TN Tennessee State Government

Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2023

Bill Lee, Governor

Tennessee Annual Comprehensive Financial Report For the Fiscal Year Ended June 30, 2023

BILL LEE, Governor

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

Front Cover: Tennessee Sunflowers
Photograph obtained from Mitzi F. Martin, employee of Finance and Administration

State of Tennessee
Annual Comprehensive Financial Report
For the Year Ended June 30, 2023

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INTRODUCTORY SECTION

TN Department of
Finance &
Administration

December 21, 2023

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, 2023. Prepared in accordance with Generally Accepted Accounting Principles (GAAP) applicable to governments as prescribed by the Governmental Accounting Standards Board (GASB), the objective of this report is to present a clear picture of our government as a single comprehensive reporting entity.

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

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

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

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

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

Profile of the State of Tennessee

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

The Soundtrack of America • Made in • Tennessee

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Located in the upper south of the eastern United States, Tennessee became the 16th state of the union in 1796. In 2022 the U.S. Census Bureau estimated its population to be 7 million. The geography of Tennessee is unique. Its extreme breadth of 432 miles (695 km) stretches from the Appalachian Mountain boundary with North Carolina in the east to the Mississippi River borders with Missouri and Arkansas in the west; its narrow width, only 112 miles (180 km), separates its northern neighbors, Kentucky, and Virginia, from Georgia, Alabama, and Mississippi, to the south.

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

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

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

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

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

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

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

Information Useful in Assessing Tennessee's Economic Condition

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

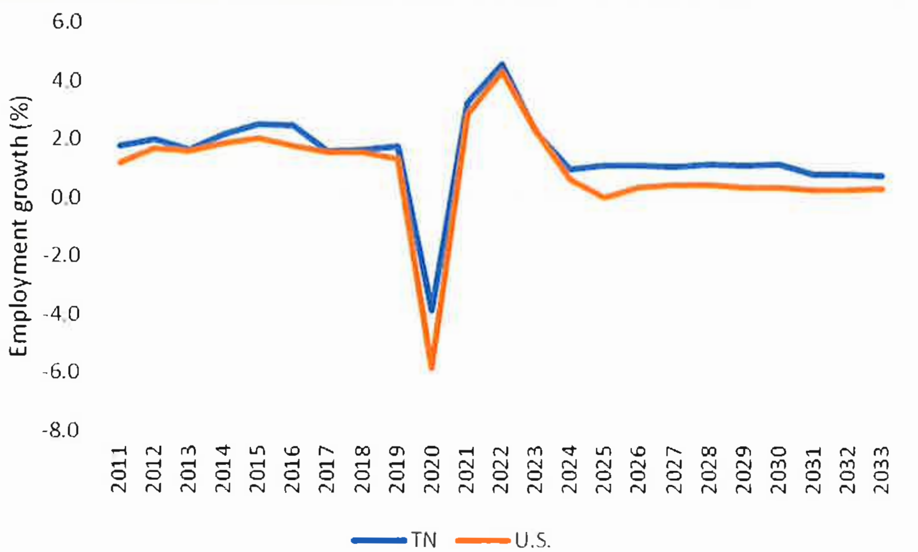
The Tennessee economy has seen incredibly strong growth over the last two and a half years following the COVID-19 pandemic. Tennessee inflation-adjusted gross domestic product (real GDP) expanded by a remarkable 9.2 percent in 2021, and then grew by another 4.8 percent in 2022. However, the economic recovery appears to be losing steam, as consumer spending and job growth have both slowed in recent months. As key examples, through the first three months of the fiscal year (August 2023 through October 2023), Tennessee sales tax collections have only grown by 1.5 percent. Part of this slowdown is driven by the three-month sales tax holiday on food, but sales tax revenues were slowing even before the holiday started in August, and this still represents a massive slowdown compared to years prior. During the same time last year sales tax collections were up by 10.7 percent, and sales tax collections grew by an even more astounding 20.7 percent two years prior (August 2021 through October 2021). Similarly, job growth in Tennessee has started to taper. In 2022, the state added nearly 11,000 workers to payrolls per month. However, through the first 10 months of 2023, Tennessee has added roughly 3,000 workers per month, which is slightly slower than the job gains seen prior to the pandemic.

As the economic recovery loses steam, Tennessee real GDP growth will decelerate to a still strong rate of 3.3 percent in 2023. State real GDP growth will then slow to a more historically consistent 1.8 percent in 2024, as consumer spending normalizes and the recovery continues to wind down. Importantly, real GDP growth is projected to decelerate, but remain positive for both Tennessee and the U.S., however, economic growth in Tennessee will remain above the nation throughout the forecast horizon. The more positive Tennessee outlook is largely due to the influx of domestic migrants, which will help to buoy consumer spending and economic activity going forward.

Similarly, nonfarm employment growth is projected to moderate in the near term. In 2022, Tennessee employment grew by 4.6 percent and the state added 143.2 thousand workers to payrolls. By comparison, state employment is projected to grow by 2.3 percent in 2023, which would match the national labor market forecast. Then in 2024, state employment growth will slow to 1.0 percent, but will outpace national employment growth of 0.7 percent.

The state's unemployment rate, which currently rests at an all-time low of 3.1 percent as of the third quarter of 2023, will slowly inch upwards as job growth slows and the number of unemployed people increases. The latter will occur for two reasons. First, as economic growth slows (but remains positive) the number of job openings will retreat towards more historically normal levels, and it will take longer for some job seekers to find work, leading to an increase in unemployment duration. Second, many of those who left the labor force during the pandemic have already re-entered the workforce, this trend will continue and more people will start looking for work again. As the unemployment rate increases, labor force participation will briefly tick upwards as well. For the 2023 year as a whole, labor force participation will average 59.7 percent, but will then reach 60.0 percent in 2024 and 2025.

Nonfarm Employment Growth Outlook



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

Long-term financial planning and relevant financial policies

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

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

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

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

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

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

Total contributions made since July 1, 2018 exceed $1.18 billion and if actuarial capital market assumptions materialize, the plan is expected to be fully funded by June 30, 2024 (with future actuarially determined contributions consisting of only the normal service cost, or the annual cost of future benefits).

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

  The revenue fluctuation reserve was $1.8 billion on June 30, 2023, the highest level in state history.

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

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

- The State Funding Board (composed of the Governor, the State Comptroller of the Treasury, the Secretary of State, the State Treasurer, and the Commissioner of Finance and Administration) is charged with the establishment of policy guidelines for the investment of state funds.

  The State Treasurer is responsible for the management of the State Pooled Investment Fund (SPIF) (which includes the state's cash, various dedicated reserves and trust funds of the state, and a local government investment pool). 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 may issue general obligation bonds for one or more purposes authorized by the General Assembly of the state, however, the term of the bonds authorized and issued cannot exceed the expected life of the project being financed. Bond anticipation notes have been authorized to be issued for the purposes of all existing bond authorizations.

  In March 2000, the state instituted a commercial paper program for authorized capital projects. Commercial paper has been and will be issued in a principal amount outstanding at any one time not to exceed $350,000,000. Commercial paper constitutes bond anticipation notes 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 sales tax revenue allocated to the general fund, to the debt service fund, and to the highway fund for the immediately preceding fiscal year.

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

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

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

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

- The 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.

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

- 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 agencies are required to actively solicit bids and proposals for equipment, supplies, personal services, professional services, consulting services, construction contracts, and architectural and engineering services in a manner that strives to obtain a fair proportion of procurements from minority-owned business, woman-owned business, service-disabled veteran-owned business, business owned by persons with disabilities, or small business. The amount of fair proportion is determined annually by the state's Procurement Commission (consisting of the Commissioners of General Services and Finance and Administration, and the Comptroller of the Treasury). This commission has the power and authority to approve the rules and regulations, policies, standards, and procedures governing the procurement of goods and services, contracting, agency contract and grant management, training and professional development, and the disposal of goods and services by the state.

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

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

Major (legislative/budget) initiatives

The 2023 session of the 113th General Assembly closed with the successful passage of Tennessee Governor Bill Lee's full 'Tennessee: Leading the Nation' themed legislative agenda. The budget and included strategic policies were designed to ensure that Tennessee continues to be a shining example for educational opportunity, strong families, innovation, and economic prosperity.

The roster of budget and legislative priorities makes significant investments in tax relief, K-12 education, Tennessee's skilled workforce, and conservation while maintaining the state's commitment to responsible financial management.

Both the Tennessee Works Tax Act (one of the largest tax relief measures in Tennessee history) and the Transportation Modernization Act (landmark legislation creating a new transportation strategy) were part of the agenda. Additional information about the expected effect of these acts on financial position and/or results of operations can be found in Management's Discussion and Analysis (MD&A) that immediately follows the independent auditor's report in the financial section of this ACFR.

Tennessee remains one of the lowest-taxed states on the nation and the bold plan (more than $400 million in tax cuts) set forth through the Tennessee Works Tax Act will further strengthen economic competitiveness, promote entrepreneurship, and provide meaningful relief to families across our state.

As Tennessee continues to lead the nation with record growth, the Transportation Modernization Act provides the state with innovative tools to address traffic congestion, especially in urban areas, freeing up funding to invest in rural and suburban communities, all without raising the gas tax or taking on debt.

The strategy created through the act fundamentally changes the way the Tennessee Department of Transportation (TDOT) will deliver projects and establishes a sustainable revenue source for the future. It is intended to provide TDOT with the resources needed to solve the state's current and future mobility challenges and includes,

- A $3 billion one-time investment from the general fund to establish a new Transportation Modernization Fund. The new dollars will be allocated equally among TDOT's four planning regions and may be used to fund strategic initiatives, including but not limited to, congestion mitigation, rural interstate widening, and the accelerated delivery of strategic transportation improvements over and above the transportation improvements program generally supported by the highway fund.

- The creation of Choice Lanes to address urban congestion using public-private partnerships. The act provides TDOT with the authority to partner with the private sector to design, build, finance, operate and maintain new and additional lanes on existing interstates called Choice Lanes (all traditional lane capacity as of July 1, 2023 will be maintained). The state will own the new lanes but can use private companies to carry out any or all planning, construction, management, and maintenance. Partnering with the private sector allows expensive urban congestion challenges to be addressed using private-sector investment, freeing up state funds to invest in rural communities.

Drivers make a choice to use the existing lanes or pay a user fee to enter the new additional lanes for a guaranteed minimum speed. This is different from a traditional toll road where all drivers must pay a user fee to use a specific route. While many motorists may choose to stay in the existing lanes, they still enjoy the benefit of reduced congestion as other motorists move into the additional Choice Lanes.

User fees revenue will be used to operate the Choice Lanes, pay back the original private investment costs, and can be shared with the state to advance additional projects.

- Creating parity with electric vehicles. The act increases the registration fee for electric vehicles and establishes a new registration fee for hybrid vehicles and plug-in hybrid vehicles. The electric and hybrid vehicle fee is in addition to the standard registration fee and applies to the initial registration and renewals. These fees will be shared with local governments, just like the gas tax is shared (the fee historically paid by electric vehicle owners has not been shared with local governments).

Gas taxes have long been thought of as a user-fee-based approach to funding roads, yet electric and hybrid vehicle owners contribute less to gas tax revenue than traditional car owners. There is an expectation of exponential growth in the EV/hybrid sector which creates a challenge for TDOT's ability to build and maintain transportation infrastructure. (These vehicles cause just as much, if not more wear and tear to roads as they are much heavier on average than combustion engine vehicles.)

The new fees are expected to increase revenues beginning in 2024 and continue to grow over time as electric and hybrid adoption increases (and gas tax revenues decline).

- Expanded set of project delivery tools. The act provides TDOT with authority to more frequently use contracting strategies that can reduce construction timelines and costs.

  An increased ability to use innovative/alternative contracting methods, such as Design-Build, Construction Manager/General Contractor (CMGC), and Progressive Design-Build (PDB) will provide TDOT with the ability to make decisions on the best delivery method (i.e., alternative, or traditional) and assist in achieving their goal of reducing project delivery to five years. Currently, on average it takes 15 years to deliver a project from development through construction, and projects are costing 40% more than what was budgeted due in part to the protracted development phase timeline. Alternative delivery methods have proven across the country to accelerate delivery timelines.

  While traditional delivery methods act like an assembly line, with each step in the design and construction process segmented and sequenced, alternative delivery methods resemble a racetrack pitstop, with design and construction activities streamlined and synthesized allowing for the delivery of innovative projects at a more rapid pace.

  To date, TDOT's existing alternative delivery program has demonstrated $22 million in cost savings and almost 70% faster delivery to projects delivered traditionally.

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 2018 and the third quarter of calendar year (CY) 2023, TNECD secured more than 109,300 new job commitments and $ 37.9 billion in capital investment from companies locating or expanding across the state. Job creation is taking place across Tennessee with over 42,800 new job commitments in rural counties since the beginning of 2018.

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 CY 2023, TNECD located 64 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 $ 27.3 billion, as well as generate 27,014 new job opportunities and $ 13.1 billion in new salaries across the state. These jobs include 8,355 directly created by the company expansion and recruitment activity as well as 18,659 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 CY 2023 have a projected annual rate of return of 59.5 percent. The costs of incentives are projected to be returned to the state in 1.3 years because of additional revenues the projects will generate. (These return-on-investment figures take into consideration additional costs of providing state services as well as tax credits companies may be eligible for.)

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

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

In addition, state law requires Tennessee's annual budget document to include a schedule of exemptions from state taxes. To the extent practicable, all exemptions from state taxes are to be identified, along with an estimate of the amount of revenue that would have been collected by the state in the ensuing fiscal year, if the exemptions were not to exist. Because the state does not collect the data necessary to estimate the amount of revenue lost for each of the tax exemptions found in the Tennessee Code Annotated, only those that can be estimated with a reasonable degree of accuracy are presented in the budget document. In addition, the estimates of revenue loss do not consider the impact of a change in a tax provision on taxpayer behavior that may impact other taxes (i.e., secondary or feedback effects). State budget publications can be found at https://www.tn.gov/finance/fa/fa-budget-information/fa-budget-archive/fiscal-year-2023-2024-budget-publications.html.

Awards and Acknowledgements

Certificate of Achievement Award

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Tennessee for its annual comprehensive financial report for the fiscal year ended June 30, 2022. This was the forty-third year that the state has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgments

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

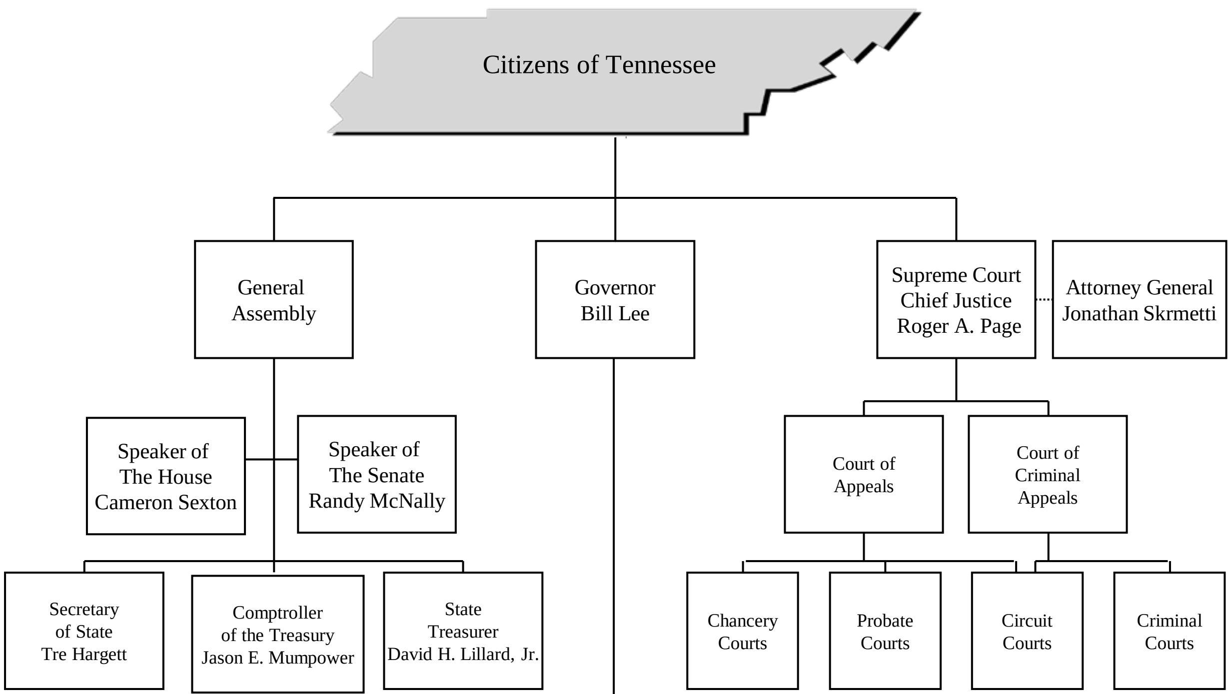
We express our sincere appreciation to these individuals; acknowledge the Governor and the members of the Legislature for their interest and support in planning and conducting the financial operations of the state in a responsible and progressive manner; and reaffirm our commitment to continue Tennessee's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

Respectfully submitted,

James E. Bryson
Commissioner

Mikel J. Corricelli
Chief of Accounts

STATE OF TENNESSEE
ORGANIZATION CHART
As of June 30, 2023



Departments

Agriculture
Children's Services
Commerce and Insurance
Correction
Economic and Community Development
Education
Environment and Conservation
Finance and Administration
Financial Institutions
General Services
Health
Human Resources
Human Services
Intellectual and Developmental Disabilities
Labor and Workforce Development
Mental Health and Substance Abuse Services
Military
Revenue
Safety and Homeland Security
Tennessee Bureau of Investigation
Tourist Development
Transportation
Veterans Services
Agencies, Boards, Commissions, and Councils

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For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morrill

Executive Director/CEO

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FINANCIAL SECTION

Tennessee Comptroller of the Treasury

Jason E. Mumpower
Comptroller

Independent Auditor's Report

Members of the General Assembly
The Honorable Bill Lee, Governor

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Tennessee, as of and for the year ended June 30, 2023, 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, 2023, 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 5.6%, 8.2%, and 2.3%, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units as of June 30, 2023; 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 1.1%, 1.7%, and 0.6%, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units as of June 30, 2023; 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%, 1.5%, and 0.8%, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units as of June 30, 2023. 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 Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the State of Tennessee and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. Tennessee statutes, in addition to audit responsibilities, entrust certain other responsibilities to the

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

Auditor's Responsibility for the Audit of the Financial Statements

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

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State of Tennessee's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the State of Tennessee's ability to continue as a going concern for a reasonable period of time.

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

Emphasis of Matters

As discussed in Note 3, the state implemented Governmental Accounting Standards Board Statement (GASBS) 96, *Subscription-Based Information Technology Arrangements*, during the year ended June 30, 2023. Our opinion is not modified with respect to this matter.

As discussed in Note 4, the Tennessee Retiree Group Trust investment pool has investments valued at $22.3 billion, whose fair values have been estimated by management in the absence of readily determinable fair values. These investments make up 0.2% of fund balance of the general fund, 28.8% of net position of the pension and other employee benefit trust funds, 33.7% 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 $642.4 million (5.2% of total component unit net position), whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or the general partners. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information listed in the accompanying table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management, and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the State of Tennessee's basic financial statements. The supplementary information and supplementary schedules listed in the accompanying table of contents are presented for purposes of additional analysis and 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 opinion on the financial statements does 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 21, 2023, on our consideration of the State of Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters in the *Tennessee Single Audit Report*. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Tennessee's internal control over financial reporting and compliance.

Katherine J. Stickel, CPA, CGFM, Director
Division of State Audit
December 21, 2023

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, 2023. 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.

FINANCIAL HIGHLIGHTS

- **Government-wide**

  Net Position–The assets and deferred outflows of resources of the state exceeded its liabilities and deferred inflows of resources at June 30, 2023, by $60 billion (net position). Of this amount, $22.6 billion represents unrestricted net position, which may be used to meet the state's ongoing obligations to citizens and creditors while $34.1 billion represents net investment in capital assets.

  Changes in Net Position– The state's net position increased by $6.6 billion. The majority of this increase is derived from increases in cash and capital assets of $6.4 billion which is partially offset by a $1.7 billion increase in liabilities and a $1.6 billion decrease in deferred inflows of resources.

  Component units–Component units reported total net position of $12.4 billion, an increase of $1.2 billion.

- **Fund Level**

  At June 30, 2023, the state's governmental funds reported combined ending fund balances of $23.9 billion, an increase of $4.8 billion (see discussion on page 27) compared to the prior year. Of the combined fund balance, approximately $20.5 billion is spendable unrestricted (committed, assigned or unassigned) fund balance and is available for spending at the government's discretion or upon legislative approval; however, $1.8 billion of this amount is set aside in a revenue fluctuation account (rainy day fund).

- **Long-Term Debt**

  The state's total general obligation bonds and commercial paper debt decreased by $194.6 million during the fiscal year to a total of $1.6 billion. This change is primarily due to debt service payments made during the year exceeding new debt expenditures made in the commercial paper program.

  The state's total other long-term debt increased by $25.4 million during the fiscal year for a total of $345.9 million. This increase was primarily due to the implementation of GASB Statement No. 96.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The statement of net position and the statement of activities (on pages 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 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 on long-term debt.

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

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

Reporting the State's Most Significant Funds

Fund financial statements

Our analysis of the state's major funds begins on page 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 58-149.

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 $60 billion as of June 30, 2023.

By far, the largest portion of the state's net position (56.9 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 (6 percent) is restricted and represents resources that are subject to either external restrictions or legislative restrictions on how they may be used. The remaining balance is unrestricted net position ($22.6 billion) and may be used to meet the state's ongoing obligations to citizens and creditors not funded by resources that are restricted. Primarily as a result of near high operating grants and contributions, unrestricted net position increased by $6 billion (36.5 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	
	2023	2022*	2023	2022*	2023	2022*
Current and other assets	$33,860,864	$28,684,553	$3,426,336	$3,244,543	$37,287,200	$31,929,096
Capital assets	34,919,470	33,911,663	-	-	34,919,470	33,911,663
Total assets	68,780,334	62,596,216	3,426,336	3,244,543	72,206,670	65,840,759
Deferred outflows of resources	1,790,570	1,426,215	-	-	1,790,570	1,426,215
Current and other liabilities	8,306,431	7,420,562	124,342	141,332	8,430,773	7,561,894
Noncurrent liabilities	5,051,220	4,234,876	7,517	7,250	5,058,737	4,242,126
Total liabilities	13,357,651	11,655,438	131,859	148,582	13,489,510	11,804,020
Deferred inflows of resources	484,617	2,047,146	-	-	484,617	2,047,146
Net position:						
Net investment in capital assets	34,138,338	33,156,399	-	-	34,138,338	33,156,399
Restricted	3,317,002	3,720,678	-	-	3,317,002	3,720,678
Unrestricted	19,273,296	13,442,770	3,294,477	3,095,961	22,567,773	16,538,731
Total net position	$56,728,636	$50,319,847	$3,294,477	$3,095,961	$60,023,113	$53,415,808

* The 2022 amounts presented here have not been restated for prior period adjustments. See Note 3 for details of these adjustments.

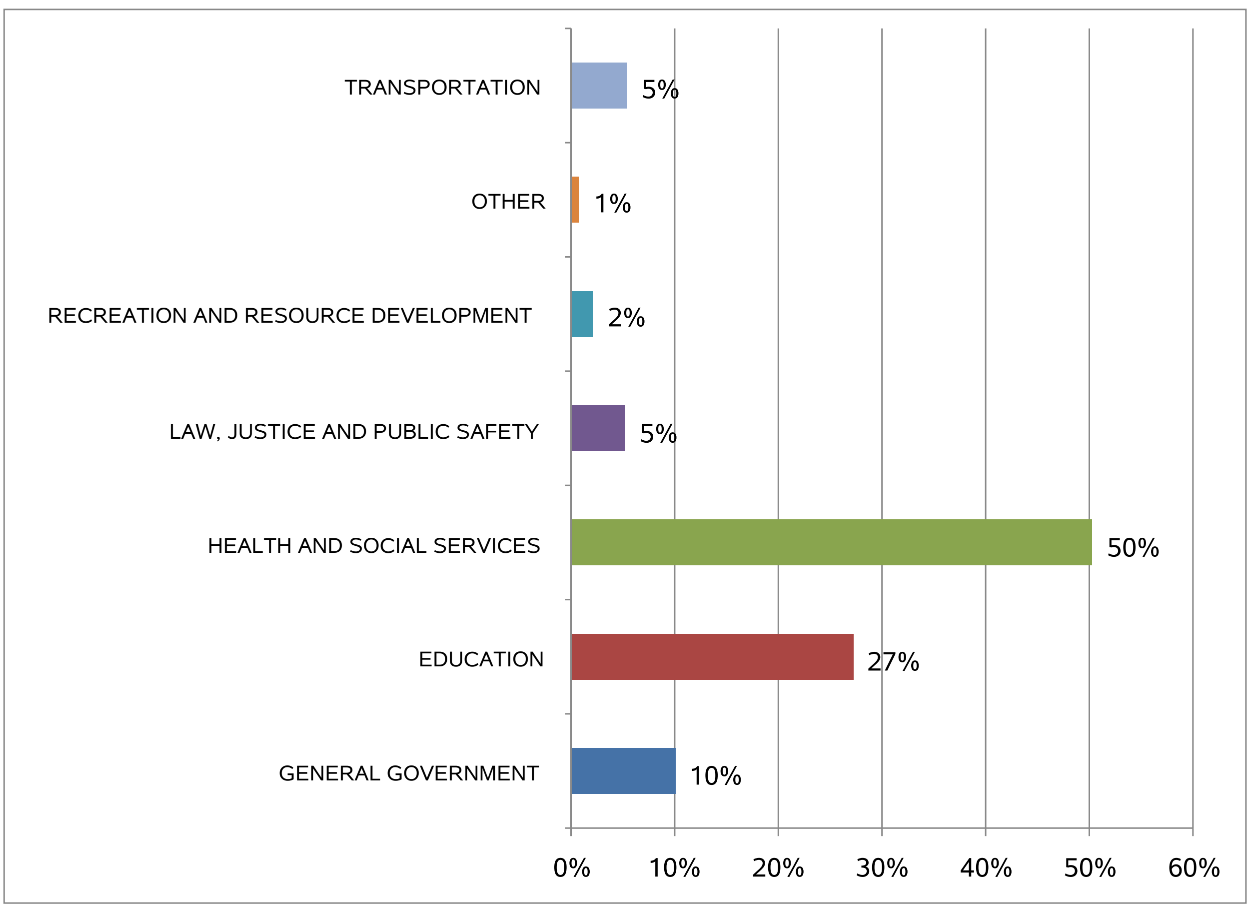
State of Tennessee Changes in Net Position For the Fiscal Year Ended June 30 (Expressed in Thousands)	Governmental Activities		Business-Type Activities		Total Primary Government	
	2023	2022*	2023	2022*	2023	2022*
Revenues:						
Program revenues:						
Charges for services	$3,695,036	$3,680,119	$1,102,274	$1,035,272	$4,797,310	$4,715,391
Operating grants and contributions	18,897,917	18,285,375	85,468	281,856	18,983,385	18,567,231
Capital grants and contributions	935,608	925,919	-	-	935,608	925,919
General revenues:						
Sales Taxes	13,657,626	12,891,509	-	-	13,657,626	12,891,509
Other taxes	9,913,722	9,610,182	-	-	9,913,722	9,610,182
Other	1,336,501	411,713	-	-	1,336,501	411,713
Total revenues	48,436,410	45,804,817	1,187,742	1,317,128	49,624,152	47,121,945
Expenses:						
General government	4,243,220	3,015,861	-	-	4,243,220	3,015,861
Education	11,458,760	10,605,705	-	-	11,458,760	10,605,705
Health and social services	21,131,878	20,235,770	-	-	21,131,878	20,235,770
Law, justice and public safety	2,170,931	1,941,086	-	-	2,170,931	1,941,086
Recreation and resources					-	-
development	885,704	883,820	-	-	885,704	883,820
Regulation of business and					-	-
professions	273,736	241,988	-	-	273,736	241,988
Transportation	1,828,981	1,555,210	-	-	1,828,981	1,555,210
Interest on long-term debt	31,839	17,965	-	-	31,839	17,965
Employment security	-	-	163,774	434,261	163,774	434,261
Insurance programs	-	-	834,053	763,303	834,053	763,303
Loan programs	-	-	1,562	1,787	1,562	1,787
Other	-	-	226	224	226	224
Total expenses	42,025,049	38,497,405	999,615	1,199,575	43,024,664	39,696,980
Increase in net position before contributions and transfers	6,411,361	7,307,412	188,127	117,553	6,599,488	7,424,965
Transfers	(10,389)	(5,277)	10,389	5,277	-	-
Contributions to permanent funds	180	155	-	-	180	155
Increase (decrease) in net position	6,401,152	7,302,290	198,516	122,830	6,599,668	7,425,120
Net position, July 1	50,327,484	43,017,557	3,095,961	2,973,131	53,423,445	45,990,688
Net position, June 30	$56,728,636	$50,319,847	$3,294,477	$3,095,961	$60,023,113	$53,415,808

* The 2022 amounts presented here have not been restated for prior period adjustments. See Note 3 for details of these adjustments.

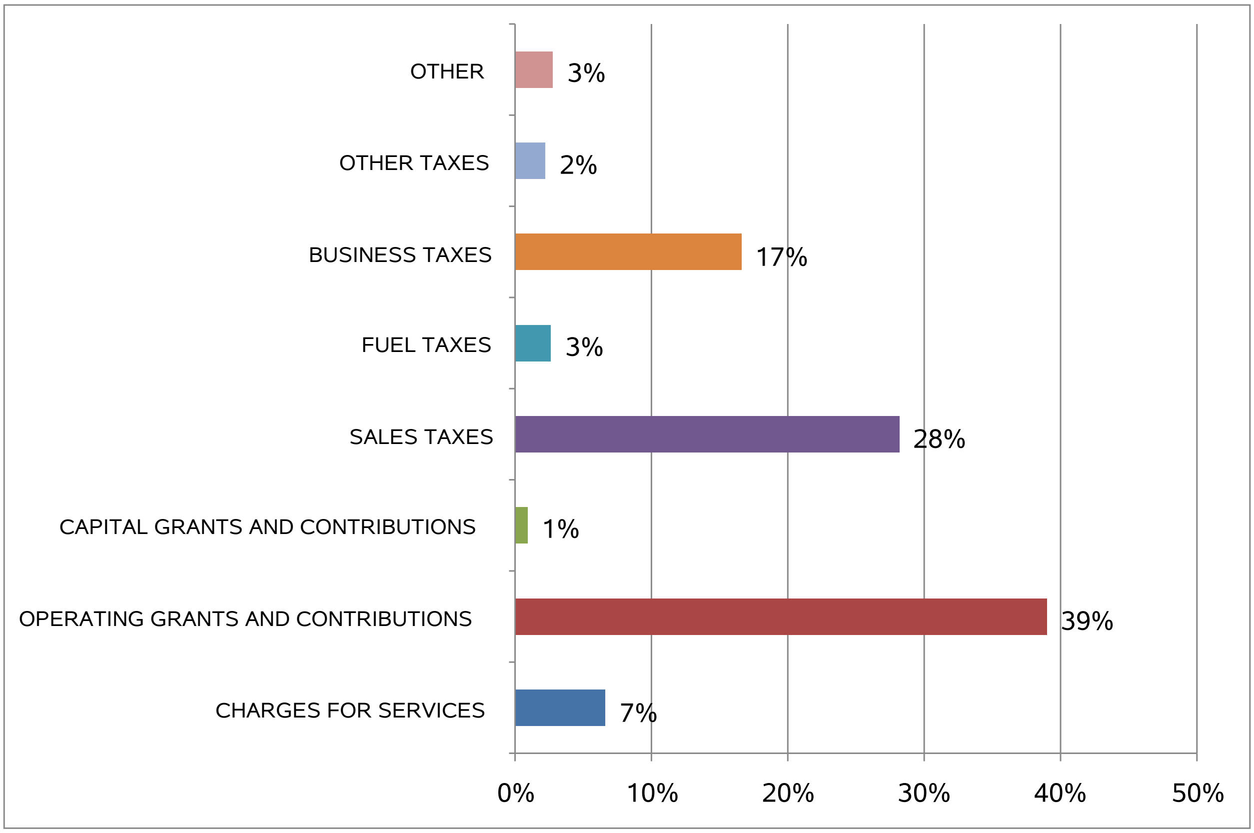
Governmental activities. Net position of the state's governmental activities increased by $6.4 billion (13 percent). This increase accounts for 97.0 percent of the total increase in net position of the primary government and is primarily the result of an increase in tax and interest revenues as well as the capitalization of $917.4 million in expenses related to roadways and bridges and not recording depreciation expense for these assets. Tax revenues increased by $766 million (6 percent) with corporate excise and sales and use taxes making up a major portion of these increases and was primarily impacted by higher prices on consumer goods as well as growth in business investments and income. Expenses increased by $ 3.5 billion (9 percent) that was primarily made up of increases in the General Government and Transportation functions. Grant expenditures attributed to the increase in the General Government expenses and new rural interchange improvement and economic development projects contributed to cost increases for Transportation expenses. Other revenue increased by $925 million (225%) because of higher interest rates during the year which increased the overall interest earnings on cash balances on hand. See more discussion beginning on page 27.

Business-type activities. Net position of the state's business-type activities increased by $198.5 million (6.4 percent). This is primarily the result of the Employment Security fund's increase in net position of $119.7 million. The increase is primarily due to a significant decrease in expenses for covid related programs while premium revenues decreased by an insignificant amount. Benefit payments and premium revenue decreased by 62 percent and 2 percent, respectively, when compared to the prior year. The Sewer Treatment Loan fund had an increase in net position of $30 million. This increase in net position is in line with the prior year and is not considered significant. The fund continues to receive grants and issue loans for clean water projects. The Nonmajor Enterprise funds' activity resulted in a $48.6 million increase in net position. Of this amount, the largest increase was to the Local Government Insurance Plan. This increase in net position of $20.4 million was primarily due to grants received in the amount of $13.7 million related to ARPA covid relief funding.

EXPENSES BY FUNCTION-GOVERNMENTAL ACTIVITIES



REVENUES BY SOURCE-GOVERNMENTAL ACTIVITIES



THE STATE'S FUNDS

At June 30, 2023, governmental funds reported an increase 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 $1.8 billion or 7 percent of the general fund's expenditures.

The general fund reported a substantial increase of $1.4 billion in its fund balance, primarily driven by an increase of $300 million in excise taxes, $200 million in sales and use taxes, and a significant $800 million in interest revenue. This growth in taxes can be attributed to the state's robust consumer spending and the expansion in the value of goods and services offered by local businesses. The state's economic environment, reflected in its GDP growth rate of 4.3%—which surpassed the national rate of 2.1% in 2022—has led to consistent growth in tax collections. Furthermore, the rise in interest rates from 1.38% in July 2022 to 5.06% in June 2023 resulted in increased interest earnings on the cash held in the state's pooled investment fund.

The education fund reported an overall increase for inflows of $1.2 billion (11.7 percent) and an increase of outflows of $0.8 billion (8.4 percent). Most of the increase in outflows were due to federally funded pandemic relief programs. Additional contributing factors include the increased funding for the state's Basic Education Program (K-12 funding) and College, Career, and Technical Education; expanded Tennessee Education Lottery scholarships; and higher education institutions' outcome-based formula growth.

The overall fund balance increased in the education fund by $668.2 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 $1.4 billion is legally restricted or committed for specific purposes. Refer to Note 13, Governmental Fund Balances on page 106, for additional information regarding those specific purposes.

The highway fund inflows increased by $437.2 million, and outflows increased $393.5 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 $2 billion increase in fund balance. Most of this increase is due to a $1.4 billion increase in transfers from other funds to the capital projects fund. Overall inflows to the fund increased by $1.3 billion, when compared to the previous year, outflows also increased by $681.7 million. The increase in expenditures is due to an increase in capital outlay for current projects while the increase in inflows is due to increased appropriation transfers. Expenditures for capital projects are subject to various conditions that affect construction progress. The restricted fund balance of $18.8 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 $76.9 billion, an increase of approximately $4.6 billion from the prior year. The pension trust funds were responsible for $4.2 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 $5.4 billion.

The total plan net position of the OPEB trust fund is $865.4 million, an increase of approximately $420.5 million from the prior year. The increase was primarily the result of a one-time employer contribution of $300 million to the OPEB Trust. This was in addition to the actuarially determined contribution rate for the fiscal year. Another factor was investment gains of $62.6 million due to favorable market conditions.

General Fund Budgetary Highlights

The General fund experienced a notable variance between the final budgeted amounts and the actual tax collections, primarily due to over-collections in Sales and Use, and Excise taxes. The Sales and Use tax collections surpassed projections as the slowdown in inflation was less than anticipated, leading to a sustained growth in the prices of goods and services. This variance was further affected by the state’s consumer demand growth, which proved to be more resilient than expected. Additionally, the state’s GDP growth rate, which was 11.39% from 2021 to 2022, played a significant role in the excise tax collections exceeding expectations. The growth rate for franchise and excise taxes varied, ranging from 31.84% in July 2022 to 5.88% in June 2023.

Federal revenues were overestimated by approximately 20% due to a reduced demand for health, social, and environmental services. Social programs under the Department of Human Services (DHS), such as the Temporary Assistance for Needy Families (TANF), SNAP, and Child Care American Rescue Plan, witnessed a drop in participation. This significantly impacted the federal revenues funding these programs.

Moreover, the Department of Environment and Conservation (TDEC) also had a variance in budgeted versus actual federal revenue due to a decrease in reimbursement requests for Clean Water projects and timing differences between the budgeting of federal awards and the distribution of federal grants to subrecipients.

The Department of Health also contributed to the lower-than-expected federal revenue due to underspending in health wellness programs, a decrease in COVID services, and a decline in WIC participants.

Due to significant vacant positions in Corrections, Intellectual Disabilities, Safety, and Children’s Services, expenditures were less than estimated. Actual expenditures in TennCare, Agriculture, Labor and Workforce Development, Environment and Conservation, Finance and Administration, Economic and Community Development, and Legislature programs were significantly less than what was projected in the final budget primarily due to unexpended reserved amounts and multi–year projects that were appropriated in the current year. Additionally, unspent American Rescue Plan federal funds and the timing variance between budgeting for the federal awards as compared to the incurrence of eligible expenditures also attributed to savings in Finance and Administration, Environment and Conservation, Health, and in Human Services. Corrections, Health, and Human Services also realized savings due to seeing a decline in the demand for certain services due to downward trends in jail populations, decrease in demand for WIC benefits and a decline in Temporary Assistance for Needy Families participants, respectively. The Community and Rural Development and the FastTrack Infrastructure Job Training programs make up most of the underspending for Economic and Community Development (ECD) due to requirements for services having not been meet for payment in these programs.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The state's investment in capital assets at June 30, 2023, of $38.2 billion, net of $3.3 billion accumulated depreciation and amortization, consisted of the following:

Capital Assets—Primary Government
(Expressed in Thousands)

	Governmental Activities	
	2023	2022
Land	$ 2,922,142	$ 2,782,597
Infrastructure	27,495,693	27,086,768
Construction in progress	1,286,303	876,181
Structures and improvements	3,378,088	3,335,170
Machinery and equipment	2,625,823	2,341,207
Right-to-use leases and subscriptions	437,474	360,035
Software in development	143,014	115,127
Subtotal	38,288,537	36,897,085
Accumulated depreciation and amortization	(3,369,067)	(2,950,779)
Total	$ 34,919,470	$ 33,946,306

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 2022 to 2023 by approximately 2.9 percent. The change was primarily due to increases of infrastructure (highways and bridges). Infrastructure increased in total by $408.9 million, the majority of which resulted from highway and bridge projects completed and capitalized. Construction in progress for highways and bridges increased by $749.3 million and decreased (projects completed and capitalized) by $458.9 million. Infrastructure right-of-way acreage increased the land classification by $105.4 million. The change in machinery and equipment of $284.6 million resulted largely from a $258.6 million increase that resulted from system projects that were placed in operation and are now classified as equipment. Also, the implementation of GASB Statement No.96 resulted in $65.2 million in right-to-use subscription assets.

In accordance with generally accepted accounting principles, the state is eligible for and has adopted an alternative approach to depreciating its roadways and bridges. Under the modified approach, governments are permitted to expense the cost of preserving roadways and bridges rather than to record a periodic charge for depreciation expense. Under the depreciation method, preservation expenses are capitalized. The state is responsible for approximately 15,000 miles of roadway and 8,441 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 152), 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 0.59 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 2022-2023 reflects a $2.1 billion increase from the previous year. The capital outlay budget included funding for both capital outlay projects and capital maintenance projects. A significant portion of the budgeted amounts include $1.2 billion for higher education capital outlay projects, $224 million for state parks, $356 million for a new multi-agency law enforcement training academy and $473 million for various other capital improvement and maintenance projects for state owned facilities across the state.

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 6/30/23
Highway	$ 919,800
Higher Education	33,766
General Government	590,568
Total	$ 1,544,134

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

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

	Governmental Activities	
	6/30/2023	6/30/2022
Bonds, net	$ 1,517,407	$ 1,695,430
Commercial Paper	72,938	89,563
Total	$ 1,590,345	$ 1,784,993

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, 2023, the state's maximum allowable debt service of $1.9 billion was well above the maximum annual debt service of $203 million, with a legal debt service margin of $1.7 billion.

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

	Governmental Activities	
	6/30/2023	6/30/2022
Right-to-use leases	$ 298,199	$ 286,429
Right-to-use SBITA	38,739	27,006
Financed purchase	3,832	4,904
Annuity	5,150	2,150
Total	$ 345,920	$ 320,489

FACTS, DECISIONS, OR CONDITIONS WITH EXPECTED FUTURE IMPACT

During the 2023 session of the 113th General Assembly, the following legislation was passed which is expected to have a significant effect on financial position or results of operation of future years.

Tennessee Works Act

The legislation includes a three-month grocery tax holiday and a paid family leave tax credit for companies to support Tennessee families. It also provides tax relief for Tennessee businesses and increases the state's economic competitiveness through several changes to Tennessee's tax laws. The sum of these actions is estimated to reduce tax collections by almost $414,000,000. Included in the Tennessee Works Act:

- $273 million for a one-time, three-month sales tax holiday on grocery items to direct relief for Tennessee families from August 1 through October 31.
- More than $150 million in annual small business tax relief, including raising the exemption threshold for the business tax, exempting the first $50,000 of net income from excise tax and protecting the first $500,000 in property investment from the franchise tax.
- $64 million to simplify tax administration and conform with the federal bonus depreciation provisions of the 2017 Tax Cuts & Jobs Act, allowing businesses to recover costs more quickly and further incentivize investment in Tennessee production.
- Support for Tennessee's continued economic growth by adopting "single sales factor" apportionment for franchise and excise tax (aligning Tennessee with more than 30 states).
- Tax credits for the next two years against franchise and excise tax liability for certain companies offering paid family leave.

Transportation Modernization Act

This legislation represents a $3.3 billion strategy to address record growth and traffic congestion, freeing up additional dollars to invest in rural and suburban communities without raising the gas tax or taking on transportation debt. It provides for a $3 billion one-time General fund subsidy in fiscal year 2024 to be used in all three Grand Divisions of the state. It also includes a one-time $300 million General fund fiscal year 2024 contribution to the Highway fund's state aid program for local roads (these funds will be distributed to county governments for county roads designated as part of the state highway system) and raises the cost to register and renew tags for electric vehicles beginning January 1, 2024, and establishes a new registration fee for hybrid vehicles. In addition, the legislation is projected to result in numerous new contractual agreements including public-private partnerships upon which user fee facilities will be utilized.

In addition, during the 2022 session of the 112th General Assembly, the Tennessee Investment in Student Achievement Act (TISA) was passed that adopted a new funding formula for funding K-12 education. Fiscal year 2023-2024 is the first year under the new public education funding formula. The recommended cost increase for TISA is $350,000,000 recurring state funding. The $350,000,000 total accounts for salary increases, group health insurance premiums, and retirement contributions for local education employees. Combined with a recurring $750,000,000 in the base budget, new recurring state funding for the education formula sums to more than $1,000,000,000.

Megasite Authority of West Tennessee

The Megasite Authority of West Tennessee (the Authority) was created in November 2021. The Authority is administratively attached to the Department of General Services and is responsible for the exclusive control of and responsibility for the administration of properties and facilities constructed or acquired at the initial Megasite of West Tennessee, a 4,100-acre certified industrial site in West Tennessee. In 2024, the Authority is moving forward with beginning operations of a water treatment plant to provide for customers located on the megasite property. The water system's operations once fully operational are expected to be funded solely from the fees that it generates providing services to its customers. The financial information for the water and wastewater facility will be reported as an enterprise fund of the State.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

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STATE OF TENNESSEE
Statement of Net Position
June 30, 2023
(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Total Component Units
ASSETS				
Cash and cash equivalents	$ 26,822,348	$ 875,431	$ 27,697,779	$ 3,948,438
Cash on deposit with fiscal agent	-	1,371,536	1,371,536	-
Investments	1,320,151	-	1,320,151	680,353
Receivables, net	4,924,082	113,323	5,037,405	467,727
Internal balances	197	(197)	-	-
Due from primary government	-	-	-	60,238
Due from component units	171,444	-	171,444	-
Inventories, at cost	108,969	-	108,969	13,935
Prepayments	9,497	-	9,497	47,590
Loans receivable, net	3,780	1,066,243	1,070,023	4,729,769
Right-to-use lease receivable	5,452	-	5,452	-
Fair value of derivatives	-	-	-	-
Other	-	-	-	56,089
Restricted assets:				
Cash and cash equivalents	18,866	-	18,866	733,078
Investments	459,531	-	459,531	2,897,322
Receivables, net	-	-	-	399,550
Net pension assets	16,547	-	16,547	17,534
Other	-	-	-	1,803
Capital assets:				
Land, at cost	2,922,142	-	2,922,142	287,351
Infrastructure	27,495,693	-	27,495,693	996,566
Structures and improvements, at cost	3,378,088	-	3,378,088	8,543,942
Machinery and equipment, at cost	2,625,823	-	2,625,823	1,435,608
Right-to-use leases and subscriptions	437,474	-	437,474	238,037
Less-accumulated depreciation and amortization	(3,369,067)	-	(3,369,067)	(4,762,957)
Construction in progress	1,286,303	-	1,286,303	596,892
Software in development	143,014	-	143,014	-
Total assets	68,780,334	3,426,336	72,206,670	21,388,865
DEFERRED OUTFLOWS OF RESOURCES	1,790,570	-	1,790,570	593,562
LIABILITIES				
Accounts payable and other current liabilities	7,593,436	111,142	7,704,578	672,722
Due to primary government	-	-	-	171,444
Due to component units	60,238	-	60,238	-
Unearned revenue	652,757	13,200	665,957	206,971
Fair value of derivatives	-	-	-	-
Other	-	-	-	31,553
Noncurrent liabilities:				
Due within one year	532,639	-	532,639	406,339
Due in more than one year	4,518,581	7,517	4,526,098	7,849,875
Total liabilities	13,357,651	131,859	13,489,510	9,338,904
DEFERRED INFLOWS OF RESOURCES	484,617	-	484,617	241,826
NET POSITION				
Net investment in capital assets	34,138,338	-	34,138,338	5,338,959
Restricted for:				
Highway projects	826,797	-	826,797	-
Student financial assistance	243,136	-	243,136	-
Natural and wildlife resources	110,401	-	110,401	-
Capital projects	18,865	-	18,865	193,173
Single family bond programs	-	-	-	463,725
Regulatory activities	49,050	-	49,050	-
Pensions	16,547	-	16,547	17,534
Other	359,311	-	359,311	1,239,868
Permanent and endowment funds				
Expendable	904,382	-	904,382	209,796
Nonexpendable	788,513	-	788,513	1,757,721
Unrestricted	19,273,296	3,294,477	22,567,773	3,180,921
Total net position	$ 56,728,636	$ 3,294,477	$ 60,023,113	$ 12,401,697

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, 2023
(Expressed in Thousands)

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary Government:				
Governmental activities:				
General government	$ 4,243,213	$ 1,204,339	$ 133,230	$ 3,040
Education	11,458,760	61,519	3,295,366	-
Health and social services	21,131,880	1,711,400	14,748,565	-
Law, justice, and public safety	2,170,936	131,783	223,509	21,104
Recreation and resources development	885,704	224,181	223,530	17,354
Regulation of business and professions	273,736	272,347	1,165	-
Transportation	1,828,981	89,467	272,552	894,110
Interest	31,839	-	-	-
Total governmental activities	42,025,049	3,695,036	18,897,917	935,608
Business-type activities:				
Employment security	163,774	244,096	39,472	-
Insurance programs	834,053	845,322	24,568	-
Loan programs	1,562	12,449	21,365	-
Other	226	407	63	-
Total business-type activities	999,615	1,102,274	85,468	-
Total primary government	$ 43,024,664	$ 4,797,310	$ 18,983,385	$ 935,608
Component units:				
Higher education institutions	$ 6,018,566	$ 2,100,217	$ 2,188,696	$ 286,990
Loan programs	952,747	242,143	584,365	-
Lottery programs	1,966,755	1,961,466	29	-
Other	62,765	63,846	9,306	14,892
Total component units	$ 9,000,833	$ 4,367,672	$ 2,782,396	$ 301,882
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, 2023
(Expressed in Thousands)

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-Type Activities	Total Primary Government	Component Units
$ (2,902,604)	$ -	$ (2,902,604)	$ -
(8,101,875)	-	(8,101,875)	-
(4,671,915)	-	(4,671,915)	-
(1,794,540)	-	(1,794,540)	-
(420,639)	-	(420,639)	-
(224)	-	(224)	-
(572,852)	-	(572,852)	-
(31,839)	-	(31,839)	-
(18,496,488)	-	(18,496,488)	-
-	119,794	119,794	-
-	35,837	35,837	-
-	32,252	32,252	-
-	244	244	-
-	188,127	188,127	-
(18,496,488)	188,127	(18,308,361)	-
-	-	-	(1,442,663)
-	-	-	(126,239)
-	-	-	(5,260)
-	-	-	25,279
-	-	-	(1,548,883)
13,657,626	-	13,657,626	-
1,271,200	-	1,271,200	-
8,048,189	-	8,048,189	-
594,333	-	594,333	-
-	-	-	2,335,858
250,483	-	250,483	97,105
809,638	-	809,638	190,591
276,380	-	276,380	3,933
180	-	180	125,013
(10,389)	10,389	-	-
24,897,640	10,389	24,908,029	2,752,500
6,401,152	198,516	6,599,668	1,203,617
50,327,484	3,095,961	53,423,445	11,198,080
$ 56,728,636	$ 3,294,477	$ 60,023,113	$ 12,401,697

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GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

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

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

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

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

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

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

STATE OF TENNESSEE
Balance Sheet
Governmental Funds
June 30, 2023
(Expressed in Thousands)

	General	Education	Highway
ASSETS			
Cash and cash equivalents	$ 16,967,166	$ 612,934	$ 2,336,950
Investments	-	568,423	-
Receivables, net	2,788,354	1,296,747	282,291
Due from other funds	1,913	76,743	1
Due from component units	163	131,845	-
Inventories, at cost	60,816	118	42,374
Loans receivable	1,213	-	234
Prepayments and others	8,931	-	-
Restricted assets:			
Cash and cash equivalents	-	-	-
Investments	98,150	361,381	-
Total assets	$ 19,926,706	$ 3,048,191	$ 2,661,850
LIABILITIES			
Accounts payable and accruals	5,505,337	813,438	339,654
Due to other funds	78,773	19	1,533
Due to component units	24,055	14,007	2,426
Unearned revenue	601,983	100	5,278
Total liabilities	6,210,148	827,564	348,891
DEFERRED INFLOWS OF RESOURCES	151,591	51,793	59,940
FUND BALANCES			
Nonspendable			
Inventories	$ 58,435	$ 118	$ 42,374
Long term portion of accounts receivable	5,440	-	-
Permanent fund and endowment corpus	-	361,381	-
Prepayments	1,037	-	-
Restricted	206,561	887,349	807,965
Committed	691,702	597,046	379,107
Assigned	9,275,561	322,940	1,023,573
Unassigned	3,326,231	-	-
Total fund balances	13,564,967	2,168,834	2,253,019
Total liabilities, deferred inflows of resources and fund balances	$ 19,926,706	$ 3,048,191	$ 2,661,850

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

STATE OF TENNESSEE
Balance Sheet
Governmental Funds
June 30, 2023
(Expressed in Thousands)

Capital Projects	State Shared Taxes	Nonmajor Governmental Funds	Total Governmental Funds
$ 5,033,221	$ 16,780	$ 658,927	$ 25,625,978
-	-	751,728	1,320,151
8,383	165,368	371,142	4,912,285
892	-	15	79,564
37,607	-	1,756	171,371
-	-	-	103,308
-	-	2,333	3,780
-	-	19	8,950
18,866	-	-	18,866
-	-	-	459,531
$ 5,098,969	$ 182,148	$ 1,785,920	$ 32,703,784
563,589	151,685	66,773	7,440,476
212	-	228	80,765
14,861	-	4,511	59,860
-	-	10	607,371
578,662	151,685	71,522	8,188,472
-	30,463	305,588	599,375
$ -	$ -	$ -	$ 100,927
-	-	-	5,440
-	-	427,132	788,513
-	-	-	1,037
18,866	-	616,835	2,537,576
-	-	335,045	2,002,900
4,501,441	-	33,340	15,156,855
-	-	(3,542)	3,322,689
4,520,307	-	1,408,810	23,915,937
$ 5,098,969	$ 182,148	1,785,920	32,703,784

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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, 2023
(Expressed in Thousands)

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

Total fund balances - governmental funds	$	23,915,937
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		33,904,677
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds.		590,148
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.		1,351,354
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.		(638,252)
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.		(2,395,228)
Net position of governmental activities	$	56,728,636

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, 2023
(Expressed in Thousands)

	General	Education	Highway
REVENUES			
Taxes:			
Sales and use	$ 5,085,407	$ 7,777,417	$ 35,202
Fuel	12,557	-	719,958
Business	7,028,660	293,386	7,734
Other	462,536	65,871	-
Licenses, fines, fees, and permits	553,884	12,872	244,113
Investment income	836,620	58,116	-
Federal	15,456,756	2,658,059	1,154,481
Departmental services	2,777,073	257,005	65,266
Opioid and tobacco settlements	156,335	-	-
Other	81,544	519,190	13,185
Total revenues	32,451,372	11,641,916	2,239,939
EXPENDITURES			
General government	1,344,957	-	-
Education	-	11,335,988	-
Health and social services	21,922,352	-	-
Law, justice and public safety	2,315,178	-	-
Recreation and resources development	890,770	-	-
Regulation of business and professions	141,595	-	-
Transportation	-	-	2,665,234
Debt service:			
Principal	20,485	31	1,610
Interest	1,345	-	98
Debt issuance costs	-	-	-
Capital outlay	50,855	-	1,610
Total expenditures	26,687,537	11,336,019	2,668,552
Excess (deficiency) of revenues over (under) expenditures	5,763,835	305,897	(428,613)
OTHER FINANCING SOURCES (USES)			
Bonds and commercial paper issued	-	-	-
Right-to-use leases and subscriptions	50,855	-	1,610
Insurance claims recoveries	967	-	-
Transfers in	102,564	422,489	950,540
Transfers out	(4,539,324)	(60,133)	(2,807)
Total other financing sources (uses)	(4,384,938)	362,356	949,343
Net change in fund balances	1,378,897	668,253	520,730
Fund balances, July 1, restated	12,186,070	1,500,581	1,732,289
Fund balances, June 30	$ 13,564,967	$ 2,168,834	$ 2,253,019

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, 2023
(Expressed in Thousands)

Capital Projects	State Shared Taxes	Nonmajor Governmental Funds	Total Governmental Funds
$ -	$ 702,270	$ 95,748	$ 13,696,044
-	430,222	108,463	1,271,200
-	576,461	200,212	8,106,453
-	19,257	65,940	613,604
-	309	324,848	1,136,026
-	-	59,276	954,012
21,104	-	47,206	19,337,606
84,812	-	29,553	3,213,709
-	-	-	156,335
-	-	4	613,923
105,916	1,728,519	931,250	49,098,912
-	1,728,519	45,590	3,119,066
-	-	11,261	11,347,249
-	-	31,915	21,954,267
-	-	8,019	2,323,197
-	-	270,033	1,160,803
-	-	152,227	293,822
-	-	-	2,665,234
51,625	-	146,088	219,839
-	-	47,495	48,938
-	-	1,582	1,582
1,143,622	-	3,015	1,199,102
1,195,247	1,728,519	717,225	44,333,099
(1,089,331)	-	214,025	4,765,813
35,201	-	-	35,201
-	-	3,015	55,480
258	-	191	1,416
3,147,498	-	80,916	4,704,007
(580)	-	(183,318)	(4,786,162)
3,182,377	-	(99,196)	9,942
2,093,046	-	114,829	4,775,755
2,427,261	-	1,293,981	19,140,182
$ 4,520,307	$ -	$ 1,408,810	$ 23,915,937

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, 2023
(Expressed in Thousands)

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

Net change in fund balances - total governmental funds	$ 4,775,755
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.	1,033,968
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.	(123,007)
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.	129,160
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.	551,621
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.	33,655
Changes in net position of governmental activities	$ 6,401,152

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

PROPRIETARY FUNDS FINANCIAL STATEMENTS

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

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

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

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

STATE OF TENNESSEE
Statement of Net Position
Proprietary Funds
June 30, 2023
(Expressed in Thousands)

	Business Type Activities - Enterprise Funds				
	Sewer Treatment Loan	Employment Security	Nonmajor Enterprise Funds	Total	Governmental Activities- Internal Service Funds
ASSETS					
Current assets:					
Cash and cash equivalents	$ 366,555	$ -	$ 508,876	$ 875,431	$ 1,196,370
Cash on deposit with fiscal agent	-	1,371,536	-	1,371,536	-
Receivables:					
Accounts receivable	-	111,544	1,779	113,323	11,797
Loans receivable	47,248	-	16,934	64,182	-
Due from other funds	-	93	-	93	1,419
Due from component units	-	-	-	-	73
Inventories, at cost	-	-	-	-	5,661
Prepayments	-	-	-	-	125
Total current assets	413,803	1,483,173	527,589	2,424,565	1,215,445
Noncurrent assets:					
Loans receivable	829,695	-	172,366	1,002,061	-
Due from other funds	-	-	-	-	206
Right-to-use lease receivable	-	-	-	-	5,452
Restricted net pension assets	-	-	-	-	993
Capital assets:					
Land, at cost	-	-	-	-	63,872
Structures and improvements, at cost	-	-	-	-	888,905
Machinery and equipment, at cost	-	-	-	-	427,038
Right-to-use-leases and subscriptions	-	-	-	-	347,692
Less: Accumulated depreciation and amortization	-	-	-	-	(725,377)
Construction in progress	-	-	-	-	12,663
Total noncurrent assets	829,695	-	172,366	1,002,061	1,021,444
Total assets	1,243,498	1,483,173	699,955	3,426,626	2,236,889
DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-	91,842
LIABILITIES					
Current liabilities:					
Accounts payable and accruals	156	39,561	71,425	111,142	137,592
Due to other funds	23	267	-	290	230
Due to component units	-	-	-	-	378
Lease and subscription obligations payable	-	-	-	-	39,724
Bond payable	-	-	-	-	15,967
Unearned revenue	-	13,023	177	13,200	45,386
Others	-	-	-	-	157,275
Total current liabilities	179	52,851	71,602	124,632	396,552
Noncurrent liabilities:					
Pension	-	-	-	-	55,320
Lease and subscription obligations payable	-	-	-	-	245,541
Commercial paper payable	-	-	-	-	6,920
Bonds payable	-	-	-	-	141,516
Others	4,229	-	3,288	7,517	111,792
Total noncurrent liabilities	4,229	-	3,288	7,517	561,089
Total liabilities	4,408	52,851	74,890	132,149	957,641
DEFERRED INFLOWS OF RESOURCES	-	-	-	-	19,736
NET POSITION					
Net investment in capital assets	-	-	-	-	564,408
Restricted for:					
Restricted for capital projects	-	-	-	-	4,990
Restricted for net pension assets	-	-	-	-	993
Unrestricted	1,239,090	1,430,322	625,065	3,294,477	780,963
Total net position	$ 1,239,090	$ 1,430,322	$ 625,065	$ 3,294,477	$ 1,351,354

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, 2023
(Expressed in Thousands)

	Business Type Activities - Enterprise Funds				
	Sewer Treatment Loan	Employment Security	Nonmajor Enterprise Funds	Total	Governmental Activities- Internal Service Funds
Operating revenues					
Charges for services	$ 10,505	$ -	$ 2,351	$ 12,856	$ 693,626
Investment income	13,061	-	4,683	17,744	-
Premiums	-	244,096	845,322	1,089,418	892,018
Total operating revenues	23,566	244,096	852,356	1,120,018	1,585,644
Operating expenses					
Personal services	-	-	-	-	221,304
Contractual services	1,082	-	41,305	42,387	351,670
Materials and supplies	-	-	-	-	82,191
Rentals and insurance	-	-	-	-	32,712
Depreciation and amortization	-	-	-	-	89,511
Benefits	-	163,774	786,813	950,587	886,836
Other	-	-	6,641	6,641	8,046
Total operating expenses	1,082	163,774	834,759	999,615	1,672,270
Operating income (loss)	22,484	80,322	17,597	120,403	(86,626)
Nonoperating revenues (expenses)					
Grants	958	16,707	17,219	34,884	284
Insurance claims recoveries	-	-	-	-	1,623
Gain on sales of capital assets	-	-	-	-	21,411
Interest income	-	22,764	10,867	33,631	33,127
Interest expense	-	-	-	-	(9,740)
Other	(293)	1	(499)	(791)	-
Total nonoperating revenues (expenses)	665	39,472	27,587	67,724	46,705
Income (loss) before contributions and transfers	23,149	119,794	45,184	188,127	(39,921)
Capital contributions	-	-	-	-	1,901
Transfers in	6,891	-	4,788	11,679	71,789
Transfers out	-	-	(1,290)	(1,290)	(114)
Change in net position	30,040	119,794	48,682	198,516	33,655
Net position, July 1, restated	1,209,050	1,310,528	576,383	3,095,961	1,317,699
Net position, June 30	$ 1,239,090	$ 1,430,322	$ 625,065	$ 3,294,477	$ 1,351,354

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, 2023
(Expressed in Thousands)

	Business Type Activities - Enterprise Funds				
	Sewer Treatment Loan	Employment Security	Nonmajor Enterprise Funds	Total	Governmental Activities- Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	$ -	$ 247,497	$ 857,641	$ 1,105,138	$ 520,928
Receipts from interfund services provided	-	711	-	711	1,167,013
Payments to suppliers	-	-	(840,718)	(840,718)	(1,317,099)
Payments to employees	-	-	(1)	(1)	(251,716)
Payments for unemployment benefits	-	(147,003)	-	(147,003)	-
Payments for interfund services used	(1,093)	-	(1,353)	(2,446)	(71,066)
Net cash provided by (used for) operating activities	(1,093)	101,205	15,569	115,681	48,060
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating and nonoperating grants	957	1,431	17,218	19,606	284
Reimbursements	-	1	-	1	-
Negative cash balance implicitly financed	-	65	-	65	-
Transfers in	6,892	-	4,788	11,680	71,675
Transfers out	-	-	(1,290)	(1,290)	-
Net cash provided by (used for) noncapital financing activities	7,849	1,497	20,716	30,062	71,959
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of capital assets	-	-	-	-	(43,019)
Bond and commercial paper proceeds	-	-	-	-	150
Proceeds from sale of capital assets	-	-	-	-	26,737
Proceeds from lease receivables	-	-	-	-	344
Insurance claims recoveries	-	-	-	-	1,623
Principal payments	-	-	-	-	(62,145)
Interest paid	-	-	-	-	(5,247)
Net cash provided by (used for) capital and related financing activities	-	-	-	-	(81,557)
CASH FLOWS FROM INVESTING ACTIVITIES					
Loans issued and other disbursements to borrowers	(78,535)	-	(30,844)	(109,379)	-
Collection of loan principal	43,890	-	18,603	62,493	-
Interest received	23,722	22,764	17,529	64,015	33,128
Net cash provided by (used for) investing activities	(10,923)	22,764	5,288	17,129	33,128
Net increase (decrease) in cash and cash equivalents	(4,167)	125,466	41,573	162,872	71,590
Cash and cash equivalents, July 1, restated	370,722	1,246,070	467,303	2,084,095	1,124,780
Cash and cash equivalents, June 30	$ 366,555	$ 1,371,536	$ 508,876	$ 2,246,967	$ 1,196,370

(continued on next page)

STATE OF TENNESSEE
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2023
(Expressed in Thousands)

(continued from previous page)

	Business Type Activities - Enterprise Funds				
	Sewer Treatment Loan	**Employment Security**	**Nonmajor Enterprise Funds**	**Total**	**Governmental Activities- Internal Service Funds**
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities					
Operating income (loss)	$ 22,484	$ 80,322	$ 17,597	$ 120,403	$ (86,626)
Adjustment to reconcile operating income (loss) to net cash from operating activities:					
Depreciation and amortization	-	-	-	-	89,511
Loss on disposal of capital assets	-	-	-	-	(2,430)
Interest income	(10,505)	-	(1,936)	(12,441)	-
Investment income	(13,061)	-	(4,646)	(17,707)	-
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:					
Decrease (increase) in receivables	-	23,836	3,626	27,462	(3,143)
Decrease (increase) in due from other funds	-	(52)	-	(52)	(221)
Decrease (increase) in due from component units	-	-	-	-	(51)
Decrease (increase) in inventories	-	-	-	-	(1,709)
Decreases (increase) in assets held for sale	-	-	-	-	-
Decrease (increase) in prepaids	-	-	-	-	107
Decrease (increase) in net pension assets	-	-	-	-	30,376
Decrease (increase) in deferred outflows of resources	-	-	-	-	(13,394)
Increase (decrease) in accounts payable	-	(4,731)	929	(3,802)	136,873
Increase (decrease) in due to other funds	(11)	-	-	(11)	188
Increase (decrease) in due to component units	-	-	-	-	(311)
Increase (decrease) in deferred inflows of resources	-	-	-	-	(104,443)
Increase (decrease) in unearned revenue	-	1,830	(1)	1,829	3,333
Total adjustments	(23,577)	20,883	(2,028)	(4,722)	134,686
Net cash provided by (used for) operating activities	$ (1,093)	$ 101,205	$ 15,569	$ 115,681	$ 48,060
Schedule of noncash investing, capital, and financing activities					
Contributions of capital assets	$ -	$ -	$ -	$ -	$ 1,901
Capital assets disposed of by transfer	-	-	-	-	(114)
Capital assets acquired by transfer	-	-	-	-	114
Right-to-use assets acquired	-	-	-	-	59,225
Right-to-use assets retired	-	-	-	-	(8,065)
Amortization of bond premium	-	-	-	-	1,836
Amortization of bond discount	-	-	-	-	22
Total noncash capital and related financing activities	$ -	$ -	$ -	$ -	$ 54,919

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

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FIDUCIARY FUNDS FINANCIAL STATEMENTS

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

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

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

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

STATE OF TENNESSEE
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2023
(Expressed in Thousands)

	Pension and Other Employee Benefit Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds	Custodial Funds: Custodial Funds	Custodial Funds: External Investment Pools
ASSETS					
Cash and cash equivalents	$ 144,639	$ -	$ 26,541	$ 581,266	$ 2,127,447
Cash collateral on loaned securities	3,123,507	-	-	-	-
Receivables:					
Account	-	-	1	-	-
Employer contributions	81,483	-	-	-	-
Member contributions	40,226	-	-	-	-
Taxes	-	-	-	453,486	-
Interest and dividends	1,178	-	-	-	-
Investments sold	-	2,918	-	-	-
Loans receivable	37,889	-	-	-	-
Other	885	-	-	573	-
Due from other funds	-	-	-	3	-
Investments, at fair value:					
Mutual funds	12,008,820	-	319,993	-	-
Private equities	-	3,271	-	-	-
TRGT pooled funds	64,680,995	357,801	-	-	-
Other	10,380	-	-	-	-
Investments, at amortized cost:					
Short-term investments	-	-	-	-	2,569,680
Capital assets, at cost:					
Machinery and equipment	37,139	-	-	-	-
Less - accumulated depreciation	(34,629)	-	-	-	-
Total assets	80,132,512	363,990	346,535	1,035,328	4,697,127
LIABILITIES					
Accounts payable and accruals	35,942	-	-	6,503	-
Securities lending collateral	3,123,507	-	-	-	-
Due to other governments	-	-	7	960,037	-
Total liabilities	3,159,449	-	7	966,540	-
NET POSITION					
Restricted for					
Pensions	74,536,909	-	-	-	-
Employee salary deferrals	1,569,814	-	-	-	-
Other postemployment benefits	865,429	-	-	-	-
Employees' flexible benefits	911	-	-	-	-
Individuals, organizations and other goverrnments	-	-	346,528	68,788	-
Amounts held in trust for					
Pool participants	-	363,990	-	-	4,697,127
Total net position	$ 76,973,063	$ 363,990	$ 346,528	68,788	4,697,127

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, 2023
(Expressed in Thousands)

				Custodial Funds	
	Pension and Other Employee Benefit Trust Funds	**Investment Trust Funds**	**Private-Purpose Trust Funds**	**Custodial Funds**	**External Investment Pools**
ADDITIONS					
Contributions:					
Members	$ 826,078	$ -	$ -	$ 97,040	$ -
Employers	2,343,006	-	-	-	-
Federal	-	-	172	197	-
Private	-	-	45,909	-	-
Transfers in from other plans	86,222	-	-	-	-
Other	1,486	-	91	-	-
Total contributions	3,256,792	-	46,172	97,237	-
Investment income:					
Net increase in fair value of investments	5,203,485	194	33,911	-	-
Interest and dividends	272,290	22,866	57	2,230	174,920
Securities lending income	161,443	-	-	-	-
Total investment income	5,637,218	23,060	33,968	2,230	174,920
Less: Investment expenses	(63,312)	(337)	-	-	(1,393)
Securities lending expense	(142,299)	-	-	-	-
Net investment income	5,431,607	22,723	33,968	2,230	173,527
Capital share transactions:					
Shares sold	-	32,987	-	-	11,380,617
Less: shares redeemed	-	(11,852)	-	-	(10,878,348)
Net capital share transactions	-	21,135	-	-	502,269
Tax and fee collections for other governments	-	-	-	4,783,404	-
Member resources	-	-	-	718,233	-
Total additions	8,688,399	43,858	80,140	5,601,104	675,796
DEDUCTIONS					
Benefit payments	3,852,645	-	-	-	-
Medical payments	75,443	-	-	100,117	-
Deceased member benefit payments	29,527	-	-	-	-
Payments made under trust agreements	5,714	-	21,492	-	-
Member/claimant distributions	47,882	-	157	703,250	-
Payments of taxes and fees to other governments	-	-	-	4,782,757	-
Administrative expenses	45,593	70	672	10,917	6
Total deductions	4,056,804	70	22,321	5,597,041	6
Change in net position	4,631,595	43,788	57,819	4,063	675,790
Net position, July 1	72,341,468	320,202	288,709	64,725	4,021,337
Net position, June 30	$ 76,973,063	$ 363,990	$ 346,528	$ 68,788	$ 4,697,127

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, 2023

NOTE 1

Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

Blended Component Units

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

Discretely Presented Component Units

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

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

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

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

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

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

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

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

9. **Tennessee State School Bond Authority (TSSBA**) (Proprietary Fund Type) finances projects for the University of Tennessee, 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:

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

Fiduciary Component Units

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

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

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

B. Related Organizations

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

C. Jointly Governed Organizations

1. **The Southern Regional Education Compact** has 16 member states. Tennessee paid $212,678 for 2023 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 2023 membership dues.

3. **The Interstate Mining Compact** has 25 member states. Tennessee paid $19,787 for 2023 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 2023 membership dues.

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

6. **The Interstate Insurance Product Regulation Commission** is comprised of 44 member states, plus Puerto Rico and the District of Columbia.

7. **The Interstate Compact for Juveniles** is comprised of 50 states, plus the District of Columbia and the Virgin Islands. Tennessee paid $22,000 for 2023 membership dues.

8. **The Interstate Compact for Supervision of Adult Offenders** is comprised of all 50 states, plus the District of Columbia, Puerto Rico, and the Virgin Islands. Tennessee paid $36,674 for 2023 membership dues.
9. **The Interstate Compact on Educational Opportunities for Military Children** is comprised of all 50 states, plus the District of Columbia. Tennessee paid $13,469 for 2023 membership dues.
10. **The Nurse Licensure Compact** is comprised of 39 states plus the Virgin Islands.
11. **The Physical Therapy Licensure Compact** is comprised of 34 states plus the District of Columbia.
12. **The Interstate Commission of Emergency Medical Services Personnel Practice** is comprised of 22 states.
13. **The Interstate Medical Licensure Compact** is comprised of 37 states plus the District of Columbia and Guam.
14. **The Psychology Interjurisdictional Compact** is comprised of 34 states plus the District of Columbia.
15. **The Occupational Therapy Licensure Compact** is comprised of 28 states.
16. **The Audiology and Speech-Language Pathology Interstate Compact** is comprised of 25 states.
17. **The Counseling Compact** is comprised of 28 states.

D. Joint Ventures

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

Tennessee-Tombigbee Waterway Development Compact

	2022	2021
Current assets	$ 675	$ 543
Capital assets, less depreciation	252	264
Total assets	927	807
Total liabilities		
Net position	927	807
Total liabilities and net position	$ 927	$ 807
Revenues	$ 507	$ 394
Expenses	387	353
Excess of revenues over expenses	120	41
Beginning net position	807	766
Ending net position	$ 927	$ 807

E. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

Licenses, permits, and other similar miscellaneous revenue items are considered measurable and available only when cash is received.

The state reports the following major governmental funds:

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

- **Education Fund.** This fund accounts for financial transactions and balances associated with K-12 and higher education programs including the activities of the Tennessee Promise Scholarship Endowment Fund.

Funding for these programs is accomplished primarily from dedicated sales and services taxes, federal monies received from the U.S. Department of Education, and net lottery proceeds.

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

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

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

The state reports the following major proprietary funds:

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

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

Additionally, the state reports the following fund types:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Capital Assets—Capital assets, which include land, buildings and building improvements, machinery and equipment (e.g., furniture and fixtures, vehicles, works of art and historical treasures), infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) and intangibles (e.g., internally generated computer software, patents, trademarks, copyrights, easements, 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 individual cost of $5,000 or more and an estimated useful life of three years or more. Infrastructure assets and land are capitalized regardless of cost or useful life. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Internally generated intangibles are capitalized if the total estimated project costs are $1 million or more, and have an estimated useful life of three years or more. Right-to-use leases are capitalized if the total payments are $15,000 or more and with a maximum possible term of more than 12 months. 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 contributions made subsequent to the measurement date, the second factor is the difference between the actual and expected economic and demographic factors that were less favorable than anticipated, the third factor is the net effect from changes in actuarial assumptions, the fourth factor is the change in proportionate share of net pension liabilities and assets, and the fifth factor is investment returns were less than projected. The second item is refunding of debt. The third item is related to the estimate of the state's Other Postemployment Benefit (OPEB) liabilities. In the governmental activities column of the government-wide statement of net position, the state reported $6.1 million for refunding of debt, $606.9 million for employer contributions made after the measurement date, $166.9 million for differences between expected and actual experience, $243.6 million for changes in actuarial assumptions, $6.6 million for the changes in proportionate shares, $17.2 million for differences between actual and projected returns on investments, and $743.3 million for various factors related to the estimate of the state's 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. In the governmental activities column of the government-wide statement of net position, the state reported $56.1 million for these two pension related factors mentioned.

The other three items are related to debt refunding, right-to-use lease activities, and the estimate of the state's OPEB liabilities in which the state reported $11.1 million, $6.0 million, and $411.5 million, respectively, in its governmental activities column of the government-wide statement of net position. In addition, the state has one item which arises only under modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds reported unavailable revenues from various taxes ($173.5 million), federal grants ($420.7 million), and other sources ($5.2 million) as deferred inflows of resources.

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

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

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

Pensions—For purposes of measuring the net pension liability or asset, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the state's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the state's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value. For the year ended June 30, 2023, the state reported $847 million of net pension liability, $16.5 million of net pension asset, $1 billion of deferred outflows of resources, $56.1 million of deferred inflows of resources, and $287.2 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 $3.3 billion restricted by the primary government, $452 million was by enabling legislation.

- **Unrestricted Net Position -** consists of net position that does not meet the definition of “restricted net position” or “net investment in capital assets.”

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

- **Nonspendable Fund Balance** - represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

- **Restricted Fund Balance** - represents amounts where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

- **Committed Fund Balance** - represents amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority. The General Assembly is the highest level of decision-making authority for the state that can, by adoption of legislation prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the legislation remains in place until the same action is taken (i.e., adoption of other legislation) to remove or revise the limitation.

- **Assigned Fund Balance** - represents amounts that are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. Generally, the assignment is expressed by the General Assembly in the annual General Appropriations Act.

- **Unassigned Fund Balance** - represents the residual amount for the general fund not included in the four categories described above. Also, any deficit fund balances within the other governmental fund types are reported as unassigned.

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

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

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

NOTE 2

Reconciliation of Government-wide and Fund Financial Statements

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

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

The details of this $2.4 billion difference are as follows (expressed in thousands):

Bonds payable	$ (1,233,912)
Plus: premium on bonds issued (to be amortized as interest expense)	(126,011)
Net deferred outflows/inflows of resources for bond refundings (to be amortized as interest expense)	(4,486)
Commercial paper payable	(66,018)
Accrued interest payable	(15,780)
Financed purchase	(3,831)
Right-to-use leases and subscriptions	(51,403)
Claims and judgments	(25,767)
Compensated absences	(368,171)
Pollution remediation	(46,880)
Other long-term liabilities and accounts payable	(452,969)
Net adjustment to reduce fund balance—total governmental funds to arrive at net position—governmental activities	$ (2,395,228)

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 $1 billion difference are as follows (expressed in thousands):

Capital outlay	$ 1,433,919
Depreciation and amortization expense	(399,951)
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	$ 1,033,968

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 $129.1 million difference are as follows (expressed in thousands):

Debt issued or incurred:		
Issuance of commercial paper	$	(35,201)
Right-to-use leases and subscriptions obligation committed		(55,479)
Debt reduced:		
General obligation debt		145,714
Commercial paper redeemed		51,625
Right-to-use leases and subscriptions obligation fulfilled		22,501
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	$	129,160

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 $551.6 million difference are as follows (expressed in thousands):

Pension	$	300,932
Compensated absences		(40,905)
Claims and judgments		16
Accrued interest		1,545
Financed purchase		(138)
Other postemployment benefits		335,425
Pollution remediation		(749)
Loss on disposal of capital assets		(60,952)
Amortization of bond premiums		14,208
Amortization of deferred outflows/inflows of resources		(220)
Other costs		2,459
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	$	551,621

NOTE 3

Accounting Changes

Adoption of New Accounting Standards

During the fiscal year ended, June 30, 2023, the state implemented the following new accounting standards issued by the Governmental Accounting Standards Board (GASB).

- Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations. The implementation of this standard did not have an impact on the financial statements and note disclosures.

- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, establishes accounting and financial reporting for PPPs and APAs. A PPP is an arrangement in which a government contracts with an operator to provide public services by conveying control of a nonfinancial asset for a period of time. An APA is an arrangement in which a government compensates an operator for activities that may include designing, constructing, financing, maintaining, or operating a nonfinancial asset for a period of time. The implementation of this standard did not have an impact on the financial statements or note disclosures.

- Statement No. 96, *Subscription-Based Information Technology Arrangements*, provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITA) for government end users. This statement defines a SBITA as a contract that conveys control of the right to use another party's information technology software, alone or in combination with tangible capital assets, for a period of time in an exchange or exchange-like transaction. Under this statement, a government end user generally recognizes a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability. The implementation of this standard did have an impact on the financial statements and note disclosures. See below, *Prior Period Adjustments*, for further explanations of the effects of this change on the financial statements.

- Statement No. 99, *Omnibus 2022*, provides clarification on several previously issued standards including Leases, PPPs, and SBITAs.

Prior Period Adjustments and Reclassifications

Primary Government

- Governmental activities–$7.637 million, net increase in net position, is the effect of a change in accounting principle related to the implementation of GASBS 96, *Subscription-Based Information Technology Arrangements*. The net increase was a result of the recognition of a $5.687 million SBITA asset in the general fund (governmental fund), $1.521 million SBITA asset in the highway fund (governmental fund), $355 thousand SBITA asset in the strategic technology solutions fund (internal service fund), and a $74 thousand SBITA asset in the central procurement office fund (internal service fund).

- The Captive Insurance Company, an agency of the state previously reported as part of the general fund, began to be reported with risk management, an internal service fund. As a result, $17 million of beginning fund balance was reclassified from the general fund to the risk management fund.

Component Units

- The State University and Community College System (SUCCS) and its foundations recorded a prior-period adjustment for a net decrease to net position of $4.959 million for various audit adjustments (expressed in thousands):

	6/30/22 Net Position as Reported	Adjustments to Net Position	6/30/22 Net Position as Restated
Government-wide statements:			
Primary government			
Governmental activities	$ 50,319,847	$ 7,637	$ 50,327,484
Total primary government	$ 50,319,847	$ 7,637	$ 50,327,484
Fund level statements:			
General	$ 12,203,070	$ (17,000)	$ 12,186,070
Risk management	74,457	17,000	91,457
Strategic Technology Solutions	65,735	355	66,090
Central Procurement Office	437	74	511
	$ 12,343,699	$ 429	$ 12,344,128
Component units			
SUCCS	$ 5,399,234	$ (4,959)	$ 5,394,275
Total component units	$ 5,399,234	$ (4,959)	$ 5,394,275

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.

As of June 30, 2023, 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	$ 5,460,346	$ 572,090		$ 21		$ 895	
AA		308,418		62		2,567	
A		1,089,984		160	$ 14,553	$ 6,684	
BBB		2,587,331		300	105,914	12,499	
BB		410,680			917		
B		150,557					
CCC		51,901					
CC		3,401					
D		320					
NR	3,851,248	3,786,327	$ 45,459	536	63,230	22,371	
A1 (Commercial paper)	1,501,320						
	10,812,914	8,961,009	45,459	1,079	184,614	45,016	
Government agencies and obligations[1]	22,176,339	4,699,486	63,374	1,643	44,560	68,579	
Total debt investments	32,989,253	13,660,495	108,833	2,722	229,174	113,595	
Non Fixed Income Assets							
Equity		26,148,738					
Investment in mutual funds		2,687,041		927,082		300,126	291,069
Self-Directed Brokerage Accounts							
Preferred stock		122,455					
Real estate		7,175,972					
Private equities		8,747,136					
Strategic lending		6,396,294					
Derivatives (not rated)		777					
Certificate of deposit classified as short term	204,400						
Short-term investment fund at custodian		(6,403)					
Less: short term	(14,174,784)	(719,290)					
Total investments	$ 19,018,869	$ 64,213,215	$ 108,833	$ 929,804	$ 229,174	$ 413,721	$ 291,069
Net noninvestment assets		968,626					
Pool's net position²		$ 65,181,841					

1. Includes obligations of the US government or obligations explicitly guaranteed by the US government
2. This amount is the net position of TRGT whose audited financial reports can be obtained at www.treasury.tn.gov or calling (615) 741-2956.

(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							$ 6,033,352
AA							311,047
A							1,111,381
BBB							2,706,044
BB							411,597
B							150,557
CCC							51,901
CC							3,401
D							320
NR							7,769,171
A1 (Commercial paper)							1,501,320
							20,050,091
Government agencies and obligations[1]							27,053,981
Total debt investments							47,104,072
Non Fixed Income Assets							
Equity							26,148,738
Investment in mutual funds	$ 28,924	$ 819,514	$ 9,659,105	$ 690,924	$ 839,277		16,243,062
Self-Directed Brokerage Accounts			7,940	2,440			10,380
Preferred stock							122,455
Real estate							7,175,972
Private equities						$ 3,271	8,750,407
Strategic lending							6,396,294
Derivatives (not rated)							777
Certificate of deposit classified as short term							204,400
Short-term investment fund at custodian							(6,403)
Less: short term							(14,894,074)
Total investments	$ 28,924	$ 819,514	$ 9,667,045	$ 693,364	$ 839,277	$ 3,271	$ 97,256,080

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, 2023, are included in the previous schedule. Securities are rated using Standard and Poor's and/or Moody's and are presented above using the Standard and Poor's rating scale. State statutes provide a process for financial institutions desiring to act as state depositories to be approved by the State Treasurer. Statutes also provide for the Commissioner of Financial Institutions to advise, on a timely basis, the Treasurer and the Commissioner of Finance and Administration of the condition of each state bank and state chartered savings and loan association, including his recommendations regarding its condition and safety as a state depository. Similar provisions apply to federally chartered banks and savings and loan associations designated as state depositories. This process ensures that institutions whose financial status is uncertain are monitored for collateral sufficiency. All certificates of deposit are required by policy to be placed directly with state depositories. For repurchase or reverse repurchase agreements, a counterparty or its parent, shall have an investment grade credit rating, be a primary dealer as defined by the Federal Reserve Bank 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, 2023, 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):

State Pooled Investment Fund (SPIF)		
Issuer Organization	Carry Value	Percentage
Federal Home Loan Bank	$ 7,762,902	23.53

K-12 Mental Health Fund (K-12)		
Issuer Organization	Carry Value	Percentage
Federal National Mortgage Association	$ 31,666	13.82
Federal Home Loan Mortgage Corp	25,676	11.20

State Funds Investment Portfolios		
Issuer Organization	Fair Value	Percentage
Federal National Mortgage Association	$ 20,443	18.78
Federal Farm Credit Banks	25,016	22.99

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, 2023, 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, 2023, the combined SPIF portfolio and other state cash deposits and investments had the following weighted average maturities (expressed in thousands):

State Pooled Investment Fund Weighted Average Maturity		
Deposit/Investment Type	Carry Value	Weighted Average Maturity (Months)
U.S. Government Agencies	$ 9,311,594	1.34
U.S. Government Treasuries	22,176,339	1.71
Commercial paper	1,501,320	1.38

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

Tennessee Retiree Group Trust **Debt Investments** **June 30, 2023 (expressed in thousands)**		
Investment Type	Fair Value	Effective Duration (Years)
Debt Investments:		
Government Fixed Income		
Government Agencies	$ 88,696	7.53
Government Bonds	3,631,247	14.52
Government Inflation Indexed	5,748	0.54
Government Mortgage-Backed	3,714,522	5.12
Government Asset-Backed	71,086	5.44
Municipal Bonds	23,259	8.68
Corporate Fixed Income		
Commercial Mortgage Backed	262,984	2.33
Asset Backed Securities	930,575	0.66
Corporate Bonds	4,206,685	7.95
Short Term		
Short Term Bills and Notes	725,693	0.00
Total Debt Investments	$ 13,660,495	

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

Chairs of Excellence **Debt Investments** **June 30, 2023 (expressed in thousands)**		
Investment Type	Fair Value	Effective Duration (Years)
Debt Investments		
U.S. Government		
U.S. Government Treasuries	$ 34,063	9.24
U.S. TIPS	31,658	6.70
U.S. Agencies	864	5.87
Government Mortgage-Backed	21,723	5.46
Government Asset-Backed	1,663	5.98
Municipal Bonds	488	0.24
Corporate Fixed Income		
Corporate Mortgage-Backed	918	1.10
Corporate Bonds	20,203	3.96
Corporate Asset-Backed	2,015	0.15
Total Debt Investments	$ 113,595	

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

Education Fund
Debt Investments
June 30, 2023 (expressed in thousands)

Investment Type	Fair Value	Effective Duration (Years)
Debt Investments		
U.S. Government		
U.S. Government Treasuries	$ 816	9.24
U.S. TIPS	759	6.70
U.S. Agencies	21	5.87
Government Mortgage-Backed	520	5.46
Government Asset-Backed	40	5.98
Municipal Bonds	12	0.24
Corporate Fixed Income		
Corporate Mortgage-Backed	22	1.10
Corporate Bonds	484	3.96
Corporate Asset-Backed	48	0.15
Total Debt Investments	$ 2,722	

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

K-12 Mental Health Fund
Debt Investments
June 30, 2023 (expressed in thousands)

Investment Type	Fair Value	Effective Duration (Years)
U.S. Government Treasuries	$ 44,560	14.88
Government Mortgage-Backed	57,341	7.19
Corporate Asset-Backed	76,684	0.41
Corporate Bonds	50,589	10.85

State Funds Investment Portfolio
Debt Investments
June 30, 2023 (expressed in thousands)

Investment Type	Fair Value	Effective Duration (Years)
U.S. Government Treasuries	$ 56,518	9.98
Government Mortgage-Backed	52,315	25.12

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, 2023, was as follows (expressed in thousands):

Currency	Total Fair Value	Equity	Cash
Australian Dollar	$ 372,430	$ 372,407	$ 23
British Pound Sterling	1,383,117	1,379,437	3,680
Canadian Dollar	1,124,075	1,122,986	1,089
Danish Krone	296,184	296,184	0
Euro Currency	3,736,141	3,732,735	3,406
Hong Kong Dollar	158,310	158,310	0
Japanese Yen	1,436,021	1,426,419	9,602
New Israeli Shekel	3,897	3,897	0
New Zealand Dollar	1,543	1,543	0
Norwegian Krone	50,613	50,214	399
Singapore Dollar	105,411	105,406	5
Swedish Krona	228,196	226,451	1,745
Swiss Franc	562,684	562,661	23
Total	$ 9,458,622	$ 9,438,650	$ 19,972

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, 2023, 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, 2023, classified by type, and the changes in fair values of such derivative instruments for the year ended as reported in the financial statements are as follows (expressed in thousands):

	Changes in Fair Value		Fair Value at June 30, 2023		
	Financial Statement Classification	Amount	Financial Statement Classification	Amount	Notional Amount
Future Contracts	Investment Income (loss)	$ (45,384)	Derivative Instruments Receivable	$ 3,952	$ 2,725,643
TBA Mortgage-Backed Securities	Investment Income (loss)	$ 777	Derivative Instruments Payble	$ 777	$ (77,215)
Credit Default Swaps	Investment Income (loss)	$ 20	Derivative Instruments Payable	$ -	(26)

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, 2023, the TRGT had uninsured and uncollateralized cash deposits of $19.9 million in foreign currency held by our master custodian, State Street, in State Street's name. These deposits were used for investments pending settlement.

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

Securities received as collateral hereunder shall have a fair value equal to at least one hundred two percent (102%) of the fair value of the loaned domestic security or one hundred five percent (105%) of any foreign security. Cash received as collateral shall equal at least one hundred percent (100%) of the fair value of the loaned securities and may be invested by or on behalf of the TRGT in any instrument the TRGT may be directly invested.

The TRGT securities lending program is managed by a third party lending agent, Deutsche Bank AG. The TRGT may loan any debt or equity securities which is owned by TRGT. TRGT's securities lending agent manages the average maturities of securities on loan against the average maturities of securities on collateral invested. The maturity gap has a limit of 33 days. This is monitored by investment staff on a periodic basis to ensure compliance. At June 30, 2023 the TRGT had the following securities on loan and received the cash collateral (expressed in thousands) as shown below:

Securities on Loan	Fair Value of Securities on Loan	Cash Collateral Received
Fixed	$ 934,389	$ 955,139
Equity	2,151,395	2,199,171
Total	$ 3,085,784	$ 3,154,310

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

B. Component Units

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

1. University of Tennessee
The University is authorized by statute to invest funds in accordance with the University's investment policies. Funds, other than endowment, annuity, and life income funds, can be invested in equity securities and various other securities given prudent diversification.

Credit Risk
The University has no investment policy limiting its investment choice based on ratings issued by nationally recognized statistical rating agencies. The University's securities are rated by Moody's. As of June 30, 2023, the University's investments were rated as follows (expressed in thousands):

		Credit Quality Rating			
Rated Debt Instruments	Fair Value	US Treasury[1]/ Agency	P-1*	Aaa	Aa2
U.S. Treasuries	$ 173	$ 173			
U.S. Treasuries (in pool)	464,072		$ 32,843	$ 431,229	
U.S. Agencies	16			16	
U.S. Agencies (in pool)	749,166		105,224	$476,302	
Commercial Paper (in pool)	493,950		493,950		
Corporate Bonds	150				
Mutual Funds – Bonds	110,314				$ 44,111
Total	$ 1,817,841	$ 173	$ 632,017	$ 907,547	$ 44,111

(Continued)	Credit Quality Rating				
Rated Debt Instruments	Aa3	A2	Baa1	Baa2	Baa3
U.S. Treasuries					
U.S. Treasuries (in pool)					
U.S. Agencies					
U.S. Agencies (in pool)					
Commercial Paper (in pool)					
Corporate Bonds			$ 24	$ 63	$ 63
Mutual Funds – Bonds	$ 55,730	$ 7,493		1,337	
Total	$ 55,730	$ 7,493	$ 24	$ 1,400	$ 63

(Continued)	Credit Quality Rating		
Rated Debt Instruments	Ba2	B2	Unrated
U.S. Treasuries			
U.S. Treasuries (in pool)			
U.S. Agencies			
U.S. Agencies (in pool)			$167,640
Commercial Paper (in pool)			
Corporate Bonds			
Mutual Funds – Bonds	$ 709	$ 934	
Total	$ 709	$ 934	$ 167,640

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

Interest Rate Risk
The University does not have a formal policy that addresses interest rate risk. As of June 30, 2023, the University had the following debt investments and maturities (expressed in thousands):

		Investment Maturities (in years)			
Investment Type	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10
U.S. Treasuries	$ 173				$ 173
U.S. Treasuries (in pool)	464,072	$ 76,835	$ 366,859	$ 20,378	
U.S. Agencies	16				16
U.S. Agencies (in pool)	749,166	247,404	381,849	102,557	17,356
Commercial Paper (in pool)	493,950	493,950			
Corporate Bonds	150		25		125
Bond Mutual Funds	110,314		56,200	52,644	1,470
	$ 1,817,841	$ 818,189	$ 804,933	$ 175,579	$ 19,140

University foundations' investments in the amount of $414.187 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 $2.555 million invested in foreign corporate equities at June 30, 2023.

Alternative Investments
In its Consolidated Investment Pool, as part of its endowment assets, the University has investments in one hundred twenty-three limited partnerships, limited companies, corporations, and limited liability corporations. At June 30, 2023, the estimated fair value of these assets is $642.416 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, 2023, debt investments of the System and its foundations (that utilize governmental accounting standards) were rated by Standard and Poor's as follows (expressed in thousands):

			Credit Quality Rating					
Rated Debt Instruments	Fair Value	US Treasury[1] / Agency	AAA	AA	A	BBB	BB	Not Rated
U.S. Treasuries	$ 149,789	$ 149,789						
U.S. Agencies	157,529	20		$157,509				
Corporate Bonds	16,140		$ 578	338	$ 7,317	$7,868	$ 39	
Mutual Funds—Bonds	65,512		6,810	588	1,066	1,528	9,288	46,232
Total Debt Instruments	$ 388,970	$ 149,809	$7,388	$158,435	$ 8,383	$9,396	$9,327	$ 46,232

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, 2023, debt investments and maturities of the system and its foundations (that utilize governmental accounting standards) follow (expressed in thousands):

		Investment Maturities (in years)				
Investment Type	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10	Undetermined
U.S. Treasuries	$ 149,789	$ 17,089	$ 130,908	$ 1,524		$ 268
U.S. Agencies	157,529	53,604	97,008	2,144	$ 4,725	48
Corporate Bonds	16,140	354	8,943	5,741	898	204
Mutual Funds—Bonds	65,512	324	8,005	11,219	265	45,699
Total Debt Investments	$ 388,970	$ 71,371	$ 244,864	$ 20,628	$ 5,888	$ 46,219

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 $437.088 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, 2023, were rated by Standard and Poor's and/or Moody's as follows (expressed in thousands):

Rated Debt Instruments	Fair Value	US Treasury[1] / Agency	Credit Quality Rating AA+	Not Rated²
U.S. Agency Coupon	$ 140,839		$ 119,215	$ 21,624
U.S. Treasury Coupon	5,530	$ 5,530		
U.S. Agency Discount	186,699		15,991	$ 170,708
Ginnie Mae Mortgage Backed Securities	25,157			25,157
Total Debt Instruments	$ 358,225	$ 5,530	$ 135,206	$ 217,489

In addition to these investments, the agency has $125,358,085 invested in a money market fund. This fund is measured at amortized cost and has a Standard and Poor's rating of AAA.

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

2. Includes securities that are implicitly guaranteed by the U.S. government, and GNMA MBS securities explicitly guaranteed by the U.S. government. Neither type are rated by an NRSRO.

Concentration of Credit Risk

At June 30, 2023, 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	$ 273,712	76.41
Federal National Mortgage Admin	46,291	12.92
Ginnie Mae Mortgage Backed Securities	25,157	7.02

Interest Rate Risk

As of June 30, 2023, the Agency had the following debt investments and effective duration (expressed in thousands):

Investment Type	Fair Value	Effective Duration (Years)
U.S. Agency Coupon	$ 140,839	0.978
U.S. Treasury Coupon	5,530	0.123
U.S. Agency Discount	186,699	0.037
Ginnie Mae Mortgage Backed Securities*	25,157	7.221
Total	$ 358,225	

*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

The fair value of assets held at June 30, 2023, represents the price that would be received were the asset to be sold or the liability transferred in an orderly transaction between market participants. Assets held are categorized for fair value measurement within the fair value hierarchy established by Generally Accepted Accounting Principles (GAAP). The hierarchy is based on the valuation inputs used to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Investments Measured at Fair Value

(expressed in thousands)

Fund	Investment Aggregation	GAAP Hierarchy Level 1	GAAP Hierarchy Level 2	GAAP Hierarchy Level 3	NAV	Total Investments
Tennessee Retiree	US Government Agencies		$ 87,440	$1,256		$ 88,696
Group Trust	US Government Treasuries	$ 3,601,719	29,528			3,631,247
	US Government Inflation Indexed	5,748				5,748
	Government Mortgage Backed		3,665,989	$ 48,533		3,714,522
	Government Asset Backed		71,086			71,086
	Municipal Bonds		17,371	5,888		23,259
	Commercial Mortgage Backed		13,191	249,793		262,984
	Corporate Asset Backed Securities		73,069	857,506		930,575
	Corporate Bonds		4,127,657	79,028		4,206,685
	Corporate Equities	28,794,463		41,316		28,835,779
	Preferred Stocks	64,931	$14,168	43,356		122,455
	Limited Partnership Units			1,432,692	$ 13,710,738	15,143,430
	Real Estate			3,750,537	3,425,435	7,175,972
	Derivative Instruments		777			777
Education Fund	Mutual Funds	927,082				927,082
	Corporate Asset Backed		16	32		48
	Corporate Bonds		484			484
	Corporate Mortgage Backed			22		22
	Government Asset Backed		40			40
	Government Mortgage Backed		520			520
	Municipal Bonds		12			12
	US Government Agencies		21			21
	US Government Inflation Indexed	759				759
	US Government Treasuries	816				816
Chairs of Excellence	Exchange Traded Equity Funds	300,126				300,126
	Corporate Asset Backed		684	1,331		2,015
	Corporate Bonds		20,203			20,203
	Corporate Mortgage Backed			918		918
	Government Asset Backed		1,663			1,663
	Government Mortgage Backed		21,723			21,723
	Municipal Bonds		488			488
	US Government Agencies		864			864
	US Government Inflation Indexed	31,658				31,658
	US Government Treasuries	34,063				34,063
Employee Group OPEB Trust	Mutual Funds	819,514				819,514
College Savings Plans	Mutual Funds	291,069				291,069
Other private purpose trust fund	Mutual Funds	28,924				28,924
Defined Contribution Pension Plan Fund	Mutual Funds	9,667,045				9,667,045
Deferred Compensation Plan Fund	Mutual Funds	693,364				693,364
Higher Education 403(b) Plan Fund	Mutual Funds	839,277				839,277
State Fund Investment	US Government Treasuries	56,518				56,518
Portfolios	Government Mortgage Backed		52,315			52,315
K-12 Mental Health	US Government Treasuries	44,560				44,560
Fund	Government Mortgage Backed		57,341			57,341
	Corporate Bonds		50,589			50,589
	Corporate Asset Backed			76,684		76,684
External Retirement Investment Fund	Limited Partnership Units				3,271	3,271
Total Investments		$ 46,201,636	$ 8,307,239	$ 6,588,892	$ 17,139,444	$ 78,237,211

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

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

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

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

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

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

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

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

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

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

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

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

Investments measured at NAV	Strategy	Number of Funds	NAV	Remaining Life	Redemption Terms	Redemption Restrictions
Limited Partnership	Traditional private equity and strategic lending	167	$13,710,738	Various	N/A	Various transfer and sale restrictions
Real Estate Limited Partnerships	Real Estate Commingled Investments	44	3,425,435	N/A	N/A	Various transfer and sale restrictions
Limited Partnerships	Traditional Private Equity	5	3,271	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, 2023 (expressed in thousands):

		Fair Value Measurements Using		
Investments and other assets by fair value level	6/30/2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities				
U.S. Treasuries	$ 476,222	$ 12,150	$ 464,072	
U.S. Agencies	749,182		749,182	
Corporate bonds	150		150	
Corporate commercial paper	493,950			$ 493,950
Total debt securities	1,719,504	12,150	1,213,404	493,950
Corporate stock				
Domestic	34,248	34,118	84	46
International	2,555	2,555		
Total equity securities	36,803	36,673	84	46
Pooled investment vehicles (ETFs; Open-end funds with published and non-published values)				
Equity	310,110	310,110		
Bonds	54,584	54,119	465	
Real Estate	9,416	9,416		
Total pooled investment vehicles	374,110	373,645	465	
Real estate gifts	1,235			1,235
Assets held by others	5,937			5,937
Other assets	26,680		26,680	
Private capital investments				
Private equities	253,599			253,599
Private credit/debit	31,405			31,405
Private real assets	161,536			161,536
Private, other	4,237			4,237
Total private capital investments	450,777			450,777
Hedge funds				
Long/short equity	24,035			24,035
Credit	6,575			6,575
Diversified	30,456			30,456
Total hedge funds	61,066			61,066
Investments measured at the Net Asset Value (NAV)				
Pooled investment vehicles (other open-end funds)	424,887			
Limited partnerships	93,933			
Hedge funds, long/short equity	69,564			
Hedge funds, credit	12,438			
Hedge funds, diversified	48,571			
Total investments measured at NAV	649,393			
Total investments and cash equivalents	$ 3,325,505			

Debt securities−The fair value of the majority of the debt securities category at June 30, 2023, was determined based on Level 1, Level 2 and Level 3 inputs. The fair value of U.S. Treasury and Agency securities, as well as corporate bonds was based on Level 1 and Level 2 inputs. Commercial paper holdings were valued using Level 3 inputs. The university utilizes third-party pricing services and guidance provided by custodians and trading counterparties for fair value estimates of these investments. In addition, it takes into account the nature of the securities, trading activity, and availability of comparable securities in the marketplace.

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

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

Real estate gifts-Level 3 inputs were utilized for the fair value calculations of this investment category. It contains direct real estate holdings of $1.235 million, the valuation of which is determined by periodic appraisals.

Assets held by others-This category consists of separately invested portfolios of $5.937 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, 2023, 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 $258.379 million of unfunded commitments at June 30, 2023.

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	$ 424,887		daily, quarterly	2 days- 45 days
Hedge funds, long/short equity	69,564		quarterly, annually	5 days- 90 days
Hedge funds, credit	12,438		annually	90 days
Hedge funds, diversified	48,571		quarterly, semi-annually	60 days- 90 days
Limited partnerships	93,933	$ 12,670	none, monthly, quarterly	30 days- 90 days

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, 2023 (expressed in thousands):

		Fair Value Measurements Using		
Investments by fair value level	6/30/2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities				
U.S. Treasuries	$ 149,789	$ 148,113	$ 1,676	
U.S. Agencies	157,529	61,003	96,526	
Corporate bonds	16,140	11,645	4,495	
Mutual bond funds	11,426	11,144	282	
Other	5,417	1,260	4,157	
Total debt securities	340,301	233,165	107,136	
Equity securities				
Corporate stock	34,585	34,585		
Mutual equity funds	65,579	65,573	6	
Real estate	4,600			$ 4,600
Equity REITs	2,205	2,205		
Private Equities	5,333	5,333		
Other	12,663	12,663		
Total equity securities	124,965	120,359	6	4,600
Investments measured at the Net Asset Value (NAV)				
Mutual bond funds	54,087			
Mutual equity funds	145,068			
Equity REITs	66			
Private equities	8,385			
Hedge funds	14,970			
Natural resources	2,433			
Other	10,870			
Total investments measured at NAV	235,879			
FASB foundations' investments at fair value	384,144	295,341	37,050	51,753
FASB foundations' investments at NAV	52,944			
Total FASB foundations' investments	437,088			
Total investments and cash equivalents	$ 1,138,233			

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	$ 54,087		Daily, monthly	5 business days
Mutual equity funds	145,068		Daily, monthly	5 business days
Equity REITs	66		not applicable	not applicable
Private equities	8,385	$ 6,911	not applicable	not applicable
Hedge funds	14,970		Various	Various
Natural resources	2,433	453	not applicable	not applicable
Other	10,870	5,788	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, 2023 (expressed in thousands):

		Fair Value Measurements Using	
Investments by fair value level	6/30/2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Debt securities			
U.S. Agency Coupon	$ 140,839		$ 140,839
U.S. Treasury Coupon	5,530	$ 5,530	
U.S. Agency Discount	186,699		186,699
Ginnie Mae Mortgage Backed Securities	25,157		25,157
Total debt securities	$ 358,225	$ 5,530	$ 352,695

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

NOTE 6

Receivables

Receivables at June 30, 2023, for the state's individual major funds and nonmajor and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, consist of the following (expressed in thousands):

Primary Government

	Accounts including Due From Other Governments	Taxes and Certain Other Licenses, Fees, and Permits	Other	Total Receivables	Allowance for Uncollectibles	Net Total Receivables
Governmental activities:						
General	$ 1,519,372	$ 1,392,921		$ 2,912,293	$ (123,939)	$ 2,788,354
Education	503,509	835,463	$ 785	1,339,757	(43,010)	1,296,747
Highway	175,547	103,891	3,039	282,477	(186)	282,291
Capital projects	8,383			8,383		8,383
State shared taxes		169,645		169,645	(4,277)	165,368
Nonmajor governmental funds	333,153	34,010	4,496	371,659	(517)	371,142
Internal service funds	17,846			17,846	(597)	17,249
Total-governmental activities	$ 2,557,810	$ 2,535,930	$ 8,320	$ 5,102,060	$ (172,526)	$ 4,929,534
Amounts not expected to be collected within one year	$ 5,452	$ 155,720				$ 161,172
Business-type activities:						
Employment security	$ 348,729	$ 59,224	$ 4,034	$ 411,987	$ (300,443)	$ 111,544
Nonmajor enterprise funds	2,230			2,230	(451)	1,779
Total-business-type activities	$ 350,959	$ 59,224	$ 4,034	$ 414,217	$ (300,894)	$ 113,323

NOTE 7

Capital Assets

A. Primary Government

Capital asset activity for the year ended June 30, 2023, was as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 2,782,597	$ 139,995	$ (450)	$ 2,922,142
Infrastructure	27,086,768	458,932	(50,007)	27,495,693
Construction in progress	876,181	904,154	(494,032)	1,286,303
Software in development	115,127	286,528	(258,641)	143,014
Capital assets, being depreciated or amortized:				
Structures and improvements	3,335,170	49,344	(6,426)	3,378,088
Machinery and equipment	2,341,207	358,063	(73,447)	2,625,823
Right to use leases and subscriptions:				
Land	3,097			3,097
Structures and improvements	309,378	43,273	(7,978)	344,673
Machinery and equipment	12,917	13,445	(1,886)	24,476
Subscription-based IT arrangements	34,643	30,585		65,228
Total capital assets	36,897,085	2,284,319	(892,867)	38,288,537
Less accumulated depreciation or amortization for:				
Structures and improvements	(1,478,487)	(73,201)	3,868	(1,547,820)
Machinery and equipment	(1,433,188)	(349,750)	59,730	(1,723,208)
Right to use leases	(39,104)	(47,562)	7,576	(79,090)
Subscription-based IT arrangements		(18,949)		(18,949)
Total accumulated depreciation or amortization	(2,950,779)	(489,462)	71,174	(3,369,067)
Governmental activities capital assets, net	$ 33,946,306	$ 1,794,857	$ (821,693)	$ 34,919,470

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

Governmental activities:	
General government	$ 17,854
Education	1,786
Health and social services	275,209
Law, justice and public safety	55,665
Recreation and resource development	13,288
Regulation of business and professions	1,974
Transportation	34,175
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	89,511
Total depreciation or amortization expense – governmental activities	$ 489,462

Highway Construction Commitments— At June 30, 2023, the Department of Transportation had contractual commitments of approximately $1.3 billion for construction of various highway projects. Funding of these future expenditures is expected to be provided from federal grants ($1.1 billion) and general obligation bond proceeds ($183.5 million).

B. Discretely Presented Component Units

Capital asset activity for the year ended June 30, 2023, for the discretely presented component units was as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Component Units:				
Capital assets, not being depreciated:				
Art and collections	$ 12,573	$ 14	$ (542)	$ 12,045
Land	273,051	4,087	(1,736)	275,402
Construction in progress	562,989	409,555	(375,652)	596,892
Capital assets, being depreciated:				
Infrastructure	947,661	49,957	(4,372)	993,246
Structures and improvements	8,029,239	374,448	(16,428)	8,387,259
Machinery and equipment	1,324,438	133,389	(58,858)	1,398,969
Right to use assets:				
Land	265	12	(1)	276
Infrastructure	1,938	1,416	(1)	3,353
Structures and improvements	62,615	34,855	(606)	96,864
Machinery and equipment	5,119	2,945	(220)	7,844
Other	1,633		(252)	1,381
Subscription-based IT arrangements	32,836	87,931		120,767
Total capital assets	11,254,357	1,098,609	(458,668)	11,894,298
Less accumulated depreciation or amortization for:				
Infrastructure	(485,687)	(42,264)	1,939	(526,012)
Structures and improvements	(2,971,343)	(182,132)	14,296	(3,139,179)
Machinery and equipment	(902,059)	(88,185)	56,488	(933,756)
Right to use assets	(9,620)	(16,052)	375	(25,297)
Subscription-based IT arrangements		(24,228)		(24,228)
Total accumulated depreciation or amortization	(4,368,709)	(352,861)	73,098	(4,648,472)
Component Units capital assets, net	$ 6,885,648	$ 745,748	$ (385,570)	$ 7,245,826

The University of Tennessee foundations and certain State University and Community College System foundations utilize FASB standards; therefore, only the June 30, 2023, balances are available as follows (expressed in thousands):

	Ending Balance
Capital assets, not being depreciated:	
Art and collections	$ 875
Land	11,949
Total capital assets, not being depreciated	12,824
Capital assets, being depreciated:	
Infrastructure	3,320
Structures and improvements	156,683
Machinery and equipment	23,719
Right to use asset	7,552
Total capital assets being depreciated	191,274
Less: total accumulated depreciation	(114,485)
Total capital assets, being depreciated, net	76,789
Total capital assets, net	$ 89,613

NOTE 8

Interfund Balances, Payables and Receivables

A. Interfund Balances

Interfund balances at June 30, 2023, 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	Total
	General		$ 19	$ 1,175	$ 212	$ 213	$ 267	$ 23	$ 4	$ 1,913
	Education	$76,743								76,743
D	Highway								1	1
U	Capital projects	309		358					225	892
E	Nonmajor governmental funds					15				15
T	Employment security	93								93
O	Internal service funds	1,625								1,625
	Custodial funds	3								3
	Total	$78,773	$ 19	$ 1,533	$ 212	$ 228	$ 267	$ 23	$ 230	$ 81,285

B. Component Units Payables

Component units' accounts payable to the primary government at June 30, 2023, consisted of the following (expressed in thousands):

Payable From Component Units

PAYABLE TO	Tennessee Education Lottery	State University and Community College System	University of Tennessee	Nonmajor Component Units	Total
PRIMARY GOVERNMENT:					
General		$ 132	$ 22	$ 9	$ 163
Education	$ 131,794	51			131,845
Capital Projects		17,300	36	20,271	37,607
Nonmajor governmental funds		15	1,741		1,756
Internal service funds		35	15	23	73
Total	$ 131,794	$ 17,533	$ 1,814	$ 20,303	$ 171,444

C. Component Units Receivables

Component units' accounts receivable from the primary government at June 30, 2023 consisted of the following (expressed in thousands):

	Receivable From PRIMARY GOVERNMENT						
Receivable to COMPONENT UNITS:	General	Education	Highway	Capital Projects	Nonmajor Governmental Funds	Internal Service Funds	Total
Tennessee Housing Development Agency	$ 17						$ 17
State University and Community College System	10,385	$ 9,485	$ 1,202	$ 163	$ 2,136	$ 93	23,464
University of Tennessee	12,047	4,522	1,224	14,698	2,375	285	35,151
Nonmajor component units	1,606						1,606
Total	$ 24,055	$ 14,007	$ 2,426	$ 14,861	$ 4,511	$ 378	$ 60,238

NOTE 9

Interfund Transfers

Transfers between the various primary government funds for fiscal year ended June 30, 2023, are as follows (expressed in thousands):

	Transfers In									
Transfers Out	General	Education	Highway	Capital Projects	Nonmajor Governmental Funds	Sewer Treatment	Nonmajor Enterprise Funds	Internal Service Funds	Private Purpose Trust Funds	Total
General		$421,199	$867,040	$3,087,096	$ 80,916	$ 6,891	$ 4,788	$71,303	$ 91	$4,539,324
Education				60,133						60,133
Highway	$ 2,807									2,807
Capital Projects	580									580
Nonmajor Governmental Funds	99,177		83,500	269				372		183,318
Nonmajor Enterprise Funds		1,290								1,290
Internal Service Funds								114		114
Total	$102,564	$422,489	$950,540	$3,147,498	$ 80,916	$ 6,891	$ 4,788	$71,789	$ 91	$4,787,566

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, 2023, the general fund transferred $4.5 billion to other funds in accordance with statute or budgetary authorizations for the following purposes: $3.1 billion for capital outlay expenditures, $836 million for highway expenditures, $411 million to subsidize the activities of the education fund, $64.3 million for OPEB expenditures in various funds, $43.5 million to provide appropriations to internal service funds, $33.6 million to subsidize superfund remediation activities, $3.4 million for debt service payments, and, $45 million to provide appropriations to finance various programs in other funds.

The highway fund received a transfer from the debt service fund for $83.5 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, 2023, 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
2024	$ 41,763	$ 7,198
2025	36,605	6,263
2026	30,357	5,410
2027	25,679	4,717
2028	22,937	4,102
2029-2033	85,902	12,712
2034-2038	45,167	4,120
2039-2043	8,192	369
2044-2048	357	186
2049-2053	418	139
Thereafter	822	78
Total	$ 298,199	$ 45,294

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, 2023, the state had $349 thousand in current lease receivables and $5.5 million in noncurrent lease receivables and recognized total lease-related revenue of $291 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, 2023, the state paid $7.51 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
2024	$ 12,312	$ 1,031
2025	11,807	641
2026	6,546	335
2027	6,465	119
2028	1,183	25
2029-2033	426	12
Total	$ 38,739	$ 2,163

NOTE 11

Long-Term Liabilities

A. General Obligation Bonds

Bonds Payable at June 30, 2023, are shown below (expressed in thousands):

Governmental activities:		Amount
General obligation bonds, 1.8% to 5%, due in generally decreasing amounts of principal and interest from $86.1 million in 2024 to $5 million in 2042	$	618,115
General obligation refunding bonds, 2011 Series C, 3.53%, principal and interest due in the amount of $1.2 million in 2024		1,155
General obligation refunding bonds, 2015 Series B, 3% to 5%, principal and interest due in amounts from $2.1 million in 2024 to $14.3 million in 2029		54,385
General obligation refunding bonds, 2016 Series B, 5%, principal and interest due in amounts from $22.4 million in 2024 to $9.6 million in 2032		122,105
General obligation refunding bonds, 2016 Series C, 1.85% to 2.67%, principal and interest due in amounts from $8.4 million in 2024 to $2.5 million in 2032		51,280
General obligation refunding bonds, 2018 Series B, 4%, principal and interest due in the amount of $7.1 million in 2024		6,955
General obligation refunding bonds, 2021 Series A, 5%, principal and interest due in amounts from $8 million in 2024 to $6.3 million in 2033		57,045
General obligation refunding bonds, 2021 Series B, 0.39% to 1.98%, principal and interest due in amounts from $67.8 million in 2024 to $13.7 million in 2036		463,655
Total bonds outstanding		1,374,695
Plus unamortized bond premium		142,712
Total bonds payable	$	1,517,407

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

Prior-Year Defeasance of Debt

In current and prior years, the state defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on old bonds. Accordingly, the assets held in non-state administered trust accounts and the liability for the defeased bonds are not included in the state's financial statements. The entirety of these trust account assets are covered under trust agreements where the substitution of essentially risk-free monetary assets with monetary assets that are not essentially risk-free is not strictly prohibited. On June 30, 2023, $249.2 million of bonds outstanding are considered defeased.

B. General Obligation Commercial Paper

Governmental activities commercial paper payable at June 30, 2023, is shown below (expressed in thousands):

		Commercial Paper
General obligation commercial paper, interest rates ranging from 3.45% to 3.65% for tax exempt and 5.1% to 5.37% for taxable, varying maturities	$	72,938

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

The state has entered into a Standby Commercial Paper Purchase Agreement with the Tennessee Consolidated Retirement System under which TCRS is obligated to purchase newly issued commercial paper issued to pay the principal of other commercial paper. The Program expires and the Standby Purchase Agreement terminates on July 1, 2026. At June 30, 2023, $72.9 million of commercial paper was outstanding ($23.1 million tax exempt and $49.8 million federally taxable). This left an unused commercial paper capacity of $277.1 million. Commercial paper payable under this Program qualifies for reporting as a non-current liability because provisions in the Commercial Paper Resolution permit refinancing the paper on a long-term basis.

C. Pledged Revenues

General obligation bonds and commercial paper constitute direct general obligations of the state for the payment of principal and interest on which there is also pledged the full faith and credit of the state; and a charge and lien upon all fees, taxes and other revenues and funds allocated to the state's general fund, debt service fund and highway fund and, if necessary, upon the first fees, taxes, revenues and funds thereafter received and allocated to such funds, unless such fees, taxes, revenues and funds are legally restricted for other purposes. The charge and lien on fees, taxes and other revenues in favor of the bonds is subject to a specific pledge of "Special Taxes" in favor of state general obligation bonds issued prior to July 1, 2013. "Special Taxes" consist of the annual proceeds of a tax of five cents per gallon upon gasoline; the annual proceeds of special tax of one cent per gallon upon petroleum products; one-half of the annual proceeds of motor vehicle registration fees now or hereafter required to be pledged the full faith and credit of the state; and the annual proceeds of the franchise taxes imposed by the franchise tax law of the state. The final maturity of general obligation bonds issued prior to July 1, 2013 is October 1, 2032. Thereafter, or upon the earlier retirement of all general obligation bonds issued prior to July 1, 2013, this pledge of "Special Taxes" will expire. For fiscal year 2023, $1.9 billion or 71 percent of the above revenue streams were pledged for the payment of principal and interest on all general obligation bonds issued prior to July 1, 2013.

D. Other Debt

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

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

E. Debt Service Requirements to Maturity

Debt service requirements to maturity for all general obligation bonds payable at June 30, 2023, are as follows (expressed in thousands):

For the Year(s) Ended June 30	General Obligation Bonds Principal	General Obligation Bonds Interest	Total Requirements
2024	$ 158,325	$ 44,742	$ 203,067
2025	149,636	40,270	189,906
2026	145,730	35,909	181,639
2027	137,300	31,578	168,878
2028	131,435	27,129	158,564
2029-2033	436,865	79,513	516,378
2034-2038	182,874	24,037	206,911
2039-2042	32,530	2,157	34,687
	$ 1,374,695	$ 285,335	$ 1,660,030

Debt service requirements to maturity for commercial paper payable at June 30, 2023, are as follows (expressed in thousands):

For the Year(s) Ended June 30	Commercial Paper Payable Principal	Commercial Paper Payable Interest	Total Requirements
2024	$ 72,938	$ 1,199	$ 74,137

Debt service requirements to maturity for all emergency first responder annuities at June 30, 2023, are as follows (expressed in thousands):

For the Year(s) Ended June 30	Emergency First Responder Annuity Principal	Emergency First Responder Annuity Interest	Total Requirements
2024	$ 1,650	$ -	$ 1,650
2025	1,350	-	1,350
2026	1,200	-	1,200
2027	950	-	950
	$ 5,150	$ -	$ 5,150

Debt service requirements to maturity for all financed purchases at June 30, 2023, are as follows (expressed in thousands):

For the Year(s) Ended June 30	Financed Purchase Principal	Financed Purchase Interest	Total Requirements
2024	$ 1,106	$ 151	$ 1,257
2025	1,181	94	1,275
2026	1,262	33	1,295
2027	283	1	284
	$ 3,832	$ 279	$ 4,111

F. General Obligation Bonds Authorized and Unissued

A summary of general obligation bonds authorized and unissued at June 30, 2023, 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 7/1/2022	Authorized	Canceled	Unissued 6/30/2023
Highway	$ 919,500	$ 83,800	$ 83,500	$ 919,800
Higher Education	34,032	-	266	33,766
General government	590,571	-	3	590,568
Totals	$ 1,544,103	$ 83,800	$ 83,769	$ 1,544,134

G. Changes in Long-Term Liabilities

A summary of changes in long-term obligations for the year ended June 30, 2023 follows (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Bonds and commercial paper governmental funds	$1,602,288	$ 35,201	$ (211,547)	$1,425,942	$ 142,358
Bonds and commercial paper internal service funds	182,705	150	(18,452)	164,403	15,967
Right-to-use leases - governmental funds	18,452	11,485	(6,591)	23,346	4,786
Right-to-use leases - internal service funds	267,977	45,234	(38,358)	274,853	36,977
Right-to-use SBITA - governmental funds	25,842	18,152	(15,939)	28,055	9,292
Right-to-use SBITA - internal service funds	1,164	12,396	(2,876)	10,684	3,020
Financed purchase	4,904		(1,072)	3,832	1,106
Compensated absences	349,798	215,751	(172,009)	393,540	122,792
Emergency responder	2,150	4,750	(1,750)	5,150	1,650
Governmental activities Long-term debt	$2,455,280	$ 343,119	$ (468,594)	$2,329,805	$ 337,948
Other long-term liabilities					
Pension				847,033	-
Other postemployment benefits				1,116,063	34,833
Pollution remediation				46,880	2,583
Unstructured claims and judgements				258,282	157,275
Taxes				453,157	-
Total other long-term liabilities				$2,721,415	$ 194,691
Total governmental activities				$5,051,220	$ 532,639
Total long-term governmental liabilities				$4,518,581	
Business-type activities:					
Deposits payable				$ 7,517	

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

NOTE 12

Payables

Payables as of June 30, 2023, were as follows (expressed in thousands):

	Vendors	Salaries and Benefits	Accrued Interest	Due To Other Governments	Other	Total Payables
Governmental activities:						
General	$1,273,795	$ 116,861		$3,794,322	$ 329,602	$5,514,580
Education	95,292	5,169		712,606	371	813,438
Highway	157,436	10,678		171,540		339,654
Capital projects	487,589			76,000		563,589
State shared taxes				151,685		151,685
Nonmajor governmental funds	17,586	2,804	$ 15,973	43,974	2,203	82,540
Internal service funds	118,620	8,149	880	158	143	127,950
Total—governmental activities	$2,150,318	$ 143,661	$ 16,853	$4,950,285	$ 332,319	$7,593,436
Business-type activities:						
Employment security	$ 621			$ 37,378	$ 1,562	$ 39,561
Sewer treatment loan			$ 156			156
Nonmajor enterprise funds	71,265		123	37		71,425
Total—business-type activities	$ 71,886		$ 279	$ 37,415	$ 1,562	$ 111,142

NOTE 13

Governmental Fund Balances

Balances as of June 30, 2023, were as follows (expressed in thousands):

	Restricted Purposes	Committed Purposes	Assigned Purposes
General Fund			
General operations:			
Legislature			$ 86,012
Constitutional offices	$ 10,529	$ 26,424	84,035
Administrative services		61,350	5,789,740
Children's services	2,889		36,835
Public health	20,468	276,385	1,726,957
Human services	4,009	4,120	82,780
Business and industry development	8,131	599	769,071
Judicial	37,242	25,049	20,304
Natural resources	13,375	59,343	146,170
Public safety	43	25,847	319,735
Agriculture	412	1,778	59,614
Employment and business regulation	10,990	197,105	105,665
Other	98,473	13,702	48,643
Total general fund	$ 206,561	$ 691,702	$ 9,275,561
Education Fund			
After school program	$ 57,824		
Lottery for education	243,136		
Energy efficient school initiative	989		
TN Promise Scholarship Endowment Fund	584,248		
Other	1,152	$ 597,046	$ 322,940
Total education fund	$ 887,349	$ 597,046	$ 322,940
Highway Fund			
State matching	$ 807,965		
Railway, aeronautics, and waterway program		$ 302,751	
State aid		73,408	
Future highway projects			$ 959,207
Railroad inspection		2,948	
Aeronautics Economic Development			28,974
Other			35,392
Total highway fund	$ 807,965	$ 379,107	$ 1,023,573
Capital Projects Fund			
Total capital projects fund	$ 18,866		$ 4,501,441
Nonmajor Governmental Funds			
Debt service			$ 33,340
Chairs of excellence	$ 316,310		
Criminal injuries		$ 6,706	
Wildlife resources	81,230	19,235	
Underground storage tanks	63,634		
Enhanced emergency 911	36,852	6,269	
Environmental protection		63,944	
Solid and hazardous waste	53	39,858	
Parks acquisition		107,938	
Public health		21,578	
Other	118,756	69,517	
Total nonmajor governmental funds	$ 616,835	$ 335,045	$ 33,340

Budget Stabilization Accounts

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

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

The lesser of:

a) At least 10 percent (10%) of the estimated growth in state tax revenues to be allocated to the General Fund and Education Fund.

b) An amount to maintain the account at eight percent (8%) of the estimated tax revenues allocated to the General Fund and Education Fund.

Amounts available in the revenue fluctuation reserve may be used by the Commissioner of Finance and Administration to offset shortfalls in state tax revenues which may occur and for which funds are not otherwise available. Upon determining that it is likely that amounts in the revenue fluctuation reserve will be required to be utilized to meet a shortfall of state tax revenue, the Commissioner shall report this determination immediately to the Chairs of the Finance, Ways, and Means Committees of the Senate and the House of Representatives. Subject to specific provisions of the general appropriations bill, an amount not to exceed the greater of one hundred million dollars ($100,000,000) or one half (1/2) of the amount available in the reserve may be used by the Commissioner to meet expenditure requirements in excess of budgeted appropriation levels. The General Fund's Reserve for Revenue Fluctuations is reported as unassigned fund balance and has a balance of $1.8 billion as of June 30, 2023.

(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, 2023, 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, 2023 (expressed in thousands):

Condensed Statement of Net Position
Component Units

	Tennessee Housing Development Agency	Tennessee Education Lottery	State University and Community College System	University of Tennessee	Nonmajor Component Units	Total Component Units
Assets						
Cash, investments, and other assets	$ 3,494,745	$ 295,027	$ 2,075,478	$ 1,912,589	$ 344,524	$ 8,122,363
Due from primary government	17		23,464	35,151	1,606	60,238
Due from other component units					1,821,538	1,821,538
Restricted assets	150,269	56	1,382,075	2,202,164	314,723	4,049,287
Capital assets, net	5,375	3,677	3,942,148	3,295,702	88,537	7,335,439
Total assets	3,650,406	298,760	7,423,165	7,445,606	2,570,928	21,388,865
Deferred outflows	7,520		307,037	235,623	43,382	593,562
Liabilities						
Accounts payable and other current liabilities	81,713	162,891	290,234	337,413	30,990	903,241
Due to primary government		131,794	17,533	1,814	20,303	171,444
Due to other component units			739,981	1,081,557		1,821,538
Long-term liabilities	3,002,899	4,019	514,183	560,872	2,360,708	6,442,681
Total liabilities	3,084,612	298,704	1,561,931	1,981,656	2,412,001	9,338,904
Deferred inflows	1,884		91,084	139,362	9,496	241,826
Net position						
Net investment in capital assets	5,375	3,677	3,125,993	2,117,805	86,109	5,338,959
Restricted	487,492	56	1,195,446	2,174,181	24,642	3,881,817
Unrestricted	78,563	(3,677)	1,755,748	1,268,225	82,062	3,180,921
Total net position	$ 571,430	$ 56	$ 6,077,187	$ 5,560,211	$ 192,813	$ 12,401,697

Condensed Statement of Activities Component Units	Tennessee Housing Development Agency	Tennessee Education Lottery	State University and Community College System	University of Tennessee	Nonmajor Component Units	Total
Expenses	$ 737,548	$ 1,966,755	$ 3,166,807	$ 2,851,759	$ 277,964	$ 9,000,833
Program Revenues						
Charges for services	166,016	1,961,466	1,035,635	1,064,582	139,973	4,367,672
Operating grants and contributions	582,194	29	1,047,837	1,140,859	11,477	2,782,396
Capital grants and contributions			195,861	91,129	14,892	301,882
Total program revenues	748,210	1,961,495	2,279,333	2,296,570	166,342	7,451,950
Net program revenues (expense)	10,662	(5,260)	(887,474)	(555,189)	(111,622)	(1,548,883)
General Revenues						
Payments from primary government	1,021		1,261,774	950,978	122,085	2,335,858
Unrestricted grants and contributions			87,220	173	9,712	97,105
Unrestricted investment earnings (losses)	804	5,343	142,708	40,020	1,716	190,591
Miscellaneous			1,035	2,898		3,933
Total general revenues	1,825	5,343	1,492,737	994,069	133,513	2,627,487
Contributions to permanent funds			77,649	47,364		125,013
Change in net position	12,487	83	682,912	486,244	21,891	1,203,617
Net Position- July 1, restated	558,943	(27)	5,394,275	5,073,967	170,922	11,198,080
Net Position - June 30	$ 571,430	$ 56	$ 6,077,187	$ 5,560,211	$ 192,813	$ 12,401,697

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 $1.265 billion were made to the State University and Community College System and $910 million to UT.
- Capital project expenditures in the amount of $240.9 million were made for the State University and Community College System and $87.2 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 $54.1 million to reimburse the state for projects that were not a part of the capital appropriations.
- The TELC generated net lottery proceeds of $497.4 million for the state’s Lottery for Education Account.

The most significant transaction among component units is that in which the Tennessee State School Bond Authority, a nonmajor component unit, makes loans to the University of Tennessee and the State University and Community College System to finance certain capital projects. At June 30, 2023 the Authority's loan receivable (expressed in thousands) consisted of:

	Current	Noncurrent
State University and Community College System	$ 42,779	$ 693,413
University of Tennessee	53,371	1,023,970
Total	$ 96,150	$ 1,717,383

B. Major Component Units – Long-Term Debt

Tennessee Housing Development Agency (THDA)
Bonds Payable at June 30, 2023, is shown below (expressed in thousands):

Housing finance program bonds, and residential finance program bonds, various series, .13% to 5.8%, due in amounts of principal and interest ranging from $151.4 million in 2024 to $257 thousand in 2055	$ 2,760,040
Plus unamortized bond premium	60,017
Less unamortized bond discount	(314)
Total bonds payable	$ 2,819,743

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, 2023, included the following issues:

- September 2022—Residential Finance program bonds of $160 million
- March 2023— Residential Finance program bonds of $140 million

Redemption of Bonds and Notes
During the year ended June 30, 2023, bonds were retired at par before maturity in the Housing Finance Program in the amount of $6,850,000 and in the Residential Finance Program in the amount of $294,120,000. The respective carrying values of the bonds were $7,053,373 and $304,634,551. This resulted in revenue to the Housing Finance Program of $203,373 and to the Residential Finance Program of $10,514,551.

On September 29, 2022 the agency issued $160,000,000 in Residential Finance Program Bonds, Issue 2022-3.

On March 29, 2023 and supplemented on April 18, 2023, the agency issued $140,000,000 in Residential Finance Program Bonds, Issue 2023-1.

Debt Service requirements to maturity for revenue bonds payable at June 30, 2023, are as follows (expressed in thousands):

For the Year(s) Ended June 30	Revenue Bonds Principal	Revenue Bonds Interest	Total Requirements
2024	$ 61,190	$ 90,228	$ 151,418
2025	108,720	90,535	199,255
2026	110,205	87,932	198,137
2027	110,675	85,071	195,746
2028	110,845	82,053	192,898
2029-2033	538,425	360,148	898,573
2034-2038	448,680	282,306	730,986
2039-2043	486,205	201,378	687,583
2044-2048	481,125	113,895	595,020
2049-2053	295,320	30,681	326,001
2054-2055	8,650	356	9,006
	$ 2,760,040	$ 1,424,583	$ 4,184,623

The agency's bond resolutions govern the outstanding bonds payable for all bond programs in the amount of $2,760,040 (expressed in thousands). The bond resolutions contain a provision that in an event of default, the trustee can declare all bonds due and payable and can sell program loans and investment securities for payments to bondholders.

The outstanding bonds payable of $2,760,040 (expressed in thousands) are secured by a pledge of all assets in each of the respective bond resolutions.

The agency has a line of credit in the amount of $75,000,000. The unused portion as of June 30, 2023, is $75,000,000.

C. Nonmajor Component Units – Long-Term Debt

Tennessee Local Development Authority (TLDA)
Bonds Payable at June 30, 2023, is shown below (expressed in thousands):

Revenue bonds, 4.125% to 4.375%, due in generally decreasing amounts of principal and interest from $274 thousand in 2024 to $21 thousand in 2029	$ 800
Plus unamortized bond premium	-
Less unamortized bond discount	(5)
Total bonds payable	$ 795

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, 2023, are as follows (expressed in thousands):

For the Year(s) Ended June 30	Revenue Bonds Principal		Interest		Total Requirements	
2024	$	240	$	34	$	274
2025		245		24		269
2026		260		13		273
2027		15		2		17
2028		20		2		22
2029		20		1		21
	$	800	$	76	$	876

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, 2023, are shown below (expressed in thousands):

Revenue bonds, various Series, 0.217% to 5.1%, due in decreasing amounts of principal and interest from $172.6 million in 2024 to $16.1 million in 2053	$ 2,187,175
Plus unamortized bond premium	137,487
Less unamortized bond discount	(14)
Total bonds payable	$ 2,324,648
Revolving credit facility, interest rates ranging from 1.79% to 5.69%, varying maturities	$ 28,874

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.

Bond sales during the year ended June 30, 2023, included the following issues:

- November 2022—2022 Series A and 2022 Series B bonds of $282.3 million and $25.23 million

On November 15, 2022, the Authority issued the 2022 Series A bonds (“2022A”) and the 2022 Series B Bonds (Federally Taxable) (“2022B”). The 2022A tax-exempt bond proceeds in the amount of $282,330,000 were sold with an original issue premium of $16,692,958. The 2022B taxable bond proceeds in the amount of $25,235,000 were sold at par. The 2022A and 2022B bonds were issued to prepay $152,072,693 of the principal amount of the revolving credit loans outstanding. The balance of the proceeds of the 2022A and 2022B bonds will be used to pay for construction costs of certain projects and various costs of issuance.

Debt Service requirements to maturity for TSSBA’s revenue and direct placement bonds payable at June 30, 2023, are as follows (expressed in thousands):

For the Year(s)	Revenue Bonds		Total
Ended June 30	Principal	Interest	Requirements
2024	$ 97,435	$ 75,174	$ 172,609
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
2029-2033	400,420	197,568	597,988
2034-2038	345,605	143,547	489,152
2039-2043	300,720	86,493	387,213
2044-2048	180,510	38,368	218,878
2049-2053	80,705	9,751	90,456
	$ 2,187,175	$ 806,033	$ 2,993,208

Revolving Credit Facility Program
The Authority issues short-term debt to finance certain capital projects for the State’s higher education institutions. On June 2, 2021, the Authority entered into an Amended and Restated Revolving Credit Agreement (RCA) with Wells Fargo Bank, National Association, and U.S. Bank, National Association. The original RCA dated March 20, 2014, as amended and extended, expired upon the issuance of the new RCA. The RCA permits loans (the Revolving Credit Facility or RCF) to be made from time to time (and prepayments and reborrowings) in an aggregate principal amount outstanding at any time not to exceed $300,000,000. As of June 30, 2023, of the $300,000,000, $19,902,784 of tax-exempt RCF loans and $8,971,323 of taxable RCF loans were outstanding and $271,125,893 was unused.

Events of Default

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

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

If the Authority should default in the payment of the principal, sinking fund installments, or interest the bond resolutions contain a provision that the Trustee may proceed, (1) by suit, action or proceeding at law or in equity in any court of competent jurisdiction, enforce all rights of the Bondowners, including the right to require the Authority to enforce the Agreements and collect the Annual Financing Charges and Legislative Appropriations payable thereunder, or to carry out any other covenant or agreement with Bondowners under the Resolution and to perform its duties under the Act, the Agreements and the Resolution; (2) bring suit upon the Bonds; (3) by action or suit, require the Authority to account as if it were the trustee of an express trust for the Owners of the Bonds; (4) by action or suit, enjoin any acts or things which may be unlawful or in violation of the rights of the Owners of the Bonds; or (5) in accordance with the provisions of the Act, declare all Bonds due and payable, and if all defaults shall be made good, then, with the written consent of the Owners of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds, to annul such declaration and consequences, but no such annulment shall extend to or effect any subsequent default or impair or exhaust any right or power consequent thereon.

D. Component Units – Changes in Long-Term Liabilities

A summary of changes in long-term obligations for the year ended June 30, 2023, follows (expressed in thousands):

Changes in Long-term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Revenue bonds, notes, and loans payable:					
University of Tennessee (UT)	$ 1,070,523	$ 136,622	$ (122,885)	$ 1,084,260	$ 60,290
State University and Community College System (SUCCS)	789,143	95,513	(135,565)	749,091	44,962
Tennessee Housing Development Agency (THDA)	2,832,029	305,754	(318,040)	2,819,743	70,380
Nonmajor component units	2,259,612	354,258	(257,722)	2,356,148	98,261
Long-term debt	$ 6,951,307	$ 892,147	$ (834,212)	$ 7,009,242	$ 273,893
Other long-term liabilities:					
Compensated absences:					
UT	97,972	53,042	(49,291)	101,723	49,292
SUCCS	88,431	44,963	(40,449)	92,945	19,210
THDA	1,916	1,549	(1,297)	2,168	998
Tennessee Education Lottery Corporation (TELC)	700	812	(742)	770	770
Nonmajor component units	1,745	2,460	(2,213)	1,992	1,026
Due to grantors, unearned revenue, annuities payable, prizes annuities payable:					
UT	21,938	6,158	(6,763)	21,333	
SUCCS	7,501	3,822	(1,854)	9,469	
TELC	370	175	(81)	464	
THDA	161,614	5,784	(24,900)	142,498	
Escrow deposits and arbitrage rebate payable:					
THDA	32,848	63,154	(63,673)	32,329	18,239
Lease					
UT	33,941	5,933	(3,756)	36,118	4,352
SUCCS	23,764	28,550	(7,597)	44,717	7,907
TELC	4,109		(1,324)	2,785	1,359
Nonmajor component units	202	488	(146)	544	151
Subscription-based IT arrangements					
UT	14,023	19,193	(9,449)	23,767	8,123
SUCCS	9,006	49,282	(17,170)	41,118	16,275
Pension:					
UT				143,757	
SUCCS				193,967	
THDA				5,041	
Nonmajor component units				1,563	
Other postemployment benefits:					
UT				115,593	
SUCCS				119,068	
THDA				1,119	
Nonmajor component units				461	
Component units long-term liabilities	$ 7,451,387	$ 1,177,512	$ (1,064,917)	$ 8,144,551	$ 401,595

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 $111.7 million ($4.744 million due within one year).

E. Endowments – Component Units

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

The University of Tennessee chooses to spend only a portion of the investment income (including changes in the value of investments) each year. Under the spending plan established by the University, 4.5 percent of a seven-year moving average of the fair value of endowment investments has been authorized for expenditure. In fiscal year 2016, the University began transitioning to a seven-year moving average, by adding one year's value to the moving average calculation. This transition was complete in fiscal year 2019. The remaining amount after distributions, if any, is retained to be used in future years when the amount computed using the spending plan exceeds the investment income. At June 30, 2023, net appreciation of $188.838 million is available to be spent, of which $181.653 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, 2023, net appreciation of $20.958 million is available to be spent, of which $20.312 million is restricted to specific purposes.

NOTE 15

Risk Management

A. Teacher Group Insurance

The Teacher Group Insurance Fund, a public entity risk pool, was established in January 1986 to provide a program of health insurance coverage for the teachers and other education system employees of the political subdivisions of the state. In accordance with Tennessee Code Annotated 8-27-302, all local education agencies are eligible to participate. Fund members at June 30, 2023, included 125 local education agencies and one education cooperative, with 57,447 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):

	2023	2022
Unpaid claims at beginning of year	$ 41,795	$ 36,878
Incurred claims:		
Provision for insured events of the current year	735,664	666,374
Increase (decrease) in provision for insured events of prior years	(2,935)	3,345
Total incurred claims expenses	732,729	669,719
Payments:		
Claims attributable to insured events of the current year	692,371	624,683
Claims attributable to insured events of prior years	38,718	40,119
Total payments	731,089	664,802
Total unpaid claims at end of year	$ 43,435	$ 41,795

B. Local Government Group Insurance

The Local Government Group Insurance Fund, a public entity risk pool, was established in July 1991 to provide a program of health insurance coverage for employees of local governments and quasi-governmental organizations that were established for the primary purpose of providing services for or on the behalf of state and local governments. In accordance with Tennessee Code Annotated 8-27-401 and 8-27-702, all local governments and quasi-governmental organizations described above are eligible to participate. Fund members at June 30, 2023, included 73 counties, 212 municipalities and 114 quasi-governmental organizations, with 17,150 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):

	2023	2022
Unpaid claims at beginning of year	$ 13,810	$ 12,966
Incurred claims:		
Provision for insured events of the current year	201,330	193,453
Increase (decrease) in provision for insured events of prior years	(1,925)	(1,000)
Total incurred claims expenses	199,405	192,453
Payments:		
Claims attributable to insured events of the current year	189,813	179,944
Claims attributable to insured events of prior years	11,794	11,665
Total payments	201,607	191,609
Total unpaid claims at end of year	$ 11,608	$ 13,810

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 the first $25 thousand to $75 thousand of losses based on a tiered deductible system that accounts for averaged losses over a three year period and the type of loss. The RMF is responsible for property losses 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 occurrence, except there is only $25 million of coverage in flood zones A and V. The maximum earthquake insurance coverage is $50 million per occurrence, except there is only $25 million of coverage in the

New Madrid Zone. 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. All agencies and authorities of the state participate in the RMF, except for the Dairy Promotion Board and the Certified Cotton Growers' Organization. The Tennessee Education Lottery Corporation participates in the RMF for general liability purposes but is responsible for its own worker's compensation coverage.

The RMF liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are reevaluated annually to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. The present value of the casualty liability as actuarially determined was $92.42 million (discounted at 4.0 percent) at June 30, 2023 and $109.03 million (discounted at 2.5 percent) at June 30, 2022. The accrued liability for incurred property losses was $23.7 million at June 30, 2023 and $16.2 million at June 30, 2022. The changes in the balances of the claims liabilities during fiscal years 2022 and 2023 were as follows (expressed in thousands):

	2022-2023	2021-2022
Beginning of Fiscal Year Liability	$ 169,738	$ 193,502
Current Year Claims and Changes in Estimates	78,712	6,802
Claim Payments	(32,282)	(30,566)
Balance at Fiscal Year-End	$ 216,168	$ 169,738

The RMF held $254 million in cash at June 30, 2023 and $245 million in cash at June 30, 2022 that is designated for payment of these claims.

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

D. Employee Group Insurance

The Employee Group Insurance Fund, an entity other than a pool, was established in 1979 to provide a program of health insurance coverage for the employees of the state with the risk retained by the state; therefore, it is accounted for as an Internal Service Fund. In accordance with Tennessee Code Annotated 8-27-202 and 8-27-204, all state employees and certain former employees with work related injuries are eligible to participate. Fund members at June 30, 2023, included 61,592 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):

	2023	2022
Unpaid claims at beginning of year	$ 56,866	$ 57,927
Incurred claims:		
Provision for insured events of the current year	968,942	928,158
Increase (decrease) in provision for insured events of prior years	(3,298)	(4,766)
Total incurred claims expenses	965,644	923,392
Payments:		
Claims attributable to insured events of the current year	911,801	871,530
Claims attributable to insured events of prior years	53,255	52,923
Total payments	965,056	924,453
Total unpaid claims at end of year	$ 57,454	$ 56,866

NOTE 16

Other Postemployment Benefits (OPEB)

For the year ended June 30, 2023, primary government employers reported $1.1 billion of net OPEB liability, $280.9 million of deferred outflows of resources related to OPEB, $380.9 million of deferred inflows of resources related to OPEB, $78.9 million of OPEB expense and $431.7 million of deferred outflows of benefits paid subsequent to the measurement date. Component unit employers reported $236.2 million of net OPEB liability, $51.3 million of deferred outflows of resources related to OPEB, $120.7 million of deferred inflows of resources related to OPEB, $5.2 million of OPEB expense, and $41.2 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	$ 471,802	$ 150,477	$ 314,185	$ 179,599	$ 1,116,063
Deferred outflows of resources	93,542	17,874	84,095	85,411	280,922
Deferred inflows of resources	168,220	45,706	69,300	97,633	380,859
OPEB expense	29,798	86	34,445	14,566	78,895
Contributions/benefits subsequent to measurement date	396,859	7,798	15,433	11,602	431,692

A. Closed Employee Group OPEB Plan

1. General information about the OPEB plan

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

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

Employees covered by benefit terms−At July 1, 2022, the following employees were covered by the benefit terms of the EGOP:

	Primary Government	Component Units
Inactive employees currently receiving benefit payments	4,445	1,960
Inactive employees entitled to but not yet receiving benefit payments	78	28
Active employees eligible for benefit payments	21,370	14,537
	25,893	16,525

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, 2023, the total ADC for primary government and component unit employers was $74.4 million and $41.4 million respectively. The OPEB Trust recognized contributions of $396.9 million from the primary government and $41.2 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 $471.8 million and $236.2 million, respectively, was measured as of June 30, 2022, and was determined by an actuarial valuation as of June 30, 2022.

Actuarial assumptions−The total OPEB liability in the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25 percent
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Healthcare cost trend rates	8.37 percent for 2023, decreasing annually to an ultimate rate of 4.50 percent for 2030 and later years
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this valuation a weighted average has been used with weights derived from the current distribution of members among plans offered.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2022, valuations were the same as those employed in the July 1, 2021, Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS) for Group 1 employees. These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2016-June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the PUB-2010 Headcount-Weighted Employee mortality table for General Employees for non-disabled pre-retirement mortality, with mortality improvement projected generationally with MP-2020 from 2010. Post-retirement tables are Headcount-Weighted Below Median Healthy Annuitant and adjusted with a 6% load for males and a 14% load for females, projected generationally from 2010 with MP-2020. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load, projected generationally from 2018 with MP-2020.

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

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

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

Asset Class	Long-term Expected Real Rate of Return
U.S. equity	4.89%
Developed market international equity	5.38%
Emerging market international equity	5.97%
Cash (Gov't)	1.17%
Private equity and strategic lending	5.18%
U.S. fixed income	2.74%
Real estate	4.79%

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

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

EGOP- Primary government	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at June 30, 2021	$ 771,675	$ 297,212	$ 474,463
Changes for the year:			
Service cost	23,686		23,686
Interest	46,349		46,349
Changes of benefit terms	5,693		5,693
Differences between expected and actual experience	(11,433)		(11,433)
Change in assumptions	(20,088)		(20,088)
Contributions from employer		97,571	(97,571)
OPEB plan net investment income		(47,206)	47,206
Changes in proportion and differences between contributions and proportionate share of contributions	1,078	(2,419)	3,497
Benefit payments	(48,679)	(48,679)	-
Net changes	(3,394)	(733)	(2,661)
Balances at June 30, 2022	$ 768,281	$ 296,479	$ 471,802

EGOP- Component units	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at June 30, 2021	$ 388,013	$ 149,444	$ 238,569
Changes for the year:			
Service cost	11,857		11,857
Interest	23,202		23,202
Changes of benefit terms	2,850	-	2,850
Differences between expected and actual experience	(5,723)		(5,723)
Change in assumptions	(10,056)		(10,056)
Contributions from employer		44,656	(44,656)
OPEB plan net investment income		(23,630)	23,630
Changes in proportion and differences between contributions and proportionate share of contributions	(1,078)	2,419	(3,497)
Benefit payments	(24,477)	(24,477)	-
Net changes	(3,425)	(1,032)	(2,393)
Balances at June 30, 2022	$ 384,588	$ 148,412	$ 236,176

Changes in assumptions−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. These changes decreased the liability by 2.57%.

Changes in benefit terms−Tennessee highway patrol members who retire with at least 25 years of service shall receive 80% 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.

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

	1% Decrease (5%)	Discount Rate (6%)	1% Increase (7%)
Primary government	$ 527,522	$ 471,802	$ 420,441
Component units	261,298	236,176	212,625

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 (7.37 percent decreasing to 3.50 percent) or 1-percentage-point higher (9.37 percent decreasing to 5.50 percent) than the current healthcare cost trend rate (expressed in thousands):

	1% Decrease (7.37% decreasing to 3.50%)	Healthcare Cost Trend Rate (8.37% decreasing to 4.50%)	1% Increase (9.37% decreasing to 5.50%)
Primary government	$ 406,707	$ 471,802	$ 546,836
Component units	204,589	236,176	272,277

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, 2023, the primary government recognized OPEB expense of $29.8 million. Component unit employers recognized OPEB expense of $5.2 million.

Deferred outflows of resources and deferred inflows of resources− For the fiscal year ended June 30, 2023, the primary government and component unit employers reported deferred outflows of resources and deferred inflows of resources related to OPEB paid by the EGOP from the following sources (expressed in thousands):

EGOP- Primary government	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience		$ 43,550
Changes of assumptions	$ 23,718	103,938
Difference between projected and actual earnings on plan investments	27,735	
Changes in proportion and differences between contributions and proportionate share of contributions	42,089	20,732
Contributions subsequent to the measurement date	396,859	
Total	$ 490,401	$ 168,220
EGOP- Component units	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience		$ 21,801
Changes of assumptions	$ 11,873	52,029
Difference between projected and actual earnings on plan investments	13,883	
Changes in proportion and differences between contributions and proportionate share of contributions	25,536	46,893
Contributions subsequent to the measurement date	41,194	
Total	$ 92,486	$ 120,723

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

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

EGOP- Primary government			
For the year ended June 30:			
	2024	$	(26,748)
	2025		(26,865)
	2026		(23,972)
	2027		5,842
	2028		(2,935)
EGOP- Component units			
For the year ended June 30:			
	2024	$	(23,152)
	2025		(23,210)
	2026		(22,944)
	2027		1,805
	2028		(1,930)

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

B. Closed Tennessee OPEB Plan

1. General information about the OPEB plan

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

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

Employees covered by benefit terms−At July 1, 2022, 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	10,616	7,261
Inactive employees entitled to but not yet receiving benefit payments	5,878	3,043
Active employees	23,189	16,844
	39,683	27,148

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 $5.1 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 $91.4 million and $59.1 million, related to benefits offered to primary government and component unit employees, respectively, was measured as of June 30, 2022, and was determined by an actuarial valuation as of June 30, 2022.

Actuarial assumptions−The total OPEB liability in the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

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

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2022, valuations were the same as those employed in the July 1, 2021, Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS) for Group 1 employees. These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2016-June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the PUB-2010 Headcount-Weighted Employee mortality table for General Employees for non-disabled pre-retirement mortality, with mortality improvement projected generationally with MP-2020 from 2010. Post-retirement tables are Headcount-Weighted Below Median Healthy Annuitant and adjusted with a 6% load for males and a 14% load for females, projected generationally from 2010 with MP-2020. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load, projected generationally from 2018 with MP-2020.

Discount rate−The discount rate used to measure the total OPEB liability was 3.54 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa2 as shown on the Bond Buyer GO 20-Bond Municipal Bond index.

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

TNP	
State Employees	
	Total OPEB Liability
Balances at June 30, 2021	$ 107,933
Changes for the year:	
Service cost	1,865
Interest	2,317
Differences between expected and actual experience	(84)
Change in assumptions	(15,585)
Changes in proportion and differences between contributions and proportionate share of contributions	2
Benefit payments	(5,075)
Net changes	(16,560)
Balances at June 30, 2022	$ 91,373
Component unit employees	
	Total OPEB Liability-continued
Balances at June 30, 2021	$ 69,820
Changes for the year:	
Service cost	1,207
Interest	1,499
Differences between expected and actual experience	(55)
Change in assumptions	(10,082)
Changes in proportion and differences between contributions and proportionate share of contributions	(2)
Benefit payments	(3,283)
Net changes	(10,716)
Balances at June 30, 2022	$ 59,104
Total OPEB Liability- Primary Government	$ 150,477

Changes in assumptions− The discount rate was changed from 2.16% as of the beginning of the measurement period to 3.54% as of June 30, 2022. This change in assumption decreased the total OPEB liability.

Sensitivity of the total OPEB liability to changes in the discount rate−The following presents the state's total OPEB liability for 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 (2.54 percent) or 1-percentage-point higher (4.54 percent) than the current discount rate (expressed in thousands):

	1% Decrease (2.54%)	Discount Rate (3.54%)	1% Increase (4.54%)
State employees	$ 102,510	$ 91,373	$ 81,979
Component unit employees	65,949	59,104	53,296

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, 2023, the state recognized OPEB expense of ($390) thousand and $477 thousand, 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, 2023, the state reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the TNP from the following sources (expressed in thousands):

TNP **State employees**	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience		$ 2,412
Changes of assumptions	$ 10,853	25,342
Changes in proportion and differences between contributions and proportionate share of contributions	690	1,368
Payments subsequent to the measurement date	5,098	
Total	$ 16,641	$ 29,122
Component unit employees	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience		$ 1,560
Changes of assumptions	$ 7,021	16,392
Changes in proportion and differences between contributions and proportionate share of contributions	1,367	690
Payments subsequent to the measurement date	2,700	
Total	$ 11,088	$ 18,642

The amounts shown above for "payments subsequent to the measurement date" for the state and component units will be recognized as a reduction to total OPEB liability in the following measurement period.

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

TNP		
State employees		
For the year ended June 30:		
	2024	$ (4,573)
	2025	(2,851)
	2026	(2,293)
	2027	(4,255)
	2028	(3,101)
	Thereafter	(506)
Component unit employees		
For the year ended June 30:		
	2024	$ (2,229)
	2025	(1,595)
	2026	(1,540)
	2027	(2,585)
	2028	(1,978)
	Thereafter	(327)

In the tables above, for the state and component unit employees, positive amounts will increase OPEB expense while negative amounts will decrease OPEB expense.

C. Special Funding Situation

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

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, 2023, the state paid $15.4 million and $11.6 million to the TGOP and TNP, respectively, for OPEB benefits as they came due.

Actuarial assumptions−The total OPEB liability in the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25 percent
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Healthcare cost trend rates	Health trend for the TGOP is 8.37 percent in 2023, decreasing annually to an ultimate rate of 4.50 percent for 2030 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, 2022, valuations were the same as those employed in the July 1, 2021, Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS) for Group 1 employees. These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2016-June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the PUB-2010 Headcount-Weighted Employee mortality table for General Employees for non-disabled pre-retirement mortality, with mortality improvement projected generationally with MP-2020 from 2010. Post-retirement tables are Headcount-Weighted Below Median Healthy Annuitant and adjusted with a 6% load for males and a 14% load for females, projected generationally from 2010 with MP-2020. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load, projected generationally from 2018 with MP-2020.

Discount rate−The discount rate used to measure the total OPEB liability was 3.54 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa2 as shown on the Bond Buyer GO 20-Bond Municipal Bond index.

Sensitivity of proportionate share of collective total OPEB liability to changes in the discount rate−The following presents the state's proportionate share of the collective total OPEB liability for the special funding situations related to the TGOP and TNP, as well as what the share of the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.54 percent) or 1-percentage-point higher (4.54 percent) than the current discount rate (expressed in thousands):

	1% Decrease (2.54%)	Discount Rate (3.54%)	1% Increase (4.54%)
Share of collective total OPEB liability- TGOP	$ 337,259	$ 314,185	$ 292,261
Share of collective total OPEB liability- TNP	206,450	179,599	157,594

Sensitivity of proportionate share of collective total OPEB liability to changes in the healthcare cost trend rate−The following presents the state's proportionate share of the collective total OPEB liability for the special funding situations related to the TGOP, as well as, what the share of the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (7.37 percent decreasing to 3.50 percent) or 1-percentage-point higher (9.37 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 (7.37% decreasing to 3.50%)	(8.37% decreasing to 4.50%)	1% Increase (9.37% decreasing to 5.50%)
Share of collective total OPEB liability- TGOP	$ 281,872	$ 314,185	$ 351,793

2. Total OPEB Liability

At June 30, 2023, the state reported a liability of $314.2 million and $179.6 million for its proportionate shares of the collective total OPEB liability from special funding situations related to the TGOP and TNP, respectively. The total OPEB liabilities were measured as of June 30, 2022, by an actuarial valuation dated June 30, 2022. 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, 2022, the state's proportion of the collective total LEA employer liabilities for the TGOP and TNP was 31.1% and 77.8%, respectively. This resulted in a change in proportion from the prior measurement date of 1.0% and .5% to the TGOP and TNP, respectively.

Changes in assumptions− The discount rate was changed from 2.16% as of the beginning of the measurement period to 3.54% as of June 30, 2022. This change in assumption decreased the total OPEB liability. Other changes in assumptions include changes made to medical and drug trend rates and a change in expected per capita health claims.

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

OPEB expense− For the year ended June 30, 2023, the state recognized OPEB expense of $34.5 million and $14.6 million in the TGOP and TNP, respectively, related to special funding situations. At June 30, 2023, the state reported deferred outflows of resources and deferred inflows of resources related to OPEB, as a result of special funding situations, from the following sources (expressed in thousands):

TGOP	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	$ 15,257	$ 17,732
Changes of assumptions	38,393	42,258
Changes in proportion and differences between benefits paid and proportionate share of benefits paid	30,445	9,310
Payments subsequent to the measurement date	15,433	
Total	$ 99,528	$ 69,300
TNP	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	$ 4,620	$ 15,759
Changes of assumptions	38,098	80,177
Changes in proportion and differences between benefits paid and proportionate share of benefits paid	42,693	1,697
Payments subsequent to the measurement date	11,602	
Total	$ 97,013	$ 97,633

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

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

TGOP		
For the year ended June 30:		
	2024	$ 1,570
	2025	1,570
	2026	1,608
	2027	1,901
	2028	2,978
	Thereafter	5,168
TNP		
For the year ended June 30:		
	2024	$ 4,568
	2025	4,760
	2026	(1,782)
	2027	(4,189)
	2028	(4,362)
	Thereafter	(11,217)

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, 2023, the annual money-weighted rate of return on investments was 8.76 percent. The money-weighted rate of return expresses investment performance, net of OPEB plan investment expense, adjusted for the changing amounts actually invested.

Net OPEB liability−The components of the net OPEB liability for the OPEB Trust at June 30, 2023, were as follows (expressed in thousands):

Total OPEB liability	$ 1,165,872
Plan fiduciary net position	(865,429)
Net OPEB liability	$ 300,443
Plan fiduciary net position as a percentage of the total OPEB liability	74.23%

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	$ 380,719	$ 300,443	$ 225,884

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 (7.37 percent decreasing to 3.50 percent) or 1-percentage-point higher (9.37 percent decreasing to 5.50 percent) than the current healthcare cost trend rate (expressed in thousands).

	Healthcare Cost Trend Rates		
	1% Decrease (7.37% decreasing to 3.50%)	(8.37% decreasing to 4.50%)	1% Increase (9.37% decreasing to 5.50%)
Net OPEB Liability	$ 194,240	$ 300,443	$ 422,657

NOTE 17

Pension plans

A. Tennessee Consolidated Retirement System (TCRS)

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

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

B. Defined Benefit Plan

Closed State and Higher Education Employee Pension Plan

1. General information about the pension plan

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

Tennessee Housing Development Agency, the State University and Community College System, and the University of Tennessee.

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

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

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

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

Employees covered by benefit terms−At the measurement date of June 30, 2022, 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	62,272
Inactive employees entitled to but not yet receiving benefits	36,513
Active employees	29,635
	128,420

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 2023, the state made a one-time direct contribution of $350 million to the plan. For the year ended June 30, 2023, employer contributions by the state, including its share of the one-time direct contribution mentioned, were $576.9 million based on an average rate of 39.37 percent of covered payroll. For the year ended June 30, 2023, employer contributions by the four previously mentioned component units, including their shares of the one-time direct contribution mentioned, were $230 million based on an average rate of 38.63 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, 2022, 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, 2022, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2022, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016, through June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020, actuarial experience study. The future capital market projections were produced using a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the future capital market projection by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.25 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return	Target Allocation
U.S. equity	4.88%	31%
Developed market international equity	5.37%	14%
Emerging market international equity	6.09%	4%
Private equity and strategic lending	6.57%	20%
U.S. fixed income	1.20%	20%
Real estate	4.38%	10%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75 percent based on a comparison of historical market returns and future capital market projections.

Discount rate−The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the state will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members and to cover administrative expenses. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Primary Government	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at 6/30/21	$ 13,052,712	$ 13,484,082	$ (431,370)
Effects of change in proportion	110,113	113,752	(3,639)
Adjusted balance at 6/30/2021	13,162,825	13,597,834	(435,009)
Changes for the year:			
Service cost	129,506		129,506
Interest	871,775		871,775
Differences between expected and actual experience	245,782		245,782
Contributions-employer		481,754	(481,754)
Contributions-employees		398	(398)
Net investment income		(514,954)	514,954
Benefit payments, including refunds of employee contributions	(754,295)	(754,295)	-
Administrative expense		(2,144)	2,144
Other		(33)	33
Net changes	$ 492,768	$ (789,274)	$ 1,282,042
Balance at 6/30/22	$ 13,655,593	$ 12,808,560	$ 847,033

Component Units	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at 6/30/21	$ 5,460,969	$ 5,641,444	$ (180,475)
Effects of change in proportion	(110,113)	(113,752)	3,639
Adjusted balance at 6/30/2021	5,350,856	5,527,692	(176,836)
Changes for the year:			
Service cost	52,646		52,646
Interest	354,388		354,388
Differences between expected and actual experience	99,914		99,914
Contributions-employer		195,839	(195,839)
Contributions-employees		162	(162)
Net investment income		(209,335)	209,335
Benefit payments, including refunds of employee contributions	(306,630)	(306,630)	-
Administrative expense		(872)	872
Other		(13)	13
Net changes	$ 200,318	$ (320,849)	$ 521,167
Balance at 6/30/22	$ 5,551,174	$ 5,206,843	$ 344,331

Sensitivity of the net pension liability (asset) to changes in the discount rate−The following presents the net pension liability (asset) of the State of Tennessee and the four mentioned component units calculated using the discount rate of 6.75 percent, as well as, what the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage–point lower (5.75 percent) or 1 percentage-point higher (7.75 percent) than the current rate (expressed in thousands):

Primary Government

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net pension liability (asset)	$ 2,484,652	$ 847,033	$ (528,097)

Component Units

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net pension liability (asset)	$ 1,010,043	$ 344,331	$ (214,678)

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

Pension expense−For the year ended June 30, 2023, the state and the four mentioned component units recognized pension expense of $266.7 million and $101.1 million, respectively.

Deferred outflows of resources and deferred inflows of resources−For the year ended June 30, 2023, the state and its four component units mentioned reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

Primary Government	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 163,855	$ 50,421
Assumption changes	$ 229,802	
Net difference between projected and actual earnings on pension plan investments	$ 12,097	
Effects of change in proportion	$ 5,053	
Contributions subsequent to the measurement date of June 30, 2022	$ 576,914	

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2022,” 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:		
	2024	$ 187,223
	2025	11,041
	2026	(122,588)
	2027	284,710
		$ 360,386

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	$ 66,609	$ 20,497
Assumption changes	$ 93,418	
Net difference between projected and actual earnings on pension plan investments	$ 4,918	
Effects of change in proportion		$ 5,053
Contributions subsequent to the measurement date of June 30, 2022	$ 229,990	

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2022," 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:		
2024	$	71,794
2025		1,696
2026		(49,833)
2027		115,738
	$	139,395

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, 2023, the state reported a payable of $11.3 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, 2023.

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, 2022, 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	196
Inactive employees entitled to but not yet receiving benefits	23,599
Active employees	28,401
	52,196

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, 2023, to the State and Higher Education Employee Retirement Plan were $30 million, which is 2.6 percent of covered payroll. Employer contributions by the four previously mentioned component units were $15.2 million, which is 2.48 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, 2022, 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, 2022, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2022, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016, through June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.
The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020, actuarial experience study. The future capital market projections were produced using a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the future capital market projection by weighting the expected future real rates of

return by the target asset allocation percentage and by adding expected inflation of 2.25 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return	Target Allocation
U.S. equity	4.88%	31%
Developed market international equity	5.37%	14%
Emerging market international equity	6.09%	4%
Private equity and strategic lending	6.57%	20%
U.S. fixed income	1.20%	20%
Real estate	4.38%	10%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75 percent based on a comparison of historical market returns and future capital market projections.

Discount rate−The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the state will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members and to cover administrative expenses. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability

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

Primary Government	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at 6/30/21	$ 263,691	$ 320,952	$ (57,261)
Effects of change in proportion	(4,747)	(5,778)	1,031
Adjusted balance at 6/30/2021	258,944	315,174	(56,230)
Changes for the year:			
Service cost	66,469		66,469
Interest	21,787		21,787
Differences between expected and actual experience	2,170		2,170
Contributions-employer		18,004	(18,004)
Contributions-employees		47,286	(47,286)
Net investment income		(13,179)	13,179
Benefit payments, including refunds of employee contributions	(5,296)	(5,296)	-
Administrative expense		(1,806)	1,806
Other		438	(438)
Net changes	$ 85,130	$ 45,447	$ 39,683
Balance at 6/30/22	$ 344,074	$ 360,621	$ (16,547)

Component Units	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at 6/30/21	$ 126,588	$ 154,075	$ (27,487)
Effects of change in proportion	4,747	5,778	(1,031)
Adjusted balance at 6/30/2021	131,335	159,853	(28,518)
Changes for the year:			
Service cost	33,713		33,713
Interest	11,050		11,050
Differences between expected and actual experience	1,101		1,101
Contributions-employer		9,132	(9,132)
Contributions-employees		23,983	(23,983)
Net investment income		(6,684)	6,684
Benefit payments, including refunds of employee contributions	(2,686)	(2,686)	-
Administrative expense		(916)	916
Other		224	(224)
Net changes	$ 43,178	$ 23,053	$ 20,125
Balance at 6/30/22	$ 174,513	$ 182,906	$ (8,393)

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)	$ 67,498	$ (16,547)	$ (79,681)

Component Units

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net pension liability (asset)	$ 34,235	$ (8,393)	$ (40,413)

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, 2023, the state and the four previously mentioned component units recognized pension expense of $20.5 million and $10 million, respectively.

Deferred outflows of resources and deferred inflows of resources−For the year ended June 30, 2023, the state and its four component units mentioned reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

Primary Government	Deferred Outflows of Resources		Deferred Inflows of Resources	
Differences between expected and actual experience	$	3,055	$	5,618
Assumption changes	$	13,822		
Net difference between projected and actual earnings on pension plan investments	$	5,072		
Effects of change in proportion	$	1,536	$	63
Contributions subsequent to the measurement date of June 30, 2022	$	29,979		

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2022," 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:			
	2024	$	1,579
	2025		1,713
	2026		867
	2027		9,404
	2028		1,948
	Thereafter		2,293
		$	17,804

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	$	1,550	$	2,849
Assumption changes	$	7,010		
Net difference between projected and actual earnings on pension plan investments	$	2,572		
Effects of change in proportion	$	63	$	1,536
Contributions subsequent to the measurement date of June 30, 2022	$	15,205		

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2022," 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:			
	2024	$	426
	2025		494
	2026		67
	2027		4,397
	2028		630
	Thereafter		796
		$	6,810

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, 2023, the state reported a payable of $1.2 million and the four previously mentioned component units reported a payable of $1.3 million for the outstanding amount of contributions to the pension plan required at year ended June 30, 2023.

C. Defined Contribution Plan

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

Optional Retirement Plan (ORP) – The ORP is a defined contribution plan. The ORP was established by state statute in Title 8, Chapter 25, Part 2 of the TCA. This statute also sets out the plan provisions. The plan provisions may be amended by the Tennessee General Assembly. The ORP was designed to provide benefits at retirement to faculty and staff of the State University and Community College System institutions and the University of Tennessee system who are exempt from the overtime provision of the Fair Labor Standards Act and who waive membership in the TCRS. As of June 30, 2023, there were 39,739 ORP accounts with balances, of those 15,202 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 30,2023, the State of Tennessee institutions of higher education recognized pension expenses of $101.1 million for their contributions to the ORP and reported a related total liability of $1.9 million at June 30, 2023.

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, 2023, employees of the state and four of its discretely presented component units that participated in the 401(k) plan were eligible for a $2 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, 2023, the plan had 114,546 active members from the state and its higher education institutions, 70,471 from the local education agencies, and 16,013 from the political subdivisions. For fiscal year ended June 30, 2023, the state and the four mentioned component units recognized pension expenses of $156.1 million for its contributions to the Section 401(k) plans and reported a related liability of $5.6 million at June 30, 2023.

NOTE 18

External Investment Pools

A. State Pooled Investment Fund

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

B. Intermediate Term Investment Fund

The Intermediate Term Investment Fund (ITIF) is an external investment pool sponsored by the State of Tennessee. During the fiscal year ended June 30, 2023, the last participating entity has withdrawn its funds from ITIF. For the fiscal year ended June 30, 2023, ITIF is still included as a separate external investment pool fund, a custodial fund, in the state’s financial report.

C. Tennessee Retiree Group Trust

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

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

NOTE 19

Contingencies and Commitments

A. Litigation

The State is 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 $26.6 million. This would have a .051% impact on the budget.

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

B. Tobacco settlement

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

C. Opioid Settlement

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, 2023, the state has recognized a receivable of $397.2 million, with $323 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

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

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

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

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

During the fiscal year, the state spent $2.9 million for remediation activities and had an expected recovery of $62 thousand from responsible parties. At June 30, 2023, the state had a pollution remediation obligation of $46.9 million and an estimated potential recovery of $4.7 million from other responsible parties.

E. Federal Grants

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

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

F. SBITA Commitments

As of June 30, 2023, the state has several SBITAs that have not yet commenced, with subscription and capitalizable implementation payments committed of $4.8 million, on an undiscounted basis, over various periods extended to December 31, 2027.

Note 20

Tax Abatements

The State of Tennessee provides tax abatements through five programs subject to the requirements of GASB Statement No. 77: the Manufacturing and Industrial Machinery Program, the Job Creation Program, the Community Investment Program, the Development Opportunity Program and the Warehouse or Distribution Facility and Qualified Data Programs.

A. Manufacturing and Industrial Machinery Program

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

B. Job Creation Program

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

C. Community Investment Program

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

D. Development Opportunity Program

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, 2023.

Tax Abatement Program	**Amount of Taxes Abated (in thousands)**
Manufacturing and Industrial Machinery Program	$67,689
Job Creation Program	94,868
Community Investment Program	80,040
Development Opportunity Program	3,218

E. Warehouse or Distribution Facility and Qualified Data Center Programs

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

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

The qualified data center program is established under TCA 67-6-102(81). Abatements may be granted to taxpayers who make capital investments in a qualified data center. Abatements are obtained through an application and business plan that includes an estimate of the qualified investments. Approved applicants will receive a certificate of exemption that may be presented to vendors at the time of purchase of eligible equipment and/or software.

Since the tax returns filed with the state do not require the exempt sales or purchases to be reported by category, the amount of exempt purchases made by qualified warehouse or distribution centers, or qualified data centers is only available in the books and records of the vendors and their customers. Thus, the estimate of the gross dollar amount, on an accrual basis, by which the state's tax revenues were reduced by these exemptions, is not available. However, based on the applications received and approved during the fiscal year, the estimated equipment purchases amounts total $111 million.

Note 21

Impairments and Insurance Recoveries

For the year ended June 30, 2023, an impairment loss of $6.5 million was included in the health and social services function due to software retirements.

Note 22

Subsequent Events

A. Primary government

In August 2023, the State issued 2023 Series A tax-exempt general obligation bonds for a par amount of $452.7 million with a premium of $49.7 million and 2023 Series B taxable general obligation bonds for a par amount of $44.9 million. The Series A bonds were issued, the proceeds of which were deposited to a Construction Fund trust (the "Trust"), to fund expenditures for design and improvement project costs for the construction of a new enclosed stadium in Nashville, Tennessee for professional football and numerous other sporting, entertainment, cultural and civic events. The state is the beneficial owner of the assets and income related to the state's contributions to the Trust and therefore, will report the assets and income of the Trust until all proceeds on deposit to pay the costs of the design, development, and construction of the stadium are exhausted or applied otherwise as stated in the terms of the Trust agreement. Any income earned on amounts in the state's Trust account will be deposited in the Debt Service fund. The stadium will be owned by the Sports Authority of the Metropolitan Government of Nashville and Davidson County. The proceeds of the Series B bonds issued were used to redeem commercial paper.

On July 1, 2023, through the passage of Public Chapter 488 of the 113th General Assembly, the board of commissioners of the Metropolitan Nashville Airport Authority (Authority) was effectively vacated and reconstituted in a manner that includes the state appointing the voting majority of the Authority's board. The Metropolitan Government of Nashville and Davidson County filed a lawsuit challenging this law and in October 2023 court judges ruled the law unconstitutional thereby vacating the new board and reinstating the board appointed by the Metropolitan Government Mayor. The state has appealed this ruling. If the state's appeal is successful, the change in how the Authority's board is appointed will result in the state being financially accountable for the Authority under authoritative accounting standards (versus the Metropolitan Government of Nashville and Davidson County) and therefore, will require the state to report the Authority as its component unit.

B. Component units

Subsequent to June 30, the Tennessee Housing Development Agency had the following revenue bond issuances: 2023-2 in July 2023 in the amount of $235 million, and 2023-3 in November 2023 in the amount of $360 million.

Subsequent to June 30, the Tennessee State School Bond Authority (TSSBA) has issued $29 million in revolving credit facility.

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REQUIRED SUPPLEMENTARY INFORMATION

Infrastructure Assets Reported Using the Modified Approach

A. Roadways

Measurement Scale

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

Established Condition Level

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

Assessed Conditions

The following table presents the MQA of all rated segments.

For the Period Ended	Maintenance Quality Assurance
06/30/23	3.437
06/30/22	3.497
06/30/21	3.368

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
06/30/23	$ 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
06/30/19	450,813	633,360

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

B. Bridges

Measurement Scale

The state maintains information on its 8,441 bridges in compliance with the National Bridge Inventory (NBI) guidelines established by the Federal Highway Administration. Bridges are inspected at least once every two years and the results are coded on a 0 to 9 scale (with 9 being the most desirable). A bridge coded 4 or less for its deck, superstructure, or substructure, or coded 2 or less for its structural evaluation or waterway adequacy, is classified as "structurally deficient." A structurally deficient bridge is inadequate to carry legal loads, whether caused by structural deterioration, obsolete design standards, or an insufficient waterway opening. A bridge coded 3 or less for its structural evaluation, deck geometry, vertical or horizontal underclearance, water adequacy, or approach roadway alignment is classified as "functionally obsolete." A functionally obsolete bridge cannot properly accommodate the current traffic.

Established Condition Level
The state intends to maintain bridges so that 75 percent or more of the total deck area is not classified as structurally deficient or functionally obsolete.

Assessed Conditions
The following table presents the percentage of deck area whose condition assessment did not meet the criteria of structurally deficient or functionally obsolete according to the NBI.

For the Two-Year Period Ended	Percentage of Deck Area Not Structurally Deficient or Functionally Obsolete
06/30/22	83%
06/30/20	85%
06/30/18	85%

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

For the Period Ended	Estimated		Actual	
06/30/23	$	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
06/30/19		44,330		46,978

* 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
Total OPEB liability						
Service cost	$ 47,219	$ 42,521	$ 44,521	$ 26,249	$ 26,936	$ 23,686
Interest	28,003	32,021	34,324	46,916	44,735	46,349
Changes of benefit terms	-	-	-	-	-	5,693
Differences between actual and expected experience	-	(37,420)	(14,447)	(25,201)	(2,113)	(11,433)
Changes of assumptions	(40,226)	46,108	(149,693)	(25,485)	10,364	(20,088)
Changes in proportion and differences between contributions and proportionate share of contributions	-	(29,514)	20,618	(4,221)	(5,693)	1,078
Benefit payments	(61,649)	(57,061)	(61,238)	(54,077)	(53,449)	(48,679)
Net change in total OPEB liability	(26,653)	(3,345)	(125,915)	(35,819)	20,780	(3,394)
Total OPEB liability-beginning	942,627	915,974	912,629	786,714	750,895	771,675
Total OPEB liability-ending (a)	$ 915,974	$ 912,629	$ 786,714	$ 750,895	$ 771,675	$ 768,281
Plan fiduciary net position						
Contributions-employer	$ -	$ -	$ 260,984	$ 103,683	$ 99,095	$ 97,571
Net investment income	-	-	3,487	(2,975)	63,591	(47,206)
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	(59,031)	(1,541)	(1,317)	(2,419)
Benefit payments, including refunds of employee contributions	-	-	(61,238)	(54,077)	(53,449)	(48,679)
Net change in plan fiduciary net position	-	-	144,202	45,090	107,920	(733)
Plan fiduciary net position-beginning	-	-	-	144,202	189,292	297,212
Plan fiduciary net position-ending (b)	$ -	$ -	$ 144,202	$ 189,292	$ 297,212	$ 296,479
Net OPEB liability - ending (a)-(b)	$ 915,974	$ 912,629	$ 642,512	$ 561,603	$ 474,463	$ 471,802
Covered-employee payroll	$ 1,369,106	$ 1,416,041	$ 1,463,373	$ 1,414,478	$ 1,371,486	$ 1,406,936
Net OPEB liability as a percentage of covered-employee payroll	66.90%	64.45%	43.91%	39.70%	34.59%	33.53%

In fiscal year 2019, the state transitioned the EGOP from a pay-as-you-go arrangement to a prefunding arrangement where assets are accumulated in a qualified trust and benefits are paid directly from that trust.

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

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

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

CLOSED EMPLOYEE GROUP OPEB PLAN
Component Units

	2018	2019	2020	2021	2022	2023
Total OPEB liability						
Service cost	$ 21,990	$ 22,020	$ 21,458	$ 12,876	$ 13,544	$ 11,857
Interest	13,041	16,582	16,543	23,015	22,494	23,202
Changes of benefit terms	-	-	-	-	-	2,850
Differences between actual and expected experience	-	(19,378)	(6,963)	(12,362)	(1,063)	(5,723)
Changes of assumptions	(18,733)	23,877	(72,147)	(12,502)	5,211	(10,056)
Changes in proportion and differences between contributions and proportionate share of contributions	-	29,514	(20,618)	4,221	5,693	(1,078)
Benefit payments	(28,710)	(26,573)	(31,713)	(26,063)	(26,220)	(24,477)
Net change in total OPEB liability	(12,412)	46,042	(93,440)	(10,815)	19,659	(3,425)
Total OPEB liability-beginning	438,979	426,567	472,609	379,169	368,354	388,013
Total OPEB liability-ending (a)	$ 426,567	$ 472,609	$ 379,169	$ 368,354	$ 388,013	$ 384,588
Plan fiduciary net position						
Contributions-employer	$ -	$ -	$ 40,502	$ 49,339	$ 49,514	$ 44,656
Net investment income	-	-	1,681	(1,460)	31,975	(23,630)
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	59,031	1,541	1,317	2,419
Benefit payments, including refunds of employee contributions	-	-	(31,713)	(26,063)	(26,220)	(24,477)
Net change in plan fiduciary net position	-	-	69,501	23,357	56,586	(1,032)
Plan fiduciary net position-beginning	-	-	-	69,501	92,858	149,444
Plan fiduciary net position-ending (b)	$ -	$ -	$ 69,501	$ 92,858	$ 149,444	$ 148,412
Net OPEB liability - ending (a)-(b)	$ 426,567	$ 472,609	$ 309,668	$ 275,496	$ 238,569	$ 236,176
Covered-employee payroll	$ 1,353,254	$ 1,339,543	$ 1,260,809	$ 1,183,016	$ 1,117,645	$ 1,064,733
Net OPEB liability as a percentage of covered-employee payroll	31.52%	35.28%	24.56%	23.29%	21.35%	22.18%

In fiscal year 2019, the state transitioned the EGOP from a pay-as-you-go arrangement to a prefunding arrangement where assets are accumulated in a qualified trust and benefits are paid directly from that trust.

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

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

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

CLOSED TENNESSEE OPEB PLAN
State Employees

	2018	2019	2020	2021	2022	2023
Total OPEB liability						
Service cost	$ 2,560	$ 2,046	$ 1,480	$ 1,599	$ 2,288	$ 1,865
Interest	3,455	3,790	3,792	3,719	2,762	2,317
Changes of benefit terms	-	-	-	-	-	-
Differences between actual and expected experience	-	(3,200)	(870)	(535)	(1,437)	(84)
Changes of assumptions	(9,094)	(743)	1,843	19,166	(15,829)	(15,585)
Changes in proportion and differences between contributions and proportionate share of contributions	-	(3,531)	1,591	(225)	(589)	2
Benefit payments	(4,588)	(4,696)	(4,833)	(4,955)	(5,077)	(5,075)
Net change in total OPEB liability	(7,667)	(6,334)	3,003	18,769	(17,882)	(16,560)
Total OPEB liability-beginning	118,044	110,377	104,043	107,046	125,815	107,933
Total OPEB liability-ending	$ 110,377	$ 104,043	$ 107,046	$ 125,815	$ 107,933	$ 91,373
Covered-employee payroll	$ 1,420,835	$ 1,541,486	$ 1,575,865	$ 1,561,360	$ 1,527,025	$ 1,546,516
Total OPEB liability as a percentage of covered-employee payroll	7.77%	6.75%	6.79%	8.06%	7.07%	5.91%

Component Unit Employees

	2018	2019	2020	2021	2022	2023
Total OPEB liability						
Service cost	$ 1,551	$ 1,353	$ 940	$ 1,022	$ 1,480	$ 1,207
Interest	2,093	2,507	2,409	2,376	1,787	1,499
Changes of benefit terms	-	-	-	-	-	-
Differences between actual and expected experience	-	(2,117)	(553)	(342)	(930)	(55)
Changes of assumptions	(5,511)	(492)	1,171	12,244	(10,239)	(10,082)
Changes in proportion and differences between contributions and proportionate share of contributions	-	3,531	(1,591)	225	589	(2)
Benefit payments	(2,780)	(2,845)	(3,197)	(3,148)	(3,244)	(3,283)
Net change in total OPEB liability	(4,647)	1,937	(821)	12,377	(10,557)	(10,716)
Total OPEB liability-beginning	71,531	66,884	68,821	68,000	80,377	69,820
Total OPEB liability-ending	$ 66,884	$ 68,821	$ 68,000	$ 80,377	$ 69,820	$ 59,104
Covered-employee payroll	$ 1,574,315	$ 1,524,863	$ 1,484,617	$ 1,414,167	$ 1,342,569	$ 1,307,651
Total OPEB liability as a percentage of covered-employee payroll	4.25%	4.51%	4.58%	5.68%	5.20%	4.52%

There are no assets accumulating in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 related to this OPEB plan.
The amounts reported for each fiscal year were determined as of the prior fiscal year-end.
This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

B. Schedule of Contributions

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

CLOSED EMPLOYEE GROUP OPEB PLAN

Primary Government

	2019	2020	2021	2022	2023
Actuarially determined contribution	$ 88,739	$ 95,731	$ 87,287	$ 81,439	$ 74,380
Contributions in relation to the actuarially determined contribution	260,984	103,683	99,096	97,570	396,859
Contribution deficiency (excess)	(172,245)	(7,952)	(11,809)	(16,131)	(322,479)
Covered-employee payroll	$ 1,463,373	$ 1,414,478	$ 1,371,486	$ 1,406,936	$ 1,387,730
Total OPEB contributions as a percentage of covered-employee payroll	17.83%	7.33%	7.23%	6.93%	28.60%

Component Units

	2019	2020	2021	2022	2023
Actuarially determined contribution	$ 47,071	$ 49,665	$ 49,787	$ 44,864	$ 41,354
Contributions in relation to the actuarially determined contribution	40,502	49,339	49,514	44,656	41,194
Contribution deficiency (excess)	6,569	326	273	208	160
Covered-employee payroll	$ 1,260,809	$ 1,183,016	$ 1,117,645	$ 1,064,733	$ 1,009,015
Total OPEB contributions as a percentage of covered-employee payroll	3.21%	4.17%	4.43%	4.19%	4.08%

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	14 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-2020 from 2010 . Post-retirement tables are Headcount-Weighted Below Median Healthy Annuitant and adjusted with a 6% load for males and a 14% load for females, projected generationally from 2010 with MP-2020. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load, projected generationally from 2018 with MP-2020.

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

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

CLOSED TEACHER GROUP OPEB PLAN

	2018	2019	2020	2021	2022	2023
State's proportion of the collective total OPEB liability	29%	26%	28%	28%	30%	31%
State's proportionate share of the collective total OPEB liability	$ 256,924	$ 216,247	$ 232,297	$ 260,059	$ 305,828	$ 314,185

CLOSED TENNESSEE OPEB PLAN

	2018	2019	2020	2021	2022	2023
State's proportion of the collective total OPEB liability	54%	75%	73%	76%	77%	78%
State's proportionate share of the collective total OPEB liability	$ 215,044	$ 206,298	$ 222,668	$ 266,093	$ 218,593	$ 179,599

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
Total pension liability									
Service cost	$ 201,090	$ 200,001	$ 193,571	$ 183,931	$ 181,736	$ 175,903	$ 171,553	$ 166,681	$ 182,152
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
Differences between actual and expected experience	(186,051)	170,534	(30,039)	97,904	83,828	(29,767)	39,450	(212,751)	345,696
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)
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
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
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
Plan fiduciary net position									
Contributions-employer	$410,608	$392,466	$366,962	$360,337	$436,666	$433,581	$435,177	$426,984	$677,593
Contributions-employee	1,676	915	1,176	625	406	864	374	318	560
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)
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)
Administrative expense	(2,791)	(2,803)	(3,654)	(3,741)	(3,930)	(3,420)	(3,170)	(2,984)	(3,016)
Other	-	17,333	2,158	2,067	(14,702)	2,411	1,206	543	(46)
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)
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
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
Net pension liability (asset)-ending (a)-(b)	$ 689,950	$ 1,289,287	$ 1,824,571	$ 1,789,605	$ 1,615,416	$ 1,412,166	$ 1,638,313	$ (611,845)	$ 1,191,364
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%
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
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%

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

State of Tennessee
Tennessee Consolidated Retirement Fund
Schedule of Changes in the State of Tennessee's Net Pension Liability (Asset) and Related Ratios
Based on Participation in the State and Higher Education Employee Retirement Plan of TCRS
(expressed in thousands)

	2016	2017	2018	2019	2020	2021	2022	2023
Total pension liability								
Service cost	$ 7,431	$ 18,693	$ 33,132	$ 46,815	$ 57,928	$ 71,903	$ 80,629	$ 100,182
Interest	279	1,883	4,504	8,091	12,715	18,489	25,448	32,837
Differences between actual and expected experience	(1,164)	689	272	451	(931)	1,920	(10,427)	3,271
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)
Net change in total pension liability	6,536	21,032	38,256	53,278	66,406	87,521	117,250	128,308
Total pension liability-beginning		6,536	27,568	65,824	$119,102	$ 185,508	$ 273,029	$ 390,279
Total pension liability-ending (a)	$ 6,536	$ 27,568	$ 65,824	$ 119,102	$ 185,508	$ 273,029	$ 390,279	$ 518,587
Plan fiduciary net position								
Contributions-employer	$4,214	$11,923	$20,449	$28,663	$15,572	$19,803	$22,790	$27,136
Contributions-employee	5,154	15,113	25,927	36,495	45,105	55,381	61,650	71,269
Net investment income	142	600	6,595	9,733	13,806	12,953	89,487	(19,863)
Benefit payments, including refunds of employee contributions	(10)	(233)	(1,290)	(2,079)	(3,306)	(4,791)	(5,303)	(7,982)
Administrative expense	(183)	(726)	(1,244)	(1,699)	(1,869)	(2,142)	(2,296)	(2,722)
Other			134			53	456	662
Net change in plan fiduciary net position	9,317	26,677	50,571	71,113	69,308	81,257	166,784	68,500
Plan fiduciary net position-beginning		9,317	35,994	86,565	157,678	226,986	308,243	475,027
Plan fiduciary net position-ending (b)	$ 9,317	$ 35,994	$ 86,565	$ 157,678	$ 226,986	$ 308,243	$ 475,027	$ 543,527
Net pension liability (asset)-ending (a)-(b)	$ (2,781)	$ (8,426)	$ (20,741)	$ (38,576)	$ (41,478)	$ (35,214)	$ (84,748)	$ (24,940)
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%
Covered payroll	$ 107,086	$ 305,424	$ 518,664	$ 727,339	$ 900,952	$ 1,105,290	$ 1,223,688	$ 1,410,333
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%)

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

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

B. Schedules of Contributions

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Actuarially determined contribution	$ 410,608	$ 392,466	$ 366,114	$ 360,434	$ 435,455	$ 433,581	$ 435,177	$ 426,985	$ 427,593	$ 456,904
Contributions in relation of the actuarially determined contribution	410,608	392,466	366,114	360,434	435,455	433,581	435,177	426,985	677,593	806,904
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (250,000)	$ (350,000)
Covered payroll	$ 2,658,354	$ 2,540,327	$ 2,375,501	$ 2,333,672	$ 2,280,469	$ 2,213,382	$ 2,173,446	$ 2,073,599	$ 2,051,258	$ 2,060,797
Contributions as a percentage of covered payroll	15.45%	15.45%	15.41%	15.44%	19.09%	19.59%	20.02%	20.59%	33.03%	39.15%

Notes to Schedule of Contributions

Valuation Date: Actuarially determined contribution rates for 2023 were calculated based on the June 30, 2021, 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

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

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Actuarially determined contribution	$ 2,142	$ 6,446	$ 6,232	$ 9,820	$ 15,572	$ 19,803	$ 22,790	$ 27,136	$ 45,184
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
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
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%

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

Notes to Schedule of Contributions

Valuation Date: Actuarially determined contribution rates for 2023 were calculated based on the June 30, 2021, 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

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

	2019	2020	2021	2022	2023
Total OPEB liability					
Service cost	$65,979	$40,419	$40,282	$38,849	$36,964
Interest	50,851	72,620	70,591	69,384	70,180
Changes in benefit terms	-	-	-	-	9,495
Differences between actual and expected experience	-	(37,425)	(25,926)	(32,751)	(18,332)
Changes of assumptions	(199,731)	(31,242)	(29,109)	16,235	(24,516)
Benefit payments, including refunds of employee contributions	(92,951)	(80,140)	(75,864)	(73,155)	(80,073)
Net change in total OPEB liability	($175,852)	($35,768)	($20,026)	$18,562	($6,282)
Total OPEB liability-beginning	1,385,238	1,209,386	1,173,618	1,153,592	1,172,154
Total OPEB liability-ending (a)	$1,209,386	$1,173,618	$1,153,592	$1,172,154	$1,165,872
Plan fiduciary net position					
Contributions-employer	$301,486	$153,022	$148,609	$142,226	$438,053
Net investment income	5,167	(4,435)	91,762	(70,836)	62,558
Benefit payments, including refunds of employee contributions	(92,951)	(80,140)	(75,864)	(73,155)	(80,073)
Administrative expense	-	-	-	-	-
Net change in plan fiduciary net position	213,702	68,447	164,507	(1,765)	$420,538
Plan fiduciary net position-beginning	-	213,702	282,149	446,656	444,891
Plan fiduciary net position-ending (b)	$213,702	$282,149	$446,656	$444,891	$865,429
Net OPEB liability-ending (a)-(b)	$995,684	$891,469	$706,936	$727,263	$300,443
Plan fiduciary net position as a percentage of total OPEB liability	17.67%	24.04%	38.72%	37.95%	74.23%

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

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

B. Schedule of Contributions

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

	2019	2020	2021	2022	2023
Actuarially determined contribution	$135,810	$145,397	$137,075	$126,303	$115,734
Contributions in relation of the actuarially determined contribution	301,486	153,022	148,609	142,226	438,053
Contribution deficiency (excess)	($165,676)	($7,625)	($11,534)	($15,923)	($322,319)

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	14 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-2020 from 2010 . Post-retirement tables are Headcount-Weighted Below Median Healthy Annuitant and adjusted with a 6% load for males and a 14% load for females, projected generationally from 2010 with MP-2020. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load, projected generationally from 2018 with MP-2020.

C. Schedule of Investment Returns

Schedule of Investment Returns State of Tennessee Postemployment Benefits Trust

	2019	2020	2021	2022	2023
Annual money-weighted rate of return, net of investment expense	6%	-0.95%	29.76%	-14.23%	8.76%

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

STATE OF TENNESSEE
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Required Supplementary Information
Major Governmental Funds
For the Fiscal Year Ended June 30, 2023
(Expressed in Thousands)

	General			
	Budgeted Amounts			
	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget
REVENUES				
Taxes	$ 11,100,903	$ 11,100,903	$ 12,589,160	$ 1,488,257
Licenses, fines, fees, and permits	522,397	522,397	553,884	31,487
Investment income	14,750	14,750	836,620	821,870
Federal	17,556,907	19,751,454	15,456,756	(4,294,698)
Departmental services	2,224,656	2,321,168	2,777,073	455,905
Opioid and tobacco settlements	150,000	150,000	156,335	6,335
Other	43,600	43,600	81,544	37,944
Total revenues	31,613,213	33,904,272	32,451,372	(1,452,900)
EXPENDITURES				
General government				
Legislative	146,470	146,470	58,684	87,786
Secretary of State	97,773	98,594	54,626	43,968
Comptroller	172,083	172,083	131,112	40,971
Treasurer	418,215	428,947	411,061	17,886
Governor	6,644	6,716	6,342	374
Commissions	234,065	237,263	181,895	55,368
Finance and Administration	1,111,797	996,298	307,740	688,558
General Services	112,056	60,396	46,092	14,304
Revenue	166,708	172,579	154,140	18,439
Miscellaneous Appropriations	2,793	2,793	-	2,793
Health and social services				
Veterans Services	32,848	33,423	32,624	799
Labor and Workforce Development	409,782	416,398	223,913	192,485
TennCare	15,528,705	16,814,591	14,973,313	1,841,278
Mental Health	583,511	622,011	534,861	87,150
Intellectual Disabilities	359,454	370,121	276,162	93,959
Health	1,426,042	1,518,293	1,048,960	469,333
Human Services	5,125,514	5,472,204	3,686,163	1,786,041
Children's Services	1,188,230	1,263,423	1,152,805	110,618
Law, justice, and public safety				
Judicial	524,105	527,844	483,352	44,492
Correction	1,393,456	1,423,024	1,181,440	241,584
Probation and Paroles	10,717	11,416	10,521	895
Military	134,086	240,696	207,659	33,037
Bureau of Criminal Investigation	145,391	146,764	130,899	15,865
Safety	529,341	529,930	309,597	220,333
Recreation and resources development				
Agriculture	203,047	285,393	203,751	81,642
Tourist Development	135,505	136,451	74,943	61,508
Environment and Conservation	1,942,982	1,971,370	341,767	1,629,603
Economic and Community Development	1,071,029	1,730,595	270,665	1,459,930
Regulation of business and professions				
Commerce and Insurance	197,995	208,332	117,337	90,995
Financial Institutions	34,631	35,442	24,258	11,184
Total expenditures	33,444,975	36,079,860	26,636,682	9,443,178
Excess (deficiency) of revenues over (under) expenditures	(1,831,762)	(2,175,588)	5,814,690	7,990,278
OTHER FINANCING SOURCES (USES)				
Insurance claims recoveries	(967)	967	967	-
Transfers in	102,564	102,564	102,564	-
Transfers out	(5,912,374)	(4,539,324)	(4,539,324)	-
Total other financing sources (uses)	(5,810,777)	(4,435,793)	(4,435,793)	-
Net change in fund balances	(7,642,539)	(6,611,381)	1,378,897	7,990,278
Fund balances (budgetary basis), July 1, restated	12,186,070	12,186,070	12,186,070	-
Fund balances (budgetary basis), June 30	$ 4,543,531	$ 5,574,689	$ 13,564,967	$ 7,990,278

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, 2023
(Expressed in Thousands)

Education

	Budgeted Amounts			
	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget
REVENUES				
Taxes	$ 7,345,900	$ 7,345,900	$ 8,136,674	$ 790,774
Licenses, fines, fees, and permits	4,467	4,466	5,272	806
Investment income	175	175	8,380	8,205
Federal	2,209,512	2,708,278	2,658,059	(50,219)
Departmental services	155,184	218,078	257,005	38,927
Other	512,800	512,800	519,190	6,390
Total revenues	10,228,038	10,789,697	11,584,580	794,883
EXPENDITURES				
K-12 Education	8,715,374	9,285,293	8,551,839	733,454
Higher education	2,884,838	2,865,561	2,761,820	103,741
Total expenditures	11,600,212	12,150,854	11,313,659	837,195
Excess (deficiency) of revenues over (under) expenditures	(1,372,174)	(1,361,157)	270,921	1,632,078
OTHER FINANCING SOURCES (USES)				
Transfers in	1,795,109	1,795,109	422,489	(1,372,620)
Transfers out	(151,506)	(211,639)	(211,639)	-
Total other financing sources (uses)	1,643,603	1,583,470	210,850	(1,372,620)
Net change in fund balance	271,429	222,313	481,771	259,458
Fund balances (budgetary basis), July 1	741,436	741,436	741,436	-
Fund balances (budgetary basis), June 30	$ 1,012,865	$ 963,749	$ 1,223,207	$ 259,458

Highway

	Budgeted Amounts			
	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget
REVENUES				
Taxes	$ 751,000	$ 751,000	$ 762,894	$ 11,894
Licenses, fines, fees, and permits	217,460	217,460	244,113	26,653
Federal	1,338,388	4,872,337	1,154,481	(3,717,856)
Departmental services	38,384	236,124	65,266	(170,858)
Other	10,476	10,476	13,185	2,709
Total revenues	2,355,708	6,087,397	2,239,939	(3,847,458)
EXPENDITURES				
Transportation	4,974,846	8,737,769	2,666,942	6,070,827
Total expenditures	4,974,846	8,737,769	2,666,942	6,070,827
Excess (deficiency) of revenues over (under) expenditures	(2,619,138)	(2,650,372)	(427,003)	2,223,369
OTHER FINANCING SOURCES (USES)				
Bond authorizations	83,500	-	-	-
Transfers in	-	950,540	950,540	-
Transfers out	(2,807)	(2,807)	(2,807)	-
Total other financing sources (uses)	80,693	947,733	947,733	-
Net change in fund balance	(2,538,445)	(1,702,639)	520,730	2,223,369
Fund balances (budgetary basis), July 1	1,732,289	1,732,289	1,732,289	-
Fund balances (budgetary basis), June 30	$ (806,156)	$ 29,650	$ 2,253,019	$ 2,223,369

State Shared Taxes

	Budgeted Amounts			
	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget
REVENUES				
Taxes	$ 1,399,000	$ 1,399,000	$ 1,728,210	$ 329,210
Licenses, fines, fees, and permits	-	-	309	309
Total revenues	1,399,000	1,399,000	1,728,519	329,519
EXPENDITURES				
General government	1,728,519	1,728,519	1,728,519	-
Total expenditures	1,728,519	1,728,519	1,728,519	-
Excess (deficiency) of revenues over (under) expenditures	(329,519)	(329,519)	-	329,519

(Expressed in Thousands)

1. Explanation for differences between the budgetary revenues, expenditures, and other financing sources (uses) and the GAAP revenues, expenditures, and other financing sources (uses).

	General	Education	Highway
Revenues			
Actual amount (budgetary basis)		$ 11,584,580	
The revenues for the Tennessee Promise Scholarship Endowment Fund are not included in the annually adopted budget.		57,336	
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds		$ 11,641,916	
Expenditures			
Actual amount (budgetary basis)	$ 26,636,682	$ 11,313,659	$ 2,666,942
The expenditures for the Tennessee Promise Scholarship Endowment Fund are not included in the annually adopted budget.	-	22,360	-
Capital outlay from right-to-use leases and subscriptions are not included in the annual adopted budget.	50,855	-	1,610
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 26,687,537	$ 11,336,019	$ 2,668,552
Other financing sources (uses)			
Actual amount (budgetary basis)	$ (4,435,793)	$ 210,850	$ 947,733
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.	-	151,506	-
Financing sources from right-to-use leases and subscriptions are not included in the annual adopted budget.	50,855	-	1,610
Total other financing sources (uses) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ (4,384,938)	$ 362,356	$ 949,343

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, 2023. In order to provide sufficient funding for several programs during the year, supplemental appropriations of $395.4 million 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

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, 2023
(Expressed in Thousands)

	Special Revenue Funds	Debt Service Fund	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	$ 580,588	$ 24,656	$ 53,683	$ 658,927
Investments	43,030	-	708,698	751,728
Receivables, net	357,143	9,487	4,512	371,142
Due from other funds	15	-	-	15
Due from component units	-	-	1,756	1,756
Loans receivable	-	2,333	-	2,333
Prepayments and others	19	-	-	19
Total assets	$ 980,795	$ 36,476	$ 768,649	$ 1,785,920
LIABILITIES				
Accounts payable and accruals	66,569	204	-	66,773
Due to other funds	228	-	-	228
Due to component units	1,164	-	3,347	4,511
Unearned revenue	10	-	-	10
Total liabilities	67,971	204	3,347	71,522
DEFERRED INFLOWS OF RESOURCES	302,656	2,932	-	305,588
FUND BALANCES				
Nonspendable				
Permanent fund and endowment corpus	$ -	$ -	$ 427,132	$ 427,132
Restricted	296,701	-	320,134	616,835
Committed	313,467	-	21,578	335,045
Assigned	-	33,340	-	33,340
Unassigned	-	-	(3,542)	(3,542)
Total fund balances	610,168	33,340	765,302	1,408,810
Total liabilities, deferred inflows of resources and fund balances	$ 980,795	$ 36,476	$ 768,649	$ 1,785,920

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, 2023
(Expressed in Thousands)

	Special Revenue Funds	Debt Service Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES				
Taxes:				
Sales and use	$ -	$ 95,748	$ -	$ 95,748
Fuel	24,823	83,640	-	108,463
Business	-	200,212	-	200,212
Other	65,940	-	-	65,940
Licenses, fines, fees, and permits	319,208	2,700	2,940	324,848
Investment income	18,697	-	40,579	59,276
Federal	47,206	-	-	47,206
Departmental services	28,600	953	-	29,553
Other	4	-	-	4
Total revenues	504,478	383,253	43,519	931,250
EXPENDITURES				
General government	45,590	-	-	45,590
Education	-	-	11,261	11,261
Health and social services	31,729	-	186	31,915
Law, justice, and public safety	8,019	-	-	8,019
Recreation and resources development	269,998	-	35	270,033
Regulation of business and professions	152,227	-	-	152,227
Debt service:				
Principal	374	145,714	-	146,088
Interest	123	47,372	-	47,495
Debt issuance costs	-	1,582	-	1,582
Capital outlay	3,015	-	-	3,015
Total expenditures	511,075	194,668	11,482	717,225
Excess (deficiency) of revenues over (under) expenditures	(6,597)	188,585	32,037	214,025
OTHER FINANCING SOURCES (USES)				
Right-to-use leases and subscriptions	3,015	-	-	3,015
Insurance claims recoveries	191	-	-	191
Transfers in	77,566	3,350	-	80,916
Transfers out	(3,481)	(179,837)	-	(183,318)
Total other financing sources (uses)	77,291	(176,487)	-	(99,196)
Net change in fund balances	70,694	12,098	32,037	114,829
Fund balances, July 1	539,474	21,242	733,265	1,293,981
Fund balances, June 30	$ 610,168	$ 33,340	$ 765,302	$ 1,408,810

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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, 2023
(Expressed in Thousands)

	Debt Service Fund		
	Budget	Actual (Budgetary Basis)	Variance
REVENUES			
Taxes	$ 379,600	$ 379,600	$ -
Licenses, fines, fees, and permits	2,700	2,700	-
Departmental services	952	953	1
Total revenues	383,252	383,253	1
EXPENDITURES			
Debt service	194,669	194,668	1
Total expenditures	194,669	194,668	1
Excess (deficiency) of revenues over (under) expenditures	188,583	188,585	2
OTHER FINANCING SOURCES (USES)			
Transfers in	3,350	3,350	-
Transfers out	(179,837)	(179,837)	-
Total other financing sources (uses)	(176,487)	(176,487)	-
Net change in fund balances	12,096	12,098	2
Fund balances (budgetary basis), July 1	21,242	21,242	-
Fund balances (budgetary basis), June 30	$ 33,338	$ 33,340	$ 2

NONMAJOR SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

STATE OF TENNESSEE
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2023
(Expressed in Thousands)

	Wildlife Resources Agency	Criminal Injuries Compensation	Solid Waste	Help America Vote
ASSETS				
Cash and cash equivalents	$ 56,745	$ 8,468	$ 21,842	$ 44,166
Investments	43,030	-	-	-
Receivables, net	10,229	2,783	664	-
Due from other funds	-	-	-	-
Prepayments and others	-	-	-	-
Total assets	$ 110,004	$ 11,251	$ 22,506	$ 44,166
LIABILITIES				
Accounts payable and accruals	8,267	4,527	1,168	40,871
Due to other funds	187	18	-	-
Due to component units	1,085	-	-	-
Unearned revenue	-	-	-	-
Total liabilities	9,539	4,545	1,168	40,871
DEFERRED INFLOWS OF RESOURCES	-	-	-	-
FUND BALANCES				
Restricted	$ 81,230	$ -	$ -	$ 3,295
Committed	19,235	6,706	21,338	-
Total fund balances	100,465	6,706	21,338	3,295
Total liabilities, deferred inflows of resources and fund balances	$ 110,004	$ 11,251	$ 22,506	$ 44,166

STATE OF TENNESSEE
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2023
(Expressed in Thousands)

Environmental Protection	Hazardous Waste	Parks Acquisition	Supreme Court Boards	Underground Storage Tanks	Enhanced Emergency 911 Service	Driver Education
$ 63,956	$ 40,105	$ 107,090	$ 5,449	$ 65,464	$ 30,471	$ 1,470
-	-	-	-	-	-	-
-	145	2,318	13	1,813	14,336	62
-	-	-	-	-	-	-
-	-	-	-	-	-	-
$ 63,956	$ 40,250	$ 109,408	$ 5,462	$ 67,277	$ 44,807	$ 1,532
12	339	1,462	78	3,643	1,602	68
-	-	8	-	-	15	-
-	-	-	-	-	-	-
-	-	-	9	-	-	-
12	339	1,470	87	3,643	1,617	68
-	-	-	-	-	69	-
$ -	$ 53	$ -	$ 5,375	$ 63,634	$ 36,852	$ -
63,944	39,858	107,938	-	-	6,269	1,464
63,944	39,911	107,938	5,375	63,634	43,121	1,464
$ 63,956	$ 40,250	$ 109,408	$ 5,462	$ 67,277	$ 44,807	$ 1,532

STATE OF TENNESSEE
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2023
(Expressed in Thousands)

	Abandoned Land Program	Agricultural Non-Point Water Pollution	Salvage Title Enforcement	Agricultural Promotion Boards
ASSETS				
Cash and cash equivalents	$ 7,819	$ 16,798	$ 4,991	$ 707
Investments	-	-	-	-
Receivables, net	30	1,070	-	38
Due from other funds	-	-	-	-
Prepayments and others	-	-	-	19
Total assets	$ 7,849	$ 17,868	$ 4,991	$ 764
LIABILITIES				
Accounts payable and accruals	162	1,238	85	165
Due to other funds	-	-	-	-
Due to component units	-	79	-	-
Unearned revenue	-	-	-	-
Total liabilities	162	1,317	85	165
DEFERRED INFLOWS OF RESOURCES	-	-	-	-
FUND BALANCES				
Restricted	$ 6,363	$ -	$ -	$ -
Committed	1,324	16,551	4,906	599
Total fund balances	7,687	16,551	4,906	599
Total liabilities, deferred inflows of resources and fund balances	$ 7,849	$ 17,868	$ 4,991	$ 764

STATE OF TENNESSEE
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2023
(Expressed in Thousands)

Drycleaner's Environmental Response	Agricultural Regulatory Fund	Tennessee Public Utility Commission	Fraud and Economic Crime	Vehicle Tag and Analogous Fees	Opioid Abatement Fund	Total Nonmajor Special Revenue Funds
$ 735	$ 10,982	$ 8,397	$ 3,122	$ 2,338	$ 79,473	$ 580,588
-	-	-	-	-	-	43,030
-	4	3	-	622	323,013	357,143
-	-	15	-	-	-	15
-	-	-	-	-	-	19
$ 735	$ 10,986	$ 8,415	$ 3,122	$ 2,960	$ 402,486	$ 980,795
24	-	398	-	2,460	-	66,569
-	-	-	-	-	-	228
-	-	-	-	-	-	1,164
-	-	1	-	-	-	10
24	-	399	-	2,460	-	67,971
-	-	-	-	-	302,587	302,656
$ -	$ -	$ -	$ -	$ -	$ 99,899	$ 296,701
711	10,986	8,016	3,122	500	-	313,467
711	10,986	8,016	3,122	500	99,899	610,168
$ 735	$ 10,986	$ 8,415	$ 3,122	$ 2,960	$ 402,486	$ 980,795

STATE OF TENNESSEE
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2023
(Expressed in Thousands)

	Wildlife Resources Agency	Criminal Injuries Compensation	Solid Waste	Help America Vote
REVENUES				
Taxes:				
Fuel	$ 4,769	$ -	$ -	$ -
Other	24,926	-	2,639	-
Licenses, fines, fees, and permits	46,491	7,817	7,665	-
Investment income	1,207	289	692	102
Federal	39,170	2,301	-	1,229
Departmental services	22,545	-	1	-
Other	-	4	-	-
Total revenues	139,108	10,411	10,997	1,331
EXPENDITURES				
General government	-	11,717	-	16,304
Health and social services	-	-	-	-
Law, justice, and public safety	-	-	-	-
Recreation and resources development	161,731	-	7,188	-
Regulation of business and professions	-	-	-	-
Debt service:				
Principal	26	-	-	-
Interest	1	-	-	-
Capital outlay	18	-	-	-
Total expenditures	161,776	11,717	7,188	16,304
Excess (deficiency) of revenues over (under) expenditures	(22,668)	(1,306)	3,809	(14,973)
OTHER FINANCING SOURCES (USES)				
Right-to-use leases and subscriptions	18	-	-	-
Insurance claims recoveries	191	-	-	-
Transfers in	19,250	-	5,585	15,538
Transfers out	(372)	-	-	(1,359)
Total other financing sources (uses)	19,087	-	5,585	14,179
Net change in fund balances	(3,581)	(1,306)	9,394	(794)
Fund balances, July 1	104,046	8,012	11,944	4,089
Fund balances, June 30	$ 100,465	$ 6,706	$ 21,338	$ 3,295

STATE OF TENNESSEE
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2023
(Expressed in Thousands)

Environmental Protection	Hazardous Waste	Parks Acquisition	Supreme Court Boards	Underground Storage Tanks	Enhanced Emergency 911 Service	Driver Education
$ -	$ -	$ -	$ -	$ 20,054	$ -	$ -
-	-	24,925	-	-	-	-
49,161	-	-	6,125	458	150,042	631
4,330	1,333	3,523	208	2,237	700	-
-	1,048	-	-	1,795	-	-
-	4,249	10	289	159	2	-
-	-	-	-	-	-	-
53,491	6,630	28,458	6,622	24,703	150,744	631
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	6,668	-	-	681
39,554	7,425	9,087	-	21,162	-	-
-	-	-	-	-	152,227	-
-	-	-	348	-	-	-
-	-	-	122	-	-	-
-	-	-	2,997	-	-	-
39,554	7,425	9,087	10,135	21,162	152,227	681
13,937	(795)	19,371	(3,513)	3,541	(1,483)	(50)
-	-	-	2,997	-	-	-
-	-	-	-	-	-	-
-	34,081	-	410	880	105	54
-	-	(1,750)	-	-	-	-
-	34,081	(1,750)	3,407	880	105	54
13,937	33,286	17,621	(106)	4,421	(1,378)	4
50,007	6,625	90,317	5,481	59,213	44,499	1,460
$ 63,944	$ 39,911	$ 107,938	$ 5,375	$ 63,634	$ 43,121	$ 1,464

STATE OF TENNESSEE
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2023
(Expressed in Thousands)

	Abandoned Land Program	Agricultural Non-Point Water Pollution	Salvage Title Enforcement	Agricultural Promotion Boards
REVENUES				
Taxes:				
Fuel	$ -	$ -	$ -	$ -
Other	-	11,504	-	840
Licenses, fines, fees, and permits	23	-	2,901	-
Investment income	275	576	-	1
Federal	851	-	-	-
Departmental services	-	-	-	5
Other	-	-	-	-
Total revenues	1,149	12,080	2,901	846
EXPENDITURES				
General government	-	-	2,417	-
Health and social services	-	-	-	-
Law, justice, and public safety	-	-	-	-
Recreation and resources development	623	10,981	-	824
Regulation of business and professions	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	623	10,981	2,417	824
Excess (deficiency) of revenues over (under) expenditures	526	1,099	484	22
OTHER FINANCING SOURCES (USES)				
Right-to-use leases and subscriptions	-	-	-	-
Insurance claims recoveries	-	-	-	-
Transfers in	893	-	193	-
Transfers out	-	-	-	-
Total other financing sources (uses)	893	-	193	-
Net change in fund balances	1,419	1,099	677	22
Fund balances, July 1	6,268	15,452	4,229	577
Fund balances, June 30	$ 7,687	$ 16,551	$ 4,906	$ 599

STATE OF TENNESSEE
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2023
(Expressed in Thousands)

Drycleaner's Environmental Response	Agricultural Regulatory Fund	Tennessee Public Utility Commission	Fraud and Economic Crime	Vehicle Tag and Analogous Fees	Opioid Abatement Fund	Total Nonmajor Special Revenue Funds
$ -	$ -	$ -	$ -	$ -	$ -	$ 24,823
-	-	-	-	1,106	-	65,940
433	10,559	6,339	502	5,523	24,538	319,208
32	312	-	19	13	2,848	18,697
-	-	812	-	-	-	47,206
-	40	1,300	-	-	-	28,600
-	-	-	-	-	-	4
465	10,911	8,451	521	6,642	27,386	504,478
-	-	8,510	-	6,642	-	45,590
-	-	-	-	-	31,729	31,729
-	-	-	670	-	-	8,019
569	10,854	-	-	-	-	269,998
-	-	-	-	-	-	152,227
-	-	-	-	-	-	374
-	-	-	-	-	-	123
-	-	-	-	-	-	3,015
569	10,854	8,510	670	6,642	31,729	511,075
(104)	57	(59)	(149)	-	(4,343)	(6,597)
-	-	-	-	-	-	3,015
-	-	-	-	-	-	191
24	-	553	-	-	-	77,566
-	-	-	-	-	-	(3,481)
24	-	553	-	-	-	77,291
(80)	57	494	(149)	-	(4,343)	70,694
791	10,929	7,522	3,271	500	104,242	539,474
$ 711	$ 10,986	$ 8,016	$ 3,122	$ 500	$ 99,899	$ 610,168

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, 2023
(Expressed in Thousands)

	Wildlife Resources Agency		
	Budget	**Actual (Budgetary Basis)**	**Variance**
REVENUES			
Taxes	$ 17,449	$ 29,695	$ 12,246
Licenses, fines, fees, and permits	62,395	46,491	(15,904)
Investment income	-	1,207	1,207
Federal	35,402	39,170	3,768
Departmental services	23,721	22,545	(1,176)
Other	-	-	-
Total revenues	138,967	139,108	141
EXPENDITURES			
Judicial	-	-	-
Secretary of State	-	-	-
Treasurer	-	-	-
Commissions	-	-	-
Finance and Administration	-	-	-
Mental Health	-	-	-
Safety	-	-	-
Agriculture	-	-	-
Environment and Conservation	-	-	-
Wildlife Resources	184,803	161,758	23,045
Commerce and Insurance	-	-	-
Revenue	-	-	-
Total expenditures	184,803	161,758	23,045
Excess (deficiency) of revenues over (under) expenditures	(45,836)	(22,650)	23,186
OTHER FINANCING SOURCES (USES)			
Insurance claims recoveries	191	191	-
Transfers in	19,250	19,250	-
Transfers out	(372)	(372)	-
Total other financing sources (uses)	19,069	19,069	-
Net change in fund balances	(26,767)	(3,581)	23,186
Fund balances (budgetary basis), July 1	104,046	104,046	-
Fund balances (budgetary basis), June 30	$ 77,279	$ 100,465	$ 23,186

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, 2023
(Expressed in Thousands)

Criminal Injuries Compensation			Solid Waste		
Budget	Actual (Budgetary Basis)	Variance	Budget	Actual (Budgetary Basis)	Variance
$ -	$ -	$ -	$ 2,658	$ 2,639	$ (19)
14,087	7,817	(6,270)	5,810	7,665	1,855
-	289	289	-	692	692
2,289	2,301	12	-	-	-
-	-	-	1	1	-
10	4	(6)	-	-	-
16,386	10,411	(5,975)	8,469	10,997	2,528
-	-	-	-	-	-
-	-	-	-	-	-
16,386	11,717	4,669	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	14,074	7,188	6,886
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
16,386	11,717	4,669	14,074	7,188	6,886
-	(1,306)	(1,306)	(5,605)	3,809	9,414
-	-	-	-	-	-
-	-	-	5,585	5,585	-
-	-	-	-	-	-
-	-	-	5,585	5,585	-
-	(1,306)	(1,306)	(20)	9,394	9,414
8,012	8,012	-	11,944	11,944	-
$ 8,012	$ 6,706	$ (1,306)	$ 11,924	$ 21,338	$ 9,414

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, 2023
(Expressed in Thousands)

	Help America Vote		
	Budget	Actual (Budgetary Basis)	Variance
REVENUES			
Taxes	$ -	$ -	$ -
Licenses, fines, fees, and permits	-	-	-
Investment income	-	102	102
Federal	26,500	1,229	(25,271)
Departmental services	-	-	-
Other	-	-	-
Total revenues	26,500	1,331	(25,169)
EXPENDITURES			
Judicial	-	-	-
Secretary of State	43,038	16,304	26,734
Treasurer	-	-	-
Commissions	-	-	-
Finance and Administration	-	-	-
Mental Health	-	-	-
Safety	-	-	-
Agriculture	-	-	-
Environment and Conservation	-	-	-
Wildlife Resources	-	-	-
Commerce and Insurance	-	-	-
Revenue	-	-	-
Total expenditures	43,038	16,304	26,734
Excess (deficiency) of revenues over (under) expenditures	(16,538)	(14,973)	1,565
OTHER FINANCING SOURCES (USES)			
Insurance claims recoveries	-	-	-
Transfers in	15,538	15,538	-
Transfers out	(1,359)	(1,359)	-
Total other financing sources (uses)	14,179	14,179	-
Net change in fund balances	(2,359)	(794)	1,565
Fund balances (budgetary basis), July 1	4,089	4,089	-
Fund balances (budgetary basis), June 30	$ 1,730	$ 3,295	$ 1,565

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, 2023
(Expressed in Thousands)

Environmental Protection			Hazardous Waste		
Budget	Actual (Budgetary Basis)	Variance	Budget	Actual (Budgetary Basis)	Variance
$ -	$ -	$ -	$ -	$ -	$ -
58,461	49,161	(9,300)	-	-	-
-	4,330	4,330	-	1,333	1,333
-	-	-	1,891	1,048	(843)
-	-	-	5,167	4,249	(918)
-	-	-	-	-	-
58,461	53,491	(4,970)	7,058	6,630	(428)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
60,589	39,554	21,035	43,690	7,425	36,265
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
60,589	39,554	21,035	43,690	7,425	36,265
(2,128)	13,937	16,065	(36,632)	(795)	35,837
-	-	-	-	-	-
-	-	-	34,081	34,081	-
-	-	-	-	-	-
-	-	-	34,081	34,081	-
(2,128)	13,937	16,065	(2,551)	33,286	35,837
50,007	50,007	-	6,625	6,625	-
$ 47,879	$ 63,944	$ 16,065	$ 4,074	$ 39,911	$ 35,837

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, 2023
(Expressed in Thousands)

	Parks Acquisition		
	Budget	Actual (Budgetary Basis)	Variance
REVENUES			
Taxes	$ 6,931	$ 24,925	$ 17,994
Licenses, fines, fees, and permits	-	-	-
Investment income	-	3,523	3,523
Federal	-	-	-
Departmental services	-	10	10
Other	-	-	-
Total revenues	6,931	28,458	21,527
EXPENDITURES			
Judicial	-	-	-
Secretary of State	-	-	-
Treasurer	-	-	-
Commissions	-	-	-
Finance and Administration	-	-	-
Mental Health	-	-	-
Safety	-	-	-
Agriculture	-	-	-
Environment and Conservation	15,431	9,087	6,344
Wildlife Resources	-	-	-
Commerce and Insurance	-	-	-
Revenue	-	-	-
Total expenditures	15,431	9,087	6,344
Excess (deficiency) of revenues over (under) expenditures	(8,500)	19,371	27,871
OTHER FINANCING SOURCES (USES)			
Insurance claims recoveries	-	-	-
Transfers in	-	-	-
Transfers out	(1,750)	(1,750)	-
Total other financing sources (uses)	(1,750)	(1,750)	-
Net change in fund balances	(10,250)	17,621	27,871
Fund balances (budgetary basis), July 1	90,317	90,317	-
Fund balances (budgetary basis), June 30	$ 80,067	$ 107,938	$ 27,871

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, 2023
(Expressed in Thousands)

Supreme Court Boards			Underground Storage Tanks		
Budget	Actual (Budgetary Basis)	Variance	Budget	Actual (Budgetary Basis)	Variance
$ -	$ -	$ -	$ 20,500	$ 20,054	$ (446)
5,490	6,125	635	4,062	458	(3,604)
-	208	208	-	2,237	2,237
-	-	-	1,973	1,795	(178)
-	289	289	-	159	159
-	-	-	-	-	-
5,490	6,622	1,132	26,535	24,703	(1,832)
6,896	7,138	(242)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	27,039	21,162	5,877
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
6,896	7,138	(242)	27,039	21,162	5,877
(1,406)	(516)	890	(504)	3,541	4,045
-	-	-	-	-	-
410	410	-	880	880	-
-	-	-	-	-	-
410	410	-	880	880	-
(996)	(106)	890	376	4,421	4,045
5,481	5,481	-	59,213	59,213	-
$ 4,485	$ 5,375	$ 890	$ 59,589	$ 63,634	$ 4,045

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, 2023
(Expressed in Thousands)

	Enhanced Emergency 911 Service		
	Budget	Actual (Budgetary Basis)	Variance
REVENUES			
Taxes	$ -	$ -	$ -
Licenses, fines, fees, and permits	149,705	150,042	337
Investment income	-	700	700
Federal	-	-	-
Departmental services	-	2	2
Other	-	-	-
Total revenues	149,705	150,744	1,039
EXPENDITURES			
Judicial	-	-	-
Secretary of State	-	-	-
Treasurer	-	-	-
Commissions	-	-	-
Finance and Administration	-	-	-
Mental Health	-	-	-
Safety	-	-	-
Agriculture	-	-	-
Environment and Conservation	-	-	-
Wildlife Resources	-	-	-
Commerce and Insurance	155,645	152,227	3,418
Revenue	-	-	-
Total expenditures	155,645	152,227	3,418
Excess (deficiency) of revenues over (under) expenditures	(5,940)	(1,483)	4,457
OTHER FINANCING SOURCES (USES)			
Insurance claims recoveries	-	-	-
Transfers in	105	105	-
Transfers out	-	-	-
Total other financing sources (uses)	105	105	-
Net change in fund balances	(5,835)	(1,378)	4,457
Fund balances (budgetary basis), July 1	44,499	44,499	-
Fund balances (budgetary basis), June 30	$ 38,664	$ 43,121	$ 4,457

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, 2023
(Expressed in Thousands)

Driver Education			Abandoned Land Program		
Budget	Actual (Budgetary Basis)	Variance	Budget	Actual (Budgetary Basis)	Variance
$ -	$ -	$ -	$ -	$ -	$ -
873	631	(242)	523	23	(500)
-	-	-	-	275	275
-	-	-	9,678	851	(8,827)
-	-	-	-	-	-
-	-	-	-	-	-
873	631	(242)	10,201	1,149	(9,052)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,183	681	502	-	-	-
-	-	-	-	-	-
-	-	-	11,110	623	10,487
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,183	681	502	11,110	623	10,487
(310)	(50)	260	(909)	526	1,435
-	-	-	-	-	-
54	54	-	893	893	-
-	-	-	-	-	-
54	54	-	893	893	-
(256)	4	260	(16)	1,419	1,435
1,460	1,460	-	6,268	6,268	-
$ 1,204	$ 1,464	$ 260	$ 6,252	$ 7,687	$ 1,435

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, 2023
(Expressed in Thousands)

	Agricultural Non-Point Water Pollution		
	Budget	Actual (Budgetary Basis)	Variance
REVENUES			
Taxes	$ 3,188	$ 11,504	$ 8,316
Licenses, fines, fees, and permits	-	-	-
Investment income	-	576	576
Federal	-	-	-
Departmental services	-	-	-
Other	-	-	-
Total revenues	3,188	12,080	8,892
EXPENDITURES			
Judicial	-	-	-
Secretary of State	-	-	-
Treasurer	-	-	-
Commissions	-	-	-
Finance and Administration	-	-	-
Mental Health	-	-	-
Safety	-	-	-
Agriculture	16,688	10,981	5,707
Environment and Conservation	-	-	-
Wildlife Resources	-	-	-
Commerce and Insurance	-	-	-
Revenue	-	-	-
Total expenditures	16,688	10,981	5,707
Excess (deficiency) of revenues over (under) expenditures	(13,500)	1,099	14,599
OTHER FINANCING SOURCES (USES)			
Insurance claims recoveries	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	(13,500)	1,099	14,599
Fund balances (budgetary basis), July 1	15,452	15,452	-
Fund balances (budgetary basis), June 30	$ 1,952	$ 16,551	$ 14,599

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, 2023
(Expressed in Thousands)

Salvage Title Enforcement			Drycleaner's Environmental Response		
Budget	Actual (Budgetary Basis)	Variance	Budget	Actual (Budgetary Basis)	Variance
$ -	$ -	$ -	$ -	$ -	$ -
2,405	2,901	496	1,970	433	(1,537)
-	-	-	-	32	32
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,405	2,901	496	1,970	465	(1,505)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	1,979	569	1,410
-	-	-	-	-	-
-	-	-	-	-	-
2,627	2,417	210	-	-	-
2,627	2,417	210	1,979	569	1,410
(222)	484	706	(9)	(104)	(95)
-	-	-	-	-	-
193	193	-	24	24	-
-	-	-	-	-	-
193	193	-	24	24	-
(29)	677	706	15	(80)	(95)
4,229	4,229	-	791	791	-
$ 4,200	$ 4,906	$ 706	$ 806	$ 711	$ (95)

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, 2023
(Expressed in Thousands)

	Agricultural Regulatory Fund		
	Budget	Actual (Budgetary Basis)	Variance
REVENUES			
Taxes	$ -	$ -	$ -
Licenses, fines, fees, and permits	11,262	10,559	(703)
Investment income	-	312	312
Federal	-	-	-
Departmental services	2	40	38
Other	-	-	-
Total revenues	11,264	10,911	(353)
EXPENDITURES			
Judicial	-	-	-
Secretary of State	-	-	-
Treasurer	-	-	-
Commissions	-	-	-
Finance and Administration	-	-	-
Mental Health	-	-	-
Safety	-	-	-
Agriculture	11,382	10,854	528
Environment and Conservation	-	-	-
Wildlife Resources	-	-	-
Commerce and Insurance	-	-	-
Revenue	-	-	-
Total expenditures	11,382	10,854	528
Excess (deficiency) of revenues over (under) expenditures	(118)	57	175
OTHER FINANCING SOURCES (USES)			
Insurance claims recoveries	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	(118)	57	175
Fund balances (budgetary basis), July 1	10,929	10,929	-
Fund balances (budgetary basis), June 30	$ 10,811	$ 10,986	$ 175

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, 2023
(Expressed in Thousands)

Tennessee Public Utility Commission			Vehicle Tag and Analogous Fees		
Budget	Actual (Budgetary Basis)	Variance	Budget	Actual (Budgetary Basis)	Variance
$ -	$ -	$ -	$ 1,107	$ 1,106	$ (1)
7,596	6,339	(1,257)	5,535	5,523	(12)
-	-	-	-	13	13
1,051	812	(239)	-	-	-
1,431	1,300	(131)	-	-	-
-	-	-	-	-	-
10,078	8,451	(1,627)	6,642	6,642	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
10,434	8,510	1,924	-	-	-
-	-	-	6,642	6,642	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
10,434	8,510	1,924	6,642	6,642	-
(356)	(59)	297	-	-	-
-	-	-	-	-	-
553	553	-	-	-	-
-	-	-	-	-	-
553	553	-	-	-	-
197	494	297	-	-	-
7,522	7,522	-	500	500	-
$ 7,719	$ 8,016	$ 297	$ 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, 2023
(Expressed in Thousands)

	Opioid Abatement Fund		
	Budget	Actual (Budgetary Basis)	Variance
REVENUES			
Taxes	$ -	$ -	$ -
Licenses, fines, fees, and permits	-	24,538	24,538
Investment income	-	2,848	2,848
Federal	-	-	-
Departmental services	4	-	(4)
Other	-	-	-
Total revenues	4	27,386	27,382
EXPENDITURES			
Judicial	-	-	-
Secretary of State	-	-	-
Treasurer	-	-	-
Commissions	-	-	-
Finance and Administration	-	-	-
Mental Health	36,970	31,729	5,241
Safety	-	-	-
Agriculture	-	-	-
Environment and Conservation	-	-	-
Wildlife Resources	-	-	-
Commerce and Insurance	-	-	-
Revenue	-	-	-
Total expenditures	36,970	31,729	5,241
Excess (deficiency) of revenues over (under) expenditures	(36,966)	(4,343)	32,623
OTHER FINANCING SOURCES (USES)			
Insurance claims recoveries	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	(36,966)	(4,343)	32,623
Fund balances (budgetary basis), July 1	104,242	104,242	-
Fund balances (budgetary basis), June 30	$ 67,276	$ 99,899	$ 32,623

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, 2023
(Expressed in Thousands)

Total Nonmajor Special Revenue Funds		
Budget	Actual (Budgetary Basis)	Variance
$ 51,833	$ 89,923	$ 38,090
330,174	318,706	(11,468)
-	18,677	18,677
78,784	47,206	(31,578)
30,326	28,595	(1,731)
10	4	(6)
491,127	503,111	11,984
6,896	7,138	(242)
43,038	16,304	26,734
16,386	11,717	4,669
10,434	8,510	1,924
6,642	6,642	-
36,970	31,729	5,241
1,183	681	502
28,070	21,835	6,235
173,912	85,608	88,304
184,803	161,758	23,045
155,645	152,227	3,418
2,627	2,417	210
666,606	506,566	160,040
(175,479)	(3,455)	172,024
191	191	-
77,566	77,566	-
(3,481)	(3,481)	-
74,276	74,276	-
(101,203)	70,821	172,024
535,626	535,626	-
$ 434,423	$ 606,447	$ 172,024

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PERMANENT FUNDS

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

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, 2023
(Expressed in Thousands)

	Chairs of Excellence	K-12 Mental Health Fund	Other Permanent Funds	Total Permanent Funds
ASSETS				
Cash and cash equivalents	$ 7,035	$ 14,415	$ 32,233	$ 53,683
Investments	413,721	229,174	65,803	708,698
Receivables, net	1,507	2,989	16	4,512
Due from component units	1,756	-	-	1,756
Total assets	$ 424,019	$ 246,578	$ 98,052	$ 768,649
LIABILITIES				
Due to component units	3,347	-	-	3,347
Total liabilities	3,347	-	-	3,347
FUND BALANCES				
Nonspendable				
Permanent fund and endowment corpus	$ 104,362	$ 225,000	$ 97,770	$ 427,132
Restricted	316,310	-	3,824	320,134
Committed	-	21,578	-	21,578
Unassigned	-	-	(3,542)	(3,542)
Total fund balances	420,672	246,578	98,052	765,302
Total liabilities and fund balances	$ 424,019	$ 246,578	$ 98,052	$ 768,649

STATE OF TENNESSEE
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Permanent Funds
For the Fiscal Year Ended June 30, 2023
(Expressed in Thousands)

	Chairs of Excellence	K-12 Mental Health Fund	Other Permanent Funds	Total Permanent Funds
REVENUES				
Licenses, fines, fees, and permits	$ -	$ -	$ 2,940	$ 2,940
Investment income (loss)	46,847	(6,261)	(7)	40,579
Total revenues	46,847	(6,261)	2,933	43,519
EXPENDITURES				
Education	11,261	-	-	11,261
Health and social services	-	186	-	186
Recreation and resources development	-	-	35	35
Total expenditures	11,261	186	35	11,482
Excess (deficiency) of revenues over (under) expenditures	35,586	(6,447)	2,898	32,037
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	35,586	(6,447)	2,898	32,037
Fund balances, July 1	385,086	253,025	95,154	733,265
Fund balances, June 30	$ 420,672	$ 246,578	$ 98,052	$ 765,302

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NONMAJOR ENTERPRISE FUNDS

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

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

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

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

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

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

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

STATE OF TENNESSEE
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2023
(Expressed in Thousands)

	Teacher Group Insurance	Local Government Group Insurance	Drinking Water	Grain Indemnity
ASSETS				
Current assets:				
Cash and cash equivalents	$ 288,867	$ 73,167	$ 118,048	$ 10,198
Receivables:				
Accounts receivable	1,393	386	-	-
Loans receivable	-	-	7,856	-
Total current assets	290,260	73,553	125,904	10,198
Noncurrent assets:				
Loans receivable	-	-	113,924	-
Total noncurrent assets	-	-	113,924	-
Total assets	290,260	73,553	239,828	10,198
LIABILITIES				
Current liabilities:				
Accounts payable and accruals	56,474	14,827	123	-
Unearned revenue	106	46	-	-
Total current liabilities	56,580	14,873	123	-
Noncurrent liabilities:				
Others	-	-	3,288	-
Total noncurrent liabilities	-	-	3,288	-
Total liabilities	56,580	14,873	3,411	-
NET POSITION				
Unrestricted	233,680	58,680	236,417	10,198
Total net position	$ 233,680	$ 58,680	$ 236,417	$ 10,198

STATE OF TENNESSEE
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2023
(Expressed in Thousands)

Energy Efficient Schools Initiative	Client Protection	Total Nonmajor Enterprise Funds
$ 16,827	$ 1,769	$ 508,876
-	-	1,779
9,078	-	16,934
25,905	1,769	527,589
58,442	-	172,366
58,442	-	172,366
84,347	1,769	699,955
-	1	71,425
25	-	177
25	1	71,602
-	-	3,288
-	-	3,288
25	1	74,890
84,322	1,768	625,065
$ 84,322	$ 1,768	$ 625,065

STATE OF TENNESSEE
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2023
(Expressed in Thousands)

	Teacher Group Insurance	Local Government Group Insurance	Drinking Water	Grain Indemnity
Operating revenues				
Charges for services	$ -	$ -	$ 1,256	$ -
Investment income	-	-	4,003	-
Premiums	659,417	185,905	-	-
Total operating revenues	659,417	185,905	5,259	-
Operating expenses				
Contractual services	31,034	9,394	435	172
Benefits	617,113	169,700	-	-
Other	5,013	1,627	-	-
Total operating expenses	653,160	180,721	435	172
Operating income (loss)	6,257	5,184	4,824	(172)
Nonoperating revenues (expenses)				
Grants	90	13,674	3,455	-
Interest income	8,706	1,730	-	368
Other	-	-	(499)	-
Total nonoperating revenues (expenses)	8,796	15,404	2,956	368
Income (loss) before contributions and transfers	15,053	20,588	7,780	196
Transfers in	-	-	4,788	-
Transfers out	-	-	-	-
Change in net position	15,053	20,588	12,568	196
Net position, July 1	218,627	38,092	223,849	10,002
Net position, June 30	$ 233,680	$ 58,680	$ 236,417	$ 10,198

STATE OF TENNESSEE
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2023
(Expressed in Thousands)

Energy Efficient Schools Initiative	Client Protection	Total Nonmajor Enterprise Funds
$ 688	$ 407	$ 2,351
680	-	4,683
-	-	845,322
1,368	407	852,356
45	225	41,305
-	-	786,813
-	1	6,641
45	226	834,759
1,323	181	17,597
-	-	17,219
-	63	10,867
-	-	(499)
-	63	27,587
1,323	244	45,184
-	-	4,788
(1,290)	-	(1,290)
33	244	48,682
84,289	1,524	576,383
$ 84,322	$ 1,768	$ 625,065

STATE OF TENNESSEE
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2023
(Expressed in Thousands)

	Teacher Group Insurance	Local Government Group Insurance	Drinking Water	Grain Indemnity
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	$ 667,642	$ 189,547	$ -	$ -
Payments to suppliers	(654,817)	(185,677)	-	-
Payments to employees	-	-	-	-
Payments for interfund services used	(575)	(126)	(435)	(172)
Net cash provided by (used for) operating activities	12,250	3,744	(435)	(172)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating and nonoperating grants	90	13,674	3,454	-
Transfers in	-	-	4,788	-
Transfers out	-	-	-	-
Net cash provided by (used for) noncapital financing activities	90	13,674	8,242	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Loans issued and other disbursements to borrowers	-	-	(21,553)	-
Collection of loan principal	-	-	7,719	-
Interest received	8,706	1,730	5,382	368
Net cash provided by (used for) investing activities	8,706	1,730	(8,452)	368
Net increase (decrease) in cash and cash equivalents	21,046	19,148	(645)	196
Cash and cash equivalents, July 1	267,821	54,019	118,693	10,002
Cash and cash equivalents, June 30	$ 288,867	$ 73,167	$ 118,048	$ 10,198
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	$ 6,257	$ 5,184	$ 4,824	$ (172)
Adjustment to reconcile operating income (loss) to net cash from operating activities:				
Interest income	-	-	(1,256)	-
Investment income	-	-	(4,003)	-
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:				
Decrease (increase) in receivables	2,802	824	-	-
Increase (decrease) in accounts payable	3,190	(2,262)	-	-
Increase (decrease) in unearned revenue	1	(2)	-	-
Total adjustments	5,993	(1,440)	(5,259)	-
Net cash provided by (used for) operating activities	$ 12,250	$ 3,744	$ (435)	$ (172)

STATE OF TENNESSEE
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2023
(Expressed in Thousands)

Energy Efficient Schools Initiative	Client Protection	Total Nonmajor Enterprise Funds
$ 45	$ 407	$ 857,641
-	(224)	(840,718)
-	(1)	(1)
(45)	-	(1,353)
-	182	15,569
-	-	17,218
-	-	4,788
(1,290)	-	(1,290)
(1,290)	-	20,716
(9,291)	-	(30,844)
10,884	-	18,603
1,280	63	17,529
2,873	63	5,288
1,583	245	41,573
15,244	1,524	467,303
$ 16,827	$ 1,769	$ 508,876
$ 1,323	$ 181	$ 17,597
(680)	-	(1,936)
(643)	-	(4,646)
-	-	3,626
-	1	929
-	-	(1)
(1,323)	1	(2,028)
$ -	$ 182	$ 15,569

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INTERNAL SERVICE FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

STATE OF TENNESSEE
Combining Statement of Net Position
Internal Service Funds
June 30, 2023
(Expressed in Thousands)

	Strategic Technology Solutions	Risk Management	Motor Vehicle Management	General Services Printing	Facilities Revolving Fund	Employee Group Insurance
ASSETS						
Current assets:						
Cash and cash equivalents	$ 74,155	$ 294,084	$ 64,581	$ 1,440	$ 392,281	$ 294,543
Receivables, net	551	409	70	13	349	7,551
Due from other funds	222	-	10	-	1,187	-
Due from component units	-	34	20	3	10	-
Inventories, at cost	291	-	-	525	-	-
Prepayments	-	-	7	-	-	-
Total current assets	75,219	294,527	64,688	1,981	393,827	302,094
Noncurrent assets:						
Due from other funds	206	-	-	-	-	-
Right-to-use lease receivable	-	-	-	-	5,452	-
Restricted net pension assets	610	-	6	12	-	-
Capital assets:						
Land, at cost	-	-	-	-	63,126	-
Structures and improvements, at cost	-	-	-	-	885,898	-
Machinery and equipment, at cost	73,438	70	218,922	3,227	2,441	-
Right-to-use-leases and subscriptions	13,767	-	16,569	305	316,319	-
Less: Accumulated depreciation and amortization	(60,526)	(1)	(134,720)	(3,057)	(401,490)	-
Construction in progress	-	-	-	-	12,663	-
Total noncurrent assets	27,495	69	100,777	487	884,409	-
Total assets	102,714	294,596	165,465	2,468	1,278,236	302,094
DEFERRED OUTFLOWS OF RESOURCES	50,041	-	717	1,098	66	-
LIABILITIES						
Current liabilities:						
Accounts payable	15,249	1,228	8,511	300	15,614	74,366
Accrued payroll and related deductions	9,935	-	137	105	-	-
Due to other funds	-	-	-	-	-	5
Due to component units	-	78	-	-	12	143
Lease and subscription obligations payable	2,705	-	5,363	60	31,384	-
Bond payable	-	-	-	-	15,967	-
Unearned revenue	-	1	-	-	-	45,385
Others	-	157,275	-	-	-	-
Total current liabilities	27,889	158,582	14,011	465	62,977	119,899
Noncurrent liabilities:						
Pension	31,065	-	303	622	-	-
Lease and subscription obligations payable	7,619	-	7,659	151	229,924	-
Commercial paper payable	-	-	-	-	6,920	-
Bonds payable	-	-	-	-	141,516	-
Others	16,790	80,391	284	461	-	-
Total noncurrent liabilities	55,474	80,391	8,246	1,234	378,360	-
Total liabilities	83,363	238,973	22,257	1,699	441,337	119,899
DEFERRED INFLOWS OF RESOURCES	6,564	-	250	299	6,230	-
NET POSITION						
Net investment in capital assets	16,085	70	87,749	264	452,801	-
Restricted for:						
Capital projects	-	-	-	-	4,990	-
Pensions	610	-	6	12	-	-
Unrestricted	46,133	55,553	55,920	1,292	372,944	182,195
Total net position	$ 62,828	$ 55,623	$ 143,675	$ 1,568	$ 830,735	$ 182,195

STATE OF TENNESSEE
Combining Statement of Net Position
Internal Service Funds
June 30, 2023
(Expressed in Thousands)

Postal Services	Central Procurement Office	Distribution Center	Records Management	Human Resources	Division of Accounts	TRICOR	Edison	Total Internal Service Funds
$ 3,947	$ 2,429	$ 866	$ 150	$ 10,168	$ 17,101	$ 7,755	$ 32,870	$ 1,196,370
2	2,124	20	-	-	2	706	-	11,797
-	-	-	-	-	-	-	-	1,419
-	-	-	6	-	-	-	-	73
214	-	438	-	-	-	4,193	-	5,661
118	-	-	-	-	-	-	-	125
4,281	4,553	1,324	156	10,168	17,103	12,654	32,870	1,215,445
-	-	-	-	-	-	-	-	206
-	-	-	-	-	-	-	-	5,452
10	41	5	2	49	144	39	75	993
-	-	-	-	-	-	746	-	63,872
-	-	-	-	-	-	3,007	-	888,905
4,735	21	113	12	193	400	9,794	113,672	427,038
142	223	-	-	-	-	367	-	347,692
(4,304)	(87)	(81)	(12)	(184)	(394)	(7,085)	(113,436)	(725,377)
-	-	-	-	-	-	-	-	12,663
583	198	37	2	58	150	6,868	311	1,021,444
4,864	4,751	1,361	158	10,226	17,253	19,522	33,181	2,236,889
553	2,127	771	350	6,855	20,437	2,771	6,056	91,842
115	34	180	46	128	328	1,884	2,090	120,073
88	536	99	66	1,247	3,521	513	1,272	17,519
-	-	-	-	-	-	225	-	230
-	-	-	1	144	-	-	-	378
46	43	-	-	-	-	123	-	39,724
-	-	-	-	-	-	-	-	15,967
-	-	-	-	-	-	-	-	45,386
-	-	-	-	-	-	-	-	157,275
249	613	279	113	1,519	3,849	2,745	3,362	396,552
234	1,485	381	186	3,699	11,830	1,743	3,772	55,320
70	46	-	-	-	-	72	-	245,541
-	-	-	-	-	-	-	-	6,920
-	-	-	-	-	-	-	-	141,516
215	623	269	112	2,075	6,940	1,013	2,619	111,792
519	2,154	650	298	5,774	18,770	2,828	6,391	561,089
768	2,767	929	411	7,293	22,619	5,573	9,753	957,641
204	319	260	45	1,559	2,616	553	837	19,736
457	66	31	-	9	6	6,634	236	564,408
-	-	-	-	-	-	-	-	4,990
10	41	5	2	49	144	39	75	993
3,978	3,685	907	50	8,171	12,305	9,494	28,336	780,963
$ 4,445	$ 3,792	$ 943	$ 52	$ 8,229	$ 12,455	$ 16,167	$ 28,647	$ 1,351,354

STATE OF TENNESSEE
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Fiscal Year Ended June 30, 2023
(Expressed in Thousands)

	Strategic Technology Solutions	Risk Management	Motor Vehicle Management	General Services Printing	Facilities Revolving Fund	Employee Group Insurance
Operating revenues						
Charges for services	$ 291,474	$ 16,873	$ 59,080	$ 7,620	$ 150,549	$ 1,000
Premiums	-	-	-	-	-	892,018
Total operating revenues	291,474	16,873	59,080	7,620	150,549	893,018
Operating expenses						
Personal services	121,333	-	1,399	2,153	-	-
Contractual services	155,923	12,274	5,260	3,143	97,870	39,693
Materials and supplies	24,383	-	25,720	1,572	4,485	-
Rentals and insurance	6	18,788	7,071	12	6,634	-
Depreciation and amortization	11,660	1	20,508	380	55,454	-
Benefits	-	38,170	12	-	-	848,654
Other	1,528	91	8	7	2	5,853
Total operating expenses	314,833	69,324	59,978	7,267	164,445	894,200
Operating income (loss)	(23,359)	(52,451)	(898)	353	(13,896)	(1,182)
Nonoperating revenues (expenses)						
Grants	-	-	-	-	-	284
Insurance claims recoveries	-	-	69	-	1,554	-
Gain (loss) on sales of capital assets	(770)	-	-	-	22,175	-
Interest income	-	9,817	-	-	14,402	8,908
Interest expense	(327)	-	(174)	(3)	(9,226)	-
Total nonoperating revenues (expenses)	(1,097)	9,817	(105)	(3)	28,905	9,192
Income (loss) before contributions and transfers	(24,456)	(42,634)	(1,003)	350	15,009	8,010
Capital contributions	38	-	1,815	-	48	-
Transfers in	21,156	6,800	12,299	931	20,560	-
Transfers out	-	-	-	-	(114)	-
Change in net position	(3,262)	(35,834)	13,111	1,281	35,503	8,010
Net position, July 1, restated	66,090	91,457	130,564	287	795,232	174,185
Net position, June 30	$ 62,828	$ 55,623	$ 143,675	$ 1,568	$ 830,735	$ 182,195

STATE OF TENNESSEE
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Fiscal Year Ended June 30, 2023
(Expressed in Thousands)

Postal Services	Central Procurement Office	Distribution Center	Records Management	Human Resources	Division of Accounts	TRICOR	Edison	Total Internal Service Funds
$ 16,127	$ 14,105	$ 5,095	$ 1,312	$ 22,442	$ 49,418	$ 29,843	$ 28,688	$ 693,626
-	-	-	-	-	-	-	-	892,018
16,127	14,105	5,095	1,312	22,442	49,418	29,843	28,688	1,585,644
1,832	7,064	1,325	685	16,691	46,221	7,501	15,100	221,304
2,190	3,792	3,250	629	3,473	4,486	7,547	12,140	351,670
12,781	63	550	13	122	107	12,296	99	82,191
17	5	2	2	50	3	121	1	32,712
247	67	4	-	17	2	728	443	89,511
-	-	-	-	-	-	-	-	886,836
4	27	11	-	250	17	242	6	8,046
17,071	11,018	5,142	1,329	20,603	50,836	28,435	27,789	1,672,270
(944)	3,087	(47)	(17)	1,839	(1,418)	1,408	899	(86,626)
-	-	-	-	-	-	-	-	284
-	-	-	-	-	-	-	-	1,623
-	-	-	-	-	-	6	-	21,411
-	-	-	-	-	-	-	-	33,127
(2)	(3)	-	-	-	-	(5)	-	(9,740)
(2)	(3)	-	-	-	-	1	-	46,705
(946)	3,084	(47)	(17)	1,839	(1,418)	1,409	899	(39,921)
-	-	-	-	-	-	-	-	1,901
194	197	165	58	873	7,422	383	751	71,789
-	-	-	-	-	-	-	-	(114)
(752)	3,281	118	41	2,712	6,004	1,792	1,650	33,655
5,197	511	825	11	5,517	6,451	14,375	26,997	1,317,699
$ 4,445	$ 3,792	$ 943	$ 52	$ 8,229	$ 12,455	$ 16,167	$ 28,647	$ 1,351,354

STATE OF TENNESSEE
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2023
(Expressed in Thousands)

	Strategic Technology Solutions	Risk Management	Motor Vehicle Management	General Services Printing	Facilities Revolving Fund	Employee Group Insurance
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	$ 8,002	$ 69,194	$ 480	$ 237	$ 2,599	$ 423,095
Receipts from interfund services provided	283,768	9,643	56,112	7,365	147,018	516,331
Payments to suppliers	(170,427)	(55,181)	(28,878)	(3,882)	(78,629)	(933,967)
Payments to employees	(136,691)	-	(1,752)	(2,710)	-	(2,051)
Payments for interfund services used	(14,482)	(7,793)	(5,160)	(1,218)	(25,583)	(1,404)
Net cash provided by (used for) operating activities	(29,830)	15,863	20,802	(208)	45,405	2,004
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Operating and nonoperating grants	-	-	-	-	-	284
Transfers in	21,042	6,800	12,299	931	20,560	-
Net cash provided by (used for) noncapital financing activities	21,042	6,800	12,299	931	20,560	284
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of capital assets	(3,097)	(70)	(28,457)	(105)	(10,652)	-
Bond and commercial paper proceeds	-	-	-	-	150	-
Proceeds from sale of capital assets	-	-	3,877	2	22,675	-
Proceeds from lease receivables	-	-	-	-	344	-
Insurance claims recoveries	-	-	69	-	1,554	-
Principal payments	(2,819)	-	(3,254)	(60)	(55,776)	-
Interest paid	(327)	-	(174)	(3)	(4,733)	-
Net cash provided by (used for) capital and related financing activities	(6,243)	(70)	(27,939)	(166)	(46,438)	-
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received	-	9,817	-	-	14,403	8,908
Net cash provided by (used for) investing activities	-	9,817	-	-	14,403	8,908
Net increase (decrease) in cash and cash equivalents	(15,031)	32,410	5,162	557	33,930	11,196
Cash and cash equivalents, July 1, restated	89,186	261,674	59,419	883	358,351	283,347
Cash and cash equivalents, June 30	$ 74,155	$ 294,084	$ 64,581	$ 1,440	$ 392,281	$ 294,543
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities						
Operating income (loss)	$ (23,359)	$ (52,451)	$ (898)	$ 353	$ (13,896)	$ (1,182)
Adjustment to reconcile operating income (loss) to net cash from operating activities:						
Depreciation and amortization	11,660	1	20,508	380	55,454	-
Loss on disposal of capital assets	-	-	(2,428)	(2)	-	-
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:						
Decrease (increase) in receivables	12	(90)	(35)	(12)	1	(2,151)
Decrease (increase) in due from other funds	285	-	(10)	-	(512)	-
Decrease (increase) in due from component units	-	(34)	(14)	(3)	-	-
Decrease (increase) in inventories	74	-	-	(243)	-	-
Decrease (increase) in prepaids	-	-	(7)	-	-	-
Decrease (increase) in net pension assets	17,080	-	161	413	-	-
Decrease (increase) in deferred outflows of resources	(7,482)	-	(273)	(161)	-	-
Increase (decrease) in accounts payable	29,707	68,687	4,406	482	4,779	1,919
Increase (decrease) in due to other funds	(4)	-	-	-	-	4
Increase (decrease) in due to component units	-	(250)	-	-	-	81
Increase (decrease) in deferred inflows of resources	(57,803)	-	(608)	(1,415)	(421)	-
Increase (decrease) in unearned revenue	-	-	-	-	-	3,333
Total adjustments	(6,471)	68,314	21,700	(561)	59,301	3,186
Net cash provided by (used for) operating activities	$ (29,830)	$ 15,863	$ 20,802	$ (208)	$ 45,405	$ 2,004
Schedule of noncash investing, capital, and financing activities						
Contributions of capital assets	$ 38	$ -	$ 1,815	$ -	$ 48	$ -
Capital assets disposed of by transfer	-	-	-	-	(114)	-
Capital assets acquired by transfer	114	-	-	-	-	-
Right-to-use assets acquired	13,768	-	12,903	-	32,035	-
Right-to-use assets retired	-	-	(1,468)	-	(6,480)	-
Amortization of bond premium	-	-	-	-	1,836	-
Amortization of bond discount	-	-	-	-	22	-
Total noncash capital and related financing activities	$ 13,920	$ -	$ 13,250	$ -	$ 27,347	$ -

STATE OF TENNESSEE
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2023
(Expressed in Thousands)

	Postal Services	Central Procurement Office	Distribution Center	Records Management	Human Resources	Division of Accounts	TRICOR	Edison	Total Internal Service Funds
	$ 33	$ 5,893	$ 1,059	$ 95	$ 146	$ 143	$ 9,778	$ 174	$ 520,928
	16,093	7,291	1,997	1,216	22,296	49,291	20,078	28,514	1,167,013
	(13,635)	(511)	(1,098)	(502)	(2,290)	(1,076)	(18,641)	(8,382)	(1,317,099)
	(2,110)	(7,741)	(1,656)	(778)	(18,965)	(51,667)	(8,727)	(16,868)	(251,716)
	(1,269)	(3,444)	(912)	(139)	(1,633)	(3,423)	(1,854)	(2,752)	(71,066)
	(888)	1,488	(610)	(108)	(446)	(6,732)	634	686	48,060
	-	-	-	-	-	-	-	-	284
	194	197	165	58	873	7,422	383	751	71,675
	194	197	165	58	873	7,422	383	751	71,959
	-	-	(36)	-	-	-	(602)	-	(43,019)
	-	-	-	-	-	-	-	-	150
	-	-	-	-	-	-	183	-	26,737
	-	-	-	-	-	-	-	-	344
	-	-	-	-	-	-	-	-	1,623
	(61)	(57)	-	-	-	-	(118)	-	(62,145)
	(2)	(3)	-	-	-	-	(5)	-	(5,247)
	(63)	(60)	(36)	-	-	-	(542)	-	(81,557)
	-	-	-	-	-	-	-	-	33,128
	-	-	-	-	-	-	-	-	33,128
	(757)	1,625	(481)	(50)	427	690	475	1,437	71,590
	4,704	804	1,347	200	9,741	16,411	7,280	31,433	1,124,780
	$ 3,947	$ 2,429	$ 866	$ 150	$ 10,168	$ 17,101	$ 7,755	$ 32,870	$ 1,196,370
	$ (944)	$ 3,087	$ (47)	$ (17)	$ 1,839	$ (1,418)	$ 1,408	$ 899	$ (86,626)
	247	67	4	-	17	2	728	443	89,511
	-	-	-	-	-	-	-	-	(2,430)
	(1)	(920)	39	-	-	-	14	-	(3,143)
	-	-	-	-	-	16	-	-	(221)
	-	-	-	-	-	-	-	-	(51)
	(51)	-	(396)	-	-	-	(1,093)	-	(1,709)
	114	-	-	-	-	-	-	-	107
	162	866	210	96	1,926	6,478	933	2,051	30,376
	(160)	(187)	(140)	(74)	(1,298)	(2,216)	(515)	(888)	(13,394)
	284	1,494	487	221	3,917	13,067	2,298	5,125	136,873
	-	-	-	-	(23)	-	211	-	188
	-	-	-	(1)	(141)	-	-	-	(311)
	(539)	(2,919)	(767)	(333)	(6,683)	(22,661)	(3,350)	(6,944)	(104,443)
	-	-	-	-	-	-	-	-	3,333
	56	(1,599)	(563)	(91)	(2,285)	(5,314)	(774)	(213)	134,686
	$ (888)	$ 1,488	$ (610)	$ (108)	$ (446)	$ (6,732)	$ 634	$ 686	$ 48,060
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,901
	-	-	-	-	-	-	-	-	(114)
	-	-	-	-	-	-	-	-	114
	142	223	-	-	-	-	154	-	59,225
	(117)	-	-	-	-	-	-	-	(8,065)
	-	-	-	-	-	-	-	-	1,836
	-	-	-	-	-	-	-	-	22
	$ 25	$ 223	$ -	$ -	$ -	$ -	$ 154	$ -	$ 54,919

FIDUCIARY FUNDS

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

PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS:

1. <u>PENSION TRUST FUNDS</u>

- **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. <u>OTHER EMPLOYEE BENEFITS TRUST FUNDS</u>

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

INVESTMENT TRUST FUNDS:

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

PRIVATE-PURPOSE TRUST FUNDS:

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

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

CUSTODIAL FUNDS:

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

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

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

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

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

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

STATE OF TENNESSEE
Combining Statement of Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
June 30, 2023
(Expressed in Thousands)

	Public Employee Retirement Plan	Teacher Legacy Pension Plan	Teacher Hybrid Pension Plan	Defined Contribution Pension Plan Fund
ASSETS				
Cash and cash equivalents	$ 12,844	$ 11,336	$ 335	$ 54,605
Cash collateral on loaned securities	1,636,466	1,444,388	42,653	-
Receivables:				
Employer contributions	48,559	27,454	5,469	-
Member contributions	14,104	16,426	9,696	-
Interest and dividends	-	-	-	-
Loans receivable	-	-	-	37,732
Other	-	-	-	-
Investments, at fair value:				
Mutual funds	-	-	-	9,659,105
TRGT pooled funds	33,815,917	29,846,815	881,385	115,541
Other	-	-	-	7,940
Capital assets, at cost:				
Machinery and equipment	19,458	17,174	507	-
Less - accumulated depreciation	(18,143)	(16,013)	(473)	-
Total assets	35,529,205	31,347,580	939,572	9,874,923
LIABILITIES				
Accounts payable and accruals	16,170	14,273	421	-
Securities lending collateral	1,636,466	1,444,388	42,653	-
Total liabilities	1,652,636	1,458,661	43,074	-
NET POSITION				
Restricted for				
Pension benefits	33,876,569	29,888,919	896,498	9,874,923
Employee salary deferrals	-	-	-	-
Other postemployment benefits	-	-	-	-
Employees' flexible benefits	-	-	-	-
Total net position	$ 33,876,569	$ 29,888,919	$ 896,498	$ 9,874,923

STATE OF TENNESSEE
Combining Statement of Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
June 30, 2023
(Expressed in Thousands)

Deferred Compensation Plan Fund	Higher Education 403(b) Plan Fund	Other Employee Benefit Trust Funds	Total Pension (and Other Employee Benefit) Trust Funds
$ -	$ 15,679	$ 49,840	$ 144,639
-	-	-	3,123,507
-	-	1	81,483
-	-	-	40,226
-	-	1,178	1,178
89	68	-	37,889
-	-	885	885
690,924	839,277	819,514	12,008,820
21,337	-	-	64,680,995
2,440	-	-	10,380
-	-	-	37,139
-	-	-	(34,629)
714,790	855,024	871,418	80,132,512
-	-	5,078	35,942
-	-	-	3,123,507
-	-	5,078	3,159,449
-	-	-	74,536,909
714,790	855,024	-	1,569,814
-	-	865,429	865,429
-	-	911	911
$ 714,790	$ 855,024	$ 866,340	$ 76,973,063

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, 2023
(Expressed in Thousands)

	Public Employee Retirement Plan	Teacher Legacy Pension Plan	Teacher Hybrid Pension Plan	Defined Contribution Pension Plan Fund
ADDITIONS				
Contributions:				
Members	$ 211,513	$ 163,017	$ 99,883	$ 288,935
Employers	1,186,096	281,850	57,085	379,763
Transfers in from other plans	-	-	-	55,885
Other	906	-	-	580
Total contributions	1,398,515	444,867	156,968	725,163
Investment income:				
Net increase in fair value of investments	2,167,462	1,934,988	52,341	878,219
Interest and dividends	-	-	-	218,980
Securities lending income	84,221	75,188	2,034	-
Total investment income	2,251,683	2,010,176	54,375	1,097,199
Less: Investment expenses	(33,028)	(29,486)	(798)	-
Securities lending expense	(74,234)	(66,272)	(1,793)	-
Net investment income	2,144,421	1,914,418	51,784	1,097,199
Total additions	3,542,936	2,359,285	208,752	1,822,362
DEDUCTIONS				
Benefit payments	1,687,035	1,432,684	457	592,658
Medical payments	-	-	-	-
Deceased member benefit payments	2,000	1,706	78	22,094
Other	-	-	-	-
Member/claimant distributions	26,960	15,238	5,684	-
Administrative expenses	16,270	6,512	2,242	13,803
Total deductions	1,732,265	1,456,140	8,461	628,555
Change in net position	1,810,671	903,145	200,291	1,193,807
Net position, July 1	32,065,898	28,985,774	696,207	8,681,116
Net position, June 30	$ 33,876,569	$ 29,888,919	$ 896,498	$ 9,874,923

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, 2023
(Expressed in Thousands)

Deferred Compensation Plan Fund	Higher Education 403(b) Plan Fund	Other Employee Benefit Trust Funds	Total Pension (and Other Employee Benefit) Trust Funds
$ 42,170	$ 14,875	$ 5,685	$ 826,078
159	-	438,053	2,343,006
5,887	24,450	-	86,222
-	-	-	1,486
48,216	39,325	443,738	3,256,792
61,886	70,883	37,706	5,203,485
19,546	8,912	24,852	272,290
-	-	-	161,443
81,432	79,795	62,558	5,637,218
-	-	-	(63,312)
-	-	-	(142,299)
81,432	79,795	62,558	5,431,607
129,648	119,120	506,296	8,688,399
56,986	82,825	-	3,852,645
-	-	75,443	75,443
3,649	-	-	29,527
-	-	5,714	5,714
-	-	-	47,882
1,452	276	5,038	45,593
62,087	83,101	86,195	4,056,804
67,561	36,019	420,101	4,631,595
647,229	819,005	446,239	72,341,468
$ 714,790	$ 855,024	$ 866,340	$ 76,973,063

STATE OF TENNESSEE
Combining Statement of Fiduciary Net Position
Investment Trust Funds
June 30, 2023
(Expressed in Thousands)

		External Retirement Investment Fund
ASSETS		
Receivables:		
Investments sold	$	2,918
Investments, at fair value:		
Private equities		3,271
TRGT pooled funds		357,801
Total assets		363,990
NET POSITION		
Amounts held in trust for:		
Pool participants		363,990
Total net position	$	363,990

STATE OF TENNESSEE
Combining Statement of Changes in Fiduciary Net Position
Investment Trust Funds
For the Fiscal Year Ended June 30, 2023
(Expressed in Thousands)

	External Retirement Investment Fund
ADDITIONS	
Investment income:	
Net increase in fair value of investments	$ 194
Interest	22,866
Total investment income	23,060
Less: Investment expenses	(337)
Net investment income	22,723
Capital share transactions:	
Shares sold	32,987
Less: Shares redeemed	(11,852)
Net capital share transactions	21,135
Total additions	43,858
DEDUCTIONS	
Administrative expenses	70
Total deductions	70
Change in net position	43,788
Net position, July 1	320,202
Net position, June 30	$ 363,990

STATE OF TENNESSEE
Combining Statement of Fiduciary Net Position
Private-Purpose Trust Funds
June 30, 2023
(Expressed in Thousands)

	College Savings Plan	Other	Total Private-Purpose Trust Funds
ASSETS			
Cash and cash equivalents	$ 10,758	$ 15,783	$ 26,541
Receivables:			
Account	1	-	1
Investments, at fair value:			
Mutual funds	291,069	28,924	319,993
Total assets	301,828	44,707	346,535
LIABILITIES			
Due to other governments	-	7	7
Total liabilities	-	7	7
NET POSITION			
Restricted for:			
Individuals, organizations and other governments	301,828	44,700	346,528
Total net position	$ 301,828	$ 44,700	$ 346,528

STATE OF TENNESSEE
Combining Statement of Changes in Fiduciary Net Position
Private-Purpose Trust Funds
For the Fiscal Year Ended June 30, 2023
(Expressed in Thousands)

	College Savings Plan	Other	Total Private-Purpose Trust Funds
ADDITIONS			
Contributions:			
Federal	$ -	$ 172	$ 172
Private	37,416	8,493	45,909
Other	91	-	91
Total contributions	37,507	8,665	46,172
Investment income:			
Net increase in fair value of investments	30,205	3,706	33,911
Interest	-	57	57
Total investment income	30,205	3,763	33,968
Total additions	67,712	12,428	80,140
DEDUCTIONS			
Payments made under trust agreements	17,060	4,432	21,492
Member/claimant distributions	-	157	157
Administrative expenses	542	130	672
Total deductions	17,602	4,719	22,321
Change in net position	50,110	7,709	57,819
Net position, July 1	251,718	36,991	288,709
Net position, June 30	$ 301,828	$ 44,700	$ 346,528

STATE OF TENNESSEE
Combining Statement of Fiduciary Net Position
Custodial Funds
June 30, 2023
(Expressed in Thousands)

	Retiree Health Funds	Local Government Tax Fund	Local Fiscal Recovery Tax Fund	Custodial Accounts
ASSETS				
Cash and cash equivalents	$ 25,403	$ 467,473	$ 1,192	$ 87,198
Receivables:				
Taxes	-	453,486	-	-
Other	573	-	-	-
Due from other funds	-	-	-	3
Investments, at amortized cost:				
Short-term investments	-	-	-	-
Total assets	25,976	920,959	1,192	87,201
LIABILITIES				
Accounts payable and accruals	5,602	-	-	901
Due to other governments	-	920,959	1,192	37,886
Total liabilities	5,602	920,959	1,192	38,787
NET POSITION				
Restricted for:				
Individuals, organizations and other governments	20,374	-	-	48,414
Amounts held in custody for:				
Pool participants	-	-	-	-
Total net position	$ 20,374	$ -	$ -	$ 48,414

STATE OF TENNESSEE
Combining Statement of Fiduciary Net Position
Custodial Funds
June 30, 2023
(Expressed in Thousands)

Total Custodial Funds	External Investment Pools: Local Government Investment Pool	External Investment Pools: Intermediate Term Investment Fund	Total External Investment Pools
$ 581,266	$ 2,127,447	$ -	$ 2,127,447
453,486	-	-	-
573	-	-	-
3	-	-	-
-	2,569,680	-	2,569,680
1,035,328	4,697,127	-	4,697,127
6,503	-	-	-
960,037	-	-	-
966,540	-	-	-
68,788	-	-	-
-	4,697,127	-	4,697,127
$ 68,788	$ 4,697,127	$ -	$ 4,697,127

STATE OF TENNESSEE
Combining Statement of Changes in Fiduciary Net Position
Custodial Funds
For the Fiscal Year Ended June 30, 2023
(Expressed in Thousands)

	Retiree Health Funds	Local Government Tax Fund	Local Fiscal Recovery Tax Fund	Custodial Accounts
ADDITIONS				
Contributions:				
Members	$ 97,040	$ -	$ -	$ -
Federal	197	-	-	-
Total contributions	97,237	-	-	-
Investment income:				
Interest	1,864	-	-	366
Total investment income	1,864	-	-	366
Less: Investment expenses	-	-	-	-
Net investment income	1,864	-	-	366
Tax and fee collections for other governments	-	4,563,558	219,028	818
Member resources	13,835	-	-	704,398
Capital share transactions:				
Shares sold	-	-	-	-
Less: shares redeemed	-	-	-	-
Net capital share transactions	-	-	-	-
Total additions	112,936	4,563,558	219,028	705,582
DEDUCTIONS				
Medical payments	100,117	-	-	-
Member/claimant distributions	3,819	-	-	699,431
Payments of taxes and fees to other governments	-	4,563,558	219,028	171
Administrative expenses	7,351	-	-	3,566
Total deductions	111,287	4,563,558	219,028	703,168
Change in net position	1,649	-	-	2,414
Net position, July 1	18,725	-	-	46,000
Net position, June 30	$ 20,374	$ -	$ -	$ 48,414

STATE OF TENNESSEE
Combining Statement of Changes in Fiduciary Net Position
Custodial Funds
For the Fiscal Year Ended June 30, 2023
(Expressed in Thousands)

	External Investment Pools		
Total Custodial Funds	Local Government Investment Pool	Intermediate Term Investment Fund	Total External Investment Pools
$ 97,040	$ -	$ -	$ -
197	-	-	-
97,237	-	-	-
2,230	174,885	35	174,920
2,230	174,885	35	174,920
-	(1,393)	-	(1,393)
2,230	173,492	35	173,527
4,783,404	-	-	-
718,233	-	-	-
-	11,380,617	-	11,380,617
-	(10,866,675)	(11,673)	(10,878,348)
-	513,942	(11,673)	502,269
5,601,104	687,434	(11,638)	675,796
100,117	-	-	-
703,250	-	-	-
4,782,757	-	-	-
10,917	-	6	6
5,597,041	-	6	6
4,063	687,434	(11,644)	675,790
64,725	4,009,693	11,644	4,021,337
$ 68,788	$ 4,697,127	$ -	$ 4,697,127

COMPONENT UNITS

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

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

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

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

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

The system consists of the following institutions:

UNIVERSITIES

Austin Peay State University, Clarksville
East Tennessee State University, Johnson City
Middle Tennessee State University, Murfreesboro
Tennessee State University, Nashville
Tennessee Technological University, Cookeville
University of Memphis, Memphis

COMMUNITY COLLEGES

Chattanooga State Community College, Chattanooga
Cleveland State Community College, Cleveland
Columbia State Community College, Columbia
Dyersburg State Community College, Dyersburg
Jackson State Community College, Jackson
Motlow State Community College, Tullahoma
Nashville State Community College, Nashville
Northeast State Community College, Blountville
Pellissippi State Community College, Knoxville
Roane State Community College, Harriman
Southwest Tennessee Community College, Memphis
Volunteer State Community College, Gallatin
Walters State Community College, Morristown

COLLEGES OF APPLIED TECHNOLOGY

Athens, Chattanooga, Covington, Crossville, Crump, Dickson, Elizabethton, Harriman, Hartsville, Hohenwald, Jacksboro, Jackson, Knoxville, Livingston, McKenzie, McMinnville, Memphis, Morristown, Murfreesboro, Nashville, Newbern, Oneida, Paris, Pulaski, Ripley, Shelbyville

The purpose of these colleges is to provide occupational and technical training.

The University of Tennessee Board of Trustees—The University of Tennessee was first established in 1794 by the Legislature of the Federal Territory. Since that time, it has grown into an institution of twenty-four different colleges and schools. The main campus is located in Knoxville. The other primary campuses are located in Memphis, Martin, Pulaski, and Chattanooga.

Local Development Authority—This authority was created in 1978 for the purpose of providing to local governments, through the issuing of revenue bonds or notes, the financing assistance previously provided by the State Loan Program. The Authority has also issued bonds to assist non-profit corporations in the construction of mental health, developmental disabilities, or alcohol and drug facilities. In addition, the Authority may assist small business concerns in financing pollution control facilities, farmers in financing certain capital improvements and airport authorities and municipal airports in financing improvements.

Tennessee Veterans Homes Board—Created in 1988, the primary purpose of the homes is to provide support and care for honorably discharged veterans of the United States Armed Forces. The revenue sources are the Veterans Administration, Medicaid, and a user fee.

Tennessee State School Bond Authority (TSSBA)—Established in 1965, the TSSBA provides a mechanism for financing building projects for the state's higher education institutions. Agreements are executed between the governing boards of the institutions and the TSSBA, and revenue bonds are issued using the constructed facilities as collateral. Charges levied on the universities provide the funds necessary for payment of principal and interest on bonds. The Authority also issues Qualified Zone Academy Bonds, which are part of a federal government program to finance loans to qualifying K-12 schools in the state. In addition, under the American Recovery and Reinvestment Act of 2009, the Authority issued Qualified School Construction Bonds to finance the construction, repair, or rehabilitation of public school facilities.

Certified Cotton Growers' Organization—This organization was formed to aid in the eradication of the boll weevil. Revenues are collected from assessments on cotton growers and from state appropriations.

Access Tennessee—Established in 2007, this health insurance pool offers health insurance coverage to eligible citizens of the state who are considered uninsurable because of health conditions.

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STATE OF TENNESSEE
Combining Statement of Net Position
Component Units
June 30, 2023
(Expressed in Thousands)

	Governmental Fund Types		Proprietary Fund Types			
	Tennessee Student Assistance Corporation	Tennessee Community Services Agency	Tennessee Housing Development Agency	Tennessee Education Lottery	State University and Community College System	University of Tennessee
ASSETS						
Cash and cash equivalents	$ 2,918	$ 204	$ 371,513	$ 195,824	$ 1,528,415	$ 1,614,563
Investments	-	-	151,126	-	399,335	125,512
Receivables, net	2,810	7	92,789	90,245	130,922	130,790
Due from primary government	-	716	17	-	23,464	35,151
Inventories, at cost	-	-	-	-	3,501	9,923
Prepayments	-	2	-	8,958	12,479	25,821
Loans receivable	-	-	2,854,065	-	-	-
Other	-	-	25,252	-	826	5,980
Restricted assets:						
Cash and cash equivalents	-	-	34,462	56	434,323	248,834
Investments	-	-	115,219	-	786,123	1,705,820
Receivables, net	-	-	421	-	155,276	243,853
Net pension assets	18	2,773	167	-	4,550	3,657
Other	-	-	-	-	1,803	-
Capital assets:						
Land, at cost	-	-	-	-	183,739	101,145
Infrastructure	-	-	-	-	716,570	275,936
Structures and improvements, at cost	-	-	-	2,663	4,396,284	4,091,385
Machinery and equipment, at cost	8	14	14,550	6,936	657,279	751,880
Right-to-use leases and subscriptions	-	817	-	5,375	129,768	102,077
Less accumulated depreciation	(8)	(288)	(9,175)	(11,297)	(2,420,246)	(2,294,947)
Construction in progress	-	-	-	-	278,754	268,226
Total assets	5,746	4,245	3,650,406	298,760	7,423,165	7,445,606
DEFERRED OUTFLOWS OF RESOURCES	2,173	4,932	7,520	-	307,037	235,623
LIABILITIES						
Accounts payable and accruals	288	67	80,225	161,695	181,242	225,733
Due to primary government	-	9	-	131,794	17,533	1,814
Unearned revenue	-	-	1,488	1,196	102,396	99,689
Other	-	-	-	-	10,385	16,207
Noncurrent liabilities:						
Due within one year	255	243	89,617	2,129	88,354	126,801
Due in more than one year	2,335	555	2,913,282	1,890	1,162,021	1,511,412
Total liabilities	2,878	874	3,084,612	298,704	1,561,931	1,981,656
DEFERRED INFLOWS OF RESOURCES	412	431	1,884	-	91,084	139,362
NET POSITION						
Net investment in capital assets	-	543	5,375	3,677	3,125,993	2,117,805
Restricted for:						
Debt service	-	-	-	-	14,245	108
Capital projects	-	-	-	-	71,611	121,562
Single family bond programs	-	-	463,725	-	-	-
Pensions	18	2,773	167	-	4,550	3,657
Other	2,785	-	23,600	56	516,415	669,962
Permanent and endowment:						
Expendable	-	-	-	-	20,958	188,838
Nonexpendable	-	-	-	-	567,667	1,190,054
Unrestricted	1,826	4,556	78,563	(3,677)	1,755,748	1,268,225
Total net position	$ 4,629	$ 7,872	$ 571,430	$ 56	$ 6,077,187	$ 5,560,211

STATE OF TENNESSEE
Combining Statement of Net Position
Component Units
June 30, 2023
(Expressed in Thousands)

Proprietary Fund Types					
Local Development Authority	Tennessee Veterans' Homes Board	Tennessee State School Bond Authority	Certified Cotton Growers'	Access Tennessee Insurance Plan	Total Component Units
$ 18,165	$ 13,480	$ 156,620	$ 237	$ 46,499	$ 3,948,438
-	-	-	4,380	-	680,353
-	8,141	11,941	82	-	467,727
-	890	-	-	-	60,238
-	511	-	-	-	13,935
-	330	-	-	-	47,590
1,787	-	1,873,917	-	-	4,729,769
-	24,026	-	5	-	56,089
273	8,201	6,929	-	-	733,078
-	-	290,160	-	-	2,897,322
-	-	-	-	-	399,550
-	6,369	-	-	-	17,534
-	-	-	-	-	1,803
-	2,467	-	-	-	287,351
-	4,060	-	-	-	996,566
-	53,610	-	-	-	8,543,942
-	4,941	-	-	-	1,435,608
-	-	-	-	-	238,037
-	(26,996)	-	-	-	(4,762,957)
-	49,912	-	-	-	596,892
20,225	149,942	2,339,567	4,704	46,499	21,388,865
-	5,412	30,865	-	-	593,562
146	6,320	16,897	93	16	672,722
-	20,294	-	-	-	171,444
-	-	2,202	-	-	206,971
-	4,961	-	-	-	31,553
240	1,265	97,435	-	-	406,339
555	1,738	2,256,087	-	-	7,849,875
941	34,578	2,372,621	93	16	9,338,904
-	7,030	1,623	-	-	241,826
-	85,566	-	-	-	5,338,959
-	419	-	-	-	14,772
-	-	-	-	-	193,173
-	-	-	-	-	463,725
-	6,369	-	-	-	17,534
-	12,278	-	-	-	1,225,096
-	-	-	-	-	209,796
-	-	-	-	-	1,757,721
19,284	9,114	(3,812)	4,611	46,483	3,180,921
$ 19,284	$ 113,746	$ (3,812)	$ 4,611	$ 46,483	$ 12,401,697

STATE OF TENNESSEE
Combining Statement of Activities
Component Units
For the Year Ended June 30, 2023
(Expressed in Thousands)

		Program Revenues			
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Net (Expense) Revenue and Changes in Net Position**
Component units					
Higher education institutions:					
State University and Community College System	$ 3,166,807	$ 1,035,635	$ 1,047,837	$ 195,861	$ (887,474)
University of Tennessee	2,851,759	1,064,582	1,140,859	91,129	(555,189)
Total higher education institutions	6,018,566	2,100,217	2,188,696	286,990	(1,442,663)
Loan programs:					
Tennessee Student Assistance Corporation	128,491	6,167	374	-	(121,950)
Tennessee Housing Development Agency	737,548	166,016	582,194	-	10,662
Local Development Authority	232	798	654	-	1,220
Tennessee State School Bond Authority	86,476	69,162	1,143	-	(16,171)
Total loan programs	952,747	242,143	584,365	-	(126,239)
Tennessee Education Lottery	1,966,755	1,961,466	29	-	(5,260)
Other programs:					
Tennessee Community Services Agency	5,025	100	4,080	-	(845)
Access Tennessee Insurance Plan	809	-	-	-	(809)
Tennessee Veterans' Homes Board	56,476	63,309	5,226	14,892	26,951
Certified Cotton Growers'	455	437	-	-	(18)
Total other programs	62,765	63,846	9,306	14,892	25,279
Total	$ 9,000,833	$ 4,367,672	$ 2,782,396	$ 301,882	$ (1,548,883)

STATE OF TENNESSEE
Combining Statement of Activities
Component Units
For the Year Ended June 30, 2023
(Expressed in Thousands)

General Revenues							
Payments from Primary Government	Unrestricted Grants and Contributions	Unrestricted Investment Earnings	Miscellaneous	Contributions to Permanent Funds	Change in Net Position	Net Position July 1 Restated	Net Position June 30
$ 1,261,774	$ 87,220	$ 142,708	$ 1,035	$ 77,649	$ 682,912	$ 5,394,275	$ 6,077,187
950,978	173	40,020	2,898	47,364	486,244	5,073,967	5,560,211
2,212,752	87,393	182,728	3,933	125,013	1,169,156	10,468,242	11,637,398
122,085	-	-	-	-	135	4,494	4,629
1,021	-	804	-	-	12,487	558,943	571,430
-	-	-	-	-	1,220	18,064	19,284
-	9,710	-	-	-	(6,461)	2,649	(3,812)
123,106	9,710	804	-	-	7,381	584,150	591,531
-	-	5,343	-	-	83	(27)	56
-	-	6	-	-	(839)	8,711	7,872
-	-	1,675	-	-	866	45,617	46,483
-	2	-	-	-	26,953	86,793	113,746
-	-	35	-	-	17	4,594	4,611
-	2	1,716	-	-	26,997	145,715	172,712
$ 2,335,858	$ 97,105	$ 190,591	$ 3,933	$ 125,013	$ 1,203,617	$ 11,198,080	$ 12,401,697

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, 2023
(Expressed in Thousands)

	Tennessee Housing Development Agency	Tennessee Education Lottery	State University and Community College System	University of Tennessee	Local Development Authority
Operating revenues					
Charges for services	$ 166,016	$ 1,961,196	$ 971,763	$ 1,028,567	$ 798
Investment income	11,590	-	7,826	7,799	654
Grants and contributions	-	-	360,580	624,197	-
Other	-	270	123,984	153,124	-
Total operating revenues	177,606	1,961,466	1,464,153	1,813,687	1,452
Operating expenses					
Personal services	26,602	16,984	1,880,295	1,827,404	-
Contractual services	31,672	179,971	-	-	178
Mortgage service fees	-	-	-	-	-
Materials and supplies	1,502	-	791,863	715,058	-
Rentals and insurance	38	79	-	-	-
Interest	74,316	-	-	-	41
Depreciation and amortization	4,373	1,934	167,973	181,639	-
Lottery prizes	-	1,243,101	-	-	-
Nursing home services	-	-	-	-	-
Scholarships and fellowships	-	-	297,458	87,038	-
Benefits	-	-	-	-	-
Other	17,622	9,289	-	-	13
Total operating expenses	156,125	1,451,358	3,137,589	2,811,139	232
Operating income (loss)	21,481	510,108	(1,673,436)	(997,452)	1,220
Nonoperating revenues (expenses)					
Grant income	571,408	-	701,290	283,109	-
Grant expense	(581,423)	-	-	-	-
Interest expense	-	-	(23,683)	(34,059)	-
Interest income	-	5,343	140,378	136,280	-
Payments from primary government	1,021	-	1,261,774	950,978	-
Grants and contributions	-	-	-	8,438	-
Gifts	-	-	5,036	3,500	-
Payments to primary government	-	(515,397)	-	-	-
Other	-	29	(2,403)	(5,378)	-
Total nonoperating revenues (expenses)	(8,994)	(510,025)	2,082,392	1,342,868	-
Income (loss) before capital grants and contributions	12,487	83	408,956	345,416	1,220
Capital payments from primary government	-	-	186,289	87,235	-
Capital grants and gifts	-	-	10,018	3,894	-
Additions to permanent endowments	-	-	77,649	47,364	-
Other	-	-	-	2,335	-
Change in net position	12,487	83	682,912	486,244	1,220
Net position, July 1, restated	558,943	(27)	5,394,275	5,073,967	18,064
Net position, June 30	$ 571,430	$ 56	$ 6,077,187	$ 5,560,211	$ 19,284

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, 2023
(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
$ 63,224	$ 69,162	$ 437	$ -	$ 4,261,163
-	1,143	-	-	29,012
-	-	-	-	984,777
85	-	-	-	277,463
63,309	70,305	437	-	5,552,415
35,167	-	-	-	3,786,452
-	1,893	455	117	214,286
-	-	-	-	-
-	-	-	-	1,508,423
-	-	-	692	809
-	67,711	-	-	142,068
1,790	-	-	-	357,709
-	-	-	-	1,243,101
19,434	-	-	-	19,434
-	-	-	-	384,496
-	-	-	-	-
-	16,872	-	-	43,796
56,391	86,476	455	809	7,700,574
6,918	(16,171)	(18)	(809)	(2,148,159)
4,574	9,710	-	-	1,570,091
-	-	-	-	(581,423)
(75)	-	-	-	(57,817)
652	-	35	1,675	284,363
-	-	-	-	2,213,773
-	-	-	-	8,438
2	-	-	-	8,538
-	-	-	-	(515,397)
(10)	-	-	-	(7,762)
5,143	9,710	35	1,675	2,922,804
12,061	(6,461)	17	866	774,645
14,892	-	-	-	288,416
-	-	-	-	13,912
-	-	-	-	125,013
-	-	-	-	2,335
26,953	(6,461)	17	866	1,204,321
86,793	2,649	4,594	45,617	11,184,875
$ 113,746	$ (3,812)	$ 4,611	$ 46,483	$ 12,389,196

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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, 2023
(Expressed in Thousands)

	Tennessee Student Assistance Corporation	Tennessee Community Services Agency	Total Governmental Fund Type Component
REVENUES			
Interest on investments	$ 374	$ 6	$ 380
Departmental services	127,926	4,180	132,106
Other	326	-	326
Total revenues	128,626	4,186	132,812
EXPENDITURES			
Education	129,162	-	129,162
Health and social services	-	4,058	4,058
Total expenditures	129,162	4,058	133,220
Excess (deficiency) of revenues over (under) expenditures	(536)	128	(408)
Fund balances, July 1	5,976	725	6,701
Fund balances, June 30	$ 5,440	$ 853	$ 6,293
Reconciliation to net position:			
Fund balances per above	$ 5,440	$ 853	$ 6,293
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	-	543	543
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund.	(631)	(734)	(1,365)
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.	(180)	7,210	7,030
Net position on statement of net position	$ 4,629	$ 7,872	$ 12,501

SUPPLEMENTARY SCHEDULES

STATE OF TENNESSEE **Schedule 1**

Debt Service Requirements to Maturity

General Obligation Bonds

June 30, 2023

(Expressed in Thousands)

	General Long-Term Debt			Facilities Revolving Fund Debt		
For the Year Ended June 30	**Principal**	**Interest**	**Total Require-ments**	**Principal**	**Interest**	**Total Require-ments**
2024	$ 142,358	$ 40,645	$ 183,003	$ 15,968	$ 4,097	$ 20,065
2025	134,002	36,596	170,598	15,633	3,674	19,307
2026	130,753	32,616	163,369	14,977	3,293	18,270
2027	124,196	28,618	152,814	13,104	2,960	16,064
2028	119,189	24,498	143,687	12,246	2,631	14,877
2029	111,807	20,471	132,278	10,753	2,312	13,065
2030	87,943	16,944	104,887	9,207	2,004	11,211
2031	77,911	13,814	91,725	7,704	1,715	9,419
2032	70,797	10,905	81,702	6,378	1,467	7,845
2033	48,370	8,625	56,995	5,995	1,256	7,251
2034	42,083	6,955	49,038	5,537	1,060	6,597
2035	41,547	5,420	46,967	5,443	872	6,315
2036	38,341	3,907	42,248	3,034	706	3,740
2037	25,106	2,551	27,657	2,733	566	3,299
2038	16,354	1,558	17,912	2,696	442	3,138
2039	8,883	797	9,680	2,452	329	2,781
2040	8,883	409	9,292	2,452	229	2,681
2041	2,695	161	2,856	2,235	134	2,369
2042	2,695	53	2,748	2,235	45 0	2,280
TOTALS	$ 1,233,913	$ 255,543	$ 1,489,456	$ 140,782	$ 29,792	$ 170,574

STATE OF TENNESSEE **Schedule 2**

Schedule of General Obligation Outstanding Debt

All Fund Types

For the Last Five Fiscal Years

(Expressed in Thousands)

	June 30				
	2019	**2020**	**2021**	**2022**	**2023**
Internal service funds:					
General obligation commercial paper	$ 25,130	$ 15,063	$ 63,332	$ 7,121	$ 6,920
Facilities Revolving Fund general obligation bonds	142,172	132,553	119,254	157,047	140,782
	167,302	147,616	182,586	164,168	147,702
General long-term debt:					
General obligation bonds	1,596,443	1,578,402	1,436,291	1,379,628	1,233,913
General obligation commercial paper	212,266	105,933	144,011	82,442	66,018
	1,808,709	1,684,335	1,580,302	1,462,070	1,299,931
Totals for primary government	$ 1,976,011	$ 1,831,951	$ 1,762,888	$ 1,626,238	$ 1,447,633

STATE OF TENNESSEE **Schedule 3**

Schedule of General Obligation

Commercial Paper Outstanding- By Purpose

All Fund Types

June 30, 2023

(Expressed in Thousands)

General obligation commercial paper - Tax exempt		$ 23,125
Purpose:	To finance the construction, improvements, repairs, and replacements of buildings and facilities and the acquisition of land, equipment and other property of the state.	
General obligation commercial paper - Taxable		49,813
Purpose:	To finance improvements to certain other projects and grants to local governments when tax-exempt is not the ideal funding source.	
Total Outstanding		$ 72,938

STATE OF TENNESSEE **Schedule 4**

Schedule of General Obligation Outstanding Debt

Component Units

For the Last Five Fiscal Years

(Expressed in Thousands)

	June 30				
	2019	**2020**	**2021**	**2022**	**2023**
Component units:					
Local Development Authority bonds	$ 2,003	$ 1,543	$ 1,243	$ 1,024	$ 795
Tennessee Housing Development Agency bonds	2,575,725	2,816,040	2,909,404	2,832,029	2,819,743
Veterans' Homes Board loan	3,763	3,391	3,011	2,621	1,831
Tennessee State School Bond Authority bonds	2,125,541	2,288,441	2,194,228	2,102,916	2,324,648
Tennessee State School Bond Authority revolving credit	178,739	74,481	115,521	152,661	28,874
University of Tennessee notes	-	-	-	-	-
University of Tennessee bonds	62,987	60,247	57,432	54,513	51,481
State University and Community College System notes	1,370	6,046	1,089	4,549	3,709
State University and Community College System commercial paper	2,037	1,577	1,108	768	502
State University and Community College System loans	-	730	75	111	57
	$ 4,952,165	$ 5,252,496	$ 5,283,111	$ 5,151,582	$ 5,231,640

STATE OF TENNESSEE

Schedule 5

Comparative Schedules of Revenues by Source
General Fund
For the Fiscal Years Ended June 30, 2023 and 2022
(Expressed in Thousands)

	For the Year Ended	
Revenue by Source	**June 30, 2023**	**June 30, 2022**
Taxes:		
Sales and use	$ 5,085,407	$ 4,694,381
Gasoline	9,333	9,459
Motor fuel	2,295	2,313
Gasoline inspection	929	804
Total fuel taxes	12,557	12,576
Franchise	1,435,937	1,496,973
Excise	3,069,953	2,811,683
Gross receipts	241,429	212,654
Beer	12,028	12,266
Alcoholic beverage	72,105	71,289
Mixed drink	-	-
Tobacco	28,316	28,654
Business	218,762	192,948
Insurance companies premium	1,274,498	1,223,577
Retaliatory	16,142	17,568
Workers compensation premium	42,878	36,634
Enhanced coverage	602,669	600,210
Medicaid provider	12,652	11,461
Fantasy Sports	272	288
Other	1,019	1,013
Total business tax	7,028,660	6,717,218
Income	2,256	4,133
Privilege	460,224	600,656
Inheritance and estate	55	602
Other	1	32
Total other taxes	462,536	605,423
Total taxes	12,589,160	12,029,598
Licenses, fines, fees and permits:		
Motor vehicle registration	59,502	55,856
Motor vehicle title registration fees	20,328	20,856
Drivers licenses	18,379	18,827
Arrests, fines and fees	7,520	7,142
Regulatory board fees	177,227	185,407
Other	270,928	220,535
Total licenses, fines, fees and permits	553,884	508,623
Investment income	836,620	43,842
Federal	15,456,756	15,242,108
Departmental services:		
Charges to the public	489,439	327,640
Interdepartmental charges	927,050	1,005,957
Charges to cities, counties, etc.	1,358,884	1,224,132
Other	1,700	1,774
Total departmental services	2,777,073	2,559,503
Opioid and tobacco settlements	156,335	199,173
Other	81,544	70,639
Total revenues by source	$ 32,451,372	$ 30,653,486

Schedule 6

STATE OF TENNESSEE
Comparative Schedules of Expenditures by Function and Department
General Fund
For the Fiscal Years Ended June 30, 2023 and 2022
(Expressed in Thousands)

	For the Year Ended	
Expenditures by Function and Department	**June 30, 2023**	**June 30, 2022**
General government:		
Legislative	$ 58,684	$ 51,397
Secretary of State	53,530	53,434
Comptroller	131,090	117,434
Treasurer	410,919	294,262
Governor	6,342	5,654
Commissions	181,587	140,963
Finance and Administration	303,828	341,923
General Services	45,577	39,125
Revenue	153,400	120,711
Total general government	1,344,957	1,164,903
Health and social services:		
Veterans Services	32,624	8,820
Labor and Workforce Development	223,904	233,757
TennCare	14,973,280	14,180,600
Mental Health	534,837	462,589
Intellectual Disabilities	275,826	213,475
Health	1,045,365	1,144,041
Human Services	3,683,777	4,081,559
Children's Services	1,152,739	958,227
Total health and social services	21,922,352	21,283,068
Law, justice and public safety:		
Judicial	481,012	427,878
Correction	1,176,239	1,029,932
Probation and Paroles	10,521	8,892
Military	207,272	234,217
Bureau of Criminal Investigation	130,879	103,057
Safety	309,255	306,395
Total law, justice and public safety	2,315,178	2,110,371
Recreation and resource development:		
Agriculture	203,661	198,426
Tourist Development	74,943	37,665
Environment and Conservation	341,501	287,974
Economic and Community Development	270,665	297,879
Total recreation and resources development	890,770	821,944
Regulation of business and professions:		
Commerce and Insurance	117,337	101,785
Financial Institutions	24,258	21,819
Total regulation of business and professions	141,595	123,604
Debt service:		
Principal	20,485	5,437
Interest	1,345	291
Total debt service	21,830	5,728
Capital outlay	50,855	21,605
Total expenditures by function and department	$ 26,687,537	$ 25,531,223

STATISTICAL SECTION

STATISTICAL SECTION

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

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

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.

Schedule 1

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

(continued on next page)

	FOR THE FISCAL YEAR ENDED JUNE 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Expenses										
Governmental activities:										
General government (3)	$ 959,641	$ 858,569	$ 981,862	$ 961,058	$ 870,036	$ 937,895	$ 1,143,546	$ 3,267,910	$3,015,861	$4,243,220
Education	7,383,077	7,302,492	7,507,413	7,927,694	8,234,390	8,576,479	8,898,197	9,495,761	10,605,705	11,458,760
Health and social services	13,912,421	14,258,216	14,930,669	14,976,007	15,192,989	15,168,397	16,603,681	19,105,994	20,235,770	21,131,878
Law, justice, and public safety	1,612,248	1,522,333	1,605,231	1,692,610	1,784,864	1,848,904	2,127,958	2,255,348	1,941,068	2,170,931
Recreation and resources development	646,781	666,997	665,491	628,906	716,104	719,649	786,375	935,195	883,820	885,704
Regulation of business and professions	158,644	175,667	194,662	205,684	215,749	217,075	211,446	252,866	241,988	273,736
Transportation	1,126,744	1,126,447	1,045,959	1,282,462	1,213,247	1,474,457	1,507,127	1,328,049	1,555,210	1,828,981
Intergovernmental revenue sharing (3)	897,312	980,258	1,045,095	1,073,737	1,309,519	1,388,848	1,407,229	-	-	-
Interest on long-term debt	67,520	60,622	60,891	58,503	62,430	62,928	58,733	51,097	17,965	31,839
Payments to fiduciary fund	827	400	680	664	372	-	-	-	-	-
Total governmental activities expenses	26,765,215	26,952,001	28,037,953	28,807,325	29,599,700	30,394,632	32,744,292	36,692,220	38,497,387	42,025,049
Business-type activities:										
Employment security (1)	451,470	289,415	241,852	232,690	222,988	205,234	3,969,607	3,931,631	434,261	163,774
Insurance programs	541,205	556,634	585,757	620,734	620,005	672,422	677,269	753,012	763,303	834,053
Loan programs	1,469	1,493	1,865	1,710	1,705	1,613	1,842	1,879	1,787	1,562
Other	76	68	367	216	1,014	305	83	695	224	226
Total business-type activities expenses	994,220	847,610	829,841	855,350	845,712	879,574	4,648,801	4,687,217	1,199,575	999,615
Total primary government expenses	$27,759,435	$27,799,611	$28,867,794	$29,662,675	$30,445,412	$31,274,206	$37,393,093	$41,379,437	$39,696,962	$43,024,664
Program Revenues										
Governmental activities:										
Charges for services:										
General government	$ 812,528	$ 787,280	$ 796,608	$ 784,087	$ 1,019,219	$ 1,045,776	$ 1,066,858	$ 1,188,460	$1,137,177	$1,204,339
Education	73,276	58,961	50,274	40,849	38,385	30,633	70,672	67,395	49,920	61,519
Health and social services (5)	756,038	957,133	1,030,133	1,189,026	1,071,646	1,130,530	1,248,321	1,299,646	1,814,509	1,711,400
Law, justice, and public safety	140,123	137,905	161,110	168,808	161,132	159,868	153,575	150,230	133,779	131,783
Recreation and resources development	145,675	153,788	164,390	169,896	175,065	184,084	175,672	195,412	203,673	224,181
Regulation of business and professions	165,611	182,959	200,087	194,108	214,121	203,660	208,333	234,485	263,266	272,347
Transportation	31,863	45,840	56,466	59,301	63,670	65,208	57,902	60,841	77,795	89,467
Operating grants and contributions (4)	11,355,859	11,291,412	11,930,270	11,742,175	12,064,641	11,974,935	13,456,925	17,898,087	18,285,375	18,897,917
Capital grants and contributions	762,251	727,573	686,774	695,029	738,173	725,242	948,533	844,303	925,919	935,608
Total governmental activities program revenues	14,243,224	14,342,851	15,076,112	15,043,279	15,546,052	15,519,936	17,386,791	21,938,859	22,891,413	23,528,561
Business-type activities:										
Charges for services:										
Employment security	370,752	343,808	290,005	288,964	260,627	256,943	286,104	265,762	250,213	244,096
Insurance programs	598,209	581,436	565,174	599,635	652,846	702,429	719,987	728,280	772,876	845,322
Loan programs	8,897	8,865	9,214	10,255	11,386	11,850	12,233	12,135	11,886	12,449
Other	221	230	239	236	242	155	342	287	297	407
Operating grants and contributions (2)	134,026	64,053	85,287	57,418	88,198	76,576	3,696,938	3,599,778	281,856	85,468
Total business-type activities program revenues	1,112,105	998,392	949,919	956,508	1,013,299	1,047,953	4,715,604	4,606,242	1,317,128	1,187,742
Total primary government program revenues	$15,355,329	$15,341,243	$16,026,031	$15,999,787	$16,559,351	$16,567,889	$22,102,395	$26,545,101	$24,208,541	$24,716,303
Net (Expense)/Revenue										
Governmental activities	$(12,521,991)	$(12,609,150)	$(12,961,841)	$(13,764,046)	$(14,053,648)	$(14,874,696)	$(15,357,501)	$(14,753,361)	$(15,605,974)	$(18,496,488)
Business-type activities	117,885	150,782	120,078	101,158	167,587	168,379	66,803	(80,975)	117,553	188,127
Total primary government net expense	$(12,404,106)	$(12,458,368)	$(12,841,763)	$(13,662,888)	$(13,886,061)	$(14,706,317)	$(15,290,698)	$(14,834,336)	$(15,488,421)	$(18,308,361)

Schedule 1

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,									
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Sales and use	$7,276,443	$7,713,695	$8,258,134	$ 8,547,149	$ 8,831,333	$ 9,351,611	$ 9,624,865	$11,052,798	$12,891,509	$13,657,626
Fuel	843,164	862,156	899,631	915,415	1,099,342	1,170,828	1,189,072	1,216,037	1,266,514	1,271,200
Business	3,948,253	4,336,333	4,631,629	5,206,841	5,196,013	5,326,127	5,546,908	6,275,672	7,642,081	8,048,189
Other	641,244	719,370	722,040	627,070	624,585	607,748	543,952	672,243	701,587	594,333
Grants and contributions not restricted to specific programs										250,483
Unrestricted investment earnings	7,079	6,121	15,076	36,148	84,104	151,602	108,918	9,376	38,945	809,638
Miscellaneous	221,138	224,064	243,432	234,586	284,299	193,899	239,300	282,720	372,768	276,380
Contributions to permanent funds	547	136	170	2,624	142	145	143	143	155	180
Transfers	(4,622)	(8,046)	(1,096)	(5,290)	(4,715)	(18,521)	(7,558)	(8,611)	(5,277)	(10,389)
Total governmental activities	12,933,246	13,853,829	14,769,016	15,564,543	16,115,103	16,783,439	17,245,600	19,500,378	22,908,282	24,897,640
Business-type activities:										
Transfers	4,622	8,046	1,096	5,290	4,715	18,521	7,558	8,611	5,277	10,389
Total business-type activities	4,622	8,046	1,096	5,290	4,715	18,521	7,558	8,611	5,277	10,389
Total primary government general revenues and other changes in net position	$12,937,868	$13,861,875	$14,770,112	$15,569,833	$16,119,818	$16,801,960	$17,253,158	$19,508,989	$22,913,559	$24,908,029
Changes in Net Position										
Governmental activities	$ 411,255	$1,244,679	$1,807,175	$ 1,800,497	$ 2,061,455	$ 1,908,743	$ 1,888,099	$ 4,747,017	$7,302,308	$6,401,152
Business-type activities	122,507	158,828	121,174	106,448	172,302	186,900	74,361	(72,364)	122,830	198,516
Total primary government	$ 533,762	$1,403,507	$1,928,349	$ 1,906,945	$ 2,233,757	$ 2,095,643	$ 1,962,460	$ 4,674,653	$7,425,138	$6,599,668

(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, an increase in drug rebates and nongovernmental revenue.

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,									
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Governmental activities										
Net investment in capital assets (3)	$26,855,523	$27,432,234	$28,201,282	$28,617,760	$29,616,706	$30,355,607	$31,425,755	$32,396,815	$33,156,399	$34,138,338
Restricted	1,242,324	1,150,817	1,595,049	1,777,806	2,081,564	2,210,725	2,307,203	2,866,255	3,720,678	3,317,002
Unrestricted (1)(2)(4)	1,299,446	940,922	1,534,817	2,736,079	2,704,085	3,739,918	4,475,212	7,753,855	13,442,770	19,273,296
Total governmental activities net position	$29,397,293	$29,523,973	$31,331,148	$33,131,645	$34,402,355	$36,306,250	$38,208,170	$43,016,925	$50,319,847	$56,728,636
Business-type activities										
Net investment in capital assets										
Unrestricted	$ 2,264,747	$ 2,420,530	$ 2,541,704	$ 2,648,152	$ 2,806,842	$ 2,993,742	$ 3,068,103	$ 2,973,131	$ 3,095,961	$ 3,294,477
Total business-type activities net position	2,264,747	2,420,530	2,541,704	2,648,152	2,806,842	2,993,742	3,068,103	2,973,131	3,095,961	3,294,477
Primary Government										
Net investment in capital assets	$26,855,523	$27,432,234	$28,201,282	$28,617,760	$29,616,706	$30,355,607	$31,425,755	$32,396,815	$33,156,399	$34,138,338
Restricted	1,242,324	1,150,817	1,595,049	1,777,806	2,081,564	2,210,725	2,307,203	2,866,255	3,720,678	3,317,002
Unrestricted	3,564,193	3,361,452	4,076,521	5,384,231	5,510,927	6,733,660	7,543,315	10,726,986	16,538,731	22,567,773
Total primary government net position	$31,662,040	$31,944,503	$33,872,852	$35,779,797	$37,209,197	$39,299,992	$41,276,273	$45,990,056	$53,415,808	$60,023,113

(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.

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,									
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
General Fund										
Nonspendable	$ 21,075	$ 20,184	$ 18,765	$ 25,117	$ 21,208	$ 23,489	$ 31,111	$ 65,465	$ 68,975	$ 64,912
Restricted	68,331	69,540	71,304	73,855	73,202	92,579	102,123	165,341	173,161	206,561
Committed	281,969	302,603	314,545	334,316	372,189	362,881	487,351	640,562	683,709	691,702
Assigned (1)	1,138,496	1,285,945	1,612,001	2,263,154	1,949,089	2,298,179	3,265,698	4,688,970	7,337,698	9,275,561
Unassigned (2)	567,286	885,215	1,224,464	1,008,428	1,410,118	1,651,697	1,676,074	3,770,577	3,939,527	3,326,231
Total general fund	$2,077,157	$2,563,487	$3,241,079	$3,704,870	$3,825,806	$4,428,825	$5,562,357	$9,330,915	$12,203,070	$13,564,967
All Other Governmental Funds										
Nonspendable	$ 153,004	$ 519,590	$ 525,078	$ 531,981	$ 536,481	$ 561,387	$ 569,348	$ 586,808	$ 816,145	$ 831,005
Restricted	1,024,350	575,853	1,020,805	1,207,452	1,507,973	1,583,287	1,667,138	2,152,028	2,293,134	2,331,015
Committed (3)	396,298	389,401	373,312	336,412	379,483	391,014	436,241	439,218	1,030,379	1,311,198
Assigned (4)	759,845	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
Unassigned										(3,542)
Total all other governmental funds	$2,333,497	$2,221,535	$2,706,201	$3,223,989	$4,020,488	$4,148,337	$4,225,368	$4,436,444	$6,954,112	$10,350,970

(1) The increase in assigned fund balance for the general fund between fiscal years 2019 and 2020 is primarily because of an increase in the reserve for supplemental appropriation and an increase in carry forwards. The increase in assigned fund balance between the fiscal years 2020 and 2021 is primarily because of increases in carry forwards, supplemental appropriations, and the civil defense reserve. The increase in assigned fund balance between fiscal years 2021 and 2022 and between 2022 and 2023 is primarily because of an increase 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.

(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.

Schedule 4

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

	FOR THE FISCAL YEAR ENDED JUNE 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues										
Taxes	$12,762,694	$13,717,684	$14,536,940	$15,151,281	$15,694,388	$16,391,417	$17,176,466	$19,360,005	$ 22,500,812	$ 23,687,301
Licenses, fines, fees, and permits	727,158	799,462	913,535	973,810	1,058,073	1,081,355	1,055,468	1,142,138	1,256,478	1,136,026
Investment income (10)	67,117	27,865	56,708	89,231	119,676	234,307	187,336	221,890	(130,546)	954,012
Federal (7)	11,750,878	11,601,522	12,126,450	11,915,967	12,245,029	12,098,767	13,820,131	17,989,966	18,820,965	19,337,606
Departmental services	1,994,334	2,108,043	2,170,683	2,392,179	2,342,471	2,333,469	2,501,103	2,747,234	3,024,470	3,213,709
Opioid and Tobacco Settlements									199,173	156,335
Other	604,336	584,672	647,996	622,690	734,439	639,714	677,192	787,368	569,132	613,923
Total revenues	27,906,517	28,839,248	30,452,312	31,145,158	32,194,076	32,779,029	35,417,696	42,248,601	46,240,484	49,098,912
Expenditures										
Current:										
General government (5)	553,807	565,415	573,475	654,354	683,678	689,119	710,720	2,788,937	2,720,149	3,119,066
Education (8)	7,182,444	7,140,936	7,322,279	7,778,143	8,134,979	8,364,522	8,557,814	9,245,643	10,478,293	11,347,249
Health and social services	14,493,610	14,906,413	15,600,711	15,655,566	15,875,861	16,007,652	17,354,738	19,959,835	21,283,068	21,954,267
Law, justice, and public safety	1,555,028	1,552,156	1,618,669	1,693,161	1,772,563	1,868,133	2,072,747	2,195,107	2,117,580	2,323,197
Recreation and resources development	711,526	757,166	777,748	736,884	797,848	821,557	849,015	1,012,134	1,066,536	1,160,803
Regulation of business and professions	165,238	187,360	205,830	215,733	222,903	229,082	224,307	261,952	263,487	293,822
Transportation	1,753,581	1,708,328	1,672,379	1,728,331	1,910,831	2,017,320	2,208,900	2,135,196	2,273,259	2,665,234
Intergovernmental revenue sharing (5)	897,312	980,258	1,045,095	1,073,737	1,309,519	1,388,848	1,407,229			
Debt service:										
Principal	142,643	313,050	246,503	296,444	267,376	153,111	292,993	150,764	238,930	219,839
Interest	75,155	68,325	67,409	71,817	75,163	75,165	73,246	67,305	50,165	48,938
Debt issuance costs	1,452	1,741	2,324	2,225	2,193	1,741	2,093	1,581	2,627	1,582
Capital outlay (9)	491,077	406,396	469,307	462,231	339,789	408,337	562,098	521,160	447,081	1,199,102
Total expenditures	28,022,873	28,587,544	29,601,729	30,368,626	31,392,703	32,024,587	34,315,900	38,339,614	40,941,175	44,333,099
Revenues over (under) expenditures	(116,356)	251,704	850,583	776,532	801,373	754,442	1,101,796	3,908,987	5,299,309	4,765,813
Other Financing Sources (Uses)										
Bonds and commercial paper issued	91,281	143,200	447,222	274,348	243,419	69,256	187,650	46,732	83,061	35,201
Commercial paper redeemed										
Insurance claim recoveries	1,335	1,597	1,288	725	1,058	367	1,099	673	547	1,416
Premium on bond sale		10,308	53,170	42,335	25,282		315		15,061	
Refunding bonds issued (1)									501,241	
Refunding bond premium (1)		81,321	98,390	214,452	36,059					
Refunding payment to escrow (1)		(81,092)	(98,159)	(214,016)	(35,976)				(500,827)	
Right-to-use leases and subscriptions									24,045	55,480
Proceeds from pledged revenue	472									
Transfers in (6)	1,561,780	1,173,753	1,229,231	1,711,662	2,028,533	1,550,136	1,982,336	677,894	2,439,176	4,704,007
Transfers out (2) (3) (4)	(1,763,423)	(1,206,423)	(1,419,467)	(1,824,459)	(2,225,529)	(1,619,426)	(2,062,633)	(716,389)	(2,471,790)	(4,786,162)
Total other financing sources (uses)	(108,555)	122,664	311,675	205,047	72,846	333	108,767	8,910	90,514	9,942
Net Change in Fund Balances	$ (224,911)	$ 374,368	$1,162,258	$ 981,579	$ 874,219	$ 754,775	$1,210,563	$3,917,897	$ 5,389,823	$ 4,775,755
Debt Service as a Percentage of Noncapital Expenditures	0.7997%	1.3680%	1.0891%	1.2448%	1.1254%	0.7350%	1.1019%	0.5857%	0.7249%	0.6265%

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 2014 and 2015 is due primarily to a reduction of transfers out from the general fund to the capital projects fund, to the debt service fund, and transfers out for the leasing of buildings.

(3) The decrease in transfers out between 2018 and 2019 is due primarily to a reduction of transfers out from the general fund to the capital projects fund, to the facilities revolving fund, and to the highway fund.

(4) The decrease in transfers out between 2020 and 2021 is due primarily to a reduction of transfers out from the general fund to the capital projects fund and the education fund. The increase in transfers out is due primarily due to increased transfers from the general fund to the capital projects fund and the highway fund. The increase in transfers out between 2022 and 2023 is primarily due to increased transfers from the general fund to the education, the capital projects, and the transportation funds.

(5) The increase in general government expenditures between 2020 and 2021 is due primarily to changes made because of the implementation of GASBS 84. Amounts previously reported as intergovernmental revenue sharing are now reported in general government.

(6) The decrease in transfers between 2020 and 2021 is due primarily to a reduction of transfers in to the capital projects fund and the education fund from the general fund. The increase of transfers in between 2021 and 2022 is primarily due to increased transfers in to the capital projects fund and highway fund from the general fund. The increase of transfers in between 2022 and 2023 is primarily due to increased transfers from the general fund to the education, capital projects, and the transportation 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.

Schedule 5

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

	FOR THE CALENDAR YEAR ENDED DECEMBER 31,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Auto dealers	$ 9,827	$ 10,557	$ 11,789	$ 12,607	$ 12,869	$ 13,337	$ 13,923	$ 14,229	$ 16,697	$ 16,454
Purchases from manufacturers	4,170	4,460	4,876	5,205	5,478	5,939	6,450	7,054	8,875	10,817
Miscellaneous durable goods	16,804	17,542	18,614	20,131	21,358	22,644	24,024	26,194	31,517	35,856
Eating and drinking places	10,576	11,196	12,029	12,608	12,909	13,678	15,094	13,201	16,635	19,336
Food stores	10,249	10,696	11,103	11,514	12,122	12,793	13,211	14,564	14,604	16,398
Liquor stores	836	894	971	975	908	973	1,056	1,293	1,383	1,447
Hotels and motels	2,539	2,881	3,222	3,599	3,604	3,829	4,707	2,932	5,227	6,845
Other retail and service	31,134	32,884	34,916	36,530	38,038	41,291	43,621	48,285	61,199	67,542
Miscellaneous nondurable goods	8,693	9,047	9,466	9,902	9,874	10,413	10,795	10,350	13,114	14,313
Transportation, communication	6,396	6,306	6,490	6,386	8,089	8,815	8,807	7,799	8,027	9,004
Total taxable sales	$101,224	$106,463	$113,476	$119,457	$125,249	$133,712	$141,688	$145,901	$177,278	$ 198,012

Source: An Economic Report to the Governor of the State of Tennessee January 2023

Schedule 6

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

	FOR THE FISCAL YEAR ENDED JUNE 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
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)	5.25%	5.00%	5.00%	5.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Energy fuels used by manufacturers and nurserymen	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Water used by manufacturers	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Manufactured homes	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Aviation fuel	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.25%	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%
Additional tax added to the general rate for single article sales of personal property ($1,601 to $3,200)	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%

Source: State of Tennessee Budget; Department of Finance and Administration, Division of Budget
Note: Please see the Budget Document for more information on the sales and use tax basis of apportionment.

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

	FOR THE FISCAL YEAR ENDED JUNE 30,									
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Retail:										
Building materials	$ 371,086	$ 392,853	$ 430,312	$ 468,750	$ 492,326	$ 528,112	$ 585,686	$ 737,200	$ 853,785	$ 898,419
General merchandise	845,407	854,971	889,297	895,864	881,916	883,068	911,558	983,751	1,039,892	1,076,876
Food stores	555,692	579,660	595,739	618,427	571,341	580,520	629,611	658,854	698,021	730,384
Auto dealers and service stations	933,751	1,013,333	1,123,746	1,177,213	1,184,189	1,230,277	1,273,167	1,481,269	1,554,068	1,636,604
Apparel and accessory stores	217,170	228,680	238,993	239,541	242,207	254,355	232,224	276,847	329,863	339,006
Furniture and home furnishings	228,231	250,667	268,657	281,955	291,561	301,500	302,089	340,370	377,880	367,615
Eating and drinking places	706,095	757,929	809,367	838,150	845,819	928,084	911,187	963,720	1,162,563	1,295,787
Miscellaneous retail stores	664,927	736,728	812,020	818,129	848,254	895,942	973,829	1,366,377	1,640,525	1,751,009
Total retail	4,522,359	4,814,821	5,168,131	5,338,029	5,357,613	5,601,858	5,819,351	6,808,388	7,656,597	8,095,700
Services:										
Hotels and lodging places	175,227	198,123	224,621	236,505	238,462	278,372	258,284	227,242	395,589	456,425
Personal services	49,724	52,239	52,236	52,465	53,561	56,184	51,283	51,064	62,054	67,221
Business services	273,397	276,961	298,046	304,629	322,692	381,851	420,766	564,858	702,863	792,469
Auto repair, services, and parking	178,693	189,611	204,497	208,532	215,481	235,740	254,280	265,114	320,433	359,540
Miscellaneous repair services	26,807	27,823	31,070	32,770	32,560	35,385	42,269	61,923	72,912	76,654
Motion pictures	18,900	18,160	19,341	19,517	18,459	22,196	21,255	14,584	24,903	28,891
Amusement services	73,891	81,249	90,027	96,706	103,495	118,017	113,024	101,452	167,406	199,135
Health services	15,463	14,956	17,232	17,497	17,497	17,274	21,853	24,937	21,637	22,693
Other services	40,659	45,803	46,006	43,365	41,153	61,805	64,392	59,312	74,840	82,154
Total services	852,761	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
Non-retail, non-services:										
Agriculture, forestry, fishing	7,304	7,189	7,957	7,939	7,835	7,886	8,886	11,165	12,347	13,580
Mining	6,765	6,822	7,727	7,787	8,153	9,005	10,016	14,202	17,632	23,064
Construction	54,483	56,717	65,278	65,093	76,564	77,913	93,038	93,659	108,871	144,375
Manufacturing	264,955	289,940	317,036	336,122	350,115	386,048	411,045	489,582	596,122	684,657
Transportation	29,009	35,272	33,769	31,262	35,741	42,624	64,255	18,516	59,004	65,559
Communications	379,013	393,980	391,511	416,319	524,788	530,000	496,669	477,608	517,761	519,241
Electric, gas, and sanitary services	245,644	252,014	247,867	260,315	263,119	269,974	263,079	265,472	292,477	324,150
Wholesale trade	447,524	460,079	499,421	527,466	551,886	606,481	621,583	697,362	899,204	990,803
Finance, insurance, real estate	15,207	18,676	22,661	29,816	32,953	37,674	40,508	47,400	62,385	56,027
Total non-retail, non-services	1,449,904	1,520,689	1,593,227	1,682,119	1,851,154	1,967,605	2,009,079	2,114,966	2,565,803	2,821,456
County Clerk	143,818	152,856	172,516	184,186	194,694	206,532	205,404	294,318	340,400	360,615
Consumer Use Tax	5,636	6,006	6,138	5,774	9,354	10,714	15,865	12,536	11,973	13,141
Unclassified (1)	279,555	278,851	305,095	321,652	431,459	417,390	359,511	420,623	411,732	418,487
Grand Total	$ 7,254,033	$ 7,678,148	$ 8,228,183	$ 8,543,746	$ 8,887,634	$ 9,410,923	$ 9,656,616	$11,021,317	$ 12,829,142	$13,794,581
Grand total as a percent of annual aggregate state tax collections	61.62%	60.53%	61.08%	61.05%	61.01%	61.22%	63.96%	59.97%	61.39%	62.60%

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.

Schedule 8

STATE OF TENNESSEE
DEBT CAPACITY - RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(expressed in thousands; except for per capita)

	FOR THE FISCAL YEAR ENDED JUNE 30,									
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Governmental activities debt:										
General obligation bonds	$ 1,996,458	$ 1,960,437	$ 2,124,897	$ 2,162,881	$ 2,160,357	$ 1,979,589	$ 1,949,715	$ 1,771,713	$ 1,695,430	$1,517,407
Leases									286,429	298,199
SBITA										38,739
General obligation commercial paper	324,366	197,686	245,536	192,956	165,176	237,396	120,996	207,343	89,563	72,938
Financed purchases	21,798	20,599	20,943	19,394	17,900	16,538	14,783	11,904	4,904	3,832
Annuities					400	700	1,700	1,800	2,150	5,150
Total governmental activities debt	2,342,622	2,178,722	2,389,853	2,375,231	2,343,833	2,234,223	2,087,194	1,992,760	2,078,476	1,936,265
Business-type activities debt:										
General obligation bonds										
Total business-type activities debt										
Total primary government debt	$ 2,342,622	$ 2,178,722	$ 2,389,853	$ 2,375,231	$ 2,343,833	$ 2,234,223	$ 2,087,194	$ 1,992,760	$ 2,078,476	$1,936,265
Debt Ratios										
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	N/A
Ratio of total debt to personal income	0.88%	0.79%	0.83%	0.80%	0.74%	0.67%	0.60%	0.53%	0.51%	
Population	6,549	6,600	6,651	6,716	6,770	6,829	6,887	6,975	7,051	N/A
Net general bonded debt per capita	$ 354	$ 327	$ 359	$ 354	$ 344	$ 327	$ 303	$ 286	$ 295	
General Bonded Debt:										
General obligation bonds	$ 1,996,458	$ 1,960,437	$ 2,124,897	$ 2,162,881	$ 2,160,357	$ 1,979,589	$ 1,949,715	$ 1,771,713	$ 1,695,430	$1,517,407
General obligation commercial paper	324,366	197,686	245,536	192,956	165,176	237,396	120,996	207,343	89,563	72,938
Assets restricted for debt principal										
Total net bonded debt	$ 2,320,824	$ 2,158,123	$ 2,370,433	$ 2,355,837	$ 2,325,533	$ 2,216,985	$ 2,070,711	$ 1,979,056	$ 1,784,993	$1,590,345
Debt Ratios										
Ratio of net bonded debt to total of pledged revenues	42.55%	50.24%	49.20%	52.98%	57.70%	60.52%	68.79%	83.69%	107.81%	121.01%

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, 2022 to:		
General fund	17,815,557 *	
Debt service fund	1,065,304 *	
Highway fund	361,474 *	
Total allocated revenues		19,242,335
Legal debt service limit (10% of total allocated revenues)		1,924,234
Less: maximum annual debt service at June 30, 2023		203,067
Legal debt service margin		1,721,167

*Obtained from the Tennessee Department of Revenue

Debt Capacity- Ten Year Trend(1)

	FOR THE FISCAL YEAR ENDED JUNE 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Debt limit	$ 648,934	$ 637,424	$1,168,731	$1,240,437	$1,291,287	$1,325,575	$1,399,146	$1,357,252	$1,683,670	$ 1,924,234
Total net debt service applicable to limit	227,401	225,620	241,023	240,693	238,098	229,977	228,126	221,214	212,211	203,067
Legal debt service margin	$ 421,533	$ 411,804	$927,708	$ 999,744	$1,053,189	$1,095,598	$1,171,020	$1,136,038	$1,471,459	$ 1,721,167
Legal debt service margin as a percentage of the debt limit	64.96%	64.60%	79.38%	80.60%	81.56%	82.65%	83.70%	83.70%	87.40%	89.45%

(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 2023		
	Portion Pledged	All Governmental Fund Types	June 30, 2023 Pledged Amount
Gasoline tax	25%	$ 880,800	$ 220,200
Petroleum products fee	100%	71,528	71,528
Motor vehicle registration fee	50%	226,238	113,119
Franchise tax	100%	1,519,577	1,519,577
		$ 2,698,143	$1,924,424

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

Schedule 10

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

	FOR THE CALENDAR YEAR ENDED DECEMBER 31,									
	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Population	6,496 (est)	6,549 (est)	6,600 (est)	6,651 (est)	6,716 (est)	6,770 (est)	6,829 (est)	6,887 (est)	6,975 (est)	7,051 (est)
Total personal income	$256,814,000	$266,467,000	$277,316,000	$287,851,000	$298,646,000	$318,668,000	$333,927,000	$346,376,000	$378,589,000	$409,405,000
Per capita personal income	$ -	$ 42,241	$ 44,209	$ 46,805	$ 47,472	$ 49,490	$ 52,049	$ 54,225	$ 58,395	$ 60,596
Unemployment rate	8.2%	6.9%	5.9%	4.8%	3.0%	3.7%	3.5%	7.4%	4.2%	3.5%
Unemployment rate by sector:										
Trade, Transportation, and Utilities	12.3%	11.9%	7.8%	9.3%	8.8%	5.6%	5.2%	14.8%	N/A	N/A
Government	5.1%	3.3%	0.2%	0.8%	2.3%	0.9%	1.8%	3.8%	N/A	N/A
Education and Health Services	5.1%	4.6%	2.6%	3.5%	2.3%	2.3%	1.9%	4.4%	N/A	N/A
Professional and Business Services	10.1%	8.0%	7.0%	4.6%	5.1%	5.0%	4.6%	8.1%	N/A	N/A
Manufacturing	6.6%	6.9%	5.7%	7.9%	3.7%	3.5%	3.9%	11.4%	N/A	N/A
Leisure and Hospitality	7.6%	7.0%	9.4%	6.4%	5.1%	7.4%	4.8%	14.6%	N/A	N/A
Financial Activities	5.4%	2.4%	3.0%	2.1%	1.6%	0.8%	1.4%	4.2%	N/A	N/A
Natural Resources, Mining, and Construction	19.2%	9.3%	8.3%	5.3%	3.5%	3.3%	3.1%	7.5%	N/A	N/A
Other Services	6.3%	4.1%	7.2%	2.8%	1.6%	1.2%	2.8%	5.2%	N/A	N/A
Information	6.8%	6.6%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: Population from www.census.gov; Unemployment rate by sector from www.bls.gov
All other from the University of Tennessee Economic Report to the Governor 2023

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 2022
January	3.7%
February	3.3%
March	3.0%
April	3.1%
May	3.4%
June	4.3%
July	4.0%
August	3.5%
September	3.0%
October	3.5%
November	3.3%
December	2.9%

Source: https://www.jobs4tn.gov

Schedule 11

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

	2022			2013		
Industry	**Number of Employees**	**Rank**	**Percentage of Total Nonagricultural Wage and Salary Employment**	**Number of Employees**	**Rank**	**Percentage of Total Nonagricultural Wage and Salary Employment**
Trade, Transportation, and Utilities	677,200	1	20.97%	579,100	1	20.95%
Government	434,000	4	13.44%	422,800	2	15.30%
Education and Health Services	450,000	2	13.94%	404,600	3	14.64%
Professional and Business Services	449,800	3	13.93%	355,700	4	12.87%
Manufacturing	361,000	5	11.18%	316,300	5	11.45%
Leisure and Hospitality	351,800	6	10.89%	285,800	6	10.34%
Financial Activities	178,400	7	5.52%	141,500	7	5.12%
Natural Resources, Mining, and Construction	151,100	8	4.68%	108,000	8	3.91%
Other Services	125,900	9	3.90%	105,500	9	3.82%
Information	50,100	10	1.55%	44,300	10	1.60%
Total	3,229,300		100.00%	2,763,600		100.00%
	Calendar Year 2022			Calendar Year 2013		
Total State Employment	3,238,568			2,840,134		

Source: An Economic Report to the Governor of the State of Tennessee January 2023 and the Tennessee Department of Labor and Workforce Development Website

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

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

Schedule 12

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

Function	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General government	4,327	4,299	4,348	4,740	5,126	5,471	5,503	5,430	5,346	5,737
Education	1,118	1,122	1,167	1,357	1,332	1,317	1,130	1,129	1,101	1,029
Health and social services	16,735	16,209	15,546	15,449	15,366	15,098	15,635	15,033	14,255	14,816
Law, justice and public safety	11,249	10,826	10,675	10,839	10,707	10,518	10,836	10,321	10,289	10,919
Recreation and resources development	3,431	3,441	3,377	3,394	3,420	3,363	3,377	3,354	3,343	3,490
Regulation of business and professions	724	716	688	685	696	725	669	668	654	692
Transportation	3,439	3,355	3,487	3,838	3,953	4,078	4,070	4,008	3,760	3,510
Total	41,023	39,968	39,288	40,302	40,600	40,570	41,220	39,943	38,748	40,193

Source: Department of Human Resources

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

Function	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General government										
Motor pool vehicles	6,181 (1)	4,462	4,374	4,265	4,272	4,268	4,207	4,430	4,535	4,795
Buildings	97	81	78	79	83	83	81	82	80	79
Machinery and equipment	6,772	6,745	6,896	7,117	7,222	7,211	7,345	7,450	7,972	8,447
Education										
Number of residential schools	5	5	5	5	5	5	4	4	4	4
Machinery and equipment	222	187	211	209	245	242	242	238	238	261
Health and social services										
Buildings	346	340	346	345	345	343	342	326	324	321
Machinery and equipment	3,357	3,499	3,746	3,957	3,602	3,645	3,589	3,714	3,935	4,138
Law, justice and public safety										
Correctional facilities	20	20	19	18	18	18	18	18	18	18
Armories	83	82	82	82	81	81	81	81	81	81
Machinery and equipment	6,441	6,452	6,803	6,772	6,934	7,136	7,586	8,012	9,763	8,943
Recreation and resources development										
Acreage of state parks	188,573	189,102	190,941	200,248	201,925	203,213	210,012	207,296	207,954	210,932
Machinery and equipment	3,198	3,245	3,256	3,344	3,387	3,435	3,522	3,625	3,766	4,286
Regulation of business and professions										
Machinery and equipment	230	240	841	836	816	820	751	704	689	689
Transportation										
State highways (in miles)	13,898	13,884	13,877	13,884	13,890	13,890	14,464	14,467	14,462	14,424
Bridges, state and local highways	19,746	19,776	19,793	19,840	19,858	19,903	19,918	20,010	20,034	20,037
Facilities	122	122	122	122	123	122	122	122	122	122
Buildings	755	754	752	758	769	742	772	779	784	780

Source: various state agencies

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

Schedule 14

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

Function		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General government											
Tax returns processed (1)		4,682,702	4,519,309	5,068,829	5,326,693	4,518,104	2,117,373	2,115,790	2,411,391	2,311,918	2,384,278
New corporate charters registered		9,781	10,325	10,857	10,794	11,092	11,474	11,337	10,483	13,677	13,365
Investment return on total portfolio		0.12%	0.25%	0.50%	1.05%	2.05%	1.83%	0.21%	0.07%	2.74%	4.00%
Residential and commercial property reappraisals completed		640,264	338,538	547,191	1,389,649	549,487	484,498	341,527	1,501,060	748,736	417,231
Education											
Number of public schools (K-12)		1,823	1,811	1,833	1,819	1,749	1,836	1,837	1,833	1,864	N/A
Enrollment of public schools (K-12)		993,841	995,892	997,893	999,701	975,222	971,956	980,537	948,652	962,987	N/A
Number of high school graduates from public schools		61,838	62,632	64,079	64,987	64,855	61,817	61,550	60,031	N/A	N/A
Health and social services											
TennCare enrollees		1,271,151	1,429,411	1,550,066	1,397,400	1,418,732	1,412,603	1,449,437	1,590,298	1,687,438	1,786,202
Supplemental Nutrition Assistance Program		1,280,000	1,191,500	1,094,644	1,037,928	931,658	889,451	846,867	856,022	800,684	746,109
Percentage of population (3)		19.70%	18.19%	16.59%	15.61%	13.87%	13.14%	12.40%	12.43%	11.48%	10.58%
Temporary assistance recipients		57,000	37,041	29,889	25,496	21,732	19,030	15,746	13,170	13,370	13,638
Percentage of population (3)		0.88%	0.57%	0.45%	0.38%	0.32%	0.28%	0.23%	0.19%	0.19%	0.19%
Children in state custody (2)		8,552	8,558	8,436	8,235	8,688	9,040	8,387	8,887	9,037	8,842
Percentage of population (3)		0.13%	0.13%	0.13%	0.12%	0.13%	0.13%	0.12%	0.13%	0.13%	0.13%
Mental health institutes average daily census		479	493	488	506	492	452	431	453	430	434
Law, justice and public safety											
Correctional institutions average daily census		29,758	29,571	29,103	29,729	30,242	30,453	29,447	25,459	24,764	24,708
Department of Safety citations issued		419,122	414,310	432,832	447,417	473,410	412,046	267,662	231,336	255,092	274,217
Drivers licenses issued		1,741,379	1,732,106	1,793,921	1,769,595	1,910,190	1,748,933	1,815,168	1,524,740	1,138,653	1,146,634
Recreation and resources development											
Hunting/fishing licenses and boats registered	(est.)	569,447	577,577	537,412	511,673	556,892	562,821	541,159	791,685	567,182	514,103
Wetland acres acquired	(est.)	1,598	102,938	2,050	8,610	2,103	1,540	604	1,130	46,416	2,638
Number of visitors to state parks		32,063,100	33,452,320	34,004,609	37,025,015	38,798,379	36,553,885	34,726,347	38,479,604	N/A	26,900,000
Air pollution monitoring sites		40	33	36	32	30	28	27	27	27	27
Regulation of business and professions											
Fire safety inspections		27,724	16,508	14,037	13,742	13,959	17,046	15,948	15,993	15,266	18,523
Consumer affairs written complaints		5,447	4,654	3,821	3,704	3,783	4,283	3,966	3,806	7,054	9,243
Transportation											
Lane miles resurfaced		2,447	2,239	2,219	2,585	2,914	2,234	1,991	2,041	2,230	2,374
HELP program services provided		124,823	113,429	135,058	145,755	128,311	132,617	124,726	108,943	146,964	206,193

Source: Tennessee fact book, various state agencies

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

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

(expressed in thousands)

University of Tennessee

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2014	$ 650,337	$ 467,845	$ 55,821
2015	700,757	475,416	55,553
2016	746,986	499,862	70,543
2017	780,867	555,401	73,722
2018	802,063	573,017	73,608
2019	817,348	612,411	76,662
2020	817,336	646,000	84,562
2021	818,094	673,823	72,059
2022	911,801	690,956	71,606
2023	1,050,528	847,216	80,812

University of Memphis

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2014	$ 183,140	$ 89,106	$ 8,469
2015	240,892	89,332	10,655
2016	190,286	95,140	10,626
2017	279,668	102,441	10,926
2018	287,128	110,827	12,310
2019	297,757	117,771	10,651
2020	316,873	123,371	13,819
2021	291,477	125,090	14,682
2022	308,338	138,589	14,180
2023	338,596	203,134	14,750

Austin Peay State University

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2014	$ 74,084	$ 32,995	$ 6,014
2015	78,013	34,240	6,096
2016	76,777	36,984	6,329
2017	98,754	40,379	6,332
2018	104,309	44,622	6,212
2019	109,008	47,857	6,199
2020	108,137	50,503	6,171
2021	109,841	51,600	5,144
2022	108,259	58,820	5,131
2023	106,144	68,247	5,563

Middle Tennessee State University

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2014	$ 180,748	$ 81,025	$ 19,641
2015	199,239	82,830	19,122
2016	191,688	85,857	19,914
2017	238,777	90,753	19,507
2018	245,313	97,004	19,497
2019	254,263	103,216	18,926
2020	256,646	107,749	18,122
2021	256,405	108,818	16,529
2022	264,346	116,714	16,168
2023	261,506	135,211	17,919

East Tennessee State University

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2014	$ 115,941	$ 83,697	$ 12,028
2015	139,579	83,129	11,439
2016	155,854	88,042	11,475
2017	177,156	93,319	11,442
2018	189,529	101,356	11,442
2019	248,232	107,768	11,748
2020	245,083	114,689	13,079
2021	235,241	117,664	13,737
2022	237,448	127,410	13,388
2023	246,247	145,329	14,307

Tennessee State University

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2014	$ 75,307	$ 38,742	$ 4,241
2015	92,297	38,216	3,600
2016	87,608	39,199	3,793
2017	121,323	41,277	3,443
2018	119,436	44,611	3,345
2019	105,990	47,442	3,387
2020	101,250	53,899	3,595
2021	106,342	52,074	3,696
2022	120,419	55,590	3,679
2023	176,224	61,242	5,254

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

(expressed in thousands)

Tennessee Technological University

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2014	$ 93,241	$ 39,560	$ 4,079
2015	112,938	38,394	4,052
2016	99,705	39,297	4,077
2017	126,856	42,671	4,094
2018	127,641	47,231	4,038
2019	126,042	55,021	3,782
2020	129,056	60,098	6,183
2021	128,559	61,455	9,675
2022	140,948	64,829	9,622
2023	148,027	80,622	9,844

Dyersburg State Community College

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2014	$ 9,151	$ 7,369	
2015	8,992	7,446	
2016	9,098	8,097	
2017	9,327	8,632	
2018	9,938	9,397	
2019	10,486	9,737	
2020	10,467	10,409	
2021	10,468	10,817	
2022	10,925	11,583	
2023	11,636	13,092	

Chattanooga State Community College

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2014	$ 32,676	$ 26,144	$ 374
2015	33,207	26,063	301
2016	34,152	27,541	279
2017	33,350	29,342	283
2018	33,654	31,145	287
2019	34,472	31,960	282
2020	33,811	33,363	286
2021	29,852	33,398	268
2022	27,187	35,370	271
2023	32,439	38,916	74

Jackson State Community College

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2014	$ 13,749	$ 11,166	
2015	15,088	10,825	
2016	15,166	11,645	
2017	15,855	12,406	
2018	15,936	13,574	
2019	16,718	14,231	
2020	18,065	14,879	
2021	17,371	15,010	
2022	15,870	16,243	
2023	16,913	18,263	

Cleveland State Community College

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2014	$ 11,513	$ 8,898	$ 45
2015	11,264	8,864	44
2016	11,059	9,160	44
2017	11,294	9,762	44
2018	10,636	10,998	44
2019	11,739	11,155	44
2020	12,698	12,179	41
2021	13,319	12,050	41
2022	12,370	12,993	42
2023	12,272	14,835	42

Columbia State Community College

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2014	$ 15,232	$ 12,408	$ 127
2015	16,058	12,193	127
2016	17,358	13,065	127
2017	18,508	13,910	127
2018	20,421	14,967	218
2019	22,455	15,786	339
2020	23,267	16,666	339
2021	23,011	17,693	339
2022	20,690	19,467	339
2023	24,498	22,193	330

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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

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2014	$ 14,036	$ 10,702	$
2015	15,314	10,451	
2016	17,814	11,032	
2017	20,370	11,752	
2018	22,208	13,305	
2019	23,702	15,048	
2020	25,091	17,376	
2021	22,640	19,525	
2022	20,369	22,743	
2023	23,088	25,998	

Nashville State Community College

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2014	$ 28,533	$ 15,949	$ 73
2015	30,694	16,081	73
2016	29,616	16,679	65
2017	29,065	17,772	67
2018	27,337	20,277	69
2019	29,219	22,319	67
2020	24,810	23,142	68
2021	27,131	22,969	68
2022	24,852	23,875	69
2023	31,345	27,311	

Roane State Community College

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2014	$ 21,902	$ 17,480	$ 141
2015	20,819	17,102	142
2016	20,689	17,803	142
2017	21,167	18,959	142
2018	21,282	20,956	142
2019	22,469	22,410	142
2020	22,764	23,847	143
2021	21,119	24,188	143
2022	21,909	26,002	
2023	23,925	28,601	

Northeast State Community College

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2014	$ 17,593	$ 13,310	$ 40
2015	18,701	13,857	40
2016	22,271	15,082	40
2017	20,413	16,075	40
2018	19,521	18,153	40
2019	20,943	19,701	40
2020	20,893	20,883	40
2021	18,626	23,194	40
2022	20,745	24,784	
2023	23,296	27,248	

Southwest Tennessee Community College

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2014	$ 36,221	$ 24,805	$ 358
2015	37,400	24,002	363
2016	33,835	24,550	342
2017	33,337	26,147	361
2018	33,382	27,171	362
2019	34,232	28,424	362
2020	34,427	29,961	208
2021	33,026	30,232	208
2022	32,873	31,510	212
2023	36,503	34,921	212

Pellissippi State Community College

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2014	$ 35,680	$ 23,560	$ 171
2015	18,775	24,306	172
2016	35,347	25,680	162
2017	37,677	27,373	164
2018	41,932	30,504	167
2019	42,050	32,887	164
2020	41,081	34,611	166
2021	40,583	35,794	167
2022	32,952	38,349	83
2023	35,378	43,507	83

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STATE OF TENNESSEE

SCHEDULE OF FEES/CHARGES, LEGISLATIVE APPROPRIATIONS AND DEBT SERVICE

COMPONENT UNITS

COLLEGE AND UNIVERSITY FUNDS

FOR THE LAST TEN FISCAL YEARS

(expressed in thousands)

Volunteer State Community College

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2014	$ 25,256	$ 16,320	
2015	26,223	16,329	
2016	31,988	17,542	
2017	32,381	18,718	
2018	31,895	20,828	
2019	33,339	23,496	
2020	34,969	26,070	
2021	31,794	28,090	
2022	25,850	30,910	
2023	33,804	30,910	

Walters State Community College

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2014	$ 21,112	$ 20,464	$ 94
2015	22,796	19,909	94
2016	22,261	20,587	94
2017	23,557	21,933	94
2018	24,007	23,490	95
2019	24,916	24,551	95
2020	25,180	25,271	95
2021	24,222	25,704	95
2022	20,559	27,130	
2023	23,302	31,402	

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

STATE OF TENNESSEE **Schedule 16**
STUDENT FEES AND CHARGES
FOR INSTITUTIONS WITH TENNESSEE STATE SCHOOL BOND AUTHORITY DEBT
COMPONENT UNITS
COLLEGE AND UNIVERSITY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Institution	Debt Service Fees	In-State Student Tuition	Non-Resident Student Tuition	Average Board Charge	Average Room Charge
University of Tennessee- Knoxville	$ 430	$ 13,484	$ 31,904	$ 4,610	$ 8,170
University of Tennessee- Chattanooga	430	10,144	20,224	3,752	6,300
University of Tennessee- Martin	460	10,208	16,248	3,996	6,300
University of Tennessee- Southern		10,506	10,506	3,600	6,400
Austin Peay State University	274	9,023	14,567	4,910	8,786
East Tennessee State University	410	9,950	21,461	4,270	6,000
Middle Tennessee State University	388	9,878	38,306	4,000	7,678
Tennessee State University	178	8,571	22,305	5,420	12,114
Tennessee Technological University	258	10,293	17,853	5,936	6,168
University of Memphis	380	10,344	15,894	4,560	6,050
Chattanooga State Community College		4,778	18,638	4,111	4,432
Cleveland State Community College		4,758	18,618	4,111	4,432
Columbia State Community College	44	4,792	18,652	4,111	4,432
Dyersburg State Community College		4,768	18,628	4,111	4,432
Jackson State Community College		4,744	18,604	4,111	4,432
Motlow State Community College		4,764	18,624	4,111	4,432
Nashville State Community College		4,726	18,586	4,111	4,432
Northeast State Community College		4,770	18,630	4,111	4,432
Pellissippi State Community College	30	4,804	18,664	4,111	4,432
Roane State Community College		4,762	18,622	4,111	4,432
Southwest Tennessee Community College		4,778	18,638	4,111	4,432
Volunteer State Community College		4,752	18,612	4,111	4,432
Walters State Community College		4,747	18,607	4,111	4,432

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

STATE OF TENNESSEE **Schedule 17**
PRINCIPAL AMOUNT OF DEBT OUTSTANDING BY INSTITUTION
COMPONENT UNITS
COLLEGE AND UNIVERSITY FUNDS
JUNE 30, 2023
(expressed in thousands)

Institution	Second Program Bonds	Commercial Paper	Total Debt
University of Tennessee	$ 1,069,752	$ 11,393	$ 1,081,145
Austin Peay State University	71,895		71,895
East Tennessee State University	144,203		144,203
Middle Tennessee State University	186,670	4,167	190,837
Tennessee State University	85,825		85,825
Tennessee Technological University	80,032		80,032
University of Memphis	154,869		154,869
Chattanooga State Community College	1,170		1,170
Columbia State Community College	3,112		3,112
Southwest Tennessee Community College	207		207
Walters State Community College		2,000	2,000
	$ 1,797,735	$ 17,560	$ 1,815,295

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

NATIONAL FEDERATION OF MUNICIPAL ANALYSTS RECOMMENDED DISCLOSURES FOR STATE DEBT

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

General Disclosure Items

- The state is committed to complying with U.S. Securities and Exchange Commission Rule 15c2-12(b) (5) as it relates to continuing disclosure undertakings. The State reviewed the financial information, operating data and event notices filed by the State within the preceding five years with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system pursuant to the State's Rule 15c2-12 continuing disclosure undertakings and identified, among other things, the following.

    - Certain TCRS and TennCare information previously presented in tabular format in relevant Official Statements is disclosed annually in accordance with the state's continuing disclosure requirements.

  The state provides strong systemic support to assist counties and cities in financial distress. State statutes establish a proactive approach and there is no state law that permits counties and cities to file for bankruptcy. The Local Government Public Obligations Act establishes budgetary oversight for cities and counties and authorizes the state Comptroller to direct counties and cities to adjust expenditure estimates or to make additional tax levies sufficient to maintain a balanced budget. In the past few years, the state Comptroller has directed two counties to raise taxes and one city to adjust expenditures. When a local government is in financial distress as evidenced by improper internal transfers and/or borrowings of restricted utility resources, state statutes authorize the state Comptroller to approve a corrective action plan that includes a scheduled plan of repayment. The state's 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 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, 2023, no counties or cities in Tennessee had outstanding funding bonds. With the exception of the Emergency Financial Aid to Local Governments Law of 1995 (the "1995 Law"), the state does not have statutory authority to guarantee the debt of local governments. The 1995 law authorizes the state to guarantee the repayment of a loan made to a local government by an external lender subject to specific conditions. One condition requires the state to determine that the local government has sufficient revenue to pay annual debt service and costs of operation. Another condition mandates that the local government accept emergency technical assistance by means of direction, oversight, management, and approval of its financial transactions by the state Comptroller. The local government is required to pledge its full faith and credit as security and agree to pledge a sufficient amount of state-shared taxes to make principal and interest payments on the loan guaranteed by the state. Since the inception of this law, the state has not authorized the issuance of emergency financial aid notes. The 1995 Law also authorizes the state Comptroller to approve the issuance of tax and revenue anticipation notes by cities and counties in cases of economic distress due to a natural disaster certified by the Federal Emergency Management Agency (FEMA). The proceeds may be used to pay for operating expenditures and may remain outstanding beyond the close of the fiscal year the notes are issued. At June 30, 2023, 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, 2023, 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 other direct subsidy debt:

  - The state has been subject to having the direct subsidy reimbursements, from the federal government, related to the Series 2010 Qualified School Construction Bonds (QSCBs) issuance offset by amounts due to the federal government. In general, the subsidy payment has been offset by taxes due from the state, civil penalties and federal sequestration. Other triggers that could result in the loss or reduction of subsidy payments are future federal sequestration and changes in use by the borrower. These events could also result in loss or reduction of future subsidy payments as well.

  - The Series 2010 QSCBs issuance shall be subject to redemption prior to their stated maturities, in whole or in part, at any time at the "Make-Whole Redemption Price". The Make-Whole Redemption Price is equal to the greater of (a) 100% of the principal amount of the series to be redeemed; or (b) the sum of the present value of the remaining scheduled payments of principal and interest on the 2010 bonds to be redeemed to the maturity date of such Series 2010 Bonds, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2010 Bonds are to be redeemed, discounted to the date on which the Series 2010 Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year containing twelve 30 day months, at the United States Treasury Rate plus 25 basis points (0.25%); plus, in each case, accrued interest on the Series 2010 Bonds to be redeemed to the redemption date.

  - The Series 2010 QSCBs issuance shall also be subject to extraordinary optional redemption prior to maturity, at the option of the TSSBA, upon the occurrence of an extraordinary event, in whole or in part, on any business day at the "Extraordinary Make-Whole Redemption Price" The Extraordinary Make-Whole Redemption Price is equal to the greater of (a) 100% of the principal amount of the Series 2010 bonds to be redeemed; or (b) the sum of the present value of the remaining scheduled payments of principal of and interest on the Series 2010 Bonds to be redeemed to the maturity date of such Series 2010 Bonds, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2010 Bonds are to be redeemed, discounted to the date on which the Series 2010 Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year containing twelve 30 day months, at the United states Treasury Rate plus 100 basis points (1.00%); plus, in each case, accrued interest on the Series 2010 Bonds to be redeemed to the redemption date.

Demographics/Economy

- The state Constitution allows the state to levy ad valorem taxes on all of the taxable property within the state for the payment of the principal and interest on the state's general obligation indebtedness; however, the state does not currently levy such a tax and has no current intent to do so.

- The state currently contracts with The University of Tennessee Boyd Center for Business and Economic Research to prepare an annual economic report to the Governor containing short-term business cycle-sensitive forecasts as well as longer-term or trend forecasts for the year and to prepare quarterly updates throughout the year. The report "An Economic Report to the Governor of the state of Tennessee" as well as any updated information can be found at:
  https://haslam.utk.edu/publication/economic-report-to-the-governor-2023/

- 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, 2023
(Thousands of U.S. Dollars)

	Returns Filed	Total (%)	Tax Collections	Total (%)
Retail Trade and Services:				
Building Materials	28,541	1.94%	$898,419	6.51%
General Merchandise	38,715	2.63%	$1,076,876	7.81%
Food Stores	60,924	4.15%	$730,384	5.29%
Auto Dealers and Service Stations	94,195	6.41%	$1,636,604	11.86%
Apparel and Accessory Stores	51,415	3.50%	$339,006	2.46%
Furniture and Home Furnishings	40,150	2.73%	$367,615	2.66%
Eating and Drinking Places	168,010	11.43%	$1,295,787	9.39%
Miscellaneous Retail Stores	255,357	17.38%	$1,751,009	12.69%
Services	343,274	23.36%	$2,085,182	15.12%
All Other:				
Non-Retail, Non-Services	286,826	19.52%	$2,821,457	20.45%
County Clerk	1,242	0.08%	$360,615	2.61%
Consumer Use Tax	8,357	0.57%	$13,141	0.10%
Unclassified	92,589	6.30%	$418,487	3.03%
Total	**1,469,595**	**100.00%**	**$13,794,582**	**100.00%**

Financial statements

- The Tennessee Interagency Cash Flow Committee was created by the General Assembly in 2011 for the purpose of establishing, compiling and maintaining an eighteen month forward rolling cash flow projection. Departmental and programmatic specific forecasting data is used to project cash flow and earnings information relative to various interest-bearing funds and accounts within the state's pooled investment fund. These projections enhance cash flows based on historical data and help the state better plan and position itself for fluctuations in available cash balances.

General Revenue Base

- A breakdown of the state tax revenue allocations, percent and percentage change from estimates, the legal basis for collecting the taxes, a listing of the types of transactions being taxed and any exemptions can be found in the state revenue section of the annual budget document at: https://www.tn.gov/content/tn/finance/fa/fa-budget-information/fa-budget-rev.html

- T.C.A. 67-1-100 sets forth a Tennessee Taxpayer Bill of Rights which directs the adoption of policies which would inform and advise taxpayers of their rights and would guarantee Tennessee taxpayers are treated with fairness, courtesy and common sense. Included in the bill of rights is the right to receive a clear set of rules and procedures to resolve tax problems, the right to dispute any proposed assessment, and the right to a speedy, informal and inexpensive review of a proposed assessment in an informal conference. T.C.A. 67-1-1438 contains the requirement for the commissioner of revenue to promptly issue a notice of proposed assessments when a taxpayer is determined to have failed to pay the correct amount of any tax administered by the commissioner. The section also provides the procedures for taxpayers to follow in order to request an informal conference to appeal the proposed assessment. Upon the assessment becoming final, further taxpayer remedies for disputed final tax assessments can be found in T.C.A. 67-1-1801. If the taxpayer believes the final assessments to be unjust, illegal or incorrect, the taxpayer may 1) pay the tax and file a claim for refund or 2) file suit in chancery court challenging all or any portion of such tax. Refer to the contingencies note for discussion of pending litigations.

- Under state law, long-term debt cannot exceed the expected useful life of the project being financed. The state is also authorized to issue tax revenue anticipation notes, in anticipation of tax revenues in the then current fiscal year of the state. The state constitution prohibits, however, the issuance of debt for operating purposes 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 of the produce of the state, except to pay inspection fees. Further, the General Assembly shall not authorize any municipality to tax incomes, estates, or inheritances, or to impose any other tax not authorized by section 28 and 29 of Article II of the Constitution. T.C.A. 9-9-104 pledges certain tax revenue collections for the payment of debt service on bonds issued before July 1, 2013. The section also includes a covenant with the holders of the bonds, secured by the pledge, that the state will not decrease by legislative action any of the fees or taxes that constitute the special pledge, unless the funding board certifies that all debt service payments have been made in full, that the decreased fees will be sufficient to pay future debt service, and the state has not defaulted, or is not in default, on any of its outstanding debt.

- As Tennessee’s chief tax collector, the Department of Revenue is responsible for the administration of state tax laws and motor vehicle title and registration laws, as well as the collection of taxes and fees associated with those laws. In addition to collecting state taxes, the department collects taxes for local, county and municipal governments. On a monthly basis, the department apportions revenue collections for distribution to the various state funds and local units of government.

- Tennessee is an origin-based sales tax state for in state vendors and destination-based for out of state vendors. Vendors based in the state are required to charge the rate in effect, at the point of origin of the sale, for all sales made within the state. Vendors based out of state are required to either apply the rate in effect at the buyers’ ship-to address or charge a predetermined flat rate to all Tennessee buyers. Vendors collect the tax and then prepare state tax filings in a frequency based on the amount of sales tax collected from buyers in the state. Remittances must be submitted electronically except in certain hardship cases.

ACKNOWLEDGEMENTS

DEPARTMENT OF FINANCE AND ADMINISTRATION

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

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

Accounts Payable
Asset Management
Cash Management/Clearing Accounts
Cash Management Improvement Act/Grants Accounting
Centralized Accounting
Departmental Accounting
General Ledger
Payroll
Policy Development
Post Audit
Supplier File Maintenance

The Department of Finance and Administration would like to extend special appreciation to all fiscal and accounting personnel throughout the state who contributed the financial information for their agencies.