	893,776
Net position, July 1	20,374	-	48,414	68,788	4,697,127
Net position, June 30	<u>\$ 18,306</u>	<u>\$ -</u>	<u>\$ 47,653</u>	<u>\$ 65,959</u>	<u>\$ 5,590,903</u>

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# COMPONENT UNITS

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

**Tennessee Community Services Agency**—In 1989, the Legislature created twelve Community Services Agencies which are to provide a mechanism to coordinate health care for indigents. In 1996, the title and focus of these agencies changed to that of facilitating the providing of services to children and other citizens from state agencies. The state has significant oversight responsibilities for these agencies; therefore, they have been incorporated into the 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, Crump, Dickson, Elizabethton, Harriman, Hartsville, Henry/Carroll, Hohenwald, Jacksboro, Jackson, Knoxville, Livingston, McKenzie, McMinnville, Memphis, Morristown, Murfreesboro, Nashville, Northwest, Oneida/Huntsville, Pulaski, Shelbyville, Upper Cumberland

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. 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, 2024**  
**(Expressed in Thousands)**

	Governmental Fund Types			Proprietary Fund Types		
	Tennessee Student Assistance Corporation	Tennessee Community Services Agency	Tennessee Housing Development Agency	Tennessee Education Lottery	State University and Community College System	University of Tennessee
<b>ASSETS</b>						
Cash and cash equivalents	\$ 4,096	\$ 438	\$ 610,048	\$ 180,466	\$ 1,583,058	\$ 1,704,913
Investments	-	-	466,583	-	400,912	228,528
Receivables, net	2,648	19	89,894	86,801	179,170	96,526
Due from primary government	-	761	768	-	31,384	53,132
Inventories, at cost	-	-	-	-	3,731	11,602
Prepayments	-	11	-	10,224	24,867	28,376
Loans receivable	-	-	3,296,922	-	-	-
Other	-	-	28,905	-	2,101	5,998
Restricted assets:						
Cash and cash equivalents	-	-	32,894	94	548,284	299,824
Investments	-	-	128,339	-	902,692	1,844,120
Receivables, net	-	-	437	-	127,541	401,857
Net pension assets	5	963	45	-	1,276	1,098
Other	-	-	-	-	1,039	-
Capital assets:						
Land, at cost	-	-	-	-	193,316	105,231
Infrastructure	-	-	-	-	768,363	277,556
Structures and improvements, at cost	-	-	-	2,670	4,509,388	4,096,465
Machinery and equipment, at cost	8	-	15,672	7,156	687,385	786,807
Right-to-use leases and subscriptions	-	598	-	5,601	170,928	141,873
Less accumulated depreciation	(8)	(208)	(11,077)	(12,701)	(2,565,918)	(2,439,725)
Construction in progress	-	-	-	-	508,134	507,551
Total assets	<u>6,749</u>	<u>2,582</u>	<u>4,659,430</u>	<u>280,311</u>	<u>8,077,651</u>	<u>8,151,732</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>2,228</u>	<u>4,139</u>	<u>7,182</u>	<u>-</u>	<u>282,122</u>	<u>224,567</u>
<b>LIABILITIES</b>						
Accounts payable and accruals	1,517	63	119,551	123,185	222,854	350,311
Due to primary government	-	8	-	152,088	5,451	1,964
Unearned revenue	-	-	2,109	926	105,065	105,447
Other	-	-	6,817	-	11,244	16,261
Noncurrent liabilities:						
Due within one year	362	261	141,086	2,402	98,242	127,469
Due in more than one year	2,373	342	3,760,633	1,616	1,064,353	1,479,845
Total liabilities	<u>4,252</u>	<u>674</u>	<u>4,030,196</u>	<u>280,217</u>	<u>1,507,209</u>	<u>2,081,297</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>374</u>	<u>159</u>	<u>1,531</u>	<u>-</u>	<u>101,756</u>	<u>149,813</u>
<b>NET POSITION</b>						
Net investment in capital assets	-	390	4,595	2,726	3,475,151	2,273,259
Restricted for:						
Debt service	-	-	-	-	14,222	621
Capital projects	-	-	-	-	145,756	83,088
Single family bond programs	-	-	559,095	-	-	-
Pensions	5	963	45	-	1,276	1,098
Other	2,622	-	22,368	94	567,647	851,332
Permanent and endowment:						
Expendable	-	-	-	-	45,322	249,608
Nonexpendable	-	-	-	-	619,740	1,272,804
Unrestricted	1,724	4,535	48,782	(2,726)	1,881,694	1,413,379
Total net position	<u>\$ 4,351</u>	<u>\$ 5,888</u>	<u>\$ 634,885</u>	<u>\$ 94</u>	<u>\$ 6,750,808</u>	<u>\$ 6,145,189</u>

**STATE OF TENNESSEE**  
**Combining Statement of Net Position**  
**Component Units**  
**June 30, 2024**  
**(Expressed in Thousands)**

<b>Proprietary Fund Types</b>						
<b>Local Development Authority</b>	<b>Tennessee Veterans' Homes Board</b>	<b>Tennessee State School Bond Authority</b>	<b>Certified Cotton Growers'</b>	<b>Access Tennessee Insurance Plan</b>	<b>Total Component Units</b>	
\$ 19,863	\$ 4,972	\$ 79,333	\$ 511	\$ 48,338	\$ 4,236,036	
-	-	-	4,363	-	1,100,386	
-	9,894	10,408	55	-	475,415	
-	1,426	-	-	-	87,471	
-	555	-	-	-	15,888	
-	468	-	-	-	63,946	
1,498	-	1,860,474	-	-	5,158,894	
-	18,858	-	42	-	55,904	
269	8,699	7,075	-	-	897,139	
-	-	323,301	-	-	3,198,452	
-	-	-	-	-	529,835	
-	983	-	-	-	4,370	
-	-	-	-	-	1,039	
-	2,467	-	-	-	301,014	
-	4,096	-	-	-	1,050,015	
-	53,610	-	-	-	8,662,133	
-	5,454	-	-	-	1,502,482	
-	-	-	-	-	319,000	
-	(28,712)	-	-	-	(5,058,349)	
-	88,072	-	-	-	1,103,757	
<u>21,630</u>	<u>170,842</u>	<u>2,280,591</u>	<u>4,971</u>	<u>48,338</u>	<u>23,704,827</u>	
-	5,371	27,322	-	-	552,931	
162	2,988	18,161	200	17	839,009	
-	19,129	-	-	-	178,640	
-	-	2,336	-	-	215,883	
-	960	-	-	-	35,282	
245	1,018	99,535	-	-	470,620	
311	1,801	2,180,055	-	-	8,491,329	
<u>718</u>	<u>25,896</u>	<u>2,300,087</u>	<u>200</u>	<u>17</u>	<u>10,230,763</u>	
-	928	1,778	-	-	256,339	
-	122,773	-	-	-	5,878,894	
-	-	-	-	-	14,843	
-	-	-	-	-	228,844	
-	-	-	-	-	559,095	
-	983	-	-	-	4,370	
-	10,935	-	-	-	1,454,998	
-	-	-	-	-	294,930	
-	-	-	-	-	1,892,544	
20,912	14,698	6,048	4,771	48,321	3,442,138	
<u>\$ 20,912</u>	<u>\$ 149,389</u>	<u>\$ 6,048</u>	<u>\$ 4,771</u>	<u>\$ 48,321</u>	<u>\$ 13,770,656</u>	

**STATE OF TENNESSEE**  
**Combining Statement of Activities**  
**Component Units**  
**For the Year Ended June 30, 2024**  
**(Expressed in Thousands)**

<u>Functions/Programs</u>	<u>Program Revenues</u>				<b>Net (Expense) Revenue and Changes in Net Position</b>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>Component units</b>					
Higher education institutions:					
State University and Community College System	\$ 3,446,048	\$ 962,211	\$ 1,143,841	\$ 400,580	\$ (939,416)
University of Tennessee	3,143,126	1,115,330	1,437,854	108,278	(481,664)
Total higher education institutions	<u>6,589,174</u>	<u>2,077,541</u>	<u>2,581,695</u>	<u>508,858</u>	<u>(1,421,080)</u>
Loan programs:					
Tennessee Student Assistance Corporation	131,946	6,899	271	-	(124,776)
Tennessee Housing Development Agency	692,361	216,275	537,098	-	61,012
Local Development Authority	230	841	1,017	-	1,628
Tennessee State School Bond Authority	88,108	70,196	18,019	-	107
Total loan programs	<u>912,645</u>	<u>294,211</u>	<u>556,405</u>	<u>-</u>	<u>(62,029)</u>
Tennessee Education Lottery	<u>1,903,870</u>	<u>1,895,115</u>	<u>36</u>	<u>-</u>	<u>(8,719)</u>
Other programs:					
Tennessee Community Services Agency	6,967	61	4,908	-	(1,998)
Access Tennessee Insurance Plan	648	-	-	-	(648)
Tennessee Veterans' Homes Board	42,479	72,992	5,130	-	35,643
Certified Cotton Growers'	338	399	-	-	61
Total other programs	<u>50,432</u>	<u>73,452</u>	<u>10,038</u>	<u>-</u>	<u>33,058</u>
<b>Total</b>	<u>\$ 9,456,121</u>	<u>\$ 4,340,319</u>	<u>\$ 3,148,174</u>	<u>\$ 508,858</u>	<u>\$ (1,458,770)</u>

**STATE OF TENNESSEE**  
**Combining Statement of Activities**  
**Component Units**  
**For the Year Ended June 30, 2024**  
**(Expressed in Thousands)**

**General Revenues**

<u>Payments from Primary Government</u>	<u>Unrestricted Grants and Contributions</u>	<u>Unrestricted Investment Earnings</u>	<u>Miscellaneous</u>	<u>Contributions to Permanent Funds</u>	<u>Change in Net Position</u>	<u>Net Position July 1 Restated</u>	<u>Net Position June 30</u>
\$ 1,319,714	\$ 30,051	\$ 232,294	\$ 7,351	\$ 25,228	\$ 675,222	\$ 6,075,586	\$ 6,750,808
895,560	168	108,163	3,274	59,477	584,978	5,560,211	6,145,189
<u>2,215,274</u>	<u>30,219</u>	<u>340,457</u>	<u>10,625</u>	<u>84,705</u>	<u>1,260,200</u>	<u>11,635,797</u>	<u>12,895,997</u>
124,498	-	-	-	-	(278)	4,629	4,351
897	-	1,546	-	-	63,455	571,430	634,885
-	-	-	-	-	1,628	19,284	20,912
-	9,753	-	-	-	9,860	(3,812)	6,048
<u>125,395</u>	<u>9,753</u>	<u>1,546</u>	<u>-</u>	<u>-</u>	<u>74,665</u>	<u>591,531</u>	<u>666,196</u>
-	-	8,757	-	-	38	56	94
-	-	14	-	-	(1,984)	7,872	5,888
-	-	2,486	-	-	1,838	46,483	48,321
-	-	-	-	-	35,643	113,746	149,389
-	-	99	-	-	160	4,611	4,771
<u>-</u>	<u>-</u>	<u>2,599</u>	<u>-</u>	<u>-</u>	<u>35,657</u>	<u>172,712</u>	<u>208,369</u>
<u>\$ 2,340,669</u>	<u>\$ 39,972</u>	<u>\$ 353,359</u>	<u>\$ 10,625</u>	<u>\$ 84,705</u>	<u>\$ 1,370,560</u>	<u>\$ 12,400,096</u>	<u>\$ 13,770,656</u>

**STATE OF TENNESSEE**  
**Combining Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Fund Type Component Units**  
**For the Fiscal Year Ended June 30, 2024**  
**(Expressed in Thousands)**

	<u>Tennessee Housing Development Agency</u>	<u>Tennessee Education Lottery</u>	<u>State University and Community College System</u>	<u>University of Tennessee</u>	<u>Local Development Authority</u>
Operating revenues					
Charges for services	\$ 216,275	\$ 1,890,866	\$ 991,646	\$ 1,075,919	\$ 841
Investment income	37,517	-	143	8,741	1,017
Grants and contributions	-	-	336,384	690,246	-
Other	-	4,249	80,984	278,747	-
Total operating revenues	<u>253,792</u>	<u>1,895,115</u>	<u>1,409,157</u>	<u>2,053,653</u>	<u>1,858</u>
Operating expenses					
Personal services	33,491	17,910	2,065,967	2,052,623	-
Contractual services	16,658	173,893	-	-	180
Mortgage service fees	-	-	-	-	-
Materials and supplies	2,325	-	860,759	823,363	-
Rentals and insurance	40	205	-	-	-
Interest	108,752	-	-	-	31
Depreciation and amortization	9,783	1,891	184,490	189,662	-
Lottery prizes	-	1,181,113	-	-	-
Nursing home services	-	-	-	-	-
Scholarships and fellowships	-	-	299,300	34,958	-
Benefits	-	-	-	-	-
Other	11,234	9,536	-	-	19
Total operating expenses	<u>182,283</u>	<u>1,384,548</u>	<u>3,410,516</u>	<u>3,100,606</u>	<u>230</u>
Operating income (loss)	<u>71,509</u>	<u>510,567</u>	<u>(2,001,359)</u>	<u>(1,046,953)</u>	<u>1,628</u>
Nonoperating revenues (expenses)					
Grant income	501,127	-	696,396	295,143	-
Grant expense	(510,078)	-	-	-	-
Interest expense	-	-	(25,470)	(36,199)	-
Interest income	-	8,757	240,369	291,439	-
Payments from primary government	897	-	1,319,714	895,560	-
Grants and contributions	-	-	-	8,578	-
Gifts	-	-	16,533	12,035	-
Payments to primary government	-	(519,322)	-	-	-
Other	-	36	3,092	(4,163)	-
Total nonoperating revenues (expenses)	<u>(8,054)</u>	<u>(510,529)</u>	<u>2,250,634</u>	<u>1,462,393</u>	<u>-</u>
Income (loss) before capital grants and contributions	63,455	38	249,275	415,440	1,628
Capital payments from primary government	-	-	366,946	94,756	-
Capital grants and gifts	-	-	31,655	13,522	-
Additions to permanent endowments	-	-	27,346	59,477	-
Other	-	-	-	1,783	-
Change in net position	63,455	38	675,222	584,978	1,628
Net position, July 1, restated	571,430	56	6,075,586	5,560,211	19,284
Net position, June 30	<u>\$ 634,885</u>	<u>\$ 94</u>	<u>\$ 6,750,808</u>	<u>\$ 6,145,189</u>	<u>\$ 20,912</u>

**STATE OF TENNESSEE**  
**Combining Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Fund Type Component Units**  
**For the Fiscal Year Ended June 30, 2024**  
**(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
\$ 71,621	\$ 70,196	\$ 367	\$ -	\$ 4,317,731
-	18,019	-	-	65,437
-	-	-	-	1,026,630
1,371	-	32	-	365,383
<u>72,992</u>	<u>88,215</u>	<u>399</u>	<u>-</u>	<u>5,775,181</u>
26,671	-	-	-	4,196,662
-	1,417	338	129	192,615
-	-	-	-	-
-	-	-	-	1,686,447
-	-	-	519	764
-	69,663	-	-	178,446
1,716	-	-	-	387,542
-	-	-	-	1,181,113
28,658	-	-	-	28,658
-	-	-	-	334,258
-	-	-	-	-
-	17,028	-	-	37,817
<u>57,045</u>	<u>88,108</u>	<u>338</u>	<u>648</u>	<u>8,224,322</u>
<u>15,947</u>	<u>107</u>	<u>61</u>	<u>(648)</u>	<u>(2,449,141)</u>
4,312	9,753	-	-	1,506,731
-	-	-	-	(510,078)
(57)	-	-	-	(61,726)
818	-	99	2,486	543,968
-	-	-	-	2,216,171
-	-	-	-	8,578
-	-	-	-	28,568
-	-	-	-	(519,322)
(11)	-	-	-	(1,046)
<u>5,062</u>	<u>9,753</u>	<u>99</u>	<u>2,486</u>	<u>3,211,844</u>
21,009	9,860	160	1,838	762,703
-	-	-	-	461,702
-	-	-	-	45,177
-	-	-	-	86,823
<u>14,634</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,417</u>
35,643	9,860	160	1,838	1,372,822
113,746	(3,812)	4,611	46,483	12,387,595
<u>\$ 149,389</u>	<u>\$ 6,048</u>	<u>\$ 4,771</u>	<u>\$ 48,321</u>	<u>\$ 13,760,417</u>

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**STATE OF TENNESSEE**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Fund Type Component Units**  
**For the Fiscal Year Ended**  
**June 30, 2024**  
**(Expressed in Thousands)**

	<u>Tennessee Student Assistance Corporation</u>	<u>Tennessee Community Services Agency</u>	<u>Total Governmental Fund Type Component</u>
<b>REVENUES</b>			
Interest on investments	\$ 271	\$ 14	\$ 285
Departmental services	131,104	4,969	136,073
Other	<u>293</u>	<u>-</u>	<u>293</u>
Total revenues	<u>131,668</u>	<u>4,983</u>	<u>136,651</u>
<b>EXPENDITURES</b>			
Education	131,881	-	131,881
Health and social services	<u>-</u>	<u>4,678</u>	<u>4,678</u>
Total expenditures	<u>131,881</u>	<u>4,678</u>	<u>136,559</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(213)</u>	<u>305</u>	<u>92</u>
Fund balances, July 1	<u>5,440</u>	<u>853</u>	<u>6,293</u>
Fund balances, June 30	<u>\$ 5,227</u>	<u>\$ 1,158</u>	<u>\$ 6,385</u>
<b>Reconciliation to net position:</b>			
Fund balances per above	\$ 5,227	\$ 1,158	\$ 6,385
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	-	390	390
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund.	(779)	(603)	(1,382)
Resources and obligations related to pension and other postemployment benefits are not available nor due and payable, respective, in the current period and therefore are not reported in the fund.	<u>(97)</u>	<u>4,943</u>	<u>4,846</u>
Net position on statement of net position	<u>\$ 4,351</u>	<u>\$ 5,888</u>	<u>\$ 10,239</u>

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# SUPPLEMENTARY SCHEDULES

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STATE OF TENNESSEE  
Debt Service Requirements to Maturity  
General Obligation Bonds  
June 30, 2024

Schedule 1

(Expressed in Thousands)

For the Year Ended June 30	General Long-Term Debt			Facilities Revolving Fund Debt		
	Principal	Interest	Total Require- ments	Principal	Interest	Total Require- ments
2025	\$ 158,887	\$ 60,171	\$ 219,058	\$ 15,633	\$ 3,674	\$ 19,307
2026	155,638	54,947	210,585	14,977	3,293	18,270
2027	149,081	49,710	198,791	13,104	2,960	16,064
2028	144,074	44,355	188,429	12,246	2,631	14,877
2029	136,692	39,094	175,786	10,753	2,312	13,065
2030	112,828	34,331	147,159	9,207	2,004	11,211
2031	102,791	29,966	132,757	7,704	1,716	9,420
2032	95,677	25,821	121,498	6,378	1,468	7,846
2033	73,250	22,306	95,556	5,995	1,256	7,251
2034	66,963	19,398	86,361	5,537	1,060	6,597
2035	66,427	16,624	83,051	5,443	872	6,315
2036	63,221	13,872	77,093	3,034	706	3,740
2037	49,987	11,274	61,261	2,734	566	3,300
2038	41,234	9,038	50,272	2,696	442	3,138
2039	33,763	7,033	40,796	2,452	329	2,781
2040	33,763	5,400	39,163	2,452	229	2,681
2041	27,570	3,906	31,476	2,235	134	2,369
2042	27,569	2,550	30,119	2,235	44	2,279
2043	<u>24,875</u>	<u>1,248</u>	<u>26,123</u>			
TOTALS	<u>\$ 1,564,290</u>	<u>\$ 451,044</u>	<u>\$ 2,015,334</u>	<u>\$ 124,815</u>	<u>\$ 25,696</u>	<u>\$ 150,511</u>

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

Schedule 2

(Expressed in Thousands)

		June 30				
		2020	2021	2022	2023	2024
<b>Internal service funds:</b>						
General obligation commercial paper	\$	15,063	\$ 63,332	\$ 7,121	\$ 6,920	\$ 2,425
Facilities Revolving Fund general obligation bonds		132,553	119,254	157,047	140,782	124,815
		147,616	182,586	164,168	147,702	127,240
<b>General long-term debt:</b>						
General obligation bonds		1,578,402	1,436,291	1,379,628	1,233,913	1,564,290
General obligation commercial paper		105,933	144,011	82,442	66,018	18,188
		1,684,335	1,580,302	1,462,070	1,299,931	1,582,478
Totals for primary government	\$	1,831,951	\$ 1,762,888	\$ 1,626,238	\$ 1,447,633	\$ 1,709,718

STATE OF TENNESSEE  
**Schedule of General Obligation**  
**Commercial Paper Outstanding- By Purpose**  
**All Fund Types**  
**June 30, 2024**

Schedule 3

(Expressed in Thousands)

<b>General obligation commercial paper - Tax exempt</b>		\$ 15,500
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.	
<b>General obligation commercial paper - Taxable</b>		5,113
Purpose:	To finance improvements to certain other projects and grants to local governments when tax-exempt is not the ideal funding source.	
Total Outstanding		\$ 20,613

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

Schedule 4

(Expressed in Thousands)

	<b>June 30</b>				
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Component units:					
Local Development Authority bonds	\$ 1,543	\$ 1,243	\$ 1,024	\$ 795	\$ 556
Tennessee Housing Development Agency bonds	2,816,040	2,909,404	2,832,029	2,819,743	3,725,143
Veterans' Homes Board loan	3,391	3,011	2,621	1,831	1,549
Tennessee State School Bond Authority bonds	2,288,441	2,194,228	2,102,916	2,324,648	2,216,716
Tennessee State School Bond Authority revolving credit	74,481	115,521	152,661	28,874	62,874
University of Tennessee bonds	60,247	57,432	54,513	51,481	48,325
State University and Community College System notes	6,046	1,089	4,549	3,709	3,440
State University and Community College System commercial paper	1,577	1,108	768	502	347
State University and Community College System loans	730	75	111	57	21
	<u>\$ 5,252,496</u>	<u>\$ 5,283,111</u>	<u>\$ 5,151,192</u>	<u>\$ 5,231,640</u>	<u>\$ 6,058,971</u>

**STATE OF TENNESSEE**  
**Comparative Schedules of Revenues by Source**  
**General Fund**  
**For the Fiscal Years Ended June 30, 2024 and 2023**  
**(Expressed in Thousands)**

Schedule 5

<u>Revenue by Source</u>	<b>For the Year Ended</b>	
	<b>June 30, 2024</b>	<b>June 30, 2023</b>
Taxes:		
Sales and use	\$ 5,097,219	\$ 5,085,407
Gasoline	9,333	9,333
Motor fuel	2,305	2,295
Gasoline inspection	656	929
Total fuel taxes	12,294	12,557
Franchise	(5,662)	1,435,937
Excise	2,779,218	3,069,953
Gross receipts	251,846	241,429
Beer	11,450	12,028
Alcoholic beverage	71,232	72,105
Mixed drink	-	-
Tobacco	27,717	28,316
Business	231,630	218,762
Insurance companies premium	1,460,353	1,274,498
Retaliatory	12,621	16,142
Workers compensation premium	40,991	42,878
Enhanced coverage	747,779	602,669
Medicaid provider	12,646	12,652
Fantasy Sports	412	272
Other	854	1,019
Total business tax	5,643,087	7,028,660
Income	1,851	2,256
Privilege	437,203	460,224
Inheritance and estate	30	55
Other	11	1
Total other taxes	439,095	462,536
Total taxes	11,191,695	12,589,160
Licenses, fines, fees and permits:		
Motor vehicle registration	63,970	59,502
Motor vehicle title registration fees	18,955	20,328
Drivers licenses	29,343	18,379
Arrests, fines and fees	8,039	7,520
Regulatory board fees	219,648	177,227
Other	269,832	270,928
Total licenses, fines, fees and permits	609,787	553,884
Investment income	1,190,019	836,620
Federal	15,670,439	15,759,506
Departmental services:		
Charges to the public	864,375	489,439
Interdepartmental charges	745,786	927,050
Charges to cities, counties, etc.	1,122,016	1,358,884
Other	3,580	1,700
Total departmental services	2,735,757	2,777,073
Opioid and tobacco settlements	175,823	156,335
Other	126,797	81,544
Total revenues by source	\$ 31,700,317	\$ 32,754,122

**STATE OF TENNESSEE**  
**Comparative Schedules of Expenditures by Function**  
**and Department**  
**General Fund**  
**For the Fiscal Years Ended June 30, 2024 and 2023**  
**(Expressed in Thousands)**

Schedule 6

<b>Expenditures by Function and Department</b>	<b>For the Year Ended</b>	
	<b>June 30, 2024</b>	<b>June 30, 2023</b>
General government:		
Legislative	\$ 70,410	\$ 58,684
Secretary of State	58,836	53,530
Comptroller	142,506	131,090
Treasurer	362,468	410,919
Governor	7,110	6,342
Commissions	211,029	181,587
Finance and Administration	763,486	303,828
General Services	52,007	45,577
Revenue	263,192	153,400
Total general government	1,931,044	1,344,957
Health and social services:		
Veterans Services	19,488	32,624
Labor and Workforce Development	238,739	223,904
TennCare	15,927,803	14,973,280
Mental Health	682,925	534,837
Intellectual Disabilities	342,702	275,826
Health	1,155,451	1,045,365
Human Services	3,369,679	3,683,777
Children's Services	1,370,907	1,152,739
Total health and social services	23,107,694	21,922,352
Law, justice and public safety:		
Judicial	540,993	481,012
Correction	1,327,258	1,176,239
Probation and Paroles	12,354	10,521
Military	179,596	207,272
Bureau of Criminal Investigation	156,334	130,879
Safety	539,650	309,255
Total law, justice and public safety	2,756,185	2,315,178
Recreation and resource development:		
Agriculture	236,631	203,661
Tourist Development	72,862	74,943
Environment and Conservation	584,771	341,501
Economic and Community Development	375,036	270,665
Total recreation and resources development	1,269,300	890,770
Regulation of business and professions:		
Commerce and Insurance	142,677	117,337
Financial Institutions	25,826	24,258
Total regulation of business and professions	168,503	141,595
Debt service:		
Principal	30,758	20,485
Interest	2,153	1,345
Total debt service	32,911	21,830
Capital outlay	55,377	50,855
Total expenditures by function and department	\$ 29,321,014	\$ 26,687,537

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# STATISTICAL SECTION

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## STATISTICAL SECTION

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

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<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the state’s financial performance and well-being have changed over time.	<b>252</b>
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the state’s most significant local revenue sources, the sales tax.	<b>257</b>
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the state’s current levels of outstanding debt and the state’s ability to issue additional debt in the future.	<b>259</b>
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the state’s financial activities take place.	<b>261</b>
<b>Operating Information</b> These schedules contain service and infrastructure data to help the reader understand how the information in the state’s financial report relates to the services the state provides and the activities it performs.	<b>262</b>
<b>Component Units</b> These schedules contain debt information related to the University of Tennessee and the State University and Community College System institutions – component units of the state. The schedules assist in understanding the resources available to pay debt service.	<b>265</b>
<b>National Federation of Municipal Analysts Recommended Disclosures for State Debt</b>	<b>270</b>

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

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

(continued on next page)

	2015	2016	2017	2018	2019	2020	2021	2022	2023(6)	2024
<b>FOR THE FISCAL YEAR ENDED JUNE 30,</b>										
<b>Expenses</b>										
Governmental activities:										
General government (3)	\$ 858,569	\$ 981,862	\$ 961,058	\$ 870,036	\$ 937,895	\$ 1,143,546	\$ 3,267,910	\$ 3,015,861	\$ 4,243,220	\$ 4,361,003
Education	7,302,492	7,507,413	7,927,694	8,234,390	8,576,479	8,898,197	9,495,761	10,605,705	11,458,760	12,872,973
Health and social services	14,258,216	14,930,669	14,976,007	15,192,989	15,168,397	16,603,681	19,105,994	20,235,770	21,131,878	22,856,581
Law, justice, and public safety (7)	1,522,333	1,605,231	1,692,610	1,784,864	1,848,904	2,127,958	2,255,348	1,941,068	2,170,931	2,732,658
Recreation and resources development	666,997	665,491	628,906	716,104	719,649	786,375	935,195	883,820	885,704	1,361,139
Regulation of business and professions	175,667	194,662	205,684	215,749	217,075	211,446	252,866	241,988	273,736	311,386
Transportation	1,126,447	1,045,959	1,282,462	1,213,247	1,474,457	1,507,127	1,328,049	1,555,210	1,828,981	2,129,530
Intergovernmental revenue sharing (3)	980,258	1,045,095	1,073,737	1,309,519	1,388,848	1,407,229				
Interest on long-term debt	60,622	60,891	58,503	62,430	62,928	58,733	51,097	17,965	31,839	46,381
Payments to fiduciary fund	400	680	664	372						
Total governmental activities expenses	26,952,001	28,037,953	28,807,325	29,599,700	30,394,632	32,744,292	36,692,220	38,497,387	42,025,049	46,671,651
Business-type activities:										
Employment security (1)	289,415	241,852	232,690	222,988	205,234	3,969,607	3,931,631	434,261	163,774	170,814
Insurance programs	556,634	585,757	620,734	620,005	672,422	677,269	753,012	763,303	834,053	914,654
Loan programs	1,493	1,865	1,710	1,705	1,613	1,842	1,879	1,787	1,562	1,898
Other	68	367	216	1,014	305	83	695	224	226	669
Total business-type activities expenses	847,610	829,841	855,350	845,712	879,574	4,648,801	4,687,217	1,199,575	999,615	1,088,035
Total primary government expenses	\$27,799,611	\$28,867,794	\$29,662,675	\$30,445,412	\$31,274,206	\$37,393,093	\$41,379,437	\$39,696,962	\$43,024,664	\$47,759,686
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 787,280	\$ 796,608	\$ 784,087	\$ 1,019,219	\$ 1,045,776	\$ 1,066,858	\$ 1,188,460	\$ 1,137,177	\$ 1,204,339	\$ 1,353,854
Education	58,961	50,274	40,849	38,385	30,633	70,672	67,395	49,920	61,519	95,277
Health and social services (5)	957,133	1,030,133	1,189,026	1,071,646	1,130,530	1,248,321	1,299,646	1,814,509	1,711,400	2,263,329
Law, justice, and public safety	137,905	161,110	168,808	161,132	159,868	153,575	150,230	133,779	131,783	145,331
Recreation and resources development	153,788	164,390	169,896	175,065	184,084	175,672	195,412	203,673	224,181	267,354
Regulation of business and professions	182,959	200,087	194,108	214,121	203,660	208,333	234,485	263,266	272,347	272,111
Transportation	45,840	56,466	59,301	63,670	65,208	57,902	60,841	77,795	89,467	90,600
Operating grants and contributions (4)	11,291,412	11,930,270	11,742,175	12,064,641	11,974,935	13,456,925	17,898,087	18,285,375	19,200,667	18,660,334
Capital grants and contributions	727,573	686,774	695,029	738,173	725,242	948,533	844,303	925,919	935,608	951,352
Total governmental activities program revenues	14,342,851	15,076,112	15,043,279	15,546,052	15,519,936	17,386,791	21,938,859	22,891,413	23,831,311	24,099,542
Business-type activities:										
Charges for services:										
Employment security	343,808	290,005	288,964	260,627	256,943	286,104	265,762	250,213	244,096	244,020
Insurance programs	581,436	565,174	599,635	652,846	702,429	719,987	728,280	772,876	845,322	935,190
Loan programs	8,865	9,214	10,255	11,386	11,850	12,233	12,135	11,886	12,449	12,913
Other	230	239	236	242	155	342	287	297	407	919
Operating grants and contributions (2)	64,053	85,287	57,418	88,198	76,576	3,696,938	3,599,778	281,856	85,468	109,248
Total business-type activities program revenues	998,392	949,919	956,508	1,013,299	1,047,953	4,715,604	4,606,242	1,317,128	1,187,742	1,302,290
Total primary government program revenues	\$15,341,243	\$16,026,031	\$15,999,787	\$16,559,351	\$16,567,889	\$22,102,395	\$26,545,101	\$24,208,541	\$25,019,053	\$25,401,832
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$(12,609,150)	\$(12,961,841)	\$(13,764,046)	\$(14,053,648)	\$(14,874,696)	\$(15,357,501)	\$(14,753,361)	\$(15,605,974)	\$(18,193,738)	\$(22,572,109)
Business-type activities	150,782	120,078	101,158	167,587	168,379	66,803	(80,975)	117,553	188,127	214,255
Total primary government net expense	\$(12,458,368)	\$(12,841,763)	\$(13,662,888)	\$(13,886,061)	\$(14,706,317)	\$(15,290,698)	\$(14,834,336)	\$(15,488,421)	\$(18,005,611)	\$(22,357,854)

**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,									
	2015	2016	2017	2018	2019	2020	2021	2022	2023(6)	2024
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Sales and use	\$7,713,695	\$8,258,134	\$8,547,149	\$ 8,831,333	\$ 9,351,611	\$ 9,624,865	\$11,052,798	\$12,891,509	\$13,657,626	\$13,938,417
Fuel	862,156	899,631	915,415	1,099,342	1,170,828	1,189,072	1,216,037	1,266,514	1,271,200	1,273,109
Business	4,336,333	4,631,629	5,206,841	5,196,013	5,326,127	5,546,908	6,275,672	7,642,081	8,048,189	6,588,475
Other	719,370	722,040	627,070	624,585	607,748	543,952	672,243	701,587	594,333	571,068
Grants and contributions not restricted to specific programs										
Unrestricted investment earnings	6,121	15,076	36,148	84,104	151,602	108,918	9,376	38,945	809,638	1,133,869
Miscellaneous	224,064	243,432	234,586	284,299	193,899	239,300	282,720	372,768	276,380	367,026
Contributions to permanent funds	136	170	2,624	142	145	143	143	155	180	432
Transfers	(8,046)	(1,096)	(5,290)	(4,715)	(18,521)	(7,558)	(8,611)	(5,277)	(10,389)	(225,522)
Total governmental activities	13,853,829	14,769,016	15,564,543	16,115,103	16,783,439	17,245,600	19,500,378	22,908,282	24,897,640	24,181,078
Business-type activities:										
Transfers	8,046	1,096	5,290	4,715	18,521	7,558	8,611	5,277	10,389	225,522
Total business-type activities	8,046	1,096	5,290	4,715	18,521	7,558	8,611	5,277	10,389	225,522
Total primary government general revenues and other changes in net position	\$13,861,875	\$14,770,112	\$15,569,833	\$16,119,818	\$16,801,960	\$17,253,158	\$19,508,989	\$22,913,559	\$24,908,029	\$24,406,600

**Changes in Net Position**

Governmental activities	\$1,244,679	\$1,807,175	\$1,800,497	\$ 2,061,455	\$ 1,908,743	\$ 1,888,099	\$ 4,747,017	\$ 7,302,308	\$ 6,703,902	\$ 1,608,969
Business-type activities	158,828	121,174	106,448	172,302	186,900	74,361	(72,364)	122,830	198,516	439,777
Total primary government	\$1,403,507	\$1,928,349	\$1,906,945	\$ 2,233,757	\$ 2,095,643	\$ 1,962,460	\$ 4,674,653	\$ 7,425,138	\$ 6,902,418	\$ 2,048,746

- (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. The increase in health and social services charges for services revenue between fiscal years 2023 and 2024 is primarily due to rate increases charged to third party managed care organizations for care and treatment of children in state custody as well as an increase in revenues from settlements related to opioid abatement.
- (6) This fiscal year was restated due to a prior period adjustment related to an error correction with revenue and accounts receivable.
- (7) The increase in expenses for law, justice, and public safety between fiscal years 2023 and 2024 is primarily due to project expenditures and increased payroll and new positions for school safety staffing.

**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,									
	2015	2016	2017	2018	2019	2020	2021	2022	2023(6)	2024
<b>Governmental activities</b>										
Net investment in capital assets (3)	\$27,432,234	\$28,201,282	\$28,617,760	\$29,616,706	\$30,355,607	\$31,425,755	\$32,396,815	\$33,156,399	\$34,138,338	\$34,758,715
Restricted (7)	1,150,817	1,595,049	1,777,806	2,081,564	2,210,725	2,307,203	2,866,255	3,720,678	3,317,002	4,233,039
Unrestricted (1)(2)(4)	940,922	1,534,817	2,736,079	2,704,085	3,739,918	4,475,212	7,753,855	13,442,770	19,576,046	19,648,601
Total governmental activities net position	\$29,523,973	\$31,331,148	\$33,131,645	\$34,402,355	\$36,306,250	\$38,208,170	\$43,016,925	\$50,319,847	\$57,031,386	\$58,640,355
<b>Business-type activities</b>										
Net investment in capital assets (5)	\$ 2,420,530	\$ 2,541,704	\$ 2,648,152	\$ 2,806,842	\$ 2,993,742	\$ 3,068,103	\$ 2,973,131	\$ 3,095,961	\$ 3,294,477	\$ 209,536
Unrestricted	2,420,530	2,541,704	2,648,152	2,806,842	2,993,742	3,068,103	2,973,131	3,095,961	3,294,477	3,734,254
Total business-type activities net position	\$27,432,234	\$28,201,282	\$28,617,760	\$29,616,706	\$30,355,607	\$31,425,755	\$32,396,815	\$33,156,399	\$34,138,338	\$34,968,251
<b>Primary Government</b>										
Net investment in capital assets	1,150,817	1,595,049	1,777,806	2,081,564	2,210,725	2,307,203	2,866,255	3,720,678	3,317,002	4,233,039
Restricted	3,361,452	4,076,521	5,384,231	5,510,927	6,733,660	7,543,315	10,726,986	16,538,731	22,870,523	23,173,319
Unrestricted	\$31,944,503	\$33,872,852	\$35,779,797	\$37,209,197	\$39,299,992	\$41,276,273	\$45,990,056	\$53,415,808	\$60,325,863	\$62,374,609
Total primary government net position										

- (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 and between 2022 and 2023 is due primarily to increased operating grants and contributions.
- (5) The increase in net investment in capital assets between fiscal years 2023 and 2024 is due to the establishment of the Megastie Water and Wastewater fund. This is the only BTA fund currently reporting capital assets.
- (6) This fiscal year was restated due to a prior period adjustment related to an error correction with revenue and accounts receivable. This adjustment was reflected in unrestricted fund balance.
- (7) The increase in governmental activities restricted fund balance between fiscal years 2023 and 2024 is primarily related to unspent bond proceeds and restricted investment proceeds.

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,									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>General Fund</b>										
Nonspendable	\$ 20,184	\$ 18,765	\$ 25,117	\$ 21,208	\$ 23,489	\$ 31,111	\$ 65,465	\$ 68,975	\$ 64,912	\$ 71,049
Restricted	69,540	71,304	73,855	73,202	92,579	102,123	165,341	173,161	206,561	256,187
Committed	302,603	314,545	334,316	372,189	362,881	487,351	640,562	683,709	691,702	745,242
Assigned (1)	1,285,945	1,612,001	2,263,154	1,949,089	2,298,179	3,265,698	4,688,970	7,337,698	9,275,561	4,970,828
Unassigned (2)	885,215	1,224,464	1,008,428	1,410,118	1,651,697	1,676,074	3,770,577	3,939,527	3,326,231	3,764,190
<b>Total general fund</b>	<b>\$ 2,563,487</b>	<b>\$ 3,241,079</b>	<b>\$ 3,704,870</b>	<b>\$ 3,825,806</b>	<b>\$ 4,428,825</b>	<b>\$ 5,562,357</b>	<b>\$ 9,330,915</b>	<b>\$12,203,070</b>	<b>\$13,564,967</b>	<b>\$ 9,807,496</b>
<b>All Other Governmental Funds</b>										
Nonspendable	\$ 519,590	\$ 525,078	\$ 531,981	\$ 536,481	\$ 561,387	\$ 569,348	\$ 586,808	\$ 816,145	\$ 831,005	\$ 761,540
Restricted (5)	575,853	1,020,805	1,207,452	1,507,973	1,583,287	1,667,138	2,152,028	2,293,134	2,331,015	3,266,306
Committed (3)	389,401	373,312	336,412	379,483	391,014	436,241	439,218	1,030,379	1,311,198	4,413,898
Assigned (4)	736,691	787,006	1,148,144	1,596,551	1,612,649	1,552,641	1,258,390	2,814,454	5,881,294	7,012,953
Unassigned									(3,542)	(1,697)
<b>Total all other governmental funds</b>	<b>\$ 2,221,535</b>	<b>\$ 2,706,201</b>	<b>\$ 3,223,989</b>	<b>\$ 4,020,488</b>	<b>\$ 4,148,337</b>	<b>\$ 4,225,368</b>	<b>\$ 4,436,444</b>	<b>\$ 6,954,112</b>	<b>\$10,350,970</b>	<b>\$ 15,453,000</b>

- (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 the reserve for supplemental appropriation and an increase in carry forwards. The increase in assigned fund balance between the fiscal years 2021 and 2022 is primarily because of increases in the reserve for supplemental appropriation and an increase in carry forwards. The increase in assigned fund balance between the fiscal years 2022 and 2023 is primarily because of an increase in carry forwards. The increase in assigned fund balance between the fiscal years 2023 and 2024 is primarily because of a decrease in carry forwards.
- (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. The increase in committed fund balance between fiscal years 2023 and 2024 is primarily because of a new IDOT modernization reserve.
- (4) The increase in assigned fund balance between fiscal years 2021 and 2022 and between 2022 and 2023 is primarily because of increases in appropriations for capital projects. The increase in assigned fund balance between fiscal years 2023 and 2024 is primarily because of increases in appropriations for capital projects.
- (5) The increase in restricted fund balance between fiscal years 2023 and 2024 is primarily due to unspent bond proceeds and restricted investment income increase.

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

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Revenues</b>										
Taxes	\$13,717,684	\$14,536,940	\$15,151,281	\$15,694,388	\$16,391,417	\$17,176,466	\$19,360,005	\$22,500,812	\$ 23,687,301	\$ 22,515,392
Licenses, fines, fees, and permits	799,462	913,535	973,810	1,058,073	1,081,355	1,055,468	1,142,138	1,256,478	1,136,026	1,416,180
Investment income (9)	27,865	56,708	89,231	119,676	234,307	187,336	221,890	(130,546)	954,012	1,570,327
Federal (6)	11,601,522	12,126,450	11,915,967	12,245,029	12,098,767	13,820,131	17,989,966	18,820,965	19,337,606	19,471,104
Departmental services	2,108,043	2,170,683	2,392,179	2,342,471	2,333,469	2,501,103	2,747,234	3,024,470	3,213,709	3,144,116
Opioioid and Tobacco Settlements	584,672	647,996	622,690	734,439	639,714	677,192	787,368	199,173	156,335	175,823
Other	28,839,248	30,452,312	31,145,158	32,194,076	32,779,029	35,417,696	42,248,601	46,240,484	613,923	664,387
<b>Total revenues</b>										
<b>Expenditures</b>										
Current:										
General government (4)	565,415	573,475	654,354	683,678	689,119	710,720	2,788,937	2,720,149	3,119,066	3,791,513
Education (7)	7,140,936	7,322,279	7,778,143	8,134,979	8,364,522	8,557,814	9,245,643	10,478,293	11,347,249	12,492,685
Health and social services	14,906,413	15,600,711	15,655,566	15,875,861	16,007,652	17,354,738	19,959,835	21,283,068	21,954,267	23,142,088
Law, justice, and public safety	1,552,156	1,618,669	1,693,161	1,772,563	1,868,133	2,072,747	2,195,107	2,117,580	2,323,197	2,764,874
Recreation and resources development	757,166	777,748	797,884	821,557	849,015	1,012,134	1,066,536	1,066,536	1,160,803	1,551,345
Regulation of business and professions	187,360	205,830	215,733	222,903	229,082	224,307	261,952	263,487	293,822	321,447
Transportation	1,708,328	1,672,379	1,728,331	1,910,831	2,017,320	2,208,900	2,135,196	2,273,259	2,665,234	2,913,762
Intergovernmental revenue sharing (4)	980,258	1,045,095	1,073,377	1,309,519	1,388,848	1,407,229				
Debt service:										
Principal	313,050	246,503	296,444	267,376	153,111	292,993	150,764	238,930	219,839	250,974
Interest	68,325	67,409	71,817	75,163	75,163	73,246	67,305	50,165	48,938	62,102
Debt issuance costs	1,741	2,324	2,225	2,193	1,741	2,093	1,581	2,627	1,582	4,162
Capital outlay (8)	406,396	469,307	462,231	339,789	408,337	562,098	521,160	447,081	1,199,102	852,679
<b>Total expenditures</b>	<b>28,587,544</b>	<b>29,601,729</b>	<b>30,368,626</b>	<b>31,392,703</b>	<b>32,024,587</b>	<b>34,315,900</b>	<b>38,339,614</b>	<b>40,941,175</b>	<b>44,333,099</b>	<b>48,147,631</b>
<b>Revenues over (under) expenditures</b>	<b>251,704</b>	<b>850,583</b>	<b>776,532</b>	<b>801,373</b>	<b>754,442</b>	<b>1,101,796</b>	<b>3,908,987</b>	<b>5,299,309</b>	<b>4,765,813</b>	<b>809,698</b>
<b>Other Financing Sources (Uses)</b>										
Bonds and commercial paper issued	143,200	447,222	274,348	243,419	69,256	187,650	46,732	83,061	35,201	502,105
Commercial paper redeemed	1,597	1,288	725	1,058	367	1,099	673	547	1,416	5,304
Insurance claim recoveries	10,308	53,170	42,335	25,282	315	315		15,061	49,673	
Premium on bond sale								501,241		
Refunding bonds issued (1)								(500,827)		
Refunding bond premium (1)	81,321	98,390	214,452	36,059	(35,976)			24,045		56,815
Refunding payment to escrow (1)										
Right-to-use leases and subscriptions										
Proceeds from pledged revenue										
Transfers in (5)	1,173,753	1,229,231	1,711,662	2,028,533	1,550,136	1,982,336	677,894	2,439,176	4,704,007	6,430,005
Transfers out (2) (3)	(1,206,423)	(1,419,467)	(1,824,459)	(2,225,529)	(1,619,426)	(2,062,633)	(716,389)	(2,471,790)	(4,786,162)	(6,509,041)
<b>Total other financing sources (uses)</b>	<b>122,664</b>	<b>311,675</b>	<b>205,047</b>	<b>72,846</b>	<b>333</b>	<b>108,767</b>	<b>8,910</b>	<b>90,514</b>	<b>9,942</b>	<b>534,861</b>
<b>Net Change in Fund Balances</b>	<b>\$ 374,368</b>	<b>\$ 1,162,258</b>	<b>\$ 981,579</b>	<b>\$ 874,219</b>	<b>\$ 754,775</b>	<b>\$ 1,210,563</b>	<b>\$3,917,897</b>	<b>\$5,389,823</b>	<b>\$ 4,775,755</b>	<b>\$ 1,344,559</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	<b>1.3680%</b>	<b>1.0891%</b>	<b>1.2448%</b>	<b>1.1254%</b>	<b>0.7350%</b>	<b>1.1019%</b>	<b>0.5857%</b>	<b>0.7249%</b>	<b>0.6265%</b>	<b>0.6702%</b>

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

(1) The state issued 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. The state did not issue any refunding bonds in 2023 which resulted in a decrease to refunding bonds and payments to escrow in 2023.

(2) 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.

(3) 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 between 2021 and 2022 is due primarily due to increased transfers from the general fund to the capital projects and the transportation funds.

(4) 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.

(5) 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 to the capital projects fund and highway fund from the general fund.

(6) The increase in transfers in and transfers out between 2022 and 2023 is primarily due to increased transfers from the general fund to the education, capital projects, and the transportation fund. The increase in transfers in and transfers out between 2023 and 2024 is due primarily to increased transfers from the general fund to the highway 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.

(9) The increase in capital outlay between 2022 and 2023 was due primarily to transportation and higher education.

(10) The increase in interest on investments between 2022 and 2023 is due to the interest rate increasing from 1.5 percent to 5 percent.

(11) The increase in interest on investments between 2022 and 2024 is due to favorable market conditions.

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

	FOR THE CALENDAR YEAR ENDED DECEMBER 31,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Auto dealers	\$ 10,557	\$ 11,789	\$ 12,607	\$ 12,869	\$ 13,337	\$ 13,923	\$ 14,229	\$ 16,697	\$ 16,454	\$ 17,531
Purchases from manufacturers	4,460	4,876	5,205	5,478	5,939	6,450	7,054	8,875	10,817	11,458
Miscellaneous durable goods	17,542	18,614	20,131	21,358	22,644	24,024	26,194	31,517	35,856	36,200
Eating and drinking places	11,196	12,029	12,608	12,909	13,678	15,094	13,201	16,635	19,336	20,553
Food stores	10,696	11,103	11,514	12,122	12,793	13,211	14,564	14,604	16,398	15,605
Liquor stores	894	971	975	908	973	1,056	1,293	1,383	1,447	1,498
Hotels and motels	2,881	3,222	3,599	3,604	3,829	4,707	2,932	5,227	6,845	7,137
Other retail and service	32,884	34,916	36,530	38,038	41,291	43,621	48,285	61,199	67,542	70,517
Miscellaneous nondurable goods	9,047	9,466	9,902	9,874	10,413	10,795	10,350	13,114	14,313	14,969
Transportation, communication	6,306	6,490	6,386	8,089	8,815	8,807	7,799	8,027	9,004	8,660
Total taxable sales	\$106,463	\$ 113,476	\$ 119,457	\$ 125,249	\$ 133,712	\$ 141,688	\$ 145,901	\$ 177,278	\$ 198,012	\$ 204,128

Source: An Economic Report to the Governor of the State of Tennessee January 2024

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

	FOR THE FISCAL YEAR ENDED JUNE 30,									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
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)	5.00%	5.00%	5.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Energy fuels used by manufacturers and nurseries	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%	4.25%	4.25%	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%
Products containing a hemp-derived cannabinoid (1)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	6.00%
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  
 Notes: Please see the Budget Document for more information on the sales and use tax basis of apportionment.

(1) N/A - not available because this is a new sales and use tax beginning in fiscal year 2024.

**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,									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Retail:</b>										
Building materials	\$ 392,853	\$ 430,312	\$ 468,750	\$ 492,326	\$ 528,112	\$ 585,686	\$ 737,200	\$ 853,785	\$ 898,419	\$ 866,995
General merchandise	854,971	889,297	895,864	881,916	883,068	911,558	983,751	1,039,892	1,076,876	1,101,248
Food stores	579,660	595,739	618,427	571,341	580,520	629,611	658,854	698,021	730,384	698,057
Auto dealers and service stations	1,013,333	1,123,746	1,177,213	1,184,189	1,230,277	1,273,167	1,481,269	1,554,068	1,636,604	1,673,119
Apparel and accessory stores	228,680	238,993	239,541	242,207	254,355	232,224	276,847	329,863	339,006	349,681
Furniture and home furnishings	250,667	268,657	281,955	291,561	301,500	302,089	340,370	377,880	367,615	355,501
Eating and drinking places	757,929	809,367	838,150	845,819	928,084	911,187	963,720	1,162,563	1,295,787	1,347,464
Miscellaneous retail stores	736,728	812,020	818,129	848,254	895,942	973,829	1,366,377	1,640,525	1,751,009	1,851,397
Total retail	4,814,821	5,168,131	5,338,029	5,357,613	5,601,858	5,819,351	6,808,388	7,656,597	8,095,700	8,243,462
<b>Services:</b>										
Hotels and lodging places	198,123	224,621	236,505	238,462	278,372	258,284	227,242	395,589	456,425	475,627
Personal services	52,239	52,236	52,465	53,561	56,184	51,283	51,064	62,054	67,221	69,747
Business services	276,961	298,046	304,629	322,692	381,851	420,766	564,858	702,863	792,469	887,212
Auto repair, services, and parking	189,611	204,497	208,532	215,481	235,740	254,280	265,114	320,433	359,540	383,164
Miscellaneous repair services	27,823	31,070	32,770	32,560	35,385	42,269	61,923	72,912	76,654	81,477
Motion pictures	18,160	19,341	19,517	18,459	22,196	21,255	14,584	24,903	28,891	30,043
Amusement services	81,249	90,027	96,706	103,495	118,017	113,024	101,452	167,406	199,135	198,759
Health services	14,956	17,232	17,497	17,497	17,274	21,853	24,937	21,637	22,693	22,798
Other services	45,803	46,006	43,365	41,153	61,805	64,392	59,312	74,840	82,154	96,414
Total services	904,925	983,076	1,011,986	1,043,360	1,206,824	1,247,406	1,370,486	1,842,637	2,085,182	2,245,241
<b>Non-retail, non-services:</b>										
Agriculture, forestry, fishing	7,189	7,957	7,939	7,835	7,886	8,886	11,165	12,347	13,580	13,985
Mining	6,822	7,727	7,787	8,153	9,005	10,016	14,202	17,632	23,064	25,556
Construction	56,717	65,278	65,093	76,564	77,913	93,038	93,659	108,871	144,375	145,625
Manufacturing	289,940	317,036	336,122	350,115	386,048	411,045	489,582	596,122	684,657	678,204
Transportation	35,272	33,769	31,262	35,741	42,624	64,255	18,516	59,004	65,559	63,789
Communications	393,980	391,511	416,319	524,788	530,000	496,669	477,608	517,761	519,241	496,088
Electric, gas, and sanitary services	252,014	247,867	260,315	263,119	269,974	263,079	265,472	292,477	324,150	322,707
Wholesale trade	460,079	499,421	527,466	551,886	606,481	621,583	697,362	899,204	990,803	1,001,446
Finance, insurance, real estate	18,676	22,661	29,816	32,953	37,674	40,508	47,400	62,385	56,027	61,955
Total non-retail, non-services	1,520,689	1,593,227	1,682,119	1,851,154	1,967,605	2,009,079	2,114,966	2,565,803	2,821,456	2,809,355
County Clerk	152,856	172,516	184,186	194,694	206,532	205,404	294,318	340,400	360,615	371,447
Consumer Use Tax	6,006	6,138	5,774	9,354	10,714	15,865	12,536	11,973	13,141	15,707
Unclassified (1)	278,851	305,095	321,652	431,459	417,390	359,511	420,623	411,732	418,487	370,178
Grand Total	\$ 7,678,148	\$ 8,228,183	\$ 8,543,746	\$ 8,887,634	\$ 9,410,923	\$ 9,656,616	\$ 11,021,317	\$ 12,829,142	\$ 13,794,581	\$ 14,055,390
Grand total as a percent of annual aggregate state tax collections	60.53%	61.08%	61.05%	61.01%	61.22%	63.96%	59.97%	61.39%	62.60%	63.60%

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.

**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,									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Governmental activities debt:										
General obligation bonds	\$ 1,960,437	\$ 2,124,897	\$ 2,162,881	\$ 2,160,357	\$ 1,979,589	\$ 1,949,715	\$ 1,771,713	\$ 1,695,430	\$ 1,517,407	\$ 1,864,946
Leases								286,429	298,199	304,874
SBITA									38,739	63,764
General obligation commercial paper	197,686	245,536	192,956	165,176	237,396	120,996	207,343	89,563	72,938	20,613
Financed purchases	20,599	20,943	19,394	17,900	16,538	14,783	11,904	4,904	3,832	2,726
Annuities				400	700	1,700	1,800	2,150	5,150	8,700
Total governmental activities debt	2,178,722	2,391,376	2,375,231	2,343,833	2,234,223	2,087,194	1,992,760	2,078,476	1,936,265	2,265,623

Business-type activities debt:										
General obligation bonds										
Total business-type activities debt										
Total primary government debt	\$ 2,178,722	\$ 2,391,376	\$ 2,375,231	\$ 2,343,833	\$ 2,234,223	\$ 2,087,194	\$ 1,992,760	\$ 2,078,476	\$ 1,936,265	\$ 2,265,623

Debt Ratios										
Personal income	\$277,316,000	\$287,851,000	\$298,646,000	\$318,668,000	\$333,927,000	\$346,376,000	\$378,589,000	\$409,405,000	\$436,709,000	N/A
Ratio of total debt to personal income	0.79%	0.83%	0.80%	0.74%	0.67%	0.60%	0.53%	0.51%	0.44%	
Population	6,600	6,651	6,716	6,770	6,829	6,887	6,975	7,051	7,126	N/A
Net general bonded debt per capita	\$ 327	\$ 356	\$ 351	\$ 344	\$ 325	\$ 301	\$ 284	\$ 253	\$ 223	
General Bonded Debt:										
General obligation bonds	\$ 1,960,437	\$ 2,124,897	\$ 2,162,881	\$ 2,160,357	\$ 1,979,589	\$ 1,949,715	\$ 1,771,713	\$ 1,695,430	\$ 1,517,407	\$ 1,864,946
General obligation commercial paper	197,686	245,536	192,956	165,176	237,396	120,996	207,343	89,563	72,938	20,613
Assets restricted for debt principal										
Total net bonded debt	\$ 2,158,123	\$ 2,370,433	\$ 2,355,837	\$ 2,325,533	\$ 2,216,985	\$ 2,070,711	\$ 1,979,056	\$ 1,784,993	\$ 1,590,345	\$ 1,885,559

Debt Ratios										
Ratio of net bonded debt to total of pledged revenues	50.24%	49.20%	52.98%	57.70%	60.52%	68.79%	83.69%	107.81%	130.98%	110.47%

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.

**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, 2023 to:  
     General fund                   18,868,659 \*  
     Debt service fund           998,897 \*  
     Highway fund                 390,253 \*  
     Total allocated revenues       20,257,809  
     Legal debt service limit (10% of total allocated revenues)       2,025,781  
     Less: maximum annual debt service at June 30, 2024                   238,365  
     Legal debt service margin       1,787,416

\*Obtained from the Tennessee Department of Revenue

**Debt Capacity- Ten Year Trend(1)**

	FOR THE FISCAL YEAR ENDED JUNE 30,									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Debt limit	\$ 637,424	\$ 1,168,731	\$ 1,240,437	\$ 1,291,287	\$ 1,325,575	\$ 1,399,146	\$ 1,357,252	\$ 1,683,670	\$ 1,924,234	\$ 2,025,781
Total net debt service applicable to limit	225,620	241,023	240,693	238,098	229,977	228,126	221,214	212,211	203,067	238,365
Legal debt service margin	\$ 411,804	\$ 927,708	\$ 999,744	\$ 1,053,189	\$ 1,095,598	\$ 1,171,020	\$ 1,136,038	\$ 1,471,459	\$ 1,721,167	\$ 1,787,416

Legal debt service margin as a percentage of the debt limit

	64.6%	79.4%	80.6%	81.6%	82.7%	83.7%	83.7%	87.4%	89.4%	88.2%
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(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 Fiscal Year 2024		June 30, 2024 Pledged Amount
	Portion Pledged	Governmental Fund Types	
Gasoline tax	25%	\$ 880,807	\$ 220,202
Petroleum products fee	100%	72,032	72,032
Motor vehicle registration fee	50%	321,952	160,976
Franchise tax	100%	1,629,855	1,629,855
			<u>\$ 2,904,646</u>
			<u>\$ 2,083,065</u>

(2) This pledge of "Special Taxes" is made for general obligation bonds issued prior to July 1, 2013. The final maturity of such bonds is October 1, 2032. Thereafter (or upon the earlier retirement of all general obligation bonds issued prior to July 1, 2013), this pledge of special taxes will expire. All state general obligation bonds and notes constitute direct general obligations of the state for the payment of principal and interest on which there is also pledged the full faith and credit of the state.

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>FOR THE CALENDAR YEAR ENDED DECEMBER 31,</b>										
Population	6,549 (est)	6,600 (est)	6,651 (est)	6,716 (est)	6,770 (est)	6,829 (est)	6,887 (est)	6,975 (est)	7,051 (est)	7,126 (est)
Total personal income	\$266,467,000	\$277,316,000	\$287,851,000	\$298,646,000	\$318,668,000	\$333,927,000	\$346,376,000	\$378,589,000	\$409,405,000	\$436,709,000
Per capita personal income	\$ 42,241	\$ 44,209	\$ 46,805	\$ 47,472	\$ 49,490	\$ 52,049	\$ 54,225	\$ 58,395	\$ 60,596	\$ 64,383
Unemployment rate	6.9%	5.9%	4.8%	3.0%	3.7%	3.5%	7.4%	4.2%	3.5%	3.1%
Unemployment rate by sector:										
Trade, Transportation, and Utilities	11.9%	7.8%	9.3%	8.8%	5.6%	5.2%	14.8%	8.2%	4.9%	N/A
Government	3.3%	0.2%	0.8%	2.3%	0.9%	1.8%	3.8%	0.7%	N/A	N/A
Education and Health Services	4.6%	2.6%	3.5%	2.3%	2.3%	1.9%	4.4%	2.6%	2.4%	N/A
Professional and Business Services	8.0%	7.0%	4.6%	5.1%	5.0%	4.6%	8.1%	4.2%	4.0%	N/A
Manufacturing	6.9%	5.7%	7.9%	3.7%	3.5%	3.9%	11.4%	5.3%	5.1%	N/A
Leisure and Hospitality	7.0%	9.4%	6.4%	5.1%	7.4%	4.8%	14.6%	7.1%	7.9%	N/A
Financial Activities	2.4%	3.0%	2.1%	1.6%	0.8%	1.4%	4.2%	2.4%	0.8%	N/A
Natural Resources, Mining, and Construction	9.3%	8.3%	5.3%	3.5%	3.3%	3.1%	7.5%	3.9%	3.3%	N/A
Other Services	4.1%	7.2%	2.8%	1.6%	1.2%	2.8%	5.2%	3.8%	2.4%	N/A
Information	6.6%	N/A								

Source: Population from [www.census.gov](http://www.census.gov); Unemployment rate by sector from [www.bls.gov](http://www.bls.gov)  
 All other from the University of Tennessee Economic Report to the Governor 2024

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 2023
January	3.5%
February	3.6%
March	3.1%
April	2.6%
May	3.2%
June	3.8%
July	3.6%
August	3.4%
September	3.4%
October	3.6%
November	3.4%
December	3.0%

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

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

Industry	2023			2014		
	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	683,100	1	20.57%	584,500	1	20.69%
Government	448,200	4	13.50%	424,100	2	15.01%
Education and Health Services	468,400	3	14.11%	409,300	3	14.49%
Professional and Business Services	472,000	2	14.21%	379,100	4	13.42%
Manufacturing	370,400	5	11.15%	323,100	5	11.44%
Leisure and Hospitality	360,100	6	10.84%	296,700	6	10.50%
Financial Activities	174,900	7	5.27%	146,900	7	5.20%
Natural Resources, Mining, and Construction	157,400	8	4.74%	111,200	8	3.94%
Other Services	129,800	9	3.91%	106,100	9	3.76%
Information	56,200	10	1.70%	44,200	10	1.55%
<b>Total</b>	<b>3,320,500</b>		<b>100.00%</b>	<b>2,825,200</b>		<b>100.00%</b>
	Calendar Year 2023			Calendar Year 2014		
<b>Total State Employment</b>	<b>3,267,937</b>			<b>2,842,543</b>		

Source: An Economic Report to the Governor of the State of Tennessee January 2024 and the Tennessee Department of Labor and Workforce Development Website

Note: TCA 50-7-701 states, "Information thus obtained pursuant to the administration hereof shall be held confidential and shall not be published or be open to public inspection in any manner revealing the individual's or the employing unit's identity."

This TCA prohibits the release of principal employer information from the Tennessee Department of Labor and Workforce Development. The above schedule is being presented as an alternative to the principal employer schedule.

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

Function	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
	General government	4,299	4,348	4,740	5,126	5,471	5,503	5,430	5,346	5,737
Education	1,122	1,167	1,357	1,332	1,317	1,130	1,129	1,101	1,029	1,046
Health and social services	16,209	15,546	15,449	15,366	15,098	15,635	15,033	14,255	14,816	15,311
Law, justice and public safety	10,826	10,675	10,839	10,707	10,518	10,836	10,321	10,289	10,919	11,109
Recreation and resources development	3,441	3,377	3,394	3,420	3,363	3,377	3,354	3,343	3,490	3,567
Regulation of business and professions	716	688	685	696	725	669	668	654	692	731
Transportation	3,355	3,487	3,838	3,953	4,078	4,070	4,008	3,760	3,510	3,314
<b>Total</b>	<b>39,968</b>	<b>39,288</b>	<b>40,302</b>	<b>40,600</b>	<b>40,570</b>	<b>41,220</b>	<b>39,943</b>	<b>38,748</b>	<b>40,193</b>	<b>40,972</b>

Source: Department of Human Resources

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

Function	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
General government										
Motor pool vehicles	4,462 (1)	4,374	4,265	4,272	4,268	4,207	4,430	4,535	4,795	5,434
Buildings	81	78	79	83	83	81	82	80	79	79
Machinery and equipment	6,745	6,896	7,117	7,222	7,211	7,345	7,450	7,972	8,447	9,179
Education										
Number of residential schools	5	5	5	5	5	4	4	4	4	4
Machinery and equipment	187	211	209	245	242	242	238	238	261	257
Health and social services										
Buildings	340	346	345	345	343	342	326	324	321	321
Machinery and equipment	3,499	3,746	3,957	3,602	3,645	3,589	3,714	3,935	4,138	4,403
Law, justice and public safety										
Correctional facilities	20	19	18	18	18	18	18	18	18	18
Armories	82	82	82	81	81	81	81	81	81	80
Machinery and equipment	6,452	6,803	6,772	6,934	7,136	7,586	8,012	9,763	8,943	10,468
Recreation and resources development										
Acreage of state parks	189,102	190,941	200,248	201,925	203,213	210,012	207,296	207,954	210,932	210,932
Machinery and equipment	3,245	3,256	3,344	3,387	3,435	3,522	3,625	3,766	4,286	4,842
Regulation of business and professions										
Machinery and equipment	240	841	836	816	820	751	704	689	689	681
Transportation										
State highways (in miles)	13,884	13,877	13,884	13,890	13,890	14,464	14,467	14,462	14,424	14,428
Bridges, state and local highways	19,776	19,793	19,840	19,858	19,903	19,918	20,010	20,034	20,037	20,295
Facilities	122	122	122	123	122	122	122	122	122	122
Buildings	754	752	758	769	742	772	779	784	780	781

Source: various state agencies

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

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

Function	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
General government										
Tax returns processed (1)	4,519,309	5,068,829	5,326,693	4,518,104	2,117,373	2,115,790	2,411,391	2,311,918	2,384,278	2,398,825
New corporate charters registered	10,325	10,857	10,794	11,092	11,474	11,337	10,483	13,677	13,365	9,491
Investment return on total portfolio	0.25%	0.50%	1.05%	2.05%	1.83%	0.21%	0.07%	2.74%	4.00%	3.61%
Residential and commercial property reappraisals completed	338,538	547,191	1,389,649	549,487	484,498	341,527	1,501,060	748,736	417,231	439,248
Education										
Number of public schools (K-12)	1,811	1,833	1,819	1,749	1,836	1,837	1,833	1,864	1,838.00	N/A
Enrollment of public schools (K-12)	995,892	997,893	999,701	975,222	971,956	980,537	948,652	962,987	N/A	N/A
Number of high school graduates from public schools	62,632	64,079	64,987	64,855	61,817	61,550	60,031	N/A	N/A	N/A
Health and social services										
TennCare enrollees	1,429,411	1,550,066	1,397,400	1,418,732	1,412,603	1,449,437	1,590,298	1,687,438	1,786,202	1,434,654
Supplemental Nutrition Assistance Program	1,191,500	1,094,644	1,037,928	931,658	889,451	846,867	856,022	800,684	746,109	721,255
Percentage of population (3)	18.19%	16.59%	15.61%	13.87%	13.14%	12.40%	12.43%	11.48%	10.58%	10.12%
Temporary assistance recipients	37,041	29,889	25,496	21,732	19,030	15,746	13,170	13,370	13,638	13,638
Percentage of population (3)	0.57%	0.45%	0.38%	0.32%	0.28%	0.23%	0.19%	0.19%	0.19%	0.19%
Children in state custody (2)	8,558	8,436	8,235	8,688	9,040	8,387	8,887	9,037	8,842	8,725
Percentage of population (3)	0.13%	0.13%	0.12%	0.13%	0.13%	0.12%	0.13%	0.13%	0.13%	0.12%
Mental health institutes average daily census	493	488	506	492	452	431	453	430	434	458
Law, justice and public safety										
Correctional institutions average daily census	29,571	29,103	29,729	30,242	30,453	29,447	25,459	24,764	24,708	25,160
Department of Safety citations issued	414,310	432,832	447,417	473,410	412,046	267,662	231,336	255,092	274,217	287,083
Drivers licenses issued	1,732,106	1,793,921	1,769,595	1,910,190	1,748,933	1,815,168	1,524,740	1,138,653	1,146,634	1,410,275
Recreation and resources development										
Hunting/fishing licenses and boats registered	577,577	537,412	511,673	556,892	562,821	541,159	791,685	567,182	514,103	507,419
Wetland acres acquired	102,938	2,050	8,610	2,103	1,540	604	1,130	46,416	2,638	504
Number of visitors to state parks	33,452,320	34,004,609	37,025,015	38,798,379	36,553,885	34,726,347	38,479,604	N/A	26,900,000	26,100,000
Air pollution monitoring sites	33	36	32	30	28	27	27	27	27	25
Regulation of business and professions										
Fire safety inspections	16,508	14,037	13,742	13,959	17,046	15,948	15,993	15,266	18,523	20,812
Consumer affairs written complaints	4,654	3,821	3,704	3,783	4,283	3,966	3,806	7,054	9,243	8,418
Transportation										
Lane miles resurfaced	2,239	2,219	2,585	2,914	2,234	1,991	2,041	2,230	2,374	2,002
HELP program services provided	113,429	135,058	145,755	128,311	132,617	124,726	108,943	146,964	206,193	178,938

Source: Tennessee fact book, various state agencies

- Notes: (1) Tennessee does not tax employment income.  
(2) Children who are abused/dependent, neglected, delinquent, or unruly.  
(3) Population figures used in calculating percentages are from schedule 10.  
(4) N/A indicates that data is unavailable.

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

(expressed in thousands)

University of Tennessee				University of Memphis			
Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)	Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2015	\$ 700,757	\$ 475,416	\$ 55,553	2015	\$ 240,892	\$ 89,332	\$ 10,655
2016	746,986	499,862	70,543	2016	190,286	95,140	10,626
2017	780,867	555,401	73,722	2017	279,668	102,441	10,926
2018	802,063	573,017	73,608	2018	287,128	110,827	12,310
2019	817,348	612,411	76,662	2019	297,757	117,771	10,651
2020	817,336	646,000	84,562	2020	316,873	123,371	13,819
2021	818,094	673,823	72,059	2021	291,477	125,090	14,682
2022	911,801	690,956	71,606	2022	308,338	138,589	14,180
2023	1,050,528	847,216	80,812	2023	338,596	203,134	14,750
2024	1,110,400	849,639	89,487	2024	348,021	174,025	14,634

**Austin Peay State University**

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
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
2023	106,144	68,247	5,563
2024	113,928	75,653	5,579

**Middle Tennessee State University**

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
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
2023	261,506	135,211	17,919
2024	258,178	141,001	18,102

**East Tennessee State University**

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
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
2023	246,247	145,329	14,307
2024	260,676	161,219	13,793

**Tennessee State University**

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
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
2023	176,242	61,242	5,254
2024	142,162	66,554	7,605

(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				Dyersburg State Community College				Jackson State Community College				Cleveland State Community College			
Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)	Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)	Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)	Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2015	\$ 112,938	\$ 38,394	\$ 4,052	2015	\$ 8,992	\$ 7,446		2015	\$ 15,088	\$ 10,825		2015	\$ 11,264	\$ 8,864	\$ 44
2016	99,705	39,297	4,077	2016	9,098	8,097		2016	15,166	11,645		2016	11,059	9,160	44
2017	126,856	42,671	4,094	2017	4,094	9,327		2017	15,855	12,406		2017	11,294	9,762	44
2018	127,641	47,231	4,038	2018	9,938	9,397		2018	13,574	13,574		2018	10,636	10,998	44
2019	126,042	55,021	3,782	2019	10,486	9,737		2019	16,718	14,231		2019	11,739	11,155	44
2020	129,056	60,098	6,183	2020	10,467	10,409		2020	18,065	14,879		2020	12,698	12,179	41
2021	128,559	61,455	9,675	2021	10,468	10,817		2021	17,371	15,010		2021	13,319	12,050	41
2022	140,948	64,829	9,622	2022	11,583	11,583		2022	15,870	16,243		2022	12,370	12,993	42
2023	148,027	80,622	9,844	2023	11,636	13,092		2023	16,913	18,263		2023	12,272	14,835	42
2024	156,549	86,141	9,812	2024	12,594	14,362		2024	15,703	19,323		2024	12,728	16,994	

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

Motlow State Community College				Nashville State Community College			
Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)	Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2015	\$ 15,314	\$ 10,451		2015	\$ 30,694	\$ 16,081	\$ 73
2016	17,814	11,032		2016	29,616	16,679	65
2017	20,370	11,752		2017	29,065	17,772	67
2018	22,208	13,305		2018	27,337	20,277	69
2019	23,702	15,048		2019	29,219	22,319	67
2020	25,091	17,376		2020	24,810	23,142	68
2021	22,640	19,525		2021	27,131	22,969	68
2022	20,369	22,743		2022	24,852	23,875	69
2023	23,088	25,998		2023	31,345	27,311	
2024	26,093	27,412		2024	31,745	30,281	

Roane State Community College				Northeast State Community College			
Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)	Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2015	\$ 20,819	\$ 17,102	\$ 142	2015	\$ 18,701	\$ 13,857	\$ 40
2016	20,689	17,803	142	2016	22,271	15,082	40
2017	21,167	18,959	142	2017	20,413	16,075	40
2018	21,282	20,956	142	2018	19,521	18,153	40
2019	22,469	22,410	142	2019	20,943	19,701	40
2020	22,764	23,847	143	2020	20,893	20,883	40
2021	21,119	24,188	143	2021	18,626	23,194	40
2022	21,909	26,002		2022	20,745	24,784	
2023	23,925	28,601		2023	23,296	27,248	
2024	22,291	31,429		2024	24,613	30,024	

Southwest Tennessee Community College				Pellissippi State Community College			
Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)	Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2015	\$ 37,400	\$ 24,002	\$ 363	2015	\$ 18,775	\$ 24,306	\$ 172
2016	33,835	24,550	342	2016	35,347	25,680	162
2017	33,337	26,147	361	2017	37,677	27,373	164
2018	33,382	27,171	362	2018	41,932	30,504	167
2019	34,232	28,424	362	2019	42,050	32,887	164
2020	34,427	29,961	208	2020	41,081	34,611	166
2021	33,026	30,232	212	2021	40,583	35,794	167
2022	32,873	31,510	212	2022	32,952	38,349	83
2023	36,503	34,921	212	2023	35,378	43,507	83
2024	29,984	36,842	212	2024	36,982	46,178	

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Schedule 15

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

(expressed in thousands)

Volunteer State Community College				Walters State Community College			
Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)	Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2015	\$ 26,223	\$ 16,329		2015	\$ 22,796	\$ 19,909	\$ 94
2016	31,988	17,542		2016	22,261	20,587	94
2017	32,381	18,718		2017	23,557	21,933	94
2018	31,895	20,828		2018	24,007	23,490	95
2019	33,339	23,496		2019	24,916	24,551	95
2020	34,969	26,070		2020	25,180	25,271	95
2021	31,794	28,090		2021	24,222	25,704	95
2022	25,850	30,910		2022	20,559	27,130	
2023	33,804	30,910		2023	23,302	31,402	
2024	30,462	38,294		2024	25,518	34,428	

Source: Comptroller of the Treasury,

Division of State Government Finance

Note: Prior year amounts do not reflect later adjustments made by the institutions.

STATE OF TENNESSEE  
STUDENT FEES AND CHARGES  
FOR INSTITUTIONS WITH TENNESSEE STATE SCHOOL BOND AUTHORITY DEBT  
COMPONENT UNITS  
COLLEGE AND UNIVERSITY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

Schedule 16

<u>Institution</u>	Debt Service Fees	In-State Student Tuition	Non-Resident Student Tuition	Average Board Charge	Average Room Charge
University of Tennessee- Knoxville	\$ 438	\$ 13,812	\$ 32,232	\$ 4,610	\$ 8,170
University of Tennessee- Chattanooga	504	10,462	18,526	3,752	6,300
University of Tennessee- Martin	460	10,566	16,606	4,015	5,180
University of Tennessee- Southern		10,924	10,924	4,500	5,500
Austin Peay State University	274	9,384	14,928	5,058	8,404
East Tennessee State University	410	10,472	13,712	4,454	6,100
Middle Tennessee State University	388	10,396	40,384	5,788	6,420
Tennessee State University	178	8,981	23,453	5,300	6,800
Tennessee Technological University	258	11,376	18,936	6,410	6,354
University of Memphis	382	10,728	16,548	4,790	6,552
Chattanooga State Community College		5,012	18,644	4,830	5,269
Cleveland State Community College		5,002	18,634	4,830	5,269
Columbia State Community College	44	5,028	18,660	4,830	5,269
Dyersburg State Community College		4,998	18,630	4,830	5,269
Jackson State Community College		4,980	18,612	4,830	5,269
Motlow State Community College		4,978	18,610	4,830	5,269
Nashville State Community College		4,970	18,602	4,830	5,269
Northeast State Community College		5,022	18,654	4,830	5,269
Pellissippi State Community College	30	5,026	18,658	4,830	5,269
Roane State Community College		4,998	18,630	4,830	5,269
Southwest Tennessee Community College		5,012	18,644	4,830	5,269
Volunteer State Community College		4,996	18,628	4,830	5,269
Walters State Community College		4,992	18,624	4,830	5,269

Source: Comptroller of the Treasury,  
Division of State Government Finance

STATE OF TENNESSEE  
PRINCIPAL AMOUNT OF DEBT OUTSTANDING BY INSTITUTION  
COMPONENT UNITS  
COLLEGE AND UNIVERSITY FUNDS  
JUNE 30, 2024  
(expressed in thousands)

Schedule 17

<u>Institution</u>	Second Program Bonds	Commercial Paper	Total Debt
University of Tennessee	\$ 1,016,381	\$ 45,913	\$ 1,062,294
Austin Peay State University	68,189		68,189
East Tennessee State University	134,725	194	134,919
Middle Tennessee State University	174,798	7,303	182,101
Tennessee State University	82,357		82,357
Tennessee Technological University	73,820		73,820
University of Memphis	145,971		145,971
Chattanooga State Community College	1,126		1,126
Columbia State Community College	2,933		2,933
Walters State Community College		1,500	1,500
	<u>\$ 1,700,300</u>	<u>\$ 54,910</u>	<u>\$ 1,755,210</u>

Source: Comptroller of the Treasury,  
Division of State Government Finance

# NATIONAL FEDERATION OF MUNICIPAL ANALYSTS

## RECOMMENDED DISCLOSURES FOR STATE DEBT

In accordance with the *Recommended Best Practices in Disclosure for state Government General Obligation and Appropriation Debt*, the state makes the following voluntary additional debt disclosures not already presented in the other sections of this report.

### General Disclosure Items

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- 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.
  - o 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 of 1986 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. The state Comptroller has used this authority several times over the past decade. 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 Tennessee Board of Utility Regulation (TBOUR) has oversight of gas, water and/or sewer systems that meet statutory criteria for financial distress. The TBOUR has statutory authority to require counties and cities to raise utility 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, 2024, 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 an amount of state-shared taxes sufficient 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, 2024, 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, 2024, no extension notes were outstanding. 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 direct subsidy debt:

- o The Series 2010 Qualified School Construction Bonds (QSCBs) is a federal direct subsidy program established under the American Recovery and Reinvestment Act of 2009. The Tennessee State School Bond Authority has established procedures for e-filing Form 8038-CP with the IRS on a semiannual basis through an approved vendor. The subsidy is not pledged as security for payment of the Series 2010 bonds. Each borrower is obligated to make monthly loan repayments and has pledged its full faith and credit and its unobligated state-shared taxes to repay the bonds. The subsidy payment is transferred to the borrowers and its use is not restricted except to satisfy a default under the borrower's loan agreement.
- o 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, federal sequestration and changes in use by borrowers. These events could also result in loss or reduction of future subsidy payments as well.
- o The Series 2010 QSCBs issuance shall be subject to redemption prior to their stated maturities, in whole or in part, at any time at the "Make- Whole Redemption Price". The Make-Whole Redemption Price is equal to the greater of (a) 100% of the principal amount of the series to be redeemed; or (b) the sum of the present value of the remaining scheduled payments of principal and interest on the 2010 bonds to be redeemed to the maturity date of such Series 2010 Bonds, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2010 Bonds are to be redeemed, discounted to the date on which the Series 2010 Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year containing twelve 30 day months, at the United States Treasury Rate plus 25 basis points (0.25%); plus, in each case, accrued interest on the Series 2010 Bonds to be redeemed to the redemption date.
- o The Series 2010 QSCBs issuance shall also be subject to extraordinary optional redemption prior to maturity, at the option of the TSSBA, upon the occurrence of an extraordinary event, in whole or in part, on any business day at the "Extraordinary Make-Whole Redemption Price". The Extraordinary Make-Whole Redemption Price is equal to the greater of (a) 100% of the principal amount of the Series 2010 bonds to be redeemed; or (b) the sum of the present value of the remaining scheduled payments of principal of and interest on the Series 2010 Bonds to be redeemed to the maturity date of such Series 2010 Bonds, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2010 Bonds are to be redeemed, discounted to the date on which the Series 2010 Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year containing twelve 30 day months, at the United states Treasury Rate plus 100 basis points (1.00%); plus, in each case, accrued interest on the Series 2010 Bonds to be redeemed to the redemption date.

#### Demographics/Economy

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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-2024/>
- 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, 2024  
 (Thousands of U.S. Dollars)

	Returns Filed	Total (%)	Tax Collections	Total (%)
<b>Retail Trade and Services:</b>				
Building Materials	26,721	1.85%	\$866,995	6.17%
General Merchandise	38,103	2.64%	\$1,101,247	7.84%
Food Stores	55,664	3.85%	\$698,057	4.97%
Auto Dealers and Service Stations	87,618	6.06%	\$1,673,119	11.90%
Apparel and Accessory Stores	50,214	3.47%	\$349,681	2.49%
Furniture and Home Furnishings	37,000	2.56%	\$355,501	2.53%
Eating and Drinking Places	171,199	11.84%	\$1,347,464	9.59%
Miscellaneous Retail Stores	246,128	17.03%	\$1,851,397	13.17%
Services	340,979	23.59%	\$2,245,241	15.97%
<b>All Other:</b>				
Non-Retail, Non-Services	298,566	20.66%	\$2,809,355	19.99%
County Clerk	1,268	0.09%	\$371,447	2.64%
Consumer Use Tax	9,989	0.69%	\$15,707	0.11%
Unclassified	81,901	5.67%	\$370,178	2.63%
<b>Total</b>	<b>1,445,350</b>	<b>100.00%</b>	<b>\$14,055,390</b>	<b>100.00%</b>

Financial statements

- The Tennessee Interagency Cash Flow Committee was created by the General Assembly in 2011 for the purpose of establishing, compiling and maintaining an eighteen month forward rolling cash flow projection. Departmental and programmatic specific forecasting data is used to project cash flow and earnings information relative to various interest-bearing funds and accounts within the state’s pooled investment fund. These projections enhance cash flows based on historical data 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/finance/fa/fa-budget-information/fa-budget-archive/fiscal-year-2024-2025-budget-publications.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 that matures 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 or produced in the state, except to pay inspection fees. Further, the General Assembly shall not authorize any municipality to tax incomes, estates, or inheritances, or to impose any other tax not authorized by section 28 and 29 of Article II of the Constitution. T.C.A. 9-9-104 pledges certain tax revenue collections for the payment of debt service on bonds issued before July 1, 2013. The section also includes a covenant with the holders of the bonds, secured by the pledge, that the state will not decrease by legislative action any of the fees or taxes that constitute the special pledge, unless the funding board certifies that all debt service payments have been made in full, that the decreased fees will be sufficient to pay future debt service, and the state has not defaulted, or is not in default, on any of its outstanding debt.
- As Tennessee's chief tax collector, the Department of Revenue is responsible for the administration of state tax laws and motor vehicle title and registration laws, as well as the collection of taxes and fees associated with those laws. In addition to collecting state taxes, the department collects taxes for local, county and municipal governments. On a monthly basis, the department apportions revenue collections for distribution to the various state funds and local units of government.
- Tennessee is an origin-based sales tax state for in state vendors and destination-based for out of state vendors. Vendors based in the state are required to charge the rate in effect, at the point of origin of the sale, for all sales made within the state. Vendors based out of state are required to either apply the rate in effect at the buyers' ship-to address or charge a predetermined flat rate to all Tennessee buyers. Vendors collect the tax and then prepare state tax filings in a frequency based on the amount of sales tax collected from buyers in the state. Remittances must be submitted electronically except in certain hardship cases.

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## ACKNOWLEDGEMENTS

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### DEPARTMENT OF FINANCE AND ADMINISTRATION

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.