Volume IV

Attachment L: State of Tennessee FY 2009 Comprehensive Annual Financial Report (CAFR)

Response to the Report of the Reaffirmation Committee

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Tennessee Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2009

PHIL BREDESEN, Governor

DEPARTMENT OF AUDIT
JUSTIN P. WILSON, Comptroller of the Treasury
Division of State Audit
ARTHUR A. HAYES, JR., Director

DEPARTMENT OF FINANCE AND ADMINISTRATION
M.D. GOETZ, JR., Commissioner
Division of Accounts
JAN I. SYLVIS, CHIEF OF ACCOUNTS

Front Cover: East Tennessee Mountains
TN Department of General Services, Division of Graphic Arts
State of Tennessee

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STATE OF TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2009

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INTRODUCTORY SECTION

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STATE OF TENNESSEE
DEPARTMENT OF FINANCE AND ADMINISTRATION
STATE CAPITOL
NASHVILLE, TENNESSEE 37243-0285

DAVE GOETZ
COMMISSIONER

August 6, 2010

To the Honorable Phil Bredesen, Governor of the State of Tennessee, Members of the Legislature, and Citizens of the State of Tennessee.

Tennessee Code Annotated 4-3-1007 requires the Department of Finance and Administration to maintain a system of general accounts embracing all the financial transactions of state government. As a part of the carrying out of this responsibility, I am pleased to submit the Comprehensive Annual Financial Report of the State of Tennessee for the fiscal year ended June 30, 2009.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

State statutes require an annual audit of all financial statements of the state. The Office of the Comptroller of the Treasury, Division of State Audit, has issued an unqualified ("clean") opinion on the State of Tennessee's financial statements for the year ended June 30, 2009. The independent auditor's report is located at the front of the financial section of this report.

As part of the audit of these financial statements, the Division of State Audit conducted an organization-wide audit as described in the Single Audit Act of 1984, as amended, and Office of Management and Budget Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations. The audit included tests of compliance with applicable federal laws and regulations, as well as, a study and evaluation of internal controls, including internal accounting and administrative controls used in administering federal financial assistance programs. The results of this single audit are published under separate cover by the Division of State Audit.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The State of Tennessee was admitted to the union in 1796, as the sixteenth state. Tennessee has 41,219 square miles and a population estimated to be 6.2 million. The state has three branches of government, Executive, Legislative and Judicial. The Governor, who appoints commissioners to lead the various departments, heads the Executive branch. The Legislative branch is bicameral, with 99 members of the House of Representatives and 33 Senators. The Representatives serve two-year terms. The Senators serve four-year terms, with about one half being elected every two years. The Judicial branch rules on the constitutionality of laws enacted by the Legislature and the legality of administrative policies and regulations of the Executive branch.

The State of Tennessee provides a full range of services including education, health and social services, transportation, law, correction, safety, resources, regulation, and business and economic development. Its financial reporting entity includes all the funds of the primary government as well as all its component units. Component units are legally separate entities for which the primary government is financially accountable. The determination of "financial accountability" is based on criteria established in Governmental Accounting Standards Board Statement No. 14. Note 1.A to the financial statements explains more fully which organizations are included in the reporting entity.

State legislation requires the Governor to present his proposed budget to the General Assembly at the beginning of each annual session. Annual budgets are adopted for the general fund, special revenue funds (except Fraud and Economic Crime, Community Development and the Dairy Promotion Board), and 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 interdepartmental transfers of an administrative nature, may be affected with certain executive and legislative branch approval. Only the legislature, however, may transfer appropriations between departments.

Local economy

Primarily an industrial based state, about 40 percent of Tennessee's land base is in farmland, with agricultural activities accounting for 11.4 percent of Tennessee's economy. Nationally, Tennessee ranks eighth in the number of farms. The nonfarm industry composition of the state economy is now led by the service type sectors, but was for decades dominated by the manufacturing sector. In 1990 manufacturing accounted for 22.5 percent of nonfarm employment in Tennessee, but by 2009 only about one in ten jobs were in manufacturing. Despite the falling number and share of manufacturing workers, manufacturing output has continued to grow, and manufacturing continues to be a very important component of the state economy. And while overall manufacturing jobs are in decline, there are still new jobs being created in manufacturing as new firms locate and existing firms add to their payrolls. In the last year, Tennessee has been called the nation's most competitive state for business, the second-best for business climate and the most improved state for development.

The nation's recession, which began in December 2007 and has been the longest of the post World War II era, resulted in a marked deterioration of statewide economic conditions throughout the course of fiscal year 2009. The unemployment rate rose, income growth slowed and jobs contracted for the year. The job losses were broadly based, affecting most sectors of the state economy. Only the education and health services and government sectors were able to sustain job gains. The state and national unemployment rates began drifting upward in the spring of 2007 and by March 2009 the state had reached 9.6 percent, compared to an 8.5 percent national unemployment rate. Every state in the country has experienced a rising seasonally-adjusted unemployment rate since the beginning of the recession, and while employment patterns vary considerably across Tennessee's 95 counties, like the states, every one has also experienced a rising unemployment rate.

The state unemployment rate has generally hovered around the national unemployment rate dating back to 1999; in five of these years the state rate has surpassed the national average. Between 1999 and 2008 the state unemployment rate averaged 5.1 percent, slightly higher than its national counterpart (5.0 percent). Economists expect the state unemployment rate to rest modestly above the national average for the next ten years. Because of the severity of the recession and the expected slow pace of job recovery in the aftermath of the recession, the state unemployment rate is not expected to slip below 10 percent until 2012.

Nominal personal income in Tennessee has continued to grow in the face of a contracting economy. Between the fourth quarter of 2007 and the third quarter of 2009 personal income advanced 1.5 percent. Only 14 states have performed better than Tennessee since the fourth quarter 2007. Personal income growth is expected to slowly improve as recovery from the recession takes hold and by 2012 break the 4 percent mark for the first time since 2007. Between 2009 and 2019, personal income in Tennessee is expected to advance at a 4.3 percent compound annual growth rate, matching the rate of growth recorded between 1999 and 2009.

Like the nation, Tennessee is expected to see economic growth steadily improve in 2010, but it will be a long road to full recovery as virtually every measure of economic activity rests at a depressed level. While Tennessee will likely not see economic activity return to pre-recession levels until 2012 or 2013, current information indicates the state is on a sustainable path to recovery.

Long-term financial planning and relevant financial policies

In 1996, legislation was enacted that determined the allocation goal for a reserve for revenue fluctuations to be five percent of the estimated state tax revenues to be allocated to the general fund and education trust fund. The revenue fluctuation reserve allows services to be maintained when revenue growth is slower than estimated in the budget. Amounts in the revenue fluctuation reserve may be utilized to meet state tax revenue shortfalls. Subject to specific provisions of the general appropriations bill, an amount not to exceed the greater of $100 million or one-half (1/2) of the amount available in the reserve may be used to meet expenditure requirements in excess of budgeted appropriation levels. At June 30, 2009, the balance in this reserve was $556.5 million.

In recent years, subject to the specific provisions of an appropriation act, state legislation was also passed that allows certain funds, reserve accounts or programs carry forwards to be denied, and allows for the transfer of funds from the same, for purposes of meeting the requirements of funding the operations of state government. Certain reserve funds specific to the TennCare program (one of the largest government-run managed healthcare organizations in the country) have been preserved in an effort to prevent sudden financial instability from federal financing changes beyond the state's control. As a social service program whose budget is traditionally counter-cyclical to an economic downturn, TennCare's financial operations have been directed at the program to better manage the potential increase in enrollment growth should the national economy not continue to improve.

The Governor may effect 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. If necessary, the Governor may reduce portions of administrative budgets prior to allotment. Furthermore, the governor is authorized to call special sessions of the General Assembly at any time to address financial or other emergencies.

The lowering of the base of state revenues that has been a result of the recession has been and is being addressed through careful multi-year budget planning designed to preserve core services to the people of Tennessee through a combination of program reductions and the use of reserves. Recurring base budget reduction plans in general fund programs throughout state government are being implemented during fiscal years 2010 and 2011. Non-recurring funds from state sources (for example capital project cancellations and funding changes, program reserves and the revenue fluctuations reserve), as well as U.S. economic recovery sources, will be used in these years to preserve core services and help state agencies and local service providers implement the reductions thoughtfully over a one-year period and in some cases multi-year periods. Under the current plan, budget and revenue projections (which have been based on a slow economic recovery) begin within the next few years to match recurring expenditures with recurring revenues and result in a positive recurring balance.

Major initiatives

Tennessee maintains education as the state's top priority. It is considered the key to the future success of the state. Funding for pre K-12 education has been protected from budget cuts, and recent landmark legislative action has been taken to change, for the better, the way both K-12 and higher education work in Tennessee in the years ahead.

Tennessee has also attracted major private investments in the past 18 months that will benefit the state for years to come. These include the building of a state-of the-art auto assembly plant in Chattanooga, and creation of high technology facilities in Clarksville for the production of polysilicon, a primary component in the manufacture of solar panels. They follow the launching of a number of initiatives that have made enormous progress in positioning the state for new investment and new jobs, developing a strategy to build a critical mass of green technology companies in Tennessee and continuing to extend the "Tennessee brand" to overseas markets by encouraging new foreign direct investment and expanding export markets for Tennessee companies.

Awards and acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Tennessee for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2008. This was the thirtieth consecutive year that the state has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only.

The Tennessee Consolidated Retirement System was also awarded a Certificate of Achievement for Excellence in Financial Reporting for its comprehensive annual financial report for the fiscal year that ended June 30, 2008. This was the twenty-first consecutive year that the System received this prestigious award. In addition, the state has received GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal years beginning July 1, 1991 through July 1, 1994 and July 1, 1997 through July 1, 2009. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communication device.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the Division of Accounts in the Department of Finance and Administration; and, the cooperation of all state agencies and branches. My sincerest appreciation is extended to all of the contributing staff and organizations.

Respectfully submitted,

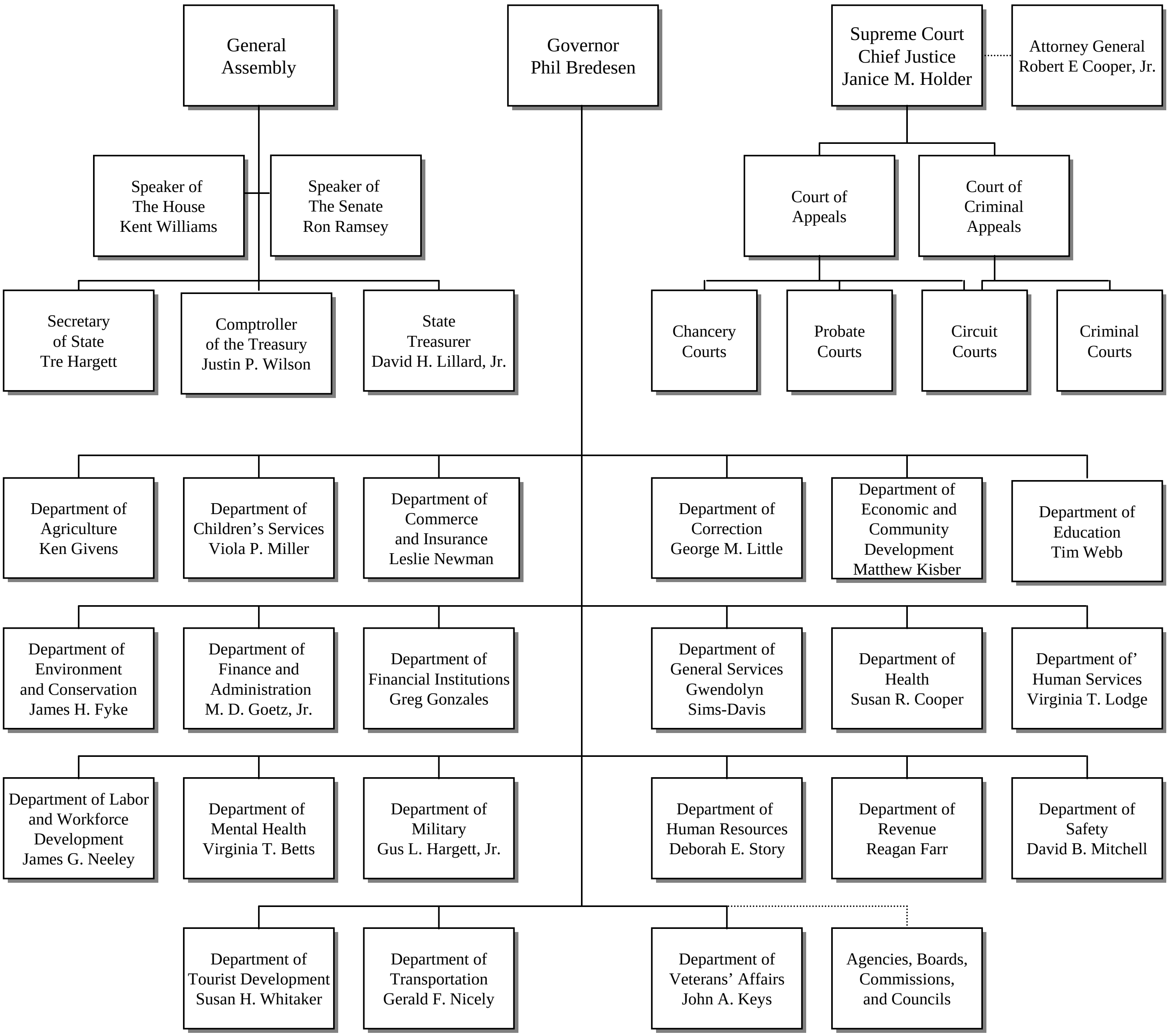
M D Goetz Jr

M. D. Goetz, Jr.
Commissioner

Jan Sylvis

Jan Sylvis
Chief of Accounts

STATE OF TENNESSEE
ORGANIZATION CHART
As of June 30, 2009



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FINANCIAL SECTION

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Independent Auditor's Report

August 6, 2010

To the Members of the General Assembly
of the State of Tennessee
and
The Honorable Phil Bredesen, Governor
of the State of Tennessee

Ladies and Gentlemen:

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, 2009, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Tennessee's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions. Tennessee statutes, in addition to audit responsibilities, entrust certain other responsibilities to the Comptroller of the Treasury. Those responsibilities include serving as a member of the board of directors of the Baccalaureate Education System Trust, Board of Claims, Board of Standards, Chairs of Excellence, Local Education Insurance Committee, Local Government Insurance Committee, State Building Commission, State Funding Board, State Insurance Committee, Tennessee Consolidated Retirement System, Tennessee Housing Development Agency, Tennessee Local Development Authority, Tennessee Student Assistance Corporation, and the Tennessee State School Bond Authority. We do not believe that the Comptroller's service in these capacities affected our ability to conduct an independent audit of the State of Tennessee.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective 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, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, the schedule of revenues, expenditures and changes in fund balances – budget and actual, infrastructure assets reported using the modified approach, other post employment benefits schedule of funding progress for primary government, other post employment benefits schedule of funding progress for component units, and AccessTN Insurance Fund – ten-year claims development table are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Tennessee's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with generally accepted government auditing standards, we will issue our report dated August 6, 2010, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with generally accepted government auditing standards and should be considered in assessing the results of our audit.

Sincerely,

Arthur A. Hayes, Jr., CPA, Director
Division of State Audit

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Our management discussion and analysis (MD&A) of the State of Tennessee's (the State's) financial performance provides an overview of the State's financial activities for the year ended June 30, 2009. 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 3-6 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 Assets - The assets of the State exceeded its liabilities at June 30, 2009, by $26.38 billion (reported as net assets). Of this amount, $1.68 billion may be used to meet the State's obligations not funded by restricted net assets. However, $22.58 billion of this amount represents *invested in capital assets, net of related debt*, which cannot be used to fund ongoing activities of the government.

  Changes in Net Assets - The State's net assets decreased by $544.96 million. This decrease was the result of a decrease in cash and cash equivalents of $1.3 billion which was offset by an increase in capital assets of $720.5 million.

  Component units - Component units reported net assets of $5.03 billion, an increase of $57.1 million.

- **Fund Level:**

  At June 30, 2009, the State's governmental funds reported combined ending fund balances of $3.78 billion, a decrease of $572.05 million (see discussion on page 18) compared to the prior year. Of the combined fund balance approximately $1.6 billion is available for spending at management's discretion (unreserved fund balance), however $557 million of this amount is designated for revenue fluctuations.

- **Long-Term Debt:**

  The State's total debt increased by $297.6 million during the fiscal year to total $1.715 billion. This change primarily results from the State's decision to issue general obligation bonds during the fiscal year to obtain long–term financing for capital projects.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 25 and 26-27) 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 30. 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 Assets and the Statement of Activities

Our analysis of the State as a whole begins on page 15. 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 Assets 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 and liabilities 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 Assets displays all the State's financial and capital resources in the format of assets minus liabilities equal net assets. The Statement of Activities reports the State's operations by function to arrive at net revenue (expense). The statement reports what type revenue (either program revenue or general revenue) funds the government operations. The State functions that are identified on this statement correspond to the functions used for budgetary purposes:

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

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

- Component units–significant component units include the Tennessee Housing Development Agency, the Tennessee Education Lottery Corporation, the Tennessee Board of Regents, 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 18. The fund financial statements begin on page 30 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 focus on the near–term inflows and outflows of funds and the balances left at year–end available for spending. The *modified accrual basis of accounting* is used for these funds, which means that we measure cash and all other financial assets that can readily be converted to cash. These statements provide a short-term view of the State's basic general government operations. One can determine whether there are more or fewer financial resources that can be spent in the near future. The governmental activities in the Statement of Net Assets are reconciled to the governmental funds in the fund financial statements in a reconciliation at the bottom of the fund financial statements.

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 necessary 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 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 assets may serve over time as a useful indicator of a government's financial position. In the case of the State, combined assets exceeded liabilities by $26.38 billion as of June 30, 2009.

By far, the largest portion of the State's net assets (86%) reflects its investment in capital assets (e.g., land, infrastructure, structures and improvements, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The State uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

State of Tennessee
Net Assets
(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Current and other assets	$ 6,164,039	$ 7,044,385	$ 1,443,547	$ 1,736,400	$ 7,607,586	$ 8,780,785
Capital assets	23,108,828	22,388,322	-	51	23,108,828	22,388,373
Total assets	29,272,867	29,432,707	1,443,547	1,736,451	30,716,414	31,169,158
Current and other liabilities	1,777,591	2,139,171	95,240	60,662	1,872,831	2,199,833
Noncurrent liabilities	2,458,476	2,038,352	5,946	6,855	2,464,422	2,045,207
Total liabilities	4,236,067	4,177,523	101,186	67,517	4,337,253	4,245,040
Net assets:						
Invested in capital assets, net of related debt	22,575,852	21,796,151	-	51	22,575,852	21,796,202
Restricted net assets	965,292	864,270	1,160,425	1,479,166	2,125,717	2,343,436
Unrestricted net assets	1,495,656	2,594,763	181,936	189,717	1,677,592	2,784,480
Total net assets	$ 25,036,800	$ 25,255,184	$ 1,342,361	$ 1,668,934	$ 26,379,161	$ 26,924,118

An additional portion of the State's net assets (8.06%) 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 assets ($1.7 billion) and may be used to meet the State's ongoing obligations to citizens and creditors not funded by resources that are restricted. See notes to the financial statements, note 4, on page 53 for explanations for June 30, 2008 adjustments.

At the end of the current fiscal year, the State was able to report positive balances in all three categories of net assets, for the government as a whole, and for its separate governmental and business-type activities.

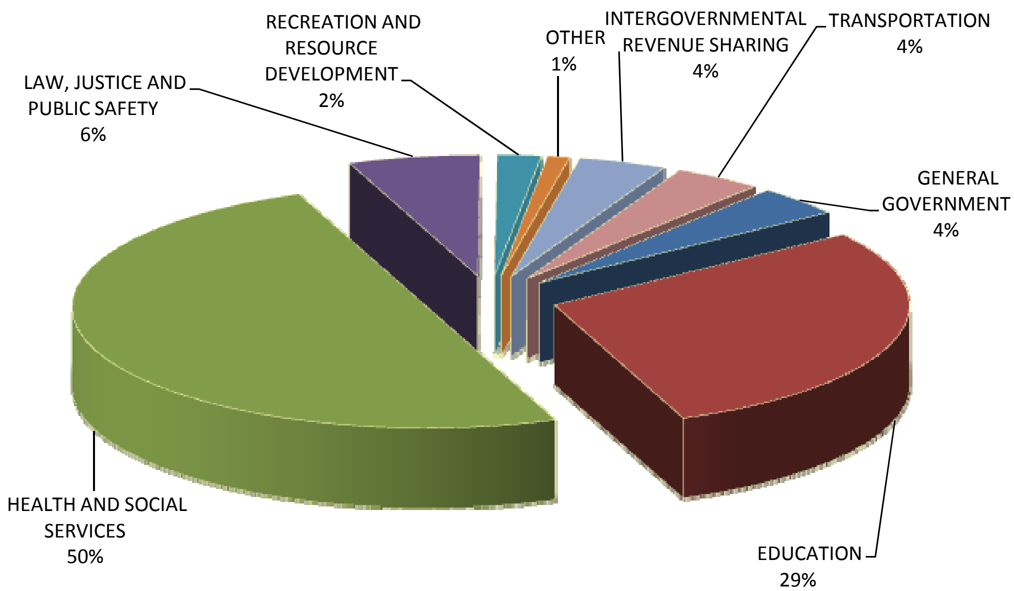
The State's net assets decreased by $544.96 million during the year ended June 30, 2009. As previously discussed, much of this decrease was attributable to the decrease in cash and cash equivalents which was primarily the result of a decline in revenue collections from sales and business taxes and interest on investments.

State of Tennessee
Changes in Net Assets
(Expressed in Thousands)

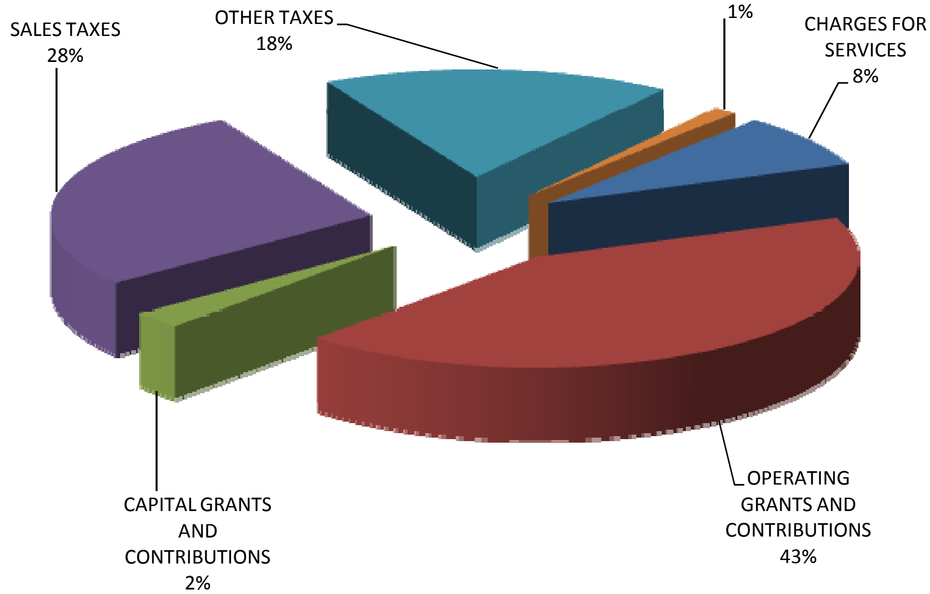
	Governmental Activities 2009	Governmental Activities 2008	Business-Type Activities 2009	Business-Type Activities 2008	Total Primary Government 2009	Total Primary Government 2008
Revenues:						
Program revenues:						
Charges for services	$ 1,835,813	$ 1,678,955	$ 1,107,025	$ 912,005	$ 2,942,838	$ 2,590,960
Operating grants and contributions	9,758,691	8,612,838	508,249	124,576	10,266,940	8,737,414
Capital grants and contributions	592,719	600,404			592,719	600,404
General revenues:						
Sales Taxes	6,326,857	6,851,481			6,326,857	6,851,481
Other taxes	4,052,600	4,512,437			4,052,600	4,512,437
Other	269,790	396,022			269,790	396,022
Total revenues	22,836,470	22,652,137	1,615,274	1,036,581	24,451,744	23,688,718
Expenses:						
General government	988,309	837,250			988,309	837,250
Education	6,520,569	6,464,564			6,520,569	6,464,564
Health and social services	11,697,900	11,125,967			11,697,900	11,125,967
Law, justice and public safety	1,338,869	1,325,500			1,338,869	1,325,500
Recreation and resources development	538,386	650,617			538,386	650,617
Regulation of business and professions	126,003	123,391			126,003	123,391
Transportation	979,454	808,591			979,454	808,591
Intergovernmental revenue sharing	810,063	842,096			810,063	842,096
Interest on long-term debt	51,977	51,086			51,977	51,086
Employment security			1,427,713	541,573	1,427,713	541,573
Insurance programs			514,065	469,491	514,065	469,491
Loan programs			1,345	1,655	1,345	1,655
Other			2,265	2,744	2,265	2,744
Total expenses	23,051,530	22,229,062	1,945,388	1,015,463	24,996,918	23,244,525
Increase (decrease) in net assets before contributions and transfers	(215,060)	423,075	(330,114)	21,118	(545,174)	444,193
Transfers	(3,541)	(4,110)	3,541	4,110		
Contributions to permanent funds	217	239			217	239
Increase (decrease) in net assets	(218,384)	419,204	(326,573)	25,228	(544,957)	444,432
Net assets, July 1	25,255,184	24,835,980	1,668,934	1,643,706	26,924,118	26,479,686
Net assets, June 30	$ 25,036,800	$ 25,255,184	$ 1,342,361	$ 1,668,934	$ 26,379,161	$ 26,924,118

Governmental activities. Net assets of the State's governmental activities decreased by $218 million, which accounts for 40.07% of the total decline of net assets of the primary government. Most of this decrease is due to the decline in cash and cash equivalents; a result of a decline in collections from major tax sources and investment income. See notes to the financial statements, note 4, on page 53 for explanations for June 30, 2008 adjustments.

EXPENSES BY FUNCTION-GOVERNMENTAL ACTIVITIES



REVENUES BY SOURCE-GOVERNMENTAL ACTIVITIES



Business-type activities. Net assets of the State's business-type activities decreased by $326.6 million, which accounts for 59.9 percent of the total decline in net assets of the primary government. The majority of the decrease was caused by a $357.2 million decrease in the Employment Security fund, the result of an increase in unemployment claims.

THE STATE'S FUNDS

Tax collections decreased for the year and expenditures increased. Details are in the following paragraphs. The Revenue Fluctuation Reserve has been decreased to $556.5 million or 3.5% of General fund expenditures.

General fund revenue collections increased for the year by $446.16 million. Contributing to this increase was federal reimbursements which increased by $1.1 billion due to increased expenditures in the TennCare program and as a result of funds received through the American Recovery and Reinvestment Act (ARRA). Offsetting the increase in federal revenue was a $627.68 million decline in tax revenues.

General fund expenditures increased approximately $448.6 million. TennCare expenditures increased by $190 million and an increase in Human Services expenditures accounts for $430.2 million of the total increase. These increases reflect the rising cost of community residential placements and associated medical costs as well as a continued increased demand for services in the health and social services function.

Assets in the General fund decreased by approximately 21%. The fund balance of the General fund decreased by 21%.

The Education Trust fund revenue collections decreased overall approximately by $262 million for the year. The decline in sales tax collections attributed mostly to this decrease in revenue. To make up for the decline in the sales tax collections, an increase in the transfer from the general fund was required of approximately $254 million.

Education Trust fund expenditures increased slightly overall by $16.3 million or .3%. Most of the increase was to maintain full funding of the Basic Education Program (BEP) formula, to fund the state's share of the group health insurance and retirement rate increases for local education agencies. In addition, the increase resulted from funds spent through the American Recovery and Reinvestment Act. Although, expenditures increased for the fund in these areas, other program areas experienced a decline in expenditures of approximately $100 million due to reductions in operating budgets and adjustments for non-recurring items.

Overall revenues decreased $42 million for the highway fund. This decrease is mainly due to the decline in sales and motor fuel taxes collections. Expenditures, however, increased by $121 million primarily for federal highway projects, maintenance and resurfacing of state highways, and bridge projects throughout the state. The additional expenditures were funded with federal reimbursements and state reserves in the highway fund.

The total plan net assets of the pension trust funds were $26.4 billion, a decrease of approximately $5.2 billion from the prior year. As a result of the decline in the performance of the financial markets, the pension trust funds incurred a net investment loss of $4.8 billion.

General Fund Budgetary Highlights

A significant variance occurred in tax revenues in the General fund between original and final budget primarily because of the significant tax revenue shortfalls. Tax collections were $1.167 billion under estimates due to greater than expected declines in the retail trade group which includes motor vehicle dealers, building materials and furniture and home furnishing stores. Business taxes were below estimates as a result of the decline in corporate profits, also a result of weaker economic conditions. Significant variances occurred between the federal and departmental revenue budgeted amounts and actual collections because a large majority of the ARRA funds included in budget estimates were not expended in the current year. Also contributing to this variance was an overestimate of the demand for social programs that are in large part funded with federal grants. The increase in demand for these services did not increase as was expected to occur as a result of the downturn in the economy. The significant increases between original and final budgeted amounts for expenditures under the Health and Social Services function was in large part due to the fact that ARRA funds were projected in the final budget but not included in the original budget. A large portion of this difference was from the effect of the temporary increase in the federal matching rate for Medicaid expenditures (FMAP). A favorable variance between final budgeted and actual expenditure amounts in the Tenncare program, Human Services, and Economic and Community Development were primarily due to unexpended reserved amounts that were appropriated. Also contributing to the favorable variance in Human Services actual expenditures was the fact that Supplemental Nutrition Assistance Program expenditures were significantly less than were estimated.

Capital Asset and Debt Administration

Capital Assets

The State's investment in capital assets at June 30, 2009, of $23.11 billion, net of $1.28 billion accumulated depreciation, consisted of the following:

Capital Assets—Primary Government
(Expressed in Thousands)

	Governmental Activties		Business-Type Activties		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Land	$ 1,549,073	$ 1,435,671			$ 1,549,073	$ 1,435,671
Infrastructure	19,046,790	18,517,266			19,046,790	18,517,266
Construction in progress	946,886	1,072,892			946,886	1,072,892
Structures and improvements	2,116,399	1,871,097			2,116,399	1,871,097
Machinery and equipment	732,391	622,221	$ 16	$ 51	732,407	622,272
Software in development		69,339				69,339
Subtotal	24,391,539	23,588,486	16	51	24,391,555	23,588,537
Accumulated depreciation	(1,282,711)	(1,200,164)	(16)		(1,282,727)	(1,200,164)
Total	$ 23,108,828	$ 22,388,322	$ -	$ 51	$ 23,108,828	$ 22,388,373

More detail of the activity during the fiscal year is presented in Note 5C to the financial statements.

Capital assets, including those under construction, increased from fiscal year 2008 to 2009 by approximately 3.2 percent. The change was primarily due to purchases of land for highway right-of-ways and completion of segments of infrastructure (highways and bridges). Infrastructure increased in total by $530 million, the majority of which resulted from highway and bridge projects completed and capitalized. Construction in progress for highways and bridges increased by $564.1 million and decreased (projects completed and capitalized) by $549.8 million. Infrastructure right-of-way acreage increased the land classification by $82.9 million. The structures and improvements increase of $245.3 million consisted largely of the substantial completion of a new correctional facility in Morgan County for approximately $170.2 million, improvements for Military's State Area Command Headquarters which consisted of approximately $34.4 million in capital outlays, and other miscellaneous projects. The net change in machinery and equipment of $110.17 million resulted primarily from moving $97.24 million of the State's completed Enterprise Resource Planning system project, *Edison*, from the application development stage to machinery and equipment.

In accordance with generally accepted accounting standards, 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 14,000 miles of roadway and 8,169 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 111), indicated that bridges were rated at 6 points above the State's established condition level and roadways were 14 points above the State's benchmark level. Bridges are assessed biennially and roadways annually.

The State's capital outlay budget for the 2008-2009 fiscal year reflects a $274 million decline from previous years. The capital outlay budget included funding for both capital outlay projects and capital maintenance projects. A significant portion of the budgeted amounts included allocations for the maintenance of higher education and correctional facilities. Other new projects included replacing an existing minimum security annex with a new minimum security facility at the Mark Luttrell prison, an addition to the Women's Prison in Nashville and funding for the renovation and new construction at various mental health facilities.

Debt Administration

In accordance with the Constitution, the State has the authority to issue general obligation debt that is backed by the full faith and credit of the State. The Legislature authorizes a certain amount of debt each year and the State Funding Board has oversight responsibility to issue the debt for capital projects. Capital spending is also authorized by the Legislature and the State Building Commission has oversight responsibility for all capital projects exceeding $100 thousand (for new construction) and maintenance to existing facilities. 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 June 30, 2009
Highway	$ 942,500
Higher Education	55,892
Environment and Conservation	77
General Government	1,215,056
Total	$ 2,213,525

More detail of the activity during the fiscal year is presented in Note 5H to the financial statements.

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

	Governmental Activities		Business-Type Activities	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Bonds, net	$ 1,538,942	$ 1,175,403	_	$ 1,655
Commercial Paper	176,308	240,626		
Total	$ 1,715,250	$ 1,416,029	_	$ 1,655

The State issued $432.66 million in tax-exempt and taxable general obligation bonds during the fiscal year to redeem commercial paper, which is used to finance capital projects on a short-term basis, and to directly finance other capital projects. The state also issued $98.135 million of tax-exempt general obligation refunding bonds to provide for the advance refunding of $98.505 million of general obligation bonds. Nearly two-thirds of the outstanding debt has been issued either for capital projects of two of the State's major Component Units-University of Tennessee and Tennessee Board of Regents-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 5H to the financial statements

The State's bonds are rated AA+, Aa1, and AA+ 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 an annual legal debt service limitation based on a pledged portion of certain current year revenues. As of June 30, 2009, the State's annual debt service limit of $525.9 million was well above the debt service required $154.8 million, with a legal debt service margin of $371.1 million.

FACTORS THAT WILL AFFECT THE FUTURE

In December 2008, Hemlock Semiconductor Corp. announced a $1.2 billion facility at a TVA-certified mega-site in Clarksville, Tenn. The facility will employ 500 people initially to manufacture polycrystalline silicon, a critical component of computer chips and solar panels. The company's investment could grow to as much as $2.5 billion and 900 new jobs, which would make Hemlock's corporate capital investment the largest in Tennessee's history.

In February 2009 Wacker Chemie AG announced plans to build a $1 billion dollar facility for the manufacture of hyper-pure polycrystalline silicon in Bradley County, Tenn. Polycrystalline silicon is a primary component used in the manufacture of solar panels and semiconductors and the project is expected to create more than 500 new jobs for the region.

In September 2009, the US Department of Energy (DOE) confirmed funding up to $62.5 million from the American Recovery and Reinvestment Act to support the Volunteer State Solar Initiative. The initiative consists of two projects: The Tennessee Solar Institute at the University of Tennessee (UT) and Oak Ridge National Laboratory (ORNL), which will focus on industry partnerships to improve the affordability and efficiency of solar products; and the West Tennessee Solar Farm, a five-megawatt 20-acre power generation facility in Haywood County that will be one of the largest installations in the Southeast and serve as a demonstration tool for education and economic development.

Basic research activities will be conducted using state energy funds to be designated to UT and ORNL, outside of the Recovery Act. However, for the purposes of establishing industry relationships and leveraging federal Recovery Act dollars, the institute will create a "Solar Opportunity Fund" to underwrite a series of new innovation and installation grants. Over the next three years approximately $23.5 million in grants will be distributed to solar-industry firms looking to strengthen or expand their operations as well as businesses looking to install solar-energy generation systems.

Additionally, the State has begun a partnership with Haywood County to develop the West Tennessee Solar Farm. The Solar Farm will partner with Tennessee Valley Authority (TVA), the nation's largest public power company, to purchase power generated by the Solar Farm at a renewable energy price. Proceeds from power sales will be reinvested in the site for maintenance, expansion and improvement. The farm will be Tennessee's largest solar installation to date and one of the largest in the Southeast. Demonstrating the zero-carbon production of electricity on a highly visible and significant scale is expected to encourage future renewable-energy interest and investments. According to DOE, the net result of the Volunteer State Solar Initiative will be to advance solar technology, promote the use of renewable energy statewide, lower fossil fuel emissions, decrease the state's dependence on foreign oil, and create green jobs across Tennessee.

Plans were announced in November, 2009, to locate the world's first medical trade center in downtown Nashville. Developers estimate the cost at $250 million and estimate creation of approximately 2,700 new jobs. A 12-story tower is planned, with more than 1.5 million square feet of exhibit space, including permanent exhibit space for more than 600 medical equipment companies, display space for temporary trade shows and a medical education and symposium center. Healthcare Information and Management Systems Society (HIMSS) became the first anchor tenant for the medical trade center.

In January 2010, Confluence Solar announced its plans to locate the home of its new manufacturing facility in Clinton, Tennessee. The $200 million facility will produce premium quality mono-crystal silicon ingots for photovoltaic solar power generation. The facility should create 250 new jobs for the area.

In April 2010, Moody's and Fitch raised the credit rating for the State of Tennessee from Aa1 to Aaa and AA+ to AAA, respectively. While these agencies have been recalibrating their credit rating system, they have clearly indicated continued confidence in Tennessee's financial management. Tennessee continues to be among states with the lowest amount of debt in the nation. The higher bond rating means that the state will be able to obtain debt financing at lower interest rates.

The decline in sales tax revenues, which started in the fall of 2007, continued in fiscal years 2009 and 2010. April 2010 was the first positive sales tax growth in almost two years – since May of 2008. As revenues declined, departmental spending was reduced and rainy day funds were used. The 2009 appropriations act included the use of $54.7 million from the reserve in fiscal year 2009-10, leaving an estimated balance of $501.8 million in the reserve at June 30, 2010.

In March 2010, the US Secretary of Education announced that Tennessee won a $500 million grant in its first phase of the Race to the Top competition. The US Race to the Top Fund is a federal investment of $4.35 billion to reform education in four key areas. Grant award recipients needed to show that they were: 1) adopting standards and assessments that prepare students to succeed in college and the workplace, 2) building data systems that measure student growth and success, 3) recruiting, developing, rewarding and retaining effective teachers and principals, and 4) turning around their lowest-performing schools. Tennessee effectively demonstrated its aggressive plan to improve teacher and principal evaluation, use data to inform instructional decisions and turn around its lowest-performing schools. The US Department of Education gave Tennessee high marks for its commitment from elected officials, teacher associations and business leaders as shown by its laws passed and policies developed in support of the plan. The funds will be distributed over the next four years as the state meets established benchmarks.

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 1400, Nashville, TN 37243.

BASIC FINANCIAL STATEMENTS

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State of Tennessee
Statement of Net Assets
June 30, 2009

(Expressed in Thousands)

	Primary Government			Total
	Governmental Activities	Business-Type Activities	Total	Component Units
Assets				
Cash and cash equivalents	$ 2,909,305	$ 449,015	$ 3,358,320	$ 1,763,733
Cash on deposit with fiscal agent		162,881	162,881	
Investments	549,180		549,180	1,160,025
Investments with fiscal agent				36
Receivables, net	2,305,221	261,217	2,566,438	607,077
Internal balances	37,498	(37,498)		
Due from primary government				4,786
Due from component units	163,577	23	163,600	
Inventories, at cost	25,995		25,995	13,213
Prepayments	163		163	12,301
Loans receivable, net	21,312	607,909	629,221	3,128,645
Lease receivable	3,744		3,744	
Deferred charges and other	2,342		2,342	36,155
Restricted assets:				
Cash and cash equivalents	145,702		145,702	35,413
Investments				224,022
Receivables, net				1,956
Capital assets:				
Land, at cost	1,549,073		1,549,073	172,485
Infrastructure	19,046,790		19,046,790	291,376
Structures and improvements, at cost	2,116,399		2,116,399	3,598,342
Machinery and equipment, at cost	732,391	16	732,407	919,534
Less-Accumulated depreciation	(1,282,711)	(16)	(1,282,727)	(2,097,733)
Construction in progress	946,886		946,886	512,628
Total assets	29,272,867	1,443,547	30,716,414	10,383,994
Liabilities				
Accounts payable and other current liabilities	1,205,354	81,145	1,286,499	397,817
Due to primary government				163,600
Due to component units	4,726	39	4,765	
Unearned revenue	337,536	14,056	351,592	142,651
Payable from restricted assets	29,098		29,098	
Advance from federal government	197,856		197,856	
Other	3,021		3,021	33,109
Noncurrent liabilities:				
Due within one year	229,026	30	229,056	290,176
Due in more than one year	2,228,838	5,916	2,234,754	4,326,607
Payable from restricted assets	612		612	
Total liabilities	4,236,067	101,186	4,337,253	5,353,960
Net assets				
Invested in capital assets, net of related debt	22,575,852		22,575,852	2,320,293
Restricted for:				
Wildlife Resources	30,950		30,950	
Capital projects	115,992		115,992	133,669
Lottery scholarships	381,425		381,425	
Single family bond programs				492,973
Sewer loans		728,410	728,410	
Unemployment compensation		324,291	324,291	
Drinking water loans		107,724	107,724	
Other	192,286		192,286	521,750
Permanent:				
Expendable	102,997		102,997	35,845
Nonexpendable	141,642		141,642	685,422
Unrestricted	1,495,656	181,936	1,677,592	840,082
Total net assets	$ 25,036,800	$ 1,342,361	$ 26,379,161	$ 5,030,034

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, 2009

(Expressed in Thousands)

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	$ 988,309	$ 753,066	$ 111,200	$ 6,086
Education	6,520,569	35,124	1,155,083	(480)
Health and social services	11,697,900	615,871	8,067,969	(24,931)
Law, justice and public safety	1,338,869	122,064	103,071	26,922
Recreation and resources development	538,386	142,657	112,906	2,791
Regulation of business and professions	126,003	151,095	1,384	225
Transportation	979,454	15,936	207,078	582,106
Intergovernmental revenue sharing	810,063			
Interest on long-term debt	51,977			
Total governmental activities	23,051,530	1,835,813	9,758,691	592,719
Business-type activities:				
Employment security	1,427,713	585,668	484,832	
Insurance programs	514,065	504,130	2,864	
Loan programs	1,345	15,684	20,516	
Other	2,265	1,543	37	
Total business-type activities	1,945,388	1,107,025	508,249	
Total primary government	$ 24,996,918	$ 2,942,838	$ 10,266,940	$ 592,719
Component units:				
Higher education institutions	$ 3,803,098	$ 1,255,349	$ 922,220	$ 273,352
Loan programs	441,825	186,198	213,364	
Lottery program	1,020,205	1,018,812	33	
Other	99,819	65,697	9,924	726
Total component units	$ 5,364,947	$ 2,526,056	$ 1,145,541	$ 274,078

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 assets
Net assets, July 1

Net assets, June 30

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
$ (117,957)		$ (117,957)	
(5,330,842)		(5,330,842)	
(3,038,991)		(3,038,991)	
(1,086,812)		(1,086,812)	
(280,032)		(280,032)	
26,701		26,701	
(174,334)		(174,334)	
(810,063)		(810,063)	
(51,977)		(51,977)	
(10,864,307)		(10,864,307)	
	$ (357,213)	(357,213)	
	(7,071)	(7,071)	
	34,855	34,855	
	(685)	(685)	
	(330,114)	(330,114)	
(10,864,307)	(330,114)	(11,194,421)	
			$ (1,352,177)
			(42,263)
			(1,360)
			(23,472)
			(1,419,272)
6,326,857		6,326,857	
817,873		817,873	
2,671,226		2,671,226	
563,501		563,501	
			1,305,423
			120,613
42,883		42,883	16,755
226,907		226,907	6,692
217		217	26,812
(3,541)	3,541		
10,645,923	3,541	10,649,464	1,476,295
(218,384)	(326,573)	(544,957)	57,023
25,255,184	1,668,934	26,924,118	4,973,011
$ 25,036,800	$ 1,342,361	$ 26,379,161	$ 5,030,034

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

Highway Fund—This fund is maintained to account for revenues and expenditures associated with programs of the Department of Transportation. Funding of these programs is accomplished primarily from dedicated highway user taxes and funds received from the various federal transportation agencies. All federal funds accruing to the Highway Fund are received on a reimbursement basis covering costs incurred. It is the State's practice to appropriate matching dollars for jointly funded projects in the year of federal apportionment. This front-end state funding, together with multi-year disbursements on most projects, results in large cash balances in this fund. Effective July 1, 1986, the Department of Transportation began earning interest on certain unspent monies for a new highway construction program, while the General Fund earns the interest on the other highway program monies.

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

State of Tennessee
Balance Sheet
Governmental Funds
June 30, 2009

(Expressed in Thousands)

	General	Education	Highway	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	$ 1,303,139	$ 8	$ 414,958	$ 635,931	$ 2,354,036
Investments		350,546		198,634	549,180
Receivables, net	1,489,911	521,570	257,237	26,304	2,295,022
Due from other funds	232,917	39		1	232,957
Due from component units	1,268	160,810		1,492	163,570
Inventories, at cost	12,092	89	8,113		20,294
Prepayments	7			19	26
Deferred charges and other	5,467				5,467
Loans receivable, net	80		132	21,100	21,312
Leases receivable	1,546				1,546
Restricted assets:					
Cash and cash equivalents				145,090	145,090
Total assets	$ 3,046,427	$ 1,033,062	$ 680,440	$ 1,028,571	$ 5,788,500
Liabilities and fund balances					
Liabilities:					
Accounts payable and accruals	$ 853,866	$ 145,501	$ 51,309	$ 45,866	$ 1,096,542
Due to other funds	13,516	195,163	813	294	209,786
Due to component units	2,739		10	1,977	4,726
Deferred revenue	357,488	87,680	12,519	14,009	471,696
Advance from federal government	81,870	80,553		35,433	197,856
Payable from restricted assets				29,098	29,098
Other	430		2,359	232	3,021
Total liabilities	1,309,909	508,897	67,010	126,909	2,012,725
Fund balances:					
Reserved for:					
Related assets	22,672	89	8,113	3,019	33,893
Contracts			251,343	11	251,354
Continuing appropriations	946,041	32,842			978,883
Statutory and other legal requirements	134,106	490,946	2,434	244,639	872,125
Unreserved, undesignated reported in:					
General fund	299				299
Special revenue funds		288	351,540	248,977	600,805
Debt service fund				3,997	3,997
Capital projects fund				401,019	401,019
Unreserved, designated for:					
Revenue fluctuations	556,500				556,500
Other specific purposes	76,900				76,900
Total fund balances	1,736,518	524,165	613,430	901,662	3,775,775
Total liabilities and fund balances	$ 3,046,427	$ 1,033,062	$ 680,440	$ 1,028,571	

Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	22,646,664
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	174,136
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 Assets.	587,906
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(2,147,681)
Net assets of governmental activities	$ 25,036,800

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, 2009

(Expressed in Thousands)

	General	Education	Highway	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Taxes:					
Sales	$ 2,578,721	$ 3,645,771	$ 51,329	$ 44,977	$ 6,320,798
Fuel	13,220		698,456	106,198	817,874
Business	2,176,017	296,089	6,338	211,558	2,690,002
Other	534,113	127		13,541	547,781
Licenses, fines, fees, and permits	286,944	1,679	211,433	177,710	677,766
Investment income/(loss)	45,196	1,461	17	(22,710)	23,964
Federal	8,330,499	871,132	760,888	50,514	10,013,033
Departmental services	2,199,051	49,507	37,305	66,335	2,352,198
Other	222,311	310,461	2,664	98	535,534
Total revenues	16,386,072	5,176,227	1,768,430	648,221	23,978,950
Expenditures					
Current:					
General government	555,053			26,311	581,364
Education		6,327,052		8,291	6,335,343
Health and social services	12,891,353				12,891,353
Law, justice and public safety	1,288,401			6,316	1,294,717
Recreation and resources development	424,019			175,866	599,885
Regulation of business and professions	84,700			46,914	131,614
Transportation			1,593,643		1,593,643
Intergovernmental revenue sharing	527,857		282,206		810,063
Debt service:					
Principal				83,960	83,960
Interest				52,110	52,110
Debt issuance costs				4,362	4,362
Capital outlay				472,451	472,451
Total expenditures	15,771,383	6,327,052	1,875,849	876,581	24,850,865
Excess (deficiency) of revenues over (under) expenditures	614,689	(1,150,825)	(107,419)	(228,360)	(871,915)
Other financing sources (uses)					
Bonds and commercial paper issued				601,664	601,664
Commercial paper redeemed				(273,443)	(273,443)
Refunding bond proceeds				91,536	91,536
Refunding bond premium				10,670	10,670
Refunding payment to escrow				(101,707)	(101,707)
Bond premium				30,147	30,147
Insurance claim recoveries	21			230	251
Transfers in	331,775	1,169,950	88,703	219,781	1,810,209
Transfers out	(1,419,946)	(12,042)	(1,125)	(436,350)	(1,869,463)
Total other financing sources (uses)	(1,088,150)	1,157,908	87,578	142,528	299,864
Net change in fund balances	(473,461)	7,083	(19,841)	(85,832)	(572,051)
Fund balances, July 1	2,209,979	517,082	633,271	987,494	4,347,826
Fund balances, June 30	$ 1,736,518	$ 524,165	$ 613,430	$ 901,662	$ 3,775,775

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

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 Year Ended June 30, 2009

(Expressed in Thousands)

Net changes in fund balances - total governmental funds	$	(572,051)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.		735,698
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		9,001
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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(274,907)
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.		(117,802)
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.		1,677
Changes in net assets of governmental activities	$	(218,384)

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 Assets
Proprietary Funds
June 30, 2009

(Expressed in Thousands)

	Business Type Activities - Enterprise Funds				
Assets	Sewer Treatment Loan	Employment Security	Nonmajor Enterprise Funds	Total	Governmental Activities- Internal Service Funds
Current assets:					
Cash and cash equivalents	$ 213,768		$ 235,247	$ 449,015	$ 555,269
Cash on deposit with fiscal agent		$ 162,881		162,881	
Receivables:					
Accounts receivable		253,907	4,251	258,158	7,051
Interest		3,059		3,059	
Loans receivable	28,210		6,065	34,275	
Due from other funds		668		668	2,526
Due from component units		23		23	7
Inventory					5,701
Prepaid expenses					137
Total current assets	241,978	420,538	245,563	908,079	570,691
Noncurrent assets:					
Accounts receivable					3,148
Deferred charges					277
Due from other funds					3,277
Loans receivable	490,494		83,140	573,634	
Lease receivable					2,198
Restricted assets:					
Cash and cash equivalents					612
Capital assets:					
Land, at cost					64,307
Structures and improvements, at cost					520,818
Machinery and equipment, at cost			16	16	249,313
Less-accumulated depreciation			(16)	(16)	(389,518)
Construction in progress					17,244
Total capital assets, net of accumulated depreciation			-	-	462,164
Total noncurrent assets	490,494		83,140	573,634	471,676
Total assets	732,472	420,538	328,703	1,481,713	1,042,367
Liabilities					
Current liabilities:					
Accounts payable and accruals	60	43,986	37,125	81,171	84,168
Due to other funds		38,166	4	38,170	216
Due to component units		39		39	
Lease obligations payable					231
Bonds payable					16,226
Unearned revenue		14,056		14,056	39,737
Other					29,009
Total current liabilities	60	96,247	37,129	133,436	169,587
Noncurrent liabilities:					
Lease obligations payable					735
Commercial paper payable					48,103
Bonds payable, net					165,856
Payable from restricted assets					612
Other noncurrent liabilities	4,002		1,914	5,916	69,568
Total noncurrent liabilities	4,002		1,914	5,916	284,874
Total liabilities	4,062	96,247	39,043	139,352	454,461
Net assets					
Invested in capital assets, net of related debt					270,181
Unrestricted	728,410	324,291	289,660	1,342,361	317,725
Total net assets	$ 728,410	$ 324,291	$ 289,660	$ 1,342,361	$ 587,906

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

State of Tennsssee
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2009

(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	$ 14,179		$ 3,198	$ 17,377	$ 432,120
Investment income	3,740		808	4,548	
Premiums		$ 585,668	503,980	1,089,648	663,100
Total operating revenues	17,919	585,668	507,986	1,111,573	1,095,220
Operating expenses					
Personal services			1,111	1,111	55,931
Contractual services	961		24,318	25,279	241,253
Materials and supplies			205	205	92,562
Rentals and insurance			59	59	48,795
Depreciation and amortization			17	17	35,884
Benefits		1,413,234	488,428	1,901,662	669,637
Other		14,479	2,576	17,055	4,861
Total operating expenses	961	1,427,713	516,714	1,945,388	1,148,923
Operating income (loss)	16,958	(842,045)	(8,728)	(833,815)	(53,703)
Nonoperating revenues (expenses)					
Taxes					2
Operating grants	11,204	465,421	4,764	481,389	(91)
Insurance proceeds					17
Interest income		19,411	2,901	22,312	7,214
Interest expense					(8,513)
Total nonoperating revenues (expenses)	11,204	484,832	7,665	503,701	(1,371)
Income (loss) before contributions and transfers	28,162	(357,213)	(1,063)	(330,114)	(55,074)
Capital contributions					1,038
Transfers in	2,238		2,203	4,441	56,023
Transfers out			(900)	(900)	(310)
Change in net assets	30,400	(357,213)	240	(326,573)	1,677
Net assets, July 1	698,010	681,504	289,420	1,668,934	586,229
Net assets, June 30	$ 728,410	$ 324,291	$ 289,660	$ 1,342,361	$ 587,906

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, 2009

(continued on next page)

(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		$ 449,920	$ 507,390	$ 957,310	$ 286,029
Receipts from interfund services provided		1,220	182	1,402	830,508
Payments to suppliers			(512,854)	(512,854)	(1,018,846)
Payments to employees			(1,094)	(1,094)	(55,177)
Payments for unemployment benefits		(1,390,183)		(1,390,183)	
Payments for interfund services used	$ (961)	(14,834)	(3,088)	(18,883)	(68,308)
Net cash from (used for) operating activities	(961)	(953,877)	(9,464)	(964,302)	(25,794)
Cash flows from noncapital financing activities					
Operating grants received	11,204	450,429	4,789	466,422	3,396
Negative cash balance implicitly financed		27,573		27,573	
Negative cash balance implicitly repaid			(42)	(42)	(218)
Transfers in	2,238		2,203	4,441	56,023
Transfers out			(900)	(900)	(310)
Payments to component units			(25)	(25)	
Principal payments			(1,640)	(1,640)	
Interest paid			(40)	(40)	
Tax revenues received					2
Subsidy to borrowers			(120)	(120)	
Net cash from (used for) noncapital financing activities	13,442	478,002	4,225	495,669	58,893
Cash flows from capital and related financing activities					
Purchase of capital assets					(42,925)
Bond and commercial paper proceeds					78,061
Proceeds from sale of capital assets					1,292
Proceeds from insurance					17
Bond issuance cost					(259)
Principal payments					(51,732)
Interest paid					(8,578)
Net cash from (used for) capital and related financing activities					(24,124)
Cash flows from investing activities					
Loans issued	(85,088)		(12,244)	(97,332)	
Collection of loan principal	29,931		7,680	37,611	
Interest received	17,838	19,412	5,179	42,429	7,214
Net cash from (used for) investing activities	(37,319)	19,412	615	(17,292)	7,214
Net increase (decrease) in cash and cash equivalents	(24,838)	(456,463)	(4,624)	(485,925)	16,189
Cash and cash equivalents, July 1	238,606	619,344	239,871	1,097,821	539,692
Cash and cash equivalents, June 30	$ 213,768	$ 162,881	$ 235,247	$ 611,896	$ 555,881

(continued from previous page)

State of Tennessee
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2009

(Expressed in Thousands)

	Business Type Activities - Enterprise Funds				
	Sewer Treatment Loan	Employment Security	Nonmajor Enterprise Funds	Total	Governmental Activities- Internal Service Funds
Reconciliation of operating income to net cash provided (used) by operating activities					
Operating income (loss)	$ 16,958	$ (842,045)	$ (8,728)	$ (833,815)	$ (53,703)
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation and amortization			17	17	35,883
Loss on disposal of capital assets			51	51	650
Bond issuance cost					274
Capital lease executory costs paid					28
Investment income			(2,223)	(2,223)	
Charges for services			(90)	(90)	
Interest income	(17,919)			(17,919)	
Subsidy to borrowers			3	3	
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable		(143,892)	(1,285)	(145,177)	(2,533)
(Increase) decrease in due from other funds		(303)		(303)	2,115
(Increase) decrease in due from component units		(21)		(21)	158
(Increase) decrease in inventories			102	102	1,026
(Increase) decrease in prepaid expenses					17
Increase (decrease) in accounts payable		23,775	3,859	27,634	(5,726)
Increase (decrease) in due to other funds		(355)	(5)	(360)	(294)
Increase (decrease) in due to component units		39		39	
Increase (decrease) in unearned revenue		8,925	(1,165)	7,760	(3,689)
Total adjustments	(17,919)	(111,832)	(736)	(130,487)	27,909
Net cash provided by (used for) operating activities	$ (961)	$ (953,877)	$ (9,464)	$ (964,302)	$ (25,794)
Noncash investing, capital and financing activities					
Contributed capital assets					$ 1,038
Total noncash investing, capital and financing activities					$ 1,038

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

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

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

State of Tennessee
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009

(Expressed in Thousands)

	Pension (and Other Employee Benefit) Trust Funds	Investment Trust Fund	Private-Purpose Trust Funds	Agency Funds
Assets				
Cash and cash equivalents	$ 1,259,479	$ 983,709	$ 15,219	$ 391,670
Receivables:				
Accounts				1,451
Taxes			46	356,307
Interest and dividends	140,814	2,728	731	
Due from sale of investments	202,538			
Foreign currency receivable	1,029,442			
Due from other governments	42,244			
Real estate income	268			
Other	23,852			
Total receivables	1,439,158	2,728	777	357,758
Due from other funds	8,744			
Due from component units	8,084			
Investments, at fair value:				
Short-term securities	391,284	1,705,644		
Government bonds	7,550,628			
Corporate bonds	5,553,075			
Corporate stocks	10,362,782			
Mutual funds			75,774	
Real estate	1,198,008			
Total investments	25,055,777	1,705,644	75,774	
Total assets	27,771,242	2,692,081	91,770	749,428
Liabilities				
Accounts payable and accruals	296,075		965	659,993
Foreign currency payable	1,104,957			
Amounts held in custody for others				89,435
Total liabilities	1,401,032		965	749,428
Net assets				
Held in trust for:				
Pension benefits	26,369,226			
Employees' flexible benefits	984			
Pool participants		2,692,081		
Individuals, organizations and other governments			90,805	
Total net assets	$ 26,370,210	$ 2,692,081	$ 90,805	$ -

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

State of Tennessee
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2009

(Expressed in Thousands)

	Pension (and Other Employee Benefit) Trust Funds	Investment Trust	Private-Purpose Trust Funds
Additions			
Contributions:			
Members	$ 261,938		
Employers	836,911		
Federal			$ 6,665
Private			5,125
Other			2,699
Total contributions	1,098,849		14,489
Investment income:			
Net (decrease) in fair value of investments	(5,855,240)		(13,521)
Interest	634,632	$ 40,832	3,104
Dividends	314,911		
Real estate income	68,500		
Total investment income (loss)	(4,837,197)	40,832	(10,417)
Less: Investment expenses	21,289		
Administrative fee		1,301	
Net investment income (loss)	(4,858,486)	39,531	(10,417)
Capital share transactions:			
Shares sold		4,573,695	
Less: Shares redeemed		4,620,366	
Net capital share transactions		(46,671)	
Total additions	(3,759,637)	(7,140)	4,072
Deductions			
Annuity benefits:			
Retirement benefits	1,180,093		
Cost of living	271,846		
Death benefits	5,724		
Other benefits	8,341		12,621
Refunds	32,022		2,770
Administrative expenses	7,202		417
Total deductions	1,505,228		15,808
Change in net assets held in trust for:			
Pension benefits	(5,264,903)		
Employees' flexible benefits	38		
Individuals, organizations and other governments		(7,140)	(11,736)
Net assets, July 1	31,635,075	2,699,221	102,541
Net assets, June 30	$ 26,370,210	$ 2,692,081	$ 90,805

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

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State of Tennessee
Comprehensive Annual Financial Report
For the Year Ended June 30, 2009
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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 – **Summary of significant accounting policies**

A. **Financial reporting entity**

Introduction - 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.

Discretely presented component units

1. The Tennessee Student Assistance Corporation (TSAC) (Governmental Fund Type) is responsible for guaranteeing student loans under federal programs and administering federal and state grants and loans to students. The majority of the Board is either appointed by the Governor or are state officials. TSAC's budget is approved by the State.

2. The Tennessee Community Services Agency (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. The Tennessee Housing Development Agency (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. The Tennessee Education Lottery Corporation (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. The Tennessee Board of Regents (Proprietary Fund Type) is responsible for the operation of six universities, thirteen community colleges and twenty-seven technology centers. The Board is comprised of state officials and appointees by the Governor and the State provides a substantial amount of funding.

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

7. The Tennessee Local Development Authority (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, mental retardation, or alcohol and drug facilities. The majority of the Board consists of state officials; therefore, the State can impose its will on the Authority.

8. The Tennessee State 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. The Tennessee State School Bond Authority (Proprietary Fund Type) finances projects for the University of Tennessee, Tennessee Board of Regents 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; therefore, the State is able to impose its will on the organization.

10. The 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, and the State provides a substantial amount of funding.

11. The Access Tennessee (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
1114 Parkway Towers
404 James Robertson Parkway
Nashville, TN 37243

Tennessee Local Development Authority
Suite 1600, James K. Polk Building
Nashville, TN 37243

Tennessee State Veterans' Homes Board
345 Compton Road
Murfreesboro, TN 37130

Tennessee State School Bond Authority
Suite 1600, James K. Polk Building
Nashville, TN 37243

University of Tennessee
Office of the Treasurer
301 Andy Holt Tower
Knoxville, TN 37996-0100

Tennessee Board of Regents
1415 Murfreesboro Road, Suite 350
Nashville, TN 37217

Tennessee Education Lottery Corporation
Plaza Tower Metro Center
200 Athens Way
Nashville, TN 37228

All others may be obtained at the following:
Finance & Administration
Division of Accounts
14th Floor William R. Snodgrass Tennessee Tower
312 Rosa L. Parks Avenue
Nashville, TN 37243

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets 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 is 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.

C. Measurement focus, basis of accounting, and financial statement presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter 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. Also, agency funds, custodial in nature, do not recognize revenues and expenditures and do not present the results of operations or have a measurement focus.

Generally, sales and gross receipt taxes, as well as petroleum and vehicular related taxes and fees and other similar measurable fines, are considered to be available if received in the first 60 days of the new fiscal year. Federal grants, departmental services, and interest associated with the current fiscal period are all considered to be available if received in six months, however, tobacco settlement monies are considered to be available if received in twelve months. All other revenue items are considered to be measurable and available only when cash is received by the State.

The State reports the following major governmental funds:

The *general fund* 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.

The *education fund* accounts for the financial resources associated with programs involving the Departments of Education and Higher Education.

The *highway fund* accounts for the financial resources associated with the programs of the Department of Transportation.

The State reports the following major proprietary funds:

The *sewer treatment loan fund* accounts for loans made to local governments and utility districts for the construction of sewage treatment facilities.

The *employment security 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 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 printing, food, postal, records management, and products provided by Department of Correction inmates.

The *fiduciary fund types* are used to account for resources legally held in trust. Fiduciary activities include the employee pension plan and a flexible benefits plan. Also included is *Baccalaureate Education*, a trust created to permit the purchase of tuition units that may be used at certain higher education institutions. *Children in State Custody* is a fund used to hold monies for the benefit of children in State custody. *Oak Ridge Monitoring* is a trust funded by the federal government for the purpose of monitoring the Oak Ridge landfill for radioactive leakage. Three agency funds account for 1) funds distributed to local governments in the state, 2) refundable deposits and other receipts held in trust until the State is authorized to disburse the funds, and 3) premiums and claims expense of retired employees who participate in the state's healthcare plans.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The State has elected not to follow subsequent private-sector guidance.

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 on 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.

Expenditures or expenses for on-behalf payments for local education agencies participating in the Teacher Group Plan and the Medicare Supplement Plan, and for component unit retirees participating in the Medicare Supplement Plan, reduce the Annual Required Contribution for the state's obligation to partially or fully fund the subsidized portion of the retiree's health insurance premiums.

D. Assets, liabilities, and net assets or equity

1. 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. Investments in the State Cash Pool are stated at cost or amortized cost as this pool is a 2a7-like pool. 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.

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

   All receivables are shown net of an allowance for uncollectibles. Receivables in the State's governmental and fiduciary funds primarily consist of taxes, interest, departmental services and federal revenues, see Note 1C.

3. 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 average cost method is used for the Highway Fund (a Special Revenue Fund) and Motor Vehicle Management, Central Stores 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.

4. Restricted assets—Proceeds of the State's general obligation commercial paper program that remain unspent at year end are classified as restricted cash on the Statement of Net Assets. The commercial paper program provides short-term financing for the State's capital projects.

   Component units that issue revenue bonds – Tennessee Housing Development Authority, Tennessee State School Bond Authority, Tennessee Local Development Authority, and Veterans' Homes Board – report restricted cash and investments 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.

5. Capital assets—Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, with the exception of

infrastructure, are defined by the State as assets with an initial individual cost of $5,000 or more and an estimated useful life in excess of two years. Infrastructure assets 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 assets' lives are not capitalized. Capitalized assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Capitalized assets, except for land and infrastructure, are depreciated over their useful lives.

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

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

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

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	50
Building improvements	20
Machinery and equipment	3-20

6. 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. All vacation pay is accrued when earned in the government-wide and proprietary fund financial statements.

7. Long-term obligations—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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the unamortized bond premium or discount and, when applicable, the deferred amount on refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

   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.

8. Net assets—consists of three components: *Invested in capital assets, net of related debt* consists of capital assets (including restricted capital assets), net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or commercial paper, and leases that are attributable to the acquisition, construction, or improvement of those assets. Unspent debt proceeds at year end are not included in this calculation.

Restricted net assets consist of net assets in which constraints are placed on the use of those net assets either by external entities, such as creditors (debt covenants), grantors, contributors, and laws or regulations of other governments; or by constitutional provisions or enabling legislation of the State. Restrictions imposed by enabling legislation could be changed by future legislative action. Of the $2.1 billion restricted by the primary government, $416.4 million was by enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of "restricted net assets" or "invested in capital assets, net of related debt."

9. Fund equity—In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Reserves for statutory and other legal requirements include amounts reserved in connection with enabling legislation, constitutional provisions and other legal requirements. Designations of fund balance represent tentative management plans that are subject to change.

10. Fiscal year end—The fiscal year end of the primary government and component units is June 30, except for the Dairy Promotion Board, 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.

11. Comparative data/reclassifications—Comparative total data for the prior year have 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 assets

The governmental fund balance sheet includes a reconciliation between *fund balance—total governmental funds* and *net assets—governmental activities* as reported in the government-wide statement of net assets. 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 $2,147.681 million difference are as follows (expressed in thousands):

Bonds payable	$ 1,310,232
Plus: Premium on bonds issued (to be amortized as interest expense)	71,646
Less: Deferred charge for issuance costs (to be amortized over life of debt)	(1,826)
Less: Deferred charge for bond refundings (to be amortized as interest expense)	(25,017)
Commercial paper payable	127,593
Accrued interest payable	16,865
Capital leases payable	16,871
Claims and judgments	126,558
Compensated absences	236,829
Other post employee benefits	204,944
Pollution remediation	57,519
Long-term accounts payable	5,467
Net adjustment to reduce *fund balance—total governmental funds* to arrive at *net assets—governmental activities*	$ 2,147,681

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 assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense." The details of this $735.698 million difference are as follows (expressed in thousands):

Capital outlay	$	805,622
Depreciation expense		(69,924)
Net adjustment to increase *net changes in fund balances – total governmental funds* to arrive at *changes in net assets of governmental activities*	$	735,698

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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this $274.907 million difference are as follows (expressed in thousands):

Debt issued or incurred:		
Issuance of general obligation refunding bonds	$	91,536
Issuance of general obligation bonds		401,285
Issuance of commercial paper		200,379
Bond premium capitalized		40,817
Debt reduced:		
General obligation bonds/payments to escrow		(101,707)
General obligation debt		(83,810)
Commercial paper redeemed		(273,593)
Net adjustment to decrease *net changes in fund balances – total governmental funds* to arrive at *changes in net assets of governmental activities*	$	274,907

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 $117.802 million difference are as follows (expressed in thousands):

Compensated absences	$	(9,425)
Claims and judgments		(4,714)
Accrued interest		1,158
Capital lease		(671)
Other postemployment benefits		101,828
Pollution remediation		9,195
Amortization of deferred charge		40
Loss on disposal of capital assets		21,880
Amortization of issuance costs		195
Amortization of bond premiums		(3,684)
Amortization of deferred amount on bond refunding		2,000
Net adjustment to decrease *net changes in fund balances – total governmental funds* to arrive at *changes in net assets of governmental activities*	$	117,802

NOTE 3 – **Deficit fund equity**

The Purchasing fund, an internal service fund, has a total net asset deficit of $240 thousand. The Property Utilization fund, an enterprise fund, has a total net asset deficit of $105 thousand. Both deficits occurred primarily as a result of the reporting of other post employment benefits at the fund level in accordance with GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.*

NOTE 4 – **Accounting changes**

The following schedule enumerates adjustments for the fiscal year ended June 30, 2009, (expressed in thousands):

	6/30/2008 Net Assets As Reported	Adjustments to Net Assets	6/30/2008 Net Assets As Restated
Government-wide statements:			
Primary Government			
Governmental activities	$ 25,291,899	$ (36,715)	$ 25,255,184
Total primary government	$ 25,291,899	$ (36,715)	$ 25,255,184
Government-wide statements:			
Component Units	$ 4,973,585	$ (574)	$ 4,973,011
Total component units	$ 4,973,585	$ (574)	$ 4,973,011

Adjustments to Net Assets

Primary Government—Governmental activities

- $36.715 million is the result of implementing Governmental Accounting Standards Board's Statement 49, *Accounting and Financial Reporting for Pollution Remediation Obligations.*

Component Units

- Tennessee Board of Regents (TBR)—$574 thousand represents net assets of the Tennessee Technological Center Foundation which has not been reported as a component unit of TBR as it was in prior year statements.
- All Community Service Agencies (CSAs), previously reported as individual component units, have been consolidated into one entity called Tennessee Community Services Agency. The following agencies are those that were consolidated in fiscal year 2009:

  Memphis and Shelby County
  Mid-West
  Northeast
  Southeast
  Southwest

  Financial transactions of the merged entities are combined and reported under the new entity. The change did not affect total net assets of the total component units.

Changes in Accounting Principle

The state has implemented Governmental Accounting Standards Board's Statement 49, *Accounting and Financial Reporting for Pollution Remediation Obligations.* The statement establishes accounting and financial reporting standards for pollution remediation obligations. The implementation of this statement resulted in the recognition of expenses and liabilities to address the current or potential effects of existing pollution. The statement also requires the restatement of beginning net assets.

The state has also implemented Governmental Accounting Standards Board's Statement 52, *Land and Other Real Estate Held as Investments by Endowments.* The statement requires endowments to report land and other real estate investments at fair value, creating consistency in reporting of these investments among entities that exist for similar purposes. The statement also requires endowments to report the changes in fair value as investment income and to disclose the methods and significant assumptions used to determine fair value and other information currently presented for other investments reported at fair value. The state does not have material land or other real estate investments held by permanent or temporary endowments.

NOTE 5 – **Detailed notes on all funds**

A. **Deposits and investments**

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 is required by court order, contract, state or federal law or federal regulation to receive interest on invested funds and which are authorized by the State Treasurer to participate in the SPIF. In addition, funds in the State of Tennessee Local Government Investment Pool (LGIP) investment trust fund are consolidated with the

SPIF for investment purposes only. The primary oversight responsibility for the investment and operations of the SPIF rests with the Funding Board of the State of Tennessee (Funding Board).

The State Pooled Investment Fund is authorized by statute to invest funds in accordance with policy guidelines approved by the Funding Board. The current resolution of the Funding Board gives the Treasurer approval to invest in collateralized certificates of deposit in authorized state depositories, prime commercial paper, prime bankers' acceptances, bonds, notes, and treasury bills of the United States or other obligations guaranteed as to principal and interest by the United States or any of its agencies, repurchase agreements for obligations of the United States or its agencies, and securities lending agreements whereby securities may be loaned for a fee. Investments in derivative type securities and investments of high risk are prohibited.

In addition to the funds in the State Pooled Investment Fund, the Tennessee Consolidated Retirement System (TCRS), a pension trust fund; the Baccalaureate Education System Trust (BEST), a private-purpose trust; the Lottery for Education Fund, a part of the Education Fund, a special revenue fund; and the Chairs of Excellence (COE) Trust, a permanent 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.

As of June 30, 2009, the State's investments for all funds were as follows (expressed in thousands):

PENSION TRUST, POOLED INVESTMENT, AND OTHER FUNDS
INVESTMENTS

Investment Type	Fair Value	United States[1] Treasury/Agency
Debt Investments		
U.S. Government		
U.S. Government Treasuries, Notes, Bonds	$ 1,255,697	$ 1,255,697
U.S. Government STRIPS	2,095,886	2,095,886
U.S. Government Agencies	3,644,684	13,525
Mortgage-Backed		
Government Pass-through	3,064,944	465,233
Corporate Pass-through	812,168	
Collateralized Mortgage Obligations		
Corporate CMO's	462,296	
Corporate		
Corporate Bonds	3,233,662	
Corporate Asset-Backed	1,176,434	
Non-U.S. Fixed Income - Developed Markets		
Government/Sovereign	822,804	
Short Term		
Commercial Paper	2,434,272	
Agencies	995,296	
Total Debt Investments	19,998,143	$ 3,830,341
Other Investments		
Equity		
U.S.	7,342,606	
Non-U.S.	3,052,908	
Real Estate	1,198,008	
Commingled Funds		
U.S. Equity	87,118	
U.S. Fixed Income	34,374	
Non-U.S. Equity	40,127	
Money Market Funds	22,585	
Total Other Investments	11,777,726	
Total Investments	$ 31,775,869	

PENSION TRUST, POOLED INVESTMENT, AND OTHER FUNDS
INVESTMENTS (continued)

Credit Quality Rating								
AAA	AA	A	BBB	BB	B	CCC	A1[2]	Not Rated[3]
$ 1,680,553								$ 1,950,606
								2,599,711
781,041	$ 29,557		$ 86			$ 1,484		
53,299	9,312	$ 22,978	50,310	$ 38,440	$ 117,731	140,579		29,647
99,165	227,085	1,022,685	1,685,105	131,428	12,145	7,945		48,104
988,626	92,868		63,954			10,867		20,119
403,642	419,162							
							$ 2,434,272	
200,792								794,504
$ 4,207,118	$ 777,984	$ 1,045,663	$ 1,799,455	$ 169,868	$ 129,876	$ 160,875	$ 2,434,272	$ 5,442,691

1. Includes obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government and are not considered to have credit risk.
2. A1 is the highest rating category for commercial paper.
3. Includes securities that are implicitly guaranteed by the U.S. government but are not rated by Standard and Poor's or Moody's.

1. 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, 2009, are included in the previous schedule. Securities are rated using Standard and Poor's and/or Moody's and are presented above using the Standard and Poor's rating scale. State statutes provide a process for financial institutions desiring to act as state depositories to be approved by the State Treasurer. Statutes also provide for the Commissioner of Financial Institutions to advise, on a timely basis, the Treasurer and the Commissioner of Finance and Administration of the condition of each state bank and state chartered savings and loan association, including his recommendations regarding its condition and safety as a state depository. Similar provisions apply to federally chartered banks and savings and loan associations designated as state depositories. This process ensures that institutions whose financial status is uncertain are monitored for collateral sufficiency. All certificates of deposit are required by policy to be placed directly with state depositories. All repurchase agreements are done with primary dealers in government securities which have executed a master repurchase agreement with the State. The SPIF's investment policy requires a AAA credit quality rating for the purchase of obligations of instrumentalities that are not fully guaranteed by the United States government. Prime banker's acceptances must be issued by domestic banks with a minimum AA long-term debt rating or foreign banks with a AAA long-term debt rating by a majority of the rating services that have rated the issuer. The short-term debt rating must be at least A1 or the equivalent by all of the rating services that rate the issuer. Commercial paper should be rated in the highest tier by all rating agencies that rate the paper. Commercial paper on a credit rating agency's negative credit watch list cannot be purchased under the SPIF's investment policy. The policy requires that a credit analysis report on the corporation be prepared prior to acquisition of the commercial paper.

The SPIF is not registered with the Securities and Exchange Commission (SEC) as an investment company but, through its investment policy adopted by the Funding Board, operates in a manner consistent with the SEC's Rule 2a7 of the *Investment Company Act of 1940*. Rule 2a7 allows SEC registered mutual funds to use amortized cost to report net assets in computing share prices. Likewise, the SPIF uses amortized cost accounting measures to report investments and share prices. During the fiscal year ended June 30, 2009, the State had not obtained or provided any legally binding guarantees to support the value of participant shares. The State of Tennessee has not obtained a credit quality rating for the SPIF from a nationally recognized credit ratings agency.

The TCRS' investment policy specifies that bond issues subject for purchase are investment grade bonds rated in the four highest ratings by one of the recognized rating agencies. In addition, the policy states that private placements that do not have an active secondary market shall be thoroughly researched from a credit standpoint and shall be viewed by TCRS' investment staff as having the credit quality rating equivalent of an AA rating on a publicly traded issue. 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 BEST investment policy states that the trust may acquire securities which are rated within the four highest grades at the time of acquisition by any of the recognized rating agencies. In addition, the policy requires that only the highest quality short-term debt issues, including commercial paper with ratings of A1 or P1, may be purchased.

The Lottery for Education Fund investment policy states that the fund may acquire securities which are rated within the four highest grades at the time of acquisition by any of the recognized rating agencies. Commercial paper should be rated in the highest tier by all rating agencies which rate the paper, with a minimum of two ratings required.

2. 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 twenty percent (20%) of the book value of the pool, at the date of acquisition, is invested in a single United States government agency security and that such acquisition does not cause the SPIF's aggregate United States government agency holdings to exceed forty percent (40%) of the total book value of the pool on such date.

In addition, the SPIF's investment policy limits the book value of prime banker's acceptances to five percent (5%) of the total book value of the pool and limits such investments in any one commercial bank to the lesser of five percent (5%) of the portfolio's book value or $25 million. Prime commercial paper investments are limited to five percent (5%) of the total portfolio book value invested in any one single issuing corporation and the total holdings of an issuer's paper should not represent more than five percent (5%) of the issuing corporation's total outstanding commercial paper, with the maximum amount of a specific corporation's commercial paper limited to $100 million. Prime commercial paper shall not exceed forty percent (40%) of the total pool's book value. The TCRS' investment policy limits the maximum amount of a specific corporation's commercial paper that can be purchased to $100 million. There are no other specific investment policies that limit the investments of the TCRS, the COE Trust, BEST, Lottery for Education Fund, or other State funds in any one issuer.

As of June 30, 2009, the combined SPIF, TCRS, COE Trust, BEST, Lottery for Education Fund, and other State funds held debt investments in certain organizations representing five percent (5%) or more of 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):

Issuer Organization		Fair Value	Percentage
Federal Home Loan Mortgage Corporation	$	2,079,208	6.54
Federal National Mortgage Association	$	2,914,522	9.17

3. 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 dollar weighted average maturity of the pool shall not exceed ninety (90) days and that no investment may be purchased with a remaining maturity of greater than three hundred ninety-seven (397) calendar days. In addition, it is the intent of the Funding Board that the market value of the SPIF not deviate more than 0.5 percent from amortized cost. If it does, actions may include, but not be limited to, selling securities whose market value substantially deviates from amortized cost, and investing in securities with ninety (90) days or less to maturity. Agency variable rate notes are permitted by investment policy provided they are indexed to treasury bill, commercial paper, federal funds, LIBOR or the prime rates. It is the intent of the Funding Board that variable rate notes must move in the same direction as general money market rates. Prime banker's acceptances must have an original maturity of not more than two hundred seventy (270) days to be eligible for purchase, with the intent to hold to maturity. Prime commercial paper shall not have a maturity that exceeds one hundred eighty (180) days, and individual repurchase agreement transactions shall not have a maturity that exceeds ninety (90) days. The days to maturity on certificates of deposit ranged from 7 to 300 days at June 30, 2009. Interest rates on certificates of deposit held at June 30, 2009, ranged from .25% to 1.7%. The days to maturity on U.S. Government Agencies ranged from 27 to 391 days at June 30, 2009. Interest rates on U.S. Government Agencies held at June 30, 2009, ranged from 0% to 4.25%. The days to maturity on commercial paper ranged from 1 to 45 days at June 30, 2009. Interest rates on commercial paper held at June 30, 2009, ranged from .1% to .55%.

As of June 30, 2009, 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		Fair Value	Weighted Average Maturity (Months)
U.S. Government Agencies/Treasuries	$	3,049,643	4.73
Commercial paper		1,797,929	0.20

The TCRS' investment policy does not specifically address limits on investment maturities. The fixed income portfolio, however, is benchmarked against the Citigroup Broad Investment Grade Index and tends to have a duration within a range around that index.

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM
DEBT INVESTMENTS
(expressed in thousands)

Investment Type		Fair Value as of June 30, 2009	Effective Duration (Years)
Debt Investments			
Government Fixed Income			
Government Agencies	$	765,734	5.81
Government Bonds		1,790,287	7.90
Government Inflation Indexed		2,073,076	5.62
Government Asset and Mortgage-Backed		2,921,531	3.28
Corporate Fixed Income			
Collateralized Mortgage Obligations		462,296	0.50
Commercial Mortgage Backed		792,148	2.98
Asset-Backed Securities		1,172,806	2.27
Corporate Bonds		3,093,094	5.76
Short Term			
Commercial Paper		636,343	0.00
Agencies		995,296	0.17
Total Debt Investments	$	14,702,611	

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
(expressed in thousands)

Investment Type		Fair Value as of June 30, 2009	Effective Duration (Years)
Debt Investments			
U.S. Government			
U.S. Government Treasuries	$	10,019	10.54
U.S. TIPS		22,810	5.41
U.S. Agencies		4,488	4.27
Mortgage-Backed			
Government Pass-through		29,920	3.19
Collateralized Mortgage Obligations		15,288	2.02
Corporate			
Corporate Bonds		26,860	4.97
Corporate Asset-Backed		3,628	4.71
Total Debt Investments	$	113,013	

The investment policy of the Lottery for Education fund recommends a mix of investment grade fixed income securities of the Long and Intermediate Term Portfolio that, when combined with income earned from amounts allocated to meet liquidity needs, has a high probability of meeting such scholarship objectives.

LOTTERY FOR EDUCATION
DEBT INVESTMENTS
(expressed in thousands)

Investment Type		Fair Value as of June 30, 2009	Effective Duration (Years)
Debt Investments			
Government Fixed Income			
Government Agencies	$	60,158	8.09
Government Bonds		42,856	9.30
Government Asset and Mortgage-Backed		113,493	4.42
Corporate Fixed Income			
Commercial Mortgage Backed		4,732	7.83
Corporate Bonds		113,708	5.51
Total Debt Investments	$	334,947	

The investment policy for BEST states that bonds generally will be purchased and held to maturity, but when necessary, the portfolio will be actively managed in times of volatile interest rate swings to shorten the average maturity and protect principal value. The fixed income portfolio is benchmarked against the Barclays Aggregate Index and tends to have a duration within a range around that index.

Asset-Backed Securities-The TCRS invests in collateralized mortgage obligations which are mortgage-backed securities that are based on cash flows from interest and principal payments on underlying mortgages. Therefore, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates.

4. 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 TCRS' investment policy limits the asset allocation for international investments to twenty-five percent of total assets. The TCRS' exposure to foreign currency risk at June 30, 2009, was as follows (expressed in thousands):

Currency	Total Fair Value	Fixed Income	Equity	Cash
Australian Dollar	$ 150,953		$ 149,334	$ 1,619
British Pound Sterling	694,406	$ 96,355	595,414	2,637
Canadian Dollar	30,217		30,208	9
Danish Krone	32,296		32,282	14
Euro Currency	999,083	227,493	762,476	9,114
Hong Kong Dollar	88,179		88,017	162
Japanese Yen	1,168,096	432,965	729,820	5,311
New Zealand Dollar	6,536		6,536	
Norwegian Krone	40,241	5,841	33,816	584
Singapore Dollar	35,648		34,649	999
Swedish Krona	53,054		53,040	14
Swiss Franc	237,098		237,073	25
Total	$ 3,535,807	$ 762,654	$ 2,752,665	$ 20,488

5. Derivatives

The international securities in the TCRS' portfolio expose the TCRS to potential losses due to a possible rise in the value of the US dollar. The TCRS investment managers can reduce foreign currency exposure by selling foreign currency forward contracts, at agreed terms and for future settlement, usually within a year. The manager will reverse the contract by buying the foreign currency before the settlement date. A gain (loss) on this transaction pair will hedge a loss (gain) on the currency movement of the international security. The TCRS can sell up to 80% of its foreign currency exposure into US dollars. The fair value of foreign currency forward contracts outstanding as of June 30, 2009, has been reflected in the financial statements.

The TCRS may buy or sell equity index futures contracts for the purposes of making asset allocation changes in an efficient and cost effective manner and to improve liquidity. The futures contracts are limited to the S&P 500 Index, the S&P Midcap 400 Index and the Russell 2000 Index. The TCRS can increase (decrease) equity market exposure by buying (selling) the equity index future to obtain its target domestic equity allocation. Gains (losses) on equity index futures hedge losses (gains) produced by any deviation from the TCRS' 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, 2009, the TCRS was not under any future contracts.

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 investment policies. Funds, other than endowment, annuity, and life income funds, invest similarly to the State policies. 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, 2009, the University's investments were rated as follows (expressed in thousands):

Rated Debt Instruments	Fair Value	Credit Quality Rating: Aaa	Aa1	Aa2	Aa3	A1	A2
Cash Management Pool							
U.S. Treasuries	$ 28,446	$ 28,446					
U.S. Agencies	75,080	75,080					
Investments							
U.S. Treasuries	$ 2,561	$ 2,513					
U.S. Agencies	6,866	6,866					
Corporate Bonds	26,250	1,139		$ 2,401	$ 1,811	$ 3,903	$ 7,126
Municipal Bonds	3,724		$ 35	965	1,819	197	
Mutual Funds – Bonds	36,039	24,019		9,630			44
Mortgages and Notes	336						
Money Market Mutual Fund	1,605						
	$ 180,907	$ 138,063	$ 35	$ 12,996	$ 3,630	$ 4,100	$ 7,170

(Continued) Rated Debt Instruments	Credit Quality Rating: A3	Baa1	Baa2	Baa3	Ba2	Unrated
Cash Management Pool						
U.S. Treasuries						
U.S. Agencies						
Investments						
U.S. Treasuries						$ 48
U.S. Agencies						
Corporate Bonds	$ 3,345	$ 1,740	$ 3,573	$ 1,127		85
Municipal Bonds		400				308
Mutual Funds – Bonds			2,229		$ 117	
Mortgages and Notes						336
Money Market Mutual Fund						1,605
Total	$ 3,345	$ 2,140	$ 5,802	$ 1,127	$ 117	$ 2,382

Concentration of Credit Risk

The University places no limit on the amount that may be invested in any one issuer. At June 30, 2009, more than five percent of the University's investments are invested in the following single issuers (expressed in thousands):

Issuer	Fair Value	Percentage
Federal Home Loan Bank	$ 63,979	10.25

Interest Rate Risk

The University does not have a formal policy that addresses interest rate risk. As of June 30, 2009, 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
Cash Management Pool					
Cash Equivalents					
U.S. Treasury	$ 28,446	$ 28,446			
U.S. Agencies	75,080	75,080			
Investments					
U.S. Treasury	2,561		$ 1,074	$ 669	$ 818
U.S. Agencies	6,866	91	1,034	3,990	1,751
Corporate Bonds	26,250	2,718	14,217	8,894	421
Municipal Bonds	3,724		1,749	647	1,328
Mortgages and Notes	336		336		
Bond Mutual Funds	36,039		8,085	33	27,921
	$ 179,302	$ 106,335	$ 26,495	$ 14,233	$ 32,239

University foundations' investments in the amount of $105.268 million are not included in these disclosures because the foundations utilize private-sector accounting standards.

Alternative Investments

In its Consolidated Investment Pool, as part of its endowment assets, the University has investments in seventy-four limited partnerships, limited companies, corporations, and limited liability corporations. At June 30, 2009, the estimated fair value of these assets is $231 million and total capital contributions less returns of capital equal $278.1 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. Tennessee Board of Regents

Credit Risk

The System is authorized by statute to invest funds in accordance with the Tennessee Board of Regents' investment policies. Funds, other than endowment, invest similarly to the State policies. Endowment funds can be invested in equity securities and various other securities given prudent diversification. The System has no formal investment policy that limits its investment choices based on ratings issued by rating agencies. As of June 30, 2009, debt investments of the System and its foundations (that utilize governmental accounting standards) were rated by Standard and Poor's as follows (expressed in thousands):

			Credit Quality Rating					
Rated Debt Instruments	Fair Value	U.S. Treasury/ Agency	AAA	AA	A	BBB	BB	Not Rated
U.S. Treasuries	$ 30,941	$ 30,941						
U. S. Agencies	37,968	2,290	$ 35,081					$ 597
Corporate Bonds	15,605		52	$ 569	$ 10,643	$ 2,475	$ 48	1,818
Municipal Bonds	464			368	69	27		
Mutual Funds—Bonds	26,706		10,238	1,061	1,908	958	812	11,729
Collateralized Mortgage Obligation	874							874
Money Market Mutual Fund	79							79
Total Debt Instruments	$ 112,637	$ 33,231	$ 45,371	$ 1,998	$ 12,620	$ 3,460	$ 860	$ 15,097

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, 2009, 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
U.S. Treasuries	$ 30,941	$ 24,366	$ 6,419	$ 112	$ 44
U.S. Agencies	37,968	1,193	30,296	2,996	3,483
Corporate Bonds	15,605	428	10,276	4,778	123
Municipal Bonds	464		231	233	
Mutual Funds—Bonds	26,706	721	7,720	4,191	14,074
Mortgage Backed Securities	869			417	452
Collateralized Mortgage Obligation	5			5	
Total Debt Investments	$ 112,558	$ 26,708	$ 54,942	$ 12,732	$ 18,176

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 $169.902 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 one hundred percent of its portfolio in U.S. government securities due to the absence of credit risk. A minimum of five percent of the par value of total investments must mature within five years. No more than fifty percent of the par value of the combined portfolios can be invested in maturities greater than 15 years without approval of the Bond Finance Committee.

Credit Risk

The Agency's investments as of June 30, 2009, were rated by Standard and Poor's as follows (expressed in thousands):

			Credit Quality Rating				
Rated Debt Instruments	Fair Value	U.S. Treasury/ Agency	AAAm	AAA	A-1+	AA-2	Not Rated
U.S. Agencies	$ 261,047			$ 191,675	$ 31,000	$ 4,941	$ 33,431
U.S. Treasuries	88,406	$ 88,406					
Repurchase Agreements	80,000						80,000
FNMA Mortgage Backed Securities	1,764						1,764
Money Market Mutual Fund	58,870		$ 58,870				
Total Debt Instruments	$ 490,087	$ 88,406	$ 58,870	$ 191,675	$ 31,000	$ 4,941	$ 115,195

Concentration of Credit Risk

At June 30, 2009, more than five percent of the Agency's investments are invested in the following single issuers (expressed in thousands):

Issuer	Fair Value	Percentage
Federal Home Loan Bank	$ 63,689	14.72
Federal Home Loan Mortgage Corporation	42,229	9.77
Federal National Mortgage Association	143,051	33.33
Repurchase Agreements – U.S. Agency	80,000	18.61

Interest Rate Risk

As of June 30, 2009, the Agency had the following debt investments and effective duration (expressed in thousands):

Investment Type	Fair Value	Effective Duration (Years)
U.S. Agency Coupon	$ 200,098	1.369
U.S. Agency Discount	60,949	0.255
U.S. Treasury Coupon	88,406	6.428
Repurchase Agreements	80,000	0.000
FNMA Mortgage Backed Securities	1,764	0.120
Total	$ 431,217	

B. **Accounts and notes receivable**

Receivables at June 30, 2009, for the State's individual major funds and non-major and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, consist of the following (expressed in thousands):

Primary Government

	Accounts	Taxes	Government	Other	Total Receivables	Allowance for Uncollectibles	Net Total Receivables
Governmental Activities:							
General	$ 291,823	$ 654,180	$ 650,205	$ 3,303	$ 1,599,511	$ (109,600)	$ 1,489,911
Education	11,799	500,730	72,257		584,786	(63,216)	521,570
Highway	375	60,350	196,512		257,237		257,237
Nonmajor governmental	6,410	9,534	9,490	1,651	27,085	(781)	26,304
Internal Service	6,795		156	2	6,953	(103)	6,850
Total—governmental activities	$ 317,202	$ 1,224,794	$ 928,620	$ 4,956	$ 2,475,572	$ (173,700)	$ 2,301,872
Amounts not expected to be collected within one year			$ 3,148				$ 3,148
Business-type Activities:							
Employment Security	$ 44,044	$ 221,227	$ 18,286	$ 3,059	$ 286,616	$ (29,650)	$ 256,966
Nonmajor enterprise	4,340				4,340	(89)	4,251
Total—business-type activities	$ 48,384	$ 221,227	$ 18,286	$ 3,059	$ 290,956	$ (29,739)	$ 261,217

C. **Capital assets**

Capital asset activity for the year ended June 30, 2009, was as follows (expressed in thousands):

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 1,435,671	$ 113,721	$ (319)	$ 1,549,073
Infrastructure	18,517,266	549,758	(20,234)	19,046,790
Construction in progress	1,072,892	647,710	(773,716)	946,886
Software in development	69,339	27,897	(97,236)	-
Total capital assets, not being depreciated	21,095,168	1,339,086	(891,505)	21,542,749
Capital assets, being depreciated:				
Structures and improvements	1,871,097	247,844	(2,542)	2,116,399
Machinery and equipment	622,221	135,943	(25,773)	732,391
Total capital assets being depreciated	2,493,318	383,787	(28,315)	2,848,790
Less accumulated depreciation for:				
Structures and improvements	(804,339)	(46,357)	1,584	(849,112)
Machinery and equipment	(395,825)	(59,434)	21,660	(433,599)
Total accumulated depreciation	(1,200,164)	(105,791)	23,244	(1,282,711)
Total capital assets, being depreciated, net	1,293,154	277,996	(5,071)	1,566,079
Governmental activities capital assets, net	$ 22,388,322	$ 1,617,082	$ (896,576)	$ 23,108,828
Business Type activities:				
Capital assets, being depreciated:				
Machinery and equipment	$ 51	$ 16	$ (51)	$ 16
Less accumulated depreciation for:				
Machinery and equipment		(16)		(16)
Business Type activities capital assets, net	$ 51	$ -	$ (51)	$ -

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

Governmental activities:		
General Government	$	9,709
Education		1,659
Health and Social Services		10,046
Law, Justice and Public Safety		22,113
Recreation and Resource Development		11,108
Regulation of Business and Professions		631
Transportation		14,658
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets		35,867
Total depreciation expense – governmental activities	$	105,791
Business Type activities:		
Other	$	16
Total depreciation expense – business type activities		16

Highway Construction Commitments — At June 30, 2009, the Department of Transportation had contractual commitments of approximately $889.9 million for construction of various highway projects. Funding of these future expenditures is expected to be provided from federal grants ($754.8 million) and general obligation bond proceeds ($135.1 million).

Discretely Presented Component Units

Capital asset activity for the year ended June 30, 2009, for the discretely presented component units was as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 153,285	$ 7,172	$ (610)	$ 159,847
Construction in progress	460,964	235,729	(184,065)	512,628
Total capital assets, not being depreciated	614,249	242,901	(184,675)	672,475
Capital assets, being depreciated:				
Infrastructure	261,004	30,002	(167)	290,839
Structures and improvements	3,180,723	325,013	(2,224)	3,503,512
Machinery and equipment	842,700	120,460	(48,290)	914,870
Total capital assets being depreciated	4,284,427	475,475	(50,681)	4,709,221
Less accumulated depreciation for:				
Infrastructure	(137,368)	(12,709)	5	(150,072)
Structures and improvements	(1,314,877)	(88,158)	420	(1,402,615)
Machinery and equipment	(492,874)	(75,520)	47,918	(520,476)
Total accumulated depreciation	(1,945,119)	(176,387)	48,343	(2,073,163)
Total capital assets, being depreciated, net	2,339,308	299,088	(2,338)	2,636,058
Total capital assets, net	$ 2,953,557	$ 541,989	$ (187,013)	$ 3,308,533

The University of Tennessee Foundations, and certain Tennessee Board of Regents Foundations utilize FASB standards; therefore, only the June 30, 2009, balances are available as follows (expressed in thousands):

		Ending Balance
Capital assets, not being depreciated:		
Land	$	12,638
Total capital assets, not being depreciated		12,638
Capital assets, being depreciated:		
Infrastructure		537
Structures and improvements		94,830
Machinery and equipment		4,664
Total capital assets being depreciated		100,031
Less: Total accumulated depreciation		(24,570)
Total capital assets, being depreciated, net		75,461
Total capital assets, net	$	88,099

D. Interfund balances

1. Interfund balances at June 30, 2009, consisted of the following (expressed in thousands):

D U E F R O M

		General	Education	Highway	Employment Security	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	Internal Service Funds	Total
D	General		$ 194,681		$ 38,165	$ 63	$	$ 8	$ 232,917
U	Education	$ 39							39
E	Employment Security	668							668
T O	Nonmajor Governmental Funds				1				1
	Internal Service Funds	5,596	207						5,803
	Fiduciary Funds	7,213	275	$ 813		231	4	208	8,744
	Total	$ 13,516	$ 195,163	$ 813	$ 38,166	$ 294	$ 4	$ 216	$ 248,172

Of the $194.681 million due to the General Fund from the Education Fund, $194.542 million resulted from a time lag between the dates the payments to local education agencies occurred and taxes are received in the Education Fund. The $38.165 million due to the General Fund from Employment Security resulted from a time lag between the dates the funds are drawn and received from the Federal government. The amounts due to Fiduciary Funds resulted from a time lag in payment of payroll tax liabilities.

2. COMPONENT UNITS PAYABLES

Component Units accounts payable to the Primary Government at June 30, 2009, consisted of the following (expressed in thousands):

P A Y A B L E   F R O M
COMPONENT UNITS

		Tennessee Housing Development Agency	Tennessee Education Lottery	Tennessee Board of Regents	University of Tennessee	Tennessee Local Development Authority	Nonmajor Component Units	Total
P	PRIMARY GOVERNMENT:							
A	General		$ 1	$ 735	$ 1	$ 25	$ 506	$ 1,268
Y	Education		82,330	46,300	32,180			160,810
A	Employment Security						23	23
B	Nonmajor Governmental Funds			617	763		112	1,492
L	Internal Service Funds			6	1			7
E	Fiduciary Funds	$ 56		3,737	4,153		138	8,084
T								
O	Total	$ 56	$ 82,331	$ 51,395	$ 37,098	$ 25	$ 779	$ 171,684

3. COMPONENT UNITS RECEIVABLES

Component Units accounts receivable from the Primary Government at June 30, 2009, consisted of the following (expressed in thousands):

R E C E I V A B L E   F R O M
PRIMARY GOVERNMENT

		General	Highway	Employment Security	Nonmajor Governmental Funds	Total
R						
E						
C						
E	COMPONENT UNITS:					
I						
V	Tennessee Board of Regents				$ 791	$ 791
A	University of Tennessee				1,186	1,186
B	Nonmajor Component					
L	Units	$ 2,739	$ 10	$ 39		2,788
E						
	Total	$ 2,739	$ 10	$ 39	$ 1,977	$ 4,765
T						
O						

The Certified Cotton Growers' fiscal year end of December 31 caused a timing difference between its receivable and the General Fund payable in the amount of $21 thousand.

E. Transfers

Transfers between the various primary government funds for fiscal year ended June 30, 2009, are as follows (expressed in thousands):

Transfers In

Transfers Out	General	Education	Highway	Nonmajor Governmental Funds	Sewer Treatment	Nonmajor Enterprise Funds	Internal Service Funds	Total
General		$ 1,169,950	$ 3	$ 189,657	$ 2,238	$ 2,203	$ 55,895	$ 1,419,946
Education	$ 11,640			402				12,042
Highway	1,125							1,125
Nonmajor Governmental Funds	317,800		88,700	29,722			128	436,350
Nonmajor Enterprise Funds	900							900
Internal Service Funds	310							310
Totals	$ 331,775	$ 1,169,950	$ 88,703	$ 219,781	$ 2,238	$ 2,203	$ 56,023	$ 1,870,673

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 and (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, 2009, the general fund transferred $1.419 billion to other funds in accordance with statute or budgetary authorizations for the following purposes: $1.169 billion to subsidize the activities of the education fund, $152 million for capital outlay expenditures, $92.1 million to provide appropriations to finance various programs in other funds, $4.1 million to provide for debt service payments that were due, and $1.7 million for payments for interfund services used.

The highway fund received a transfer from the debt service fund for $88.7 million to cancel authorized and unissued highway bonds. These authorizations were originally recorded in the highway fund to fund a portion of their budget.

F. **Lease obligations**

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

For the Year(s) Ended June 30		Noncancelable Operating Leases
2010	$	26,836
2011		20,138
2012		15,153
2013		11,096
2014		5,583
2015-2019		17,146
2020-2022		8,456
Total Minimum Payments Required	$	104,408

Expenditures for rent under leases for the years ended June 30, 2009 and 2008, amounted to $61.8 million and $54.1 million, respectively.

Capital Lease Obligations – The State leases office buildings and equipment that in substance are purchases and are reported as capital lease obligations. These leases are recorded as assets and liabilities at either the lower of fair value or the present value of the future minimum lease payments in the government-wide and proprietary fund statements. For capital leases reported in governmental funds, both the principal and interest portions of capital lease payments are recorded as expenditures of the applicable governmental function. The office building leases expire over the next 18 years and the office equipment leases expire over the next year. The effective interest rates for these leases range from 4.48% to 5.14%. Most of these leases contain at least one of the following options: (a) the state can, during the term of the lease or any period of extension or holdover, purchase the property or (b) the state can, at the end of the initial lease term, renew its lease or (c) terminate the lease for convenience at any time after the fifth year. The following is an analysis of the leased property under capital leases (expressed in thousands).

			Governmental Activities
Assets:			
Land		$	350
Buildings	$ 31,110		
Less: Accumulated Depreciation	1,401		29,709
Equipment	154		
Less: Accumulated Depreciation	38		116
		$	30,175

At June 30, 2009, minimum annual lease payments are as follows (expressed in thousands):

For the Year(s) Ended June 30		Governmental Activities Lease Obligation Payable
2010	$	1,583
2011		1,558
2012		1,560
2013		1,561
2014		1,562
2015-2019		7,045
2020-2024		6,858
2025-2027		3,063
Total		24,790
Less - Interest		7,546
Less - Executory Costs		156
Present value of net minimum lease payments	$	17,088

G. **Lease receivables**

Capital Lease Receivable — The State, as lessor, entered into a lease agreement with the Nashville/Davidson County Metropolitan Government (lessee) for the Farmers' Market Facility. The lease term is 20 years with an option to renew the lease for an unlimited period of time. The agreement was signed in June 1995; an initial cash payment was made and the first of 19 payments began in fiscal year 1997. The State is subsidizing a part of the cost of this building.

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

Minimum future lease payments to be received as of June 30, 2009 (expressed in thousands):

Year Ended June 30	Total
2010	$ 459
2011	459
2012	458
2013	461
2014	458
2015-2019	1,266
2020-2021	403
Total minimum future lease payments	$ 3,964

Net investment in direct financing leases at June 30:

Minimum lease payments receivable	$ 3,964
Plus: deferred charges	427
Net investment in direct financing lease	$ 4,391

H. **Long term debt**

1. General Obligation Bonds – Bonds Payable at June 30, 2009, are shown below (expressed in thousands):

	Amount
Governmental Activities:	
General obligation bonds, 2% to 6.5%, due in generally decreasing amounts of principal and interest from $107.589 million in 2010 to $22.431 thousand in 2029	$ 964,906
General obligation refunding bonds, 1999 Series A, 4.25% to 5%, principal and interest due in amounts from $24.466 million in 2010 to $5.398 million in 2015	97,239
General obligation refunding bonds, 2004 Series A, 4.46% to 5.1%, principal and interest due in amounts from $1.633 million in 2010 to $1.629 million in 2012	4,445
General obligation refunding bonds, 2004 Series B, 4.82% for 2010 and variable interest rates from 2011 to 2029, principal and interest due in amounts from $2.07 million in 2010 to $3.737 million in 2029	42,950
General obligation refunding bonds, 2004 Series C, 3% to 5.25%, principal and interest due in amounts from $18.91 million in 2010 to $11.388 million in 2018	219,181
General obligation refunding bonds, 2005 Series A, 3.5% to 5.25%, principal and interest due in amounts from $23.603 million in 2010 to $7.628 million in 2020	129,436
General obligation refunding bonds, 2009 Series B, 2% to 5%, principal and interest due in amounts from $8.413 million in 2010 to $7.544 million in 2022	109,428
	1,567,585
Less: Unamortized bond refunding costs	(28,643)
Total Governmental Activities	$ 1,538,942

General obligation bonds issued during the year ended June 30, 2009:

September 2008	Bond Series 2008A in the amount of $125.8 million
	Bond Series 2008B in the amount of $15.36 million
April 2009	Bond Series 2009A in the amount of $291.5 million
	Refunding Bond Series 2009B in the amount of $98.135 million

The September 2008, bond series 2008A, general obligation bond issuance in the amount of $125.8 million represents tax-exempt bonds maturing serially through 2029 at interest rates ranging from 3 percent to 5 percent. The bonds were sold at a premium of $3.211 million. Proceeds of the bond issue and premium were used to redeem commercial paper and to directly finance other projects.

The September 2008, bond series 2008B, general obligation bond issuance in the amount of $15.36 million represents taxable bonds maturing serially through 2029 at interest rates ranging from 5 percent to 5.7 percent. The bonds were sold at a premium of $126 thousand. Proceeds of the bond issue and premium were used to redeem commercial paper.

The April 2009, bond series 2009A, general obligation bond issuance in the amount of $291.5 million represents tax-exempt bonds maturing serially through 2029 at interest rates ranging from 2 percent to 5 percent. The bonds were sold at a premium of $28.050 million. Proceeds of the bond issue and premium were used to redeem commercial paper and to directly finance other projects.

In April 2009, the state issued general obligation refunding bonds, series 2009B, in the amount of $98.135 million to provide for the advance refunding of $98.505 million of general obligation bonds issued in series 1996B ($7.610 million), 2002A ($45.18 million), and 2003A ($45.715 million). The bonds were sold at a premium of $11.439 million. Proceeds from the advance refunding were deposited in an irrevocable trust account with an escrow agent to provide for all future debt service payments of the refunded bonds. As a result, the bonds are considered defeased and the liability for those bonds have been removed from the government wide statement of net assets.

The net carrying amount of the refunded bonds was $101.775 million. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $7.265 million. This difference, reported in the accompanying financial statements as a reduction from bonds payable, is being charged to operations through 2022 using the straight line method. The state completed the refunding to reduce its total debt service payments over the next 12 years by $7.191 million and to obtain an economic gain (difference between present values of the old and new debt service payments) of $6.045 million.

Prior-Year Defeasance of Debt

In 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 trust account assets and the liability for the defeased bonds are not included in the state's financial statements. On June 30, 2009, $214.865 million of bonds outstanding are considered defeased.

2. General Obligation Commercial Paper – Governmental Activities Commercial Paper Payable at June 30, 2009, is shown below (expressed in thousands).

	Commercial Paper
General obligation commercial paper, interest rates ranging from .4% to 2.02% for tax exempt and .71% to 4.5% for taxable, varying maturities	$ 176,308

The full faith and credit of the State, together with certain tax revenues, are pledged to secure all general obligation bonds and commercial paper listed above.

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 April 1, 2015. At June 30, 2009, $176.308 million of commercial paper was outstanding ($162.441 million tax exempt and $13.867 million federally taxable). 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.

3. Debt Service Requirements to Maturity - Debt Service requirements to maturity for all general obligation bonds payable at June 30, 2009, are as follows (expressed in thousands):

For the Year(s) Ended June 30	General Obligation Bonds Principal	General Obligation Bonds Interest	Total Requirements
2010	$ 124,299	$ 62,384	$ 186,683
2011	123,989	56,912	180,901
2012	119,682	51,721	171,403
2013	119,514	46,212	165,726
2014	113,329	40,829	154,158
2015-2019	460,882	136,595	597,477
2020-2024	311,682	63,400	375,082
2025-2029	194,208	12,478	206,686
	$ 1,567,585	$ 470,531	$ 2,038,116

The above principal for bonds does not reflect a $28.643 million deduction from bonds payable for the deferred amount on refunding.

4. General Obligation Bonds Authorized and Unissued - A summary of general obligation bonds authorized and unissued at June 30, 2009, 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 July 1, 2008	Authorized	Canceled	Unissued June 30, 2009
Highway	$ 913,700	$ 167,500	$ 138,700	$ 942,500
Higher Education	79,795		23,903	55,892
Environment and Conservation	11,012		10,935	77
General Government	1,157,262	533,100	475,306	1,215,056
Local Development Authority	11,150		11,150	-
Totals	$ 2,172,919	$ 700,600	$ 659,994	$ 2,213,525

5. Changes in Long-Term Obligations - A summary of changes in long-term obligations for the year ended June 30, 2009, follows (expressed in thousands).

Changes In Long-Term Obligations

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds and Commercial Paper Payable:					
General Obligation Debt	$ 1,439,869	$ 819,321	$ (515,297)	$ 1,743,893	$ 118,030
Less Deferred Amount on Refundings	(23,840)	(7,264)	2,461	(28,643)	
Total Bonds and Commercial Paper Payable	1,416,029	812,057	(512,836)	1,715,250	118,030
Capital Leases	18,022		(934)	17,088	861
Compensated Absences	250,599	151,478	(161,114)	240,963	78,643
Claims and Judgments	192,988	53,252	(50,692)	195,548	29,009
Pollution Remediation	67,877	32,576	(18,768)	81,685	2,483
Other Post Employment Benefits	104,609	103,333		207,942	
Governmental Activities Long-Term Obligations	$ 2,050,124	$ 1,152,696	$ (744,344)	$ 2,458,476	$ 229,026
BUSINESS-TYPE ACTIVITIES					
Bonds Payable	$ 1,688		$ (1,688)		
Less Deferred Amount on Refundings	(33)		33		
Total Bonds Payable	1,655		(1,655)		
Deposits Payable	5,057	$ 778	(56)	$ 5,779	
Compensated Absences	106	60	(72)	94	$ 30
Other Post Employment Benefits	37	36		73	
Business-Type Activities Long-Term Obligations	$ 6,855	$ 874	$ (1,783)	$ 5,946	$ 30

Governmental activities include all governmental funds and internal service funds. Typically, agencies accounted for in the General Fund and Special Revenue Funds liquidate compensated absences and OPEB liabilities. Claims and judgments are obligations of Underground Storage Tanks and Highway Funds (special revenue funds), Risk Management (internal service fund) and the General Fund.

I. Payables

Payables as of June 30, 2009, were as follows (expressed in thousands):

	Vendors	Salaries and Benefits	Accrued Interest	Other	Total Payables
Governmental Activities:					
General	$ 690,753	$ 74,052		$ 96,274	$ 861,079
Education	123,846	3,270		18,660	145,776
Highway	46,079	6,043			52,122
Nonmajor governmental	43,985	1,755	$ 17,648	322	63,710
Internal Service	81,049	1,618			82,667
Total—governmental activities	$ 985,712	$ 86,738	$ 17,648	$ 115,256	$ 1,205,354
Business-Type Activities:					
Employment Security	$ 29			$ 43,957	$ 43,986
Sewer Treatment Loan	60				60
Other Proprietary	37,042	$ 30		27	37,099
Total—business-type activities	$ 37,131	$ 30		$ 43,984	$ 81,145

J. Component units – condensed financial statements

Below are the condensed financial statements of the component units for the State of Tennessee as of June 30, 2009 (expressed in thousands):

Condensed Statement of Net Assets
Component Units

	Housing Development Agency	Tennessee Education Lottery	Board of Regents	University of Tennessee	Nonmajor Component Units	Total Component Units
Assets						
Cash, Investments, and Other Assets	$ 2,361,871	$ 116,950	$ 1,258,039	$ 1,699,781	$ 284,606	$ 5,721,247
Due from Primary Government			791	1,186	2,809	4,786
Due from Other Component Units					999,938	999,938
Restricted Assets	196,332	2,428			62,631	261,391
Capital Assets, Net	29	1,722	1,804,349	1,561,074	29,458	3,396,632
Total Assets	2,558,232	121,100	3,063,179	3,262,041	1,379,442	10,383,994
Liabilities						
Accounts Payable and Other Current Liabilities	64,559	35,031	206,891	223,166	35,275	564,922
Due to Primary Government	56	82,331	51,395	37,098	804	171,684
Due to Other Component Units			481,444	518,494		999,938
Long-Term Liabilities	1,985,552	3,738	137,917	257,784	1,232,425	3,617,416
Total Liabilities	2,050,167	121,100	877,647	1,036,542	1,268,504	5,353,960
Net Assets						
Invested in Capital Assets, Net of Related Debt	29	1,722	1,324,693	970,344	23,505	2,320,293
Restricted	508,036		420,453	938,550	2,620	1,869,659
Unrestricted		(1,722)	440,386	316,605	84,813	840,082
Total Net Assets	$ 508,065	$ -	$ 2,185,532	$ 2,225,499	$ 110,938	$ 5,030,034

Condensed Statement of Activities
Component Units

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Component Units:				
Housing Development Agency	$ 322,166	$ 133,064	$ 204,757	
Tennessee Education Lottery	1,020,205	1,018,812	33	
Board of Regents	2,149,012	755,127	473,391	$ 139,896
University of Tennessee	1,654,086	500,222	448,829	133,456
Nonmajor Component Units	219,478	118,831	18,531	726
Total	$ 5,364,947	$ 2,526,056	$ 1,145,541	$ 274,078
General Revenues:				
Payments from Primary Government				
Unrestricted Grants and Contributions				
Unrestricted Investment Earnings				
Miscellaneous				
Total General Revenues				
Contributions to Permanent Funds				
Change in Net Assets				
Net Assets – July 1				
Net Assets – June 30				

Significant transactions between the major component units–Tennessee Board of Regents (TBR), 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 $725.7 million were made to the TBR and $498.4 million to the UT.

Capital project expenditures in the amount of $153 million were made for the TBR and $67 million to the UT in the form of expenditures in the capital projects fund for projects at these school systems.

The TBR paid the primary government $31 million to reimburse the state for projects that were not a part of the capital appropriations.

The TELC generated net lottery proceeds of $265 million for the State's Lottery for Education Account.

Net (Expense) Revenue and Changes in Net Assets					
Housing Development Agency	Tennessee Education Lottery	Board of Regents	University of Tennessee	Nonmajor Component Units	Total
$ 15,655					$ 15,655
	$ (1,360)				(1,360)
		$ (780,598)			(780,598)
			$ (571,579)		(571,579)
				$ (81,390)	(81,390)
15,655	(1,360)	(780,598)	(571,579)	(81,390)	(1,419,272)
		722,031	498,787	84,605	1,305,423
		117,589	2,962	62	120,613
(52)	1,263	14,152	474	918	16,755
		6,653		39	6,692
(52)	1,263	860,425	502,223	85,624	1,449,483
		9,415	17,397		26,812
15,603	(97)	89,242	(51,959)	4,234	57,023
492,462	97	2,096,290	2,277,458	106,704	4,973,011
$ 508,065	$ -	$ 2,185,532	$ 2,225,499	$ 110,938	$ 5,030,034

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 Tennessee Board of Regents to finance certain capital projects. At June 30, 2009, the Authority's loan receivable (expressed in thousands) consisted of:

	Current	Noncurrent
Tennessee Board of Regents	$ 22,051	$ 459,072
University of Tennessee	24,635	493,609
Total	$ 46,686	$ 952,681

K. Major component units – long term debt

Tennessee Housing Development Agency (THDA)

Bonds Payable and Notes Payable at June 30, 2009, are shown below (expressed in thousands):

Mortgage finance program revenue bonds and homeownership program revenue bonds, various Series, 1% to 7.93%, due in amounts of principal and interest ranging from $172.007 million in 2010 to $205.849 million in 2039	$ 1,979,452
Less: Unamortized bond refunding costs	(6,891)
Net Bonds Payable	$ 1,972,561
Preserve Loan Program Note, interest rate of 3% due December 22, 2011	$ 3,250

The revenue bonds and notes listed above are not obligations of the State. They are secured by pledge 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, 2009, included the following issues:

August 2008—Program bonds of $50 million
December 2008—Program bonds of $30 million

On August 7, 2008, the agency issued $50 million in Homeownership Program Bonds, Issue 2008-2. The agency used bonds to refund notes and bonds.

On December 18, 2008, the agency issued $30 million in Homeownership Program Bonds, Issue 2008-4. The agency used $4.82 million to refund bonds.

Current Refundings

During the year ended June 30, 2009, bonds were retired at par before maturity in the Mortgage Finance Program in the amount of $11.245 million and in the Homeownership Program in the amount of $107.985 million. The respective carrying values of the bonds were $11.188 million and $110.28 million. This resulted in an expense to the Mortgage Finance Program of $57 thousand and in income to the Homeownership Program of $2.295 million.

On July 1, 2008, a fourth drawdown was made on the Series 2007 CN-1 Notes in the amount of $44.33 million. These proceeds were used on the same day to refund bonds previously issued in the Mortgage Finance Program and the Homeownership Program (this amount consists of $35.785 million early redemption and $8.545 million current maturities). The carrying amount of these bonds was $45.277 million. The refunding resulted in a difference of $947 thousand between the reacquisition price and the net carrying amount of the old debt. Because notes were used to refund long-term bonds, neither the change in debt service nor the economic gain or loss disclosures are appropriate.

On August 7, 2008, the agency issued $50 million in Homeownership Program Bonds, Issue 2008-2. On August 14, 2008, the agency used these bonds to refund the convertible drawdown notes, 2007 CN-1, which were used November 1, 2007, January 2, 2008, and July 1, 2008, to refund certain bonds previously issued in the Mortgage Finance and Homeownership programs. The refunding increased the agency's debt service by $20.171 million over the next 14 years, and the agency realized an economic gain (the difference between the present values of the old and new debt service payments) of $1.629 million.

On December 18, 2008, the agency issued $30 million in Homeownership Program Bonds, Issue 2008-4. On January 2, 2009, the agency used $4.82 million of these bonds to refund bonds previously issued in the Mortgage Finance and Homeownership programs (this amount consists of $675 thousand early redemption and $4.145

million current maturities). The carrying amount of these bonds was $4.814 million. The refunding resulted in a difference of $6 thousand between the reacquisition price and the net carrying amount of the old debt. The refunding increased the agency's debt service by $2.59 million over the next 10.5 years, and the agency realized an economic loss (the difference between the present values of the old and new debt service payments) of $51 thousand.

Debt Service requirements to maturity for revenue bonds payable at June 30, 2009, are as follows (expressed in thousands):

For the Year(s) Ended June 30	Revenue Bonds Principal	Revenue Bonds Interest	Total Requirements
2010	$ 78,689	$ 93,318	$ 172,007
2011	51,718	92,628	144,346
2012	49,903	90,545	140,448
2013	46,918	88,550	135,468
2014	44,223	86,633	130,856
2015-2019	215,806	404,928	620,734
2020-2024	227,226	362,069	589,295
2025-2029	231,156	294,690	525,846
2030-2034	296,550	225,629	522,179
2035-2039	737,263	115,199	852,462
	$ 1,979,452	$ 1,854,189	$ 3,833,641

The debt principal in the preceding table is $6.891 million more than that presented in the accompanying financial statements. This amount, which is a deduction from bonds payable for the deferred amount on refundings, is not reflected in the above presentation.

<u>Notes Program</u>

The Single Family Mortgage Notes Trust Indenture, dated December 1, 1997 (the "Trust Indenture"), provides for the issuance of agency drawdown notes with a maximum aggregate principal amount of $65 million. On April 1, 1999, the Trust Indenture was supplemented providing for the maximum aggregate principal amount of $200 million. On December 1, 2002, the Trust Indenture was supplemented to provide a maximum aggregate principal amount of $450 million.

The notes bear interest, payable on the second Thursday of each succeeding month with respect to the principal amount drawn down by the agency. The interest rate is equal to ninety percent (90%) of the bond equivalent yield as determined on the related rate date. On December 1, 2002, the interest rate was changed to ninety-nine percent (99%) of the bond equivalent yield as determined on the related rate date.

In October 2008, the Internal Revenue Service issued Notice 2008-88, amending Notice 2008-41. With an effective date of March 28, 2008, this notice provides temporary relief to issuers by allowing them to purchase their own bonds and commercial paper without causing an extinguishment of the debt for tax purposes. Therefore, on October 9, 2008, due to unstable credit markets, the agency purchased at par $83.05 million of its Single Family Mortgage Notes Trust Indenture from Morgan Keegan. The agency is allowed to hold the outstanding notes through December 31, 2009, after which the notes will be available to reissue. However, in accordance with Financial Accounting Standards Board Statement No. 76, Paragraph 3, the outstanding notes are not recorded for financial reporting purposes.

On December 22, 2008, the agency borrowed $3.25 million for the Preserve Loan Program, which is part of the Housing Trust Fund. Interest is being charged quarterly at 3% with the principal maturing on December 22, 2011.

The following table is a summary of the note activity for the year ended June 30, 2009 (expressed in thousands).

Beginning Balance	Additions	Reductions	Ending Balance
$ 88,720	$ 47,580	$ 133,050	$ 3,250

The $3.25 million of promissory notes outstanding at year end consist of the Preserve Loan Program, which matures on December 22, 2011, with interest rates charged quarterly at 3%.

L. Nonmajor component units – long term debt

Tennessee Local Development Authority (TLDA)

Bonds Payable and Notes Payable at June 30, 2009, are shown below (expressed in thousands):

Revenue bonds, 3.3% to 5%, due in generally decreasing amounts of principal and interest from $5.91 million in 2010 to $26 thousand in 2034	$ 53,263
Less: Unamortized bond refunding costs	(1,375)
Net Bonds Payable	$ 51,888
Revenue bond anticipation notes, $53.29 million at 1.25% due June 16, 2010	$ 53,288

The revenue bonds and revenue bond anticipation notes 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 TLDA.

Debt Service requirements to maturity for TLDA's revenue bonds payable at June 30, 2009, are as follows (expressed in thousands):

For the Year(s) Ended June 30	Revenue Bonds Principal	Revenue Bonds Interest	Total Requirements
2010	$ 3,782	$ 2,123	$ 5,905
2011	3,592	1,988	5,580
2012	3,367	1,865	5,232
2013	3,247	1,740	4,987
2014	3,377	1,602	4,979
2015-2019	13,686	5,921	19,607
2020-2024	8,692	3,908	12,600
2025-2029	9,354	2,165	11,519
2030-2034	4,166	319	4,485
	$ 53,263	$ 21,631	$ 74,894

The above principal for revenue bonds does not reflect a $1.375 million deduction from bonds payable for the deferred amount on refunding.

Tennessee State School Bond Authority (TSSBA)

Bonds and Commercial Paper Payable at June 30, 2009, are shown below (expressed in thousands):

Revenue bonds, various Series, 0% to 7.15%, due in decreasing amounts of principal and interest from $87.697 million in 2010 to $2.137 million in 2039	$ 964,864
Less: Unamortized bond refunding costs	(19,403)
Net Bonds Payable	$ 945,461
Commercial paper, interest rates ranging from .35% to 6.25%, varying maturities	$ 174,300

The revenue bonds and commercial paper 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.

On December 17, 2008, the authority issued 2008 Series B tax-exempt revenue bonds in the amount of $166.99 million. The proceeds from the 2008B issue were used for new construction projects and to redeem $139.178 million of commercial paper. On April 15, 2009, the authority issued a new series of tax-exempt revenue bonds, 2009A, in the amount of $109.905 million. The proceeds from the 2009A issue were used for new construction projects and to redeem $86.63 million of commercial paper.

Prior-Year Defeasance of Debt. In prior years, the authority defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the authority's financial statements. On June 30, 2009, $217.76 million of bonds outstanding are considered defeased.

Debt Service requirements to maturity for TSSBA’s revenue bonds payable at June 30, 2009, are as follows (expressed in thousands):

For the Year(s) Ended June 30	Principal	Interest	Total Requirements
2010	$ 46,579	$ 41,118	$ 87,697
2011	56,518	37,074	93,592
2012	42,578	35,488	78,066
2013	42,253	33,929	76,182
2014	43,538	32,069	75,607
2015-2019	213,494	134,568	348,062
2020-2024	235,657	89,196	324,853
2025-2029	159,931	46,012	205,943
2030-2034	86,361	18,048	104,409
2035-2039	36,042	3,487	39,529
	$ 962,951	$ 470,989	$ 1,433,940

The above principal for revenue bonds is more than that presented on the accompanying financial statements by $17.489 million. Of this amount, $1.914 million represents accretion to date of interest on deep discount bonds in those years preceding the first principal payment on these bonds. This accretion has been reported above as interest in the years in which the bonds mature (2010-2011). In addition, $19.403 million, which is a deduction from bonds payable for the deferred amount on refunding, is not reflected in above presentation.

Commercial Paper Program. The Tennessee State School Bond Authority issues short-term debt to finance certain capital projects for the State of Tennessee's higher education institutions. The maximum amount of principal may not exceed $300 million. At June 30, 2009, $72.07 million of tax-exempt and $102.23 million of taxable commercial paper was outstanding.

The maturity of the paper may not exceed 270 days and the maximum interest rate may not exceed 12%. Interest rates vary ranging from .35% to 6.25% during the fiscal year. Upon maturity, the paper is remarketed by the commercial paper dealer, redeemed, or extinguished with long-term debt. The Commercial Paper bears interest at a variable rate that is paid upon maturity. The Commercial Paper liquidity provider, under a Credit Agreement, is State Street Bank and Trust Company with a termination date of March 30, 2014, subject to extension and earlier termination. The total available commitment is $304.594 million. The obligation of State Street Bank and Trust Company is to purchase unremarketed Commercial Paper. 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.

M. Component units – changes in long-term obligations

A summary of changes in long-term obligations for the year ended June 30, 2009, follows (expressed in thousands).

Changes In Long-Term Obligations

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Revenue Bonds, Notes and Loans Payable:					
University of Tennessee (UT)					
Loans and Notes Payable	$ 462,000	$ 165,441	$ (109,174)	$ 518,267	$ 24,647
Tennessee Board of Regents (TBR)					
Loans and Notes Payable	404,732	256,066	(170,453)	490,345	22,470
Tennessee Housing Development					
Agency (THDA) Bonds Payable	1,959,709	220,000	(200,257)	1,979,452	79,315
Less Deferred Amount on Refunding	(7,414)	(426)	949	(6,891)	
THDA Notes Payable	88,720	47,580	(133,050)	3,250	
Nonmajor Component Units Bonds,					
Notes, and Loans Payable	1,089,944	500,662	(338,623)	1,251,983	51,210
Less Deferred Amount on Refunding	(22,292)		1,201	(21,091)	
Total Revenue Bonds, Notes and Loans Payable	$ 3,975,399	$ 1,189,323	$ (949,407)	$ 4,215,315	$ 177,642
UT Compensated Absences	76,026	38,473	(40,844)	73,655	40,844
UT Other Post Employment Benefits	19,923	18,886		38,809	
UT Due to Grantors, Deferred					
Revenue and Annuities Payable	57,866	1,159	(1,516)	57,509	
UT Capital Leases	2,710		(703)	2,007	824
TBR Compensated Absences	57,033	31,970	(32,695)	56,308	13,796
TBR Other Post Employment Benefits	25,975	25,463		51,438	
TBR Due to Grantors, Deferred Revenue and Other	20,519	1,802	(1,373)	20,948	
THDA Escrow Deposits, Arbitrage					
Rebate Payable, and Deferred Revenue	10,730	2,522	(5,185)	8,067	651
THDA Compensated Absences	888	184		1,072	515
THDA Other Post Employment Benefits	281	449	(128)	602	
Tennessee Education Lottery Corporation					
(TELC) Prizes Annuities Payable	2,541	147	(156)	2,532	104
TELC Compensated Absences	404	536	(470)	470	365
TELC Deferred Lease	830	5	(99)	736	61
Nonmajor Component Units					
Compensated Absences	1,211	766	(731)	1,246	526
Nonmajor Component Units Other Post					
Employment Benefits	151	146		297	
Component Units Long-Term Obligations	$ 4,252,487	$ 1,311,831	$ (1,033,307)	$ 4,531,011	$ 235,328

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 Tennessee Board of Regents' 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 $85.780 million ($1.564 million due within one year).

N. **Endowments – component units**

If a donor has not provided specific instructions to the University of Tennessee and the Tennessee Board of Regents institutions, state law 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, 5 percent of a three-year moving average of the fair value of endowment investments has been authorized for expenditure. The remaining amount, 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, 2009, net appreciation of $24.391 million is available to be spent, of which $24.026 million is restricted to specific purposes.

While some Tennessee Board of Regents 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, 2009, net appreciation of $11.454 million is available to be spent, of which $11.042 million is restricted to specific purposes.

NOTE 6 – **Other information**

A. **Risk management**

1. 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, 2009, included 124 local education agencies and two education cooperatives, with 49,482 teachers and support personnel enrolled in one of three health care options: preferred provider organization plan (PPO), point of service plan (POS), or a health maintenance organization (HMO). 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. In the case of individuals or groups rejoining the plan, a preexisting condition exclusion currently applies.

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, 14th Floor William R. Snodgrass Tennessee Tower, Nashville, TN 37243-0298 or by calling (615) 532-5823.

As discussed above, the Teacher Group Insurance Fund establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represents changes in those aggregate liabilities during the past two years (expressed in thousands):

	2009	2008
Unpaid Claims at Beginning of Year	$ 27,201	$ 25,087
Incurred Claims:		
Provision for insured events of the current year	387,693	365,225
Increase (decrease) in provision for insured events of prior years	1,755	(839)
Total Incurred Claims Expenses	389,448	364,386
Payments:		
Claims attributable to insured events of the current year	359,437	338,025
Claims attributable to insured events of prior years	28,955	24,247
Total Payments	388,392	362,272
Total Unpaid Claims at End of the Year	$ 28,257	$ 27,201

2. 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 8-27-207 all local governments and quasi-governmental organizations described above are eligible to participate. Fund members at June 30, 2009, included 34 counties, 79 municipalities and 247 quasi-governmental organizations, with 13,237 employees maintaining coverage through one of four options: preferred provider plan, PPO limited plan, point of service plan, or a health maintenance organization. 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. In the case of individuals or groups rejoining the plan, a preexisting condition exclusion currently applies.

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, 14th Floor William R. Snodgrass Tennessee Tower, Nashville, TN 37243-0298 or by calling (615) 532-5823.

As discussed above, 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):

	2009	2008
Unpaid Claims at Beginning of Year	$ 5,832	$ 7,235
Incurred Claims:		
Provision for insured events of the current year	96,377	93,250
Increase (decrease) in provision for insured events of prior years	1,192	(1,435)
Total Incurred Claims Expenses	97,569	91,815
Payments:		
Claims attributable to insured events of the current year	88,950	87,418
Claims attributable to insured events of prior years	7,024	5,800
Total Payments	95,974	93,218
Total Unpaid Claims at End of the Year	$ 7,427	$ 5,832

3. Risk Management - It is the policy of the State not to purchase commercial insurance for the risks of losses for general liability, automobile liability, professional malpractice and workers' compensation. The State's management believes it is more economical to manage its risks internally and set aside assets for claim settlement in its internal service fund, the Risk Management Fund (RMF). The State purchases commercial insurance for real property, flood, earthquake, and builder's risk losses and surety bond coverage on the State's officials and employees. The RMF is also responsible for claims for damages to state owned property up to the amount of the property insurance aggregate deductible amount. The insurance policy deductibles vary from $25,000 per occurrence to an aggregate of $5 million. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. All agencies and authorities of the State participate in RMF, except for the Dairy Promotion Board and the Certified Cotton Growers' Organization (a component unit). The Tennessee Education Lottery Corporation (a component unit) participates in the RMF for general liability purposes but is responsible for its own workers' compensation coverage. 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.

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 does not 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 estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, such as salvage or subrogation, are another component of the claims liability estimate. At June 30, 2009, the present value of the casualty liability as actuarially determined was $82.831 million (discounted at 3.5%). Changes in the balances of claims liabilities during fiscal years 2008 and 2009 were as follows (expressed in thousands):

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2008-2009	$ 92,877	$ 30,129	$ (29,850)	$ 93,156
2007-2008	$ 88,459	$ 33,713	$ (29,295)	$ 92,877

At June 30, 2009, RMF held $127 million in cash and cash equivalents designated for payment of these claims.

4. 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 8-27-201 all state employees and former employees with work related injuries are eligible to participate. Fund members at June 30, 2009, included 66,650 employees enrolled in one of three options: preferred provider organization plan (PPO), point of service plan (POS), or health maintenance organization (HMO).

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 above, 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, both allocated and unallocated. The following represents changes in those aggregate liabilities during the past two years (expressed in thousands):

	2009	2008
Unpaid Claims at Beginning of Year	$ 51,968	$ 41,090
Incurred Claims:		
Provision for insured events of the current year	654,939	627,479
Increase (decrease) in provision for insured events of prior years	(5,506)	7,007
Total Incurred Claims Expenses	649,433	634,486
Payments:		
Claims attributable to insured events of the current year	607,171	575,510
Claims attributable to insured events of prior years	46,462	48,098
Total Payments	653,633	623,608
Total Unpaid Claims at End of the Year	$ 47,768	$ 51,968

5. Component Unit—AccessTN – The AccessTN insurance fund, a public-entity risk pool, was established in 2006 to provide health insurance options for the state's uninsured. In accordance with Tennessee Code Annotated 56-7-2901, the target population is those Tennessean residents unable to obtain health insurance because of their health conditions. Enrollment began on April 1, 2007, and at June 30, 2009, the plan had 4,093 participants. Three plans exist with deductibles of $1,000, $3,000, and $5,000. The benefit plans are based on PPO plans with an 80% in-network benefit and 60% out-of-network benefit and modeled after the state employee plans. The State does not retain any risk for losses by this fund.

   This insurance fund provides health care financing based in part upon member premiums, and uses traditional insurance components, including deductibles, co-insurance, pre-existing conditions exclusion periods, and benefit limits to moderate medical claims to a level which can be supported by an affordable premium. The State's enabling statute provides for an assessment on insurers, third-party administrators, and other insurance arrangements. The latest assessment for AccessTN is projected following the end of fiscal year 2009, approximately September 30, 2009. Based upon actuarial medical claims projections, AccessTN has adequate funding established by state appropriations to conduct operations through that period. Investment income is considered for premium deficiency calculations.

The following represents changes in those aggregate liabilities during the current year (expressed in thousands):

	2009	2008
Unpaid Claims at Beginning of Year	$ 5,696	$ 392
Incurred Claims:		
Provision for insured events of the current year	43,976	26,306
Increase (decrease) in provision for insured events of prior years	(1,275)	143
Total Incurred Claims Expenses	42,701	26,449
Payments:		
Claims attributable to insured events of the current year	37,841	20,610
Claims attributable to insured events of prior years	4,390	535
Total Payments	42,231	21,145
Total Unpaid Claims at End of the Year	$ 6,166	$ 5,696

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 does not extend beyond making appointments. The State appoints the board members of the Beech River Watershed Development Authority, Carroll County Watershed Authority, Goodwyn Institute Commission, Watkins Institute Commission, Tennessee Alliance for Fitness and Health, Tennessee Insurance Guaranty Association, Tennessee Life and Health Insurance Guaranty Association, Tennessee Sports Hall of Fame, Local Neighborhood Development Corporations, and Tennessee Holocaust Commission, Inc.

C. **Jointly governed organizations**

The State in conjunction with 36 other states and Puerto Rico are members of the Pest Control Compact.

The State in conjunction with 12 other states and Puerto Rico are members of the Southern Growth Policies Board. Tennessee paid $44,586 in fiscal year 2009 for membership dues.

The Southern Regional Education Compact was entered into with 15 other states. Tennessee paid $27,000 in fiscal year 2009 for membership dues.

The Compact for Education was entered into with 48 other states, plus Puerto Rico, the Virgin Islands, American Samoa and the District of Columbia. Tennessee paid $77,300 in fiscal year 2009 for membership dues.

The Interstate Mining Compact has 19 member states, including Tennessee. Tennessee paid $18,131 in fiscal year 2009 for membership dues.

The Southern States Nuclear Compact is comprised of 16 member states, including Tennessee, plus Puerto Rico and the Virgin Islands. Tennessee paid $33,267 in fiscal year 2009 for membership dues.

The Southeast Interstate Low Level Radioactive Waste Compact has 6 member states, including Tennessee.

The Interstate Insurance Product Regulation Commission is comprised of 35 member states and Puerto Rico.

The Interstate Compact for Juveniles is comprised of 39 states, including Tennessee.

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.

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):

	2008	2007 *
Current Assets	$ 198	$ 187
Capital Assets, less depreciation	365	380
Total Assets	563	567
Total Liabilities	364	378
Net Assets	199	189
Total Liabilities and Net Assets	563	567
Revenues	404	364
Expenditures	394	371
Excess of Revenues over (under) Expenditures	10	(7)
Beginning Net Assets	189	196
Ending Net Assets	$ 199	$ 189

* Revised

E. Other postemployment benefits (OPEB)

Employer

Plan Description

The State of Tennessee administers and participates in the Employee Group Plan and the Medicare Supplement Plan for retired employees' healthcare benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Tennessee Code Annotated (TCA) 8-27-201 for the state plan and TCA 8-27-701 for the Medicare Supplement Plan. Prior to reaching the age of 65, all members have the option of choosing a preferred provider organization

(PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in the Medicare Supplement Plan. That plan does not include pharmacy.

Special Funding Situation

The state is legally responsible for contributions to the Teacher Group and Medicare Supplement Plans that cover the retirees of other governmental entities. The state provides a subsidy for retired teachers in each plan. The state is not the sole "employer" contributor in the Teacher Group Plan since some Local Education Agencies provide a level of support. However, the state is the sole contributor for the teachers that participate in the Medicare Supplement Plan and, therefore, is acting as the employer.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs of the plan are allocated to plan participants. Retired employees who have not reached the age of 65 pay the same base premium as active employees in the plan adjusted for years of service. Retirees with 30 years of service are subsidized 80 percent; 25 years, 70 percent; and 20 years, 60 percent. Retired employees who are 65 years of age or older have flat rate premium subsidies based on years of service. Retirees with 30 years of service receive $50 per month; 25 years, $37.50; and 20 years, $25.

Annual OPEB Cost and Net OPEB Obligation—*Primary Government*
(dollars in thousands)

	Employee Group Plan	Teacher Group Plan (State Share)	Medicare Supplement Plan	
			State	Teachers
Annual required contribution	$ 118,719	$ 25,902	$ 15,151	$ 10,244
Interest on the net OPEB obligation	3,482	465	468	294
Adjustment to the ARC	(3,389)	(453)	(455)	(286)
Annual OPEB cost	118,812	25,914	15,164	10,252
Amount of contribution	(42,414)	(15,917)	(4,774)	(3,669)
Increase/Decrease in net OPEB obligation	76,398	9,997	10,390	6,583
Net OPEB obligation —beginning of year	77,383	10,335	10,399	6,530
Net OPEB obligation —end of year	$ 153,781	$ 20,332	$ 20,789	$ 13,113

Year End*	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6/30/2008	Employee Group	$ 117,244	34.00%	$ 77,383
6/30/2009	Employee Group	118,812	35.70%	153,781
6/30/2008	Teacher Group (State Share)	25,579	59.60%	10,335
6/30/2009	Teacher Group (State Share)	25,914	61.42%	20,332
6/30/2008	Medicare Supp State	14,900	30.21%	10,399
6/30/2009	Medicare Supp State	15,164	31.48%	20,789
6/30/2008	Medicare Supp Teachers	10,064	35.12%	6,530
6/30/2009	Medicare Supp Teachers	10,252	35.79%	13,113

*Data not available for fiscal year ended June 30, 2007

Annual OPEB Cost and Net OPEB Obligation—*Component Units*
(dollars in thousands)

	Employee Group Plan
Annual required contribution	$ 70,967
Interest on the net OPEB obligation	2,082
Adjustment to the ARC	(2,026)
Annual OPEB cost	71,023
Amount of contribution	(26,310)
Increase/Decrease in net OPEB obligation	44,713
Net OPEB obligation —beginning of year	46,258
Net OPEB obligation —end of year	$ 90,971

Year End*	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6/30/2008	Employee Group	$ 70,128	34%	$ 46,258
6/30/2009	Employee Group	$ 71,023	37%	$ 90,971

*Data not available for fiscal year ended June 30, 2007

Funded Status and Funding Progress

The funded status of the plans as of July 1, 2007, was as follows (dollars in thousands):

Primary Government

	Employee Group Plan	Teacher Group Plan (State Share)	Medicare Supplement Plan	
			State	Teachers
Actuarial valuation date	7/1/2007	7/1/2007	7/1/2007	7/1/2007
Actuarial accrued liability (AAL)	$ 1,152,887	$ 252,546	$ 200,080	$ 140,464
Actuarial value of plan assets				
Unfunded actuarial accrued liablility (UAAL)	$ 1,152,887	$ 252,546	$ 200,080	$ 140,464
Actuarial Value of Assets as a % of the AAL				
Covered payroll (active plan members)	$ 1,944,150	N/A	N/A	N/A
UAAL as a percentage of covered payroll	59.30%	N/A	N/A	N/A

Covered payroll is N/A for the Teacher Group as the state does not have any payroll information for the participants. The state is assuming a liability because of a special funding situation that exists between the state and the Teacher Group Plan. Covered payroll for the Medicare Supplement plan is N/A as this plan only has retirees enrolled.

Component Units

	Employee Group Plan
Actuarial valuation date	7/1/2007
Actuarial accrued liability (AAL)	$ 652,696
Actuarial value of plan assets	
Unfunded actuarial accrued liability (UAAL)	$ 652,696
Actuarial Value of Assets as a % of the AAL	0.00%
Covered payroll (active plan members)	$ 1,378,089
UAAL as a percentage of covered payroll	47.36%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2007, actuarial valuation for each plan, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 7 percent initially, increased to 11 percent in the second year, and then reduced by decrements to an ultimate rate of 5 percent after 12 years. Both rates include a 3 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30 year period beginning with July 1, 2007.

Plan

Healthcare is the only “other postemployment benefit” (OPEB) provided to employees. The following plans, administered by the State, are reported as Agency Funds and are financially independent.

1. Retiree Health Plan—State Plan

    a. Plan description—State and higher education retired employees participate in the State Employee Group Insurance Plan. For accounting and financial reporting purposes, the balances and transactions for these retirees have been removed from the State Employee Group Insurance Plan internal service fund and reported in an agency fund. The Employee Group Insurance Plan is a cost-sharing, multiple-employer defined benefit health insurance plan. Approximately 64 employers contribute to the plan.

       All retired employees and disability participants of the primary government and component units, who are eligible and choose coverage, are included in this plan. Retirees and disability participants prior to the age of 65 participate in this plan. At June 30, 2009, there were 7,870 retirees and disabled participants enrolled in one of three options: preferred provider organization plan (PPO), point of service (POS), or health maintenance organization (HMO). The State insurance committee establishes premiums annually.

b. Summary of significant accounting policies—Premiums are recognized when due and benefits are paid when incurred using the accrual basis of accounting. Premium refunds reduce premium revenue and claims recoveries reduce claims expense.

c. Contributions and reserves—An insurance committee created in accordance with Tennessee Code Annotated (TCA) 8-27-201, establishes the contributions to the plan by member employers and employees. Both active and pre-age 65 retired members of the Employee Group Insurance Plan pay the same premium rate. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs of the plan are allocated to plan participants. Retiree premiums are based on years of service; therefore, retirees with 30 years of service are subsidized 80 percent; 25 years, 70 percent; and 20 years, 60 percent. This plan is funded on a pay-as-you-go basis.

2. Retiree Health Plan—LEA Plan

a. Plan description—Retired teachers participate in the Teacher Group Insurance Plan. For accounting and financial reporting purposes, the balances and transactions for these retirees have been removed from the Teacher Group Insurance Plan enterprise fund and reported in an agency fund. The Teacher Group Insurance Plan is a cost-sharing, multiple-employer defined benefit health insurance plan that is considered to be an agent multiple-employer plan for accounting purposes. Approximately 126 local education agencies and two education cooperatives participate in the plan.

All retired teachers and disability participants of the local education agencies, who are eligible and choose coverage, are included in this plan. Retirees and disability participants prior to the age of 65 participate in this plan. At June 30, 2009, there were 5,698 retirees and disability participants enrolled in one of three options: preferred provider organization plan (PPO), point of service (POS), or health maintenance organization (HMO). The insurance committee establishes premiums annually.

b. Summary of significant accounting policies—Premiums are recognized when due and benefits are paid when incurred using the accrual basis of accounting. Premium refunds reduce premium revenue and claims recoveries reduce claims expense.

c. Contributions and reserves—An insurance committee created in accordance with Tennessee Code Annotated (TCA) 8-27-302, establishes the contributions to the plan by member employers and employees. Both active and pre-age 65 retired members of the Teacher Group Insurance Plan pay the same premium rate. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs of the plan are allocated to plan participants. Not all employers contribute to retirees' healthcare premiums. Those employers who do contribute to the retirees' premiums primarily do so based on years of service. This plan is funded on a pay-as-you-go basis.

3. Retiree Health Plan—Local Plan

   a. Plan description—Local government retired employees participate in the Local Government Group Insurance Plan. For accounting and financial reporting purposes, the balances and transactions for these retirees have been removed from the Local Government Group Insurance Plan enterprise fund and reported in an agency fund. The Local Government Group Insurance Plan is a cost-sharing, multiple-employer plan that is considered to be an agent multiple-employer plan for accounting purposes. Approximately 34 counties, 78 municipalities, and 264 quasi-governmental organizations participate in the plan.

      All retired employees and disability participants of the local governments, who are eligible and choose coverage, are included in this plan. Retirees and disability participants prior to the age of 65 participate in this plan. At June 30, 2009, there were 205 retirees and disability participants enrolled in one of three options: preferred provider organizations plan (PPO), point of service (POS), or health maintenance organization (HMO). The insurance committee establishes premiums annually.

   b. Summary of significant accounting policies—Premiums are recognized when due and benefits are paid when incurred using the accrual basis of accounting. Premium refunds reduce premium revenue and claims recoveries reduce claims expense.

   c. Contributions and reserves—An insurance committee created in accordance with Tennessee Code Annotated (TCA) 8-27-207, establishes the contributions to the plan by member employers and employees. Both active and pre-age 65 retired members of the Teacher Group Insurance Plan pay the same premium rate. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs of the plan are allocated to plan participants. Not all employers contribute to retirees' healthcare premiums. Those employers who do contribute to the retirees' premiums primarily do so based on years of service. This plan is funded on a pay-as you-go basis.

4. Retiree Health Plan—Medicare Supplement

   a. Plan description—Post-65 retired employees of the state, higher education, local education agencies, and certain local governments may participate in the Medicare Supplement Insurance Plan. This plan is reported in an agency fund. Prior to July 1, 2006, this plan was reported as an enterprise fund. The Medicare Supplement Plan is a cost-sharing, multiple-employer defined benefit health insurance plan that is considered to be an agent multiple-employer plan for accounting purposes. Employers who participate in the State Plan, LEA Plan, and Local Plan may participate in this plan. All retired employees who are Medicare eligible, by virtue of age and receive a retirement benefit from the Tennessee Consolidated Retirement System, and choose coverage, are included in this plan. At June 30, 2009, there were 33,534 retirees and disabled members enrolled. The State insurance committee establishes premiums annually.

   b. Summary of significant accounting policies—Premiums are recognized when due and benefits are paid when incurred using the accrual basis of accounting. Premium refunds reduce premium revenue and claims recoveries reduce claims expense.

   c. Contributions and reserves—In accordance with Tennessee Coded Annotated 8-27-701, the state insurance committee establishes the contributions 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 of the plan are allocated to plan participants. Not all employers contribute to retirees' healthcare premiums. Employers contribute a fixed amount to retirees' premiums based on years of service; therefore, retirees with 30 years of service are subsidized $50 per month; 25 years, $37.50; and 20 years, $25. This plan is funded on a pay-as-you-go basis.

5. Cobra—Federal law requires large employers to continue health insurance benefits to employees who have terminated employment for up to 18 months. The former employees must pay 102 percent of the total premium (employee plus employer share), funded on a pay-as-you-go basis. Insurance coverage is not mandatory if the former employee is eligible for Medicare or has coverage with another group medical plan. The State covered an average of 511 former employees during fiscal year 2008-2009, and the State Plan paid approximately $6.0 million in benefits to this group.

F. **Pension plans**

1. State Defined Benefit Plan - The State of Tennessee contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS) and consisting of 140 participating employers. The TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established by state statute found in Title 8, Chapters 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Cost of living adjustments (COLA) are provided each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent; a COLA of one percent will be granted if the CPI increases between one-half percent and one percent; the maximum annual COLA is capped at three percent.

   Plan member contributions are recognized in the period of time for which the contributions are assessed. Plan employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

   Most plan members are noncontributory. The State of Tennessee is required to contribute at an actuarially determined rate. The current rate is 13.02% of annual covered payroll. The contribution requirements of the State of Tennessee are established and may be amended by the TCRS Board of Trustees. The State's contributions to TCRS for the years ending June 30, 2009, 2008, and 2007, were $583.985 million, $593.412 million, and $562.729 million respectively, equal to the required contributions for each year.

   The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for SETHEEPP. That report is available on the TCRS website at www.treasury.tn.gov/TCRS/ or by calling (615) 741-7063.

2. Political Subdivision Defined Benefits Plan - TCRS administers the Political Subdivision Pension Plan (PSPP), which is an agent multiple-employer defined benefit pension plan that covers employees of 482 participating political subdivisions. The PSPP provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan prior to July 1, 1979, are vested after four

years of service. Members joining on or after July 1, 1979, are vested upon completion of 10 years of service, unless five years vesting is authorized by resolution of the chief governing body. Benefit provisions are established and amended by state statute. Cost of living adjustments (COLA) are the same as provided by SETHEEPP except that the local government may elect (a) to provide no COLA benefits or (b) to provide COLA benefits under a non-compounding basis rather than the compounded basis applicable under SETHEEPP. Pursuant to Article Two, Section 24 of the Constitution of the State of Tennessee, the State cannot mandate costs on local governments. Any benefit improvement may be adopted by the governing body of a governmental entity participating in the TCRS.

Plan member contributions are recognized in the period of time for which the contributions are assessed. Plan employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for PSPP. The PSPP report is available on the TCRS website at www.treasury.tn.gov/TCRS/ or by calling (615) 741-7063.

3. Defined Contribution Plan - The Optional Retirement Plan (ORP) as administered by the Tennessee Treasury Department is a defined contribution plan. The ORP was established by state statute in Title 8, Chapter 35, Part 4 of the TCA. This statute also sets out the plan provisions. State statutes are amended by the Tennessee General Assembly. The ORP was designed to provide benefits at retirement to faculty and staff of the Tennessee Board of Regents institutions and the University of Tennessee system who are exempt from the overtime provision of the Fair Labor Standards Act and who waive membership in the TCRS. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Plan members are noncontributory. The State of Tennessee contributes 10% of the employee's base salary up to the social security wage base and 11% above the social security wage base. The required contributions made by the State of Tennessee to the ORP were $83.8 million for the year ended June 30, 2009.

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

4. Deferred Compensation - The State offers its employees two deferred compensation plans, one established pursuant to IRC Section 457 and the other pursuant to IRC Section 401(k). All costs of administering and funding these programs are the responsibility of plan participants.

   The Section 401(k) and Section 457 plan assets remain the property of the contributing employees, they are not presented in the accompanying financial statements. IRC Sections 401(k) and 457 establish participation, contribution and withdrawal provisions for the plans. During the year ended June 30, 2009, contributions totaling $138.3 million were made to the plans.

G. Investment pool

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

A copy of the SPIF report can be obtained by writing Tennessee Treasury Department, Accounting Division, 9th Floor Andrew Jackson Building, Nashville, TN 37243-0231 or by calling (615) 741-7063.

H. Loan guarantees

The Tennessee Student Assistance Corporation (TSAC), a component unit, operates the Guaranteed Student Loans Program. The U. S. Department of Education (USDE) reinsures a majority of the student loans for at least 75% of their principal amounts. At June 30, 2009, TSAC was guarantor of $4.895 billion in student loans. TSAC has minimal obligation under these student loan guarantees in the event of default.

I. Nashville correctional facilities revenue bonds

In June 1991, revenue bonds were issued by the Metropolitan Government of Nashville that were refunded in February 2002. The refunding bonds have an outstanding balance at June 30, 2009, of $5.665 million. These bonds are obligations of the Metropolitan Government of Nashville. The State is committed to pay Nashville for the housing of locally sentenced inmates, including debt service on the bonds.

J. Contingencies

1. Litigation

   The State is a defendant in multiple legal proceedings. Included in these claims are cases associated with the legality and compliance of the policies and practices of the State's Medicaid agency.

   The State is also involved in other litigating matters that include claims which normally recur in governmental operations. Some of these lawsuits, including the ones referred to above, may have a future budgetary programmatic impact. They will be addressed in future budgets. Other potential losses resulting from unfavorable verdicts in legal proceedings are estimated to cost the State approximately $17 million.

2. Tobacco settlement

   In November 1998, Tennessee joined 45 other states, the District of Columbia and five territories in a settlement agreement against the nation's largest tobacco manufacturers, to seek redress against the tobacco companies for violations of state consumer and antitrust laws. The Master Settlement Agreement (MSA) includes base payments to all states and territories through 2025, and continues in perpetuity. Tennessee's share of the base payments was originally projected at $4.8 billion through the year 2025. Since the agreement is complex, the annual payments have, and will continue to be, subject to a number of adjustments including inflation, volume, previously settled states and non-participating manufacturers. 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. The non-participating manufacturers' adjustment is currently the subject of dispute, and some of the sums related to it are being withheld from the payments to the States. Furthermore, there is a possibility that additional amounts, which were paid in previous years, could be subject to refund as a result of these ongoing disputes. These refunds could reduce future payments received by some of the MSA participants. Third party lawsuits may also affect future payments. The net effect of these adjustments on future payments is unclear.

3. Pollution Remediation Obligations

   During the fiscal year ended June 30, 2009, the State implemented GASB Statement No. 49 which provides guidance on estimating and reporting 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 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 $18.7 million for remediation activities and had an expected recovery of $8.7 million from responsible parties. At June 30, 2009, the State had a pollution remediation obligation of $81.6 million and an estimated potential recovery of $11.6 million from other responsible parties.

K. **Subsequent events**

Primary Government

Subsequent to June 30, the State issued $244 million in general obligation commercial paper. Also, in December 2009, the State issued 2009 Series C tax-exempt general obligation bonds in the amount of $235.9 million at a premium of $26.3 million and 2009 Series D taxable general obligation bonds in the amount of $54.1 million. The Series C issuance was used to redeem commercial paper and to finance the purchase of capital assets and the Series D issuance was used to redeem commercial paper and refund 2004 Series B taxable general obligation bonds.

Component Units

Subsequent to June 30, Tennessee Housing Development Agency (THDA) had the following revenue bond issuances: (2009-2) in September 2009 in the amount of $75 million, (2009-A) in December 2009 in the amount of $100 million, and (2009-B) in December 2009 in the amount of $300 million, (2009-B), Subseries B-1, in June 2010 in the amount of $85.2 million, and (2010-A) in June 2010 in the amount of $74.7 million. The bond proceeds were used to fund mortgage loans. The agency used mortgage prepayments, foreclosures proceeds, and note proceeds to redeem $43 million of outstanding bonds in July 2009, $65.6 million in October 2009, $50 million in January 2010, $20.5 million in June 2010, and $78.7 million in July 2010.

Subsequent to June 30, the Tennessee State School Bond Authority (TSSBA) issued $128.2 million in commercial paper. In December 2009, TSSBA issued $177 million in Qualified School Construction Bonds. The bond proceeds are used by K-12 schools for renovations and rehabilitation projects, equipment purchases, new building construction and land acquisition.

Subsequent to June 30, the Tennessee Local Development Authority (TLDA) was authorized to issue 2010 Series A Revenue Bond Anticipation Notes in the amount of $53 million. This issuance occurred in June 2010. The note proceeds were used to redeem outstanding notes and finance new sewer treatment projects.

H.R. 4872, The Health Care and Education Reconciliation Act of 2010 became Public Law number 111-152 (the Act) with the signing by President Obama on March 30, 2010. The bill effectively replaces the Federal Family Education Loan (FFEL) Program with a Federal government run Direct Loan program effectively July 1, 2010. Section 2201 of H.R. 4872 prohibits any new loans from being made or insured under the Federal Family Education Loan (FFEL) program after June 30, 2010. Only FFEL loans that had a first disbursement prior to July 1, 2010 are permitted to make any subsequent disbursements that are outstanding. Any new loans with a first disbursement on or after July 1, 2010 will be allowed only through William D. Ford Direct Loan (DL). The Tennessee Student Assistance Corporation anticipates that this will materially reduce and eventually eliminate Loan Processing and Issuance Fees (LPIF) Revenues in future years.

Other

On May 1 and May 2, 2010, the state of Tennessee experienced widespread flooding due to severe thunderstorms causing damage to the State. The financial impact of the flooding is not known at this time.

REQUIRED SUPPLEMENTARY INFORMATION

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Infrastructure Assets Reported Using the Modified Approach

ROADWAYS

Measurement Scale

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

Established Condition Level

The state intends to maintain roadways so that the reported condition level each year does not fall below 75.

Assessed Conditions

The following table presents the average MRI of all rated segments.

For the Period Ended	Maintenance Rating Index
June 30, 2009	89.60
June 30, 2008	89.20
June 30, 2007	89.70

BRIDGES

Measurement Scale

The state maintains information on its 8,136 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
June 30, 2008	81.00%
June 30, 2006	85.80%
June 30, 2004	80.00%

ESTIMATED AND ACTUAL COSTS TO MAINTAIN

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

For the Period Ended June 30	Roadways		Bridges	
	Estimated	Actual	Estimated	Actual
2009	$374,003	$405,439	$40.217	$46.815
2008	270,331	310,355	36,224	29,196
2007	236,556	286,663	35,624	28,183
2006	224,472	277,442	33,052	38,327
2005	261,846	229,414	35,372	23,054
2004	290,027	260,066	29,247	36,514
2003	289,516	285,459	28,787	39,557

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

Other Post Employment Benefits Schedule of Funding Progress—*Primary Government*
(dollars in thousands)

Actuarial Valuation Date	Plan	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) — (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
7/1/07	State Plan	$ 0	$ 1,152,887	$ 1,152,887	0 %	$ 1,944,150	59.30%
7/1/07	Teacher Grp (State-Share)	$ 0	$ 252,546	$ 252,546	0 %	N/A	N/A
7/1/07	MedSup S	$ 0	$ 200,080	$ 200,080	0 %	N/A	N/A
7/1/07	MedSup T	$ 0	$ 140,464	$ 140,464	0 %	N/A	N/A

*Two additional years will be reported as data becomes available.

Other Post Employment Benefits Schedule of Funding Progress—*Component Units*
(dollars in thousands)

Actuarial Valuation Date	Plan	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) — (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
7/1/07	State P	$ 0	$ 652,696	$ 652,696	0 %	$ 1,378,089	47%

State of Tennessee
AccessTN Insurance Fund
Required Supplementary Information
Ten-Year Claims Development Table

(Expressed in Thousands)

The table below illustrates how the AccessTN Insurance Fund's earned revenues and investment income compared to related costs of loss and other expenses assumed by the AccessTN Insurance Fund as of the end of each of the last three fiscal years since inception of the fund in April 2007. The rows of the table are defined as follows: (1) This line shows the total of each fiscal year's earned contribution revenues and investment revenues. (2) This line shows each fiscal year's other operating costs of the fund including overhead and claims expense not allocable to individual claims. (3) This line shows the fund's incurred claims and allocated claim adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (policy year). (4) This section shows the cumulative net amounts paid as of the end of successive years for each year. (5) This section shows how each year's net incurred claims increased or decreased as of the end of successive years. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known. (6) This line compares the latest reestimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years. The columns of the table show data for successive fiscal and policy years.

	2007	2008	2009
(1) Required contribution and investment revenue earned (fiscal year)	877	21,847	23,777
(2) Unallocated expenses	3,520	2,830	2,085
(3) Estimated claims and expenses, end of policy year, net incurred	8,922	38,764	*
(4) Net paid (cumulative) as of:			
End of policy year	6,591	34,095	*
One year later	9,044	*	*
(5) Reestimated net incurred claims and expenses:			
End of policy year	8,922	38,764	*
One year later	8,975	*	*
(6) Increase (decrease) in estimated net incurred claims and expenses from end of policy year	53	*	*

* Data not available

See the notes to the financial statements for instructions on obtaining the stand alone reports containing the above table for the remainder of the State’s insurance funds not presented here.

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, 2009

(Expressed in Thousands)

	General Fund			
	Budgeted Amounts		Actual (Budgetary Basis)	Variance With Final Budget - Positive (Negative)
	Original	Final		
Sources of financial resources:				
Fund balances (budgetary basis), July 1	$ 2,209,979	$ 2,209,979	$ 2,209,979	
Add:				
Contract reserves reappropriated				
Adjusted fund balances (budgetary basis), July 1	2,209,979	2,209,979	2,209,979	
Revenues:				
Taxes	6,469,444	6,469,444	5,302,071	$ (1,167,373)
Licenses, fines, fees, and permits	201,484	201,484	286,943	85,459
Interest on investments	40,000	40,000	45,196	5,196
Federal	8,294,922	8,733,278	8,330,500	(402,778)
Departmental services	2,189,299	2,316,662	2,199,052	(117,610)
Other	215,449	215,449	222,310	6,861
Other financing sources:				
Transfers in	204,175	331,775	331,775	
Bond authorization				
Insurance recoveries		21	21	
Total sources of financial resources	19,824,752	20,518,092	18,927,847	(1,590,245)
Uses of financial resources:				
Expenditures and encumbrances:				
General government				
Legislative	71,990	71,964	38,013	33,951
Secretary of State	49,519	49,384	39,560	9,824
Comptroller	101,154	100,704	87,455	13,249
Treasurer	51,718	54,012	46,936	7,076
Governor	4,690	4,304	3,591	713
Commissions	81,641	82,813	78,507	4,306
Finance and Administration	141,944	129,064	93,594	35,470
Personnel	13,339	15,809	12,494	3,315
General Services	25,739	25,539	20,479	5,060
Revenue	118,447	114,198	105,142	9,056
Miscellaneous Appropriations	100,003	67,188	29,283	37,905
Education				
Health and social services				
Veterans Affairs	5,128	4,932	4,605	327
Labor and Workforce Development	238,314	269,182	223,726	45,456
TennCare	7,899,930	8,751,326	7,688,345	1,062,981
Mental Health	348,381	358,313	300,615	57,698
Mental Retardation	839,696	899,992	858,142	41,850
Health	588,266	594,555	528,109	66,446
Human Services	2,164,617	2,721,030	2,468,255	252,775
Cover Tennessee	212,661	212,661	144,158	68,503
Children's Services	691,126	727,196	675,398	51,798
Law, justice and public safety				
Judicial	287,811	295,465	280,505	14,960
Correction	701,922	653,191	625,477	27,714
Probation and Parole	82,883	80,283	78,459	1,824
Military	113,490	131,278	85,993	45,285
Bureau of Criminal Investigation	68,712	68,810	64,194	4,616
Safety	178,285	160,926	153,773	7,153
Recreation and resource development				
Agriculture	91,392	85,063	78,872	6,191
Tourist Development	20,007	19,407	17,751	1,656
Environment and Conservation	249,373	279,515	217,168	62,347
Economic and Community Development	336,360	255,130	110,228	144,902
Regulation of business and professions				
Commerce and Insurance	85,714	85,469	71,045	14,424
Financial Institutions	16,169	14,149	13,654	495
Transportation				
Intergovernmental revenue sharing	527,857	527,857	527,857	
Other financing uses:				
Transfers out	1,419,583	1,419,946	1,419,946	
Total uses of financial resources	17,927,861	19,330,655	17,191,329	2,139,326
Fund balances (budgetary basis), June 30	$ 1,896,891	$ 1,187,437	$ 1,736,518	$ 549,081

Education Fund				Highway Fund			
Budgeted Amounts		Actual (Budgetary Basis)	Variance With Final Budget - Positive (Negative)	Budgeted Amounts		Actual (Budgetary Basis)	Variance With Final Budget - Positive (Negative)
Original	Final			Original	Final		
$ 517,082	$ 517,082	$ 517,082		$ 7,707	$ 7,707	$ 7,707	
				625,565	625,565	625,565	
517,082	517,082	517,082		633,272	633,272	633,272	
4,368,500	4,368,500	3,941,987	$ (426,513)	801,600	801,600	756,123	$ (45,477)
1,900	1,900	1,679	(221)	227,800	227,800	211,433	(16,367)
		1,461	1,461			17	17
920,937	1,247,886	871,132	(376,754)	867,427	4,121,077	760,888	(3,360,189)
72,475	87,997	49,507	(38,490)	42,798	49,719	37,305	(12,414)
310,000	310,000	310,461	461	4,740	4,740	2,664	(2,076)
1,169,950	1,169,950	1,169,950		3	88,703	88,703	
				225,700	87,000		(87,000)
7,360,844	7,703,315	6,863,259	(840,056)	2,803,340	6,013,911	2,490,405	(3,523,506)
6,590,135	6,848,501	6,327,052	521,449				
				2,565,728	5,776,299	2,198,960	3,577,339
				294,100	294,100	282,206	11,894
402	12,042	12,042		1,125	1,125	1,125	
6,590,537	6,860,543	6,339,094	521,449	2,860,953	6,071,524	2,482,291	3,589,233
$ 770,307	$ 842,772	$ 524,165	$ (318,607)	$ (57,613)	$ (57,613)	$ 8,114	$ 65,727

State of Tennessee
Required Supplementary Information
Reconciliation of Budget to GAAP
Note to RSI
For the Fiscal Year Ended June 30, 2009

(Expressed in thousands)

1. Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures

	General Fund	Education Fund	Highway Fund
Sources of financial resources			
Actual amounts (budgetary basis)	$ 18,927,847	$ 6,863,259	$ 2,490,405
Differences - budget to GAAP:			
The fund balance at the beginning of the fiscal year is a budgetary resource but is not a current-year revenue for financial statement purposes.	(2,209,979)	(517,082)	(633,272)
Other financing sources are inflows of budgetary resources, but are not revenues for financial statement purposes.	(331,796)	(1,169,950)	(88,703)
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 16,386,072	$ 5,176,227	$ 1,768,430
Uses of financial resources			
Actual amounts (budgetary basis)	$ 17,191,329	$ 6,339,094	$ 2,482,291
Differences - budget to GAAP:			
Certain construction contract commitments are reported in the year of federal appropriation for budgetary purposes, but in the year the services are received for financial reporting purposes.			(605,317)
Transfers to other funds are outflows of budgetary resources, but are not expenditures for financial statement purposes.	(1,419,946)	(12,042)	(1,125)
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 15,771,383	$ 6,327,052	$ 1,875,849

2. Budgetary process

Legislation requires the Governor to present his proposed budget to the General Assembly at the beginning of each annual session. Annual budgets are adopted for the general fund, special revenue funds (except Fraud and Economic Crime, Community Development and Dairy Promotion Board), and 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 departmental 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. Only the legislature, however, may transfer appropriations between departments.

Most appropriations generally lapse at the end of each fiscal year. There were no outstanding encumbrances reported as of June 30, 2009. In order to provide sufficient funding for several programs during the year, supplemental appropriations of $34.981 million were required.

The State's annual budget is prepared on the modified accrual basis of accounting with several exceptions, principally the effect of contract obligations and certain budgetary commitments in the highway fund. Because these exceptions represent departures from generally accepted accounting principles (GAAP), actual amounts, in the accompanying budgetary comparison schedule, are presented on the budgetary basis. Appropriations for contract obligations in the highway fund do not lapse at year-end, but are carried forward for subsequent year expenditures. In addition, it is the State’s budgetary practice to appropriate matching dollars for jointly funded projects in the year of federal apportionment. These appropriations do not lapse at year-end but are also carried forward for subsequent year expenditure.

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.

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.

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, 2009

(Expressed in Thousands)

	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Permanent Funds	Total Nonmajor Governmental Funds
Assets					
Cash and cash equivalents	$ 295,873	$ 341	$ 294,169	$ 45,548	$ 635,931
Investments				198,634	198,634
Receivables:					
Taxes	3,651	5,082		20	8,753
Due from other governments	4,076		5,414		9,490
Interest				1,651	1,651
Other	6,390		20		6,410
Due from other funds	1				1
Due from component units			729	763	1,492
Prepayments		19			19
Loans receivable	10,189	10,911			21,100
Restricted assets:					
Cash and cash equivalents			145,090		145,090
Total assets	$ 320,180	$ 16,353	$ 445,422	$ 246,616	$ 1,028,571
Liabilities and fund balances					
Liabilities:					
Accounts payable and accruals	$ 30,429	$ 143	$ 15,294		$ 45,866
Due to other funds	294				294
Due to component units				$ 1,977	1,977
Deferred revenue	2,027	11,982			14,009
Advance from federal government	35,433				35,433
Deposits payable	1				1
Payable from restricted assets			29,098		29,098
Other		231			231
Total liabilities	68,184	12,356	44,392	1,977	126,909
Fund balances:					
Reserved for:					
Related assets	3,019				3,019
Contracts			11		11
Specific purposes:					
Permanent funds:					
Expendable				102,997	102,997
Nonexpendable				141,642	141,642
Unreserved, undesignated reported in:					
Special revenue funds	248,977				248,977
Debt service fund		3,997			3,997
Capital projects fund			401,019		401,019
Total fund balances	251,996	3,997	401,030	244,639	901,662
Total liabilities and fund balances	$ 320,180	$ 16,353	$ 445,422	$ 246,616	$ 1,028,571

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, 2009

(Expressed in Thousands)

	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Permanent Funds	Total Nonmajor Governmental Funds
Revenues					
Taxes:					
Sales		$ 44,977			$ 44,977
Fuel	$ 17,498	88,700			106,198
Business	335	211,223			211,558
Other	13,541				13,541
Licenses, fines, fees, and permits	172,739	2,700		$ 2,271	177,710
Investment income/(loss)	4,828			(27,538)	(22,710)
Federal	38,373		$ 12,141		50,514
Departmental services	13,186	970	52,179		66,335
Other	4		43	51	98
Total revenues	260,504	348,570	64,363	(25,216)	648,221
Expenditures					
Current:					
General government	26,311				26,311
Education				8,291	8,291
Law, justice and public safety	6,316				6,316
Recreation and resources development	175,336			530	175,866
Regulation of business and professions	46,914				46,914
Debt service:					
Bond principal retirement		83,810			83,810
Commercial paper retirement		150			150
Bond interest		49,988			49,988
Commercial paper interest		2,122			2,122
Debt issuance costs		4,362			4,362
Capital outlay			472,451		472,451
Total expenditures	254,877	140,432	472,451	8,821	876,581
Excess (deficiency) of revenues over (under) expenditures	5,627	208,138	(408,088)	(34,037)	(228,360)
Other financing sources (uses)					
Bond and commercial paper issued			601,664		601,664
Commercial paper redeemed			(273,443)		(273,443)
Refunding bond proceeds		91,536			91,536
Refunding bond premium		10,670			10,670
Refunding payment to escrow		(101,707)			(101,707)
Bond premium		30,147			30,147
Insurance claims recoveries			230		230
Transfers in	33,581	4,104	181,694	402	219,781
Transfers out	(128)	(246,022)	(190,200)		(436,350)
Total other financing sources (uses)	33,453	(211,272)	319,945	402	142,528
Net changes in fund balances	39,080	(3,134)	(88,143)	(33,635)	(85,832)
Fund balances, July 1	212,916	7,131	489,173	278,274	987,494
Fund balances, June 30	$ 251,996	$ 3,997	$ 401,030	$ 244,639	$ 901,662

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.

Job Skills—This program is administered by the Department of Economic and Community Development. Revenues are collected from a tax on employer's wages. The revenues will be used to enhance employment opportunites and to meet the needs of existing and new industries in the state.

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 any alleged ground 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.

Community Development—This fund is used to account for the federal monies received for revolving loans made primarily to small businesses.

Driver Education—This program is designed and coordinated by the Department of Safety. Highway safety is promoted by providing driver education, instruction 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.

Regulatory Boards—This program is administered by the Department of Commerce and Insurance. Revenues are collected from fees assessed on licenses to real estate brokers, affiliate real estate brokers or auctioneers. These revenues are used to pay court judgments for violations by brokers, contractors or auctioneers of the applicable acts or of any rules promulgated by the appropriate officials.

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.

Dairy Promotion Board—This Board was formed to promote the consumption of milk and milk products. Revenue is derived from an assessment against commercial milk and milk product producers.

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 Regulatory Authority—The authority is responsible for executing and enforcing all statutes governing utilities. Revenues are derived principally from inspection and supervision fees.

Small and Minority Owned Business Assistance—This program provides loans and loan guarantees and technical assistance to small and minority-owned companies. Revenues collected during fiscal years 1997-2001, were derived from a fee on telecommunication service providers.

Sex Offender Treatment Program—This program was formed to standardize the evaluation, identification, treatment and continued monitoring of sex offenders. Revenue is derived from a fine on those convicted of a sex offense.

Cemetery Consumer Protection—This program is administered by the Department of Commerce and Insurance. Revenues are collected from fees on every pre-need sales contract entered into by a renewed cemetery registration. These fees are used to fund the cemetery registration program and to fund any receivership action initiated against a cemetery due to a deficiency in the cemetery's improvement care or pre-need merchandise and services trust fund.

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

State of Tennessee
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2009

(Expressed in Thousands)

	Wildlife Resources Agency	Criminal Injuries Compensation	Solid Waste	Job Skills	Help America Vote	Environmental Protection
Assets						
Cash and cash equivalents	$ 42,979	$ 11,183	$ 4,799	$ 17,550	$ 37,117	$ 8,248
Receivables:						
Taxes	64	530	1,729			
Due from other governments	2,873					
Other	275	5,642	1			
Due from other funds				1		
Loans receivable						
Total assets	$ 46,191	$ 17,355	$ 6,529	$ 17,551	$ 37,117	$ 8,248
Liabilities and fund balances						
Liabilities:						
Accounts payable and accruals	$ 3,921	$ 7,636	$ 3,963	$ 503		
Due to other funds	180	44	5			
Deferred revenue	13					
Advance from federal government					$ 35,433	
Deposits payable						
Total liabilities	4,114	7,680	3,968	503	35,433	
Fund balances:						
Reserved for:						
Related assets						
Unreserved	42,077	9,675	2,561	17,048	1,684	$ 8,248
Total fund balances	42,077	9,675	2,561	17,048	1,684	8,248
Total liabilities and fund balances	$ 46,191	$ 17,355	$ 6,529	$ 17,551	$ 37,117	$ 8,248

(continued on next page)

Hazardous Waste	Parks Acquisition	Supreme Court Boards	Underground Storage Tanks	Enhanced Emergency 911 Service	Community Development	Driver Education
$ 6,835	$ 20,345	$ 1,975	$ 47,985	$ 72,802	$ 3,006	$ 416
			1,255			67
297	475		431			
		431	1	31		
					7,170	
$ 7,132	$ 20,820	$ 2,406	$ 49,672	$ 72,833	$ 10,176	$ 483
$ 204	$ 1,440	$ 107	$ 2,524	$ 9,296		$ 18
11	6		18	3		1
1,542		15	457			
1,757	1,446	122	2,999	9,299		19
5,375	19,374	2,284	46,673	63,534	$ 10,176	464
5,375	19,374	2,284	46,673	63,534	10,176	464
$ 7,132	$ 20,820	$ 2,406	$ 49,672	$ 72,833	$ 10,176	$ 483

State of Tennessee
Combining Balance Sheet
Nonmajor Special Revenue Funds (continued)
June 30, 2009

(Expressed in Thousands)

	Abandoned Land Program	Agricultural Non-Point Water Pollution	Regulatory Boards	Salvage Title Enforcement	Dairy Promotion Board	Drycleaner's Environmental Response
Assets						
Cash and cash equivalents	$ 1,180	$ 1,832	$ 3,814	$ 503	$ 16	$ 1,324
Receivables:						
Taxes						
Due from other governments						
Other					2	
Due from other funds						
Loans receivable						
Total assets	$ 1,180	$ 1,832	$ 3,814	$ 503	$ 18	$ 1,324
Liabilities and fund balances						
Liabilities:						
Accounts payable and accruals	$ 32	$ 266	$ 13	$ 21	$ 13	$ 54
Due to other funds				2		1
Deferred revenue						
Advance from federal government						
Deposits payable						
Total liabilities	32	266	13	23	13	55
Fund balances:						
Reserved for:						
Related assets						
Unreserved	1,148	1,566	3,801	480	5	1,269
Total fund balances	1,148	1,566	3,801	480	5	1,269
Total liabilities and fund balances	$ 1,180	$ 1,832	$ 3,814	$ 503	$ 18	$ 1,324

Agricultural Regulatory Fund	Tennessee Regulatory Authority	Small and Minority Owned Business Assistance	Sex Offender Treatment Program	Cemetery Consumer Protection	Fraud and Economic Crime	Total Nonmajor Special Revenue Funds
$ 1,401	$ 467	$ 7,785	$ 57	$ 22	$ 2,232	$ 295,873
			6			3,651
						4,076
	7					6,390
						1
		3,019				10,189
$ 1,401	$ 474	$ 10,804	$ 63	$ 22	$ 2,232	$ 320,180
$ 5	$ 280	$ 98	$ 35			$ 30,429
	23					294
						2,027
						35,433
	1					1
5	304	98	35			68,184
		3,019				3,019
1,396	170	7,687	28	$ 22	$ 2,232	248,977
1,396	170	10,706	28	22	2,232	251,996
$ 1,401	$ 474	$ 10,804	$ 63	$ 22	$ 2,232	$ 320,180

State of Tennessee
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2009

(Expressed in Thousands)

	Wildlife Resources Agency	Criminal Injuries Compensation	Solid Waste	Job Skills	Help America Vote	Environmental Protection
Revenues						
Taxes:						
Fuel	$ 517					
Business	334			$ 1		
Other	6,000		$ 6,526			
Licenses, fines, fees, and permits	38,740	$ 10,324	6,121			$ 37,313
Interest on investments	655	166	57	305	$ 603	126
Federal	25,110	7,115			979	
Departmental services	9,083		39			
Other		3				
Total revenues	80,439	17,608	12,743	306	1,582	37,439
Expenditures						
General government		14,912			1,606	
Law, justice and public safety						
Recreation and resources development	79,949		10,658	4,506		37,191
Regulation of business and professions						
Total expenditures	79,949	14,912	10,658	4,506	1,606	37,191
Excess (deficiency) of revenues over (under) expenditures	490	2,696	2,085	(4,200)	(24)	248
Other financing sources (uses)						
Transfers in	1,229		362			
Transfers out	(128)					
Total other financing sources (uses)	1,101		362			
Net change in fund balances	1,591	2,696	2,447	(4,200)	(24)	248
Fund balances, July 1	40,486	6,979	114	21,248	1,708	8,000
Fund balances, June 30	$ 42,077	$ 9,675	$ 2,561	$ 17,048	$ 1,684	$ 8,248

(continued on next page)

Hazardous Waste	Parks Acquisition	Supreme Court Boards	Underground Storage Tanks	Enhanced Emergency 911 Service	Community Development	Driver Education
			$ 16,981			
	$ 75					
		$ 3,939	4,343	$ 57,268		$ 758
$ 83	442	30	702	1,032	$ 294	
1,875	1,119		1,872		65	
3,318	52	296	537	31		
		1				
5,276	1,688	4,266	24,435	58,331	359	758
		4,366				544
5,397	11,728		16,324		1,264	
				46,636		
5,397	11,728	4,366	16,324	46,636	1,264	544
(121)	(10,040)	(100)	8,111	11,695	(905)	214
1,000			28,562			
1,000			28,562			
879	(10,040)	(100)	36,673	11,695	(905)	214
4,496	29,414	2,384	10,000	51,839	11,081	250
$ 5,375	$ 19,374	$ 2,284	$ 46,673	$ 63,534	$ 10,176	$ 464

State of Tennessee
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds (continued)
For the Fiscal Year Ended June 30, 2009

(Expressed in Thousands)

	Abandoned Land Program	Agricultural Non-Point Water Pollution	Regulatory Boards	Salvage Title Enforcement	Dairy Promotion Board	Drycleaner's Environmental Response
Revenues						
Taxes:						
Fuel						
Business						
Other					$ 940	
Licenses, fines, fees, and permits	$ 13		$ 159	$ 1,448		$ 729
Interest on investments	17	$ 38	60			37
Federal	238					
Departmental services	83		58		2	4
Other						
Total revenues	351	38	277	1,448	942	770
Expenditures						
General government				968		
Law, justice and public safety						
Recreation and resources development	282	2,610			942	1,850
Regulation of business and professions			76			
Total expenditures	282	2,610	76	968	942	1,850
Excess (deficiency) of revenues over (under) expenditures	69	(2,572)	201	480	-	(1,080)
Other financing sources (uses)						
Transfers in		2,250				
Transfers out						
Total other financing sources (uses)		2,250				
Net change in fund balances	69	(322)	201	480		(1,080)
Fund balances, July 1	1,079	1,888	3,600	-	5	2,349
Fund balances, June 30	$ 1,148	$ 1,566	$ 3,801	$ 480	$ 5	$ 1,269

Agricultural Regulatory Fund	Tennessee Regulatory Authority	Small and Minority Owned Business Assistance	Sex Offender Treatment Program	Cemetery Consumer Protection	Fraud and Economic Crime	Total Nonmajor Special Revenue Funds
						$ 17,498
						335
						13,541
$ 3,128	$ 7,027		$ 112	$ 196	$ 1,121	172,739
28		$ 149		1	3	4,828
						38,373
	(380)		63			13,186
						4
3,156	6,647	149	175	197	1,124	260,504
	7,695	1,130				26,311
			359		1,047	6,316
2,635						175,336
				202		46,914
2,635	7,695	1,130	359	202	1,047	254,877
521	(1,048)	(981)	(184)	(5)	77	5,627
			178			33,581
						(128)
			178			33,453
521	(1,048)	(981)	(6)	(5)	77	39,080
875	1,218	11,687	34	27	2,155	212,916
$ 1,396	$ 170	$ 10,706	$ 28	$ 22	$ 2,232	$ 251,996

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, 2009

(Expressed in Thousands)

	Wildlife Resources Agency		
	Budget	Actual (Budgetary Basis)	Variance - Favorable (Unfavorable)
Sources of financial resources:			
Fund balances (budgetary basis), July 1	$ 40,486	$ 40,486	
Revenues:			
Taxes	6,750	6,851	$ 101
Licenses, fines, fees, and permits	39,150	38,740	(410)
Interest on investments		655	655
Federal	23,375	25,110	1,735
Departmental services	15,097	9,083	(6,014)
Other	34		(34)
Other financing sources - transfers in	1,229	1,229	
Total sources of financial resources	126,121	122,154	(3,967)
Uses of financial resources:			
Expenditures and encumbrances:			
Judicial			
Secretary of State			
Treasurer			
Commissions			
Correction			
Safety			
Agriculture			
Environment and Conservation			
Wildlife Resources	93,630	79,949	13,681
Economic and Community Development			
Commerce and Insurance			
Revenue			
Other financing uses - transfers out	128	128	
Total uses of financial resources	93,758	80,077	13,681
Fund balances (budgetary basis), June 30	$ 32,363	$ 42,077	$ 9,714

(continued on next page)

Criminal Injuries Compensation			Solid Waste		
Budget	Actual (Budgetary Basis)	Variance - Favorable (Unfavorable)	Budget	Actual (Budgetary Basis)	Variance - Favorable (Unfavorable)
$ 6,979	$ 6,979		$ 114	$ 114	
			6,058	6,526	$ 468
8,227	10,324	$ 2,097	4,738	6,121	1,383
	166	166		57	57
7,068	7,115	47			
			234	39	(195)
3	3				
			362	362	
22,277	24,587	2,310	11,506	13,219	1,713
17,328	14,912	2,416			
			11,030	10,658	372
17,328	14,912	2,416	11,030	10,658	372
$ 4,949	$ 9,675	$ 4,726	$ 476	$ 2,561	$ 2,085

State of Tennessee
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
All Nonmajor Budgeted Special Revenue Funds (continued)
For the Fiscal Year Ended June 30, 2009

(Expressed in Thousands)

	Job Skills		
	Budget	Actual (Budgetary Basis)	Variance - Favorable (Unfavorable)
Sources of financial resources:			
Fund balances (budgetary basis), July 1	$ 21,248	$ 21,248	
Revenues:			
Taxes		1	$ 1
Licenses, fines, fees, and permits			
Interest on investments		305	305
Federal			
Departmental services	285		(285)
Other			
Other financing sources - transfers in			
Total sources of financial resources	21,533	21,554	21
Uses of financial resources:			
Expenditures and encumbrances:			
Judicial			
Secretary of State			
Treasurer			
Commissions			
Correction			
Safety			
Agriculture			
Environment and Conservation			
Wildlife Resources			
Economic and Community Development	9,285	4,506	4,779
Commerce and Insurance			
Revenue			
Other financing uses - transfers out			
Total uses of financial resources	9,285	4,506	4,779
Fund balances (budgetary basis), June 30	$ 12,248	$ 17,048	$ 4,800

(continued on next page)

Help America Vote Budget	Help America Vote Actual (Budgetary Basis)	Help America Vote Variance - Favorable (Unfavorable)	Environmental Protection Budget	Environmental Protection Actual (Budgetary Basis)	Environmental Protection Variance - Favorable (Unfavorable)
$ 1,708	$ 1,708		$ 8,000	$ 8,000	
			45,923	37,313	$ (8,610)
	603	$ 603		126	126
19,500	979	(18,521)			
21,208	3,290	(17,918)	53,923	45,439	(8,484)
20,500	1,606	18,894			
			45,595	37,191	8,404
20,500	1,606	18,894	45,595	37,191	8,404
$ 708	$ 1,684	$ 976	$ 8,328	$ 8,248	$ (80)

State of Tennessee
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
All Nonmajor Budgeted Special Revenue Funds (continued)
For the Fiscal Year Ended June 30, 2009

(Expressed in Thousands)

	Hazardous Waste		
	Budget	Actual (Budgetary Basis)	Variance - Favorable (Unfavorable)
Sources of financial resources:			
Fund balances (budgetary basis), July 1	$ 4,496	$ 4,496	
Revenues:			
Taxes			
Licenses, fines, fees, and permits			
Interest on investments		83	$ 83
Federal	1,991	1,875	(116)
Departmental services	4,441	3,318	(1,123)
Other			
Other financing sources - transfers in	1,000	1,000	
Total sources of financial resources	11,928	10,772	(1,156)
Uses of financial resources:			
Expenditures and encumbrances:			
Judicial			
Secretary of State			
Treasurer			
Commissions			
Correction			
Safety			
Agriculture			
Environment and Conservation	11,787	5,397	6,390
Wildlife Resources			
Economic and Community Development			
Commerce and Insurance			
Revenue			
Other financing uses - transfers out			
Total uses of financial resources	11,787	5,397	6,390
Fund balances (budgetary basis), June 30	$ 141	$ 5,375	$ 5,234

(continued on next page)

Parks Acquisition			Supreme Court Boards		
Budget	Actual (Budgetary Basis)	Variance - Favorable (Unfavorable)	Budget	Actual (Budgetary Basis)	Variance - Favorable (Unfavorable)
$ 29,414	$ 29,414		$ 2,384	$ 2,384	
75	75				
			4,027	3,939	$ (88)
	442	$ 442		30	30
	1,119	1,119			
	52	52	75	296	221
				1	1
29,489	31,102	1,613	6,486	6,650	164
			4,227	4,366	(139)
15,617	11,728	3,889			
15,617	11,728	3,889	4,227	4,366	(139)
$ 13,872	$ 19,374	$ 5,502	$ 2,259	$ 2,284	$ 25

State of Tennessee
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
All Nonmajor Budgeted Special Revenue Funds (continued)
For the Fiscal Year Ended June 30, 2009

(Expressed in Thousands)

	Underground Storage Tanks		
	Budget	Actual (Budgetary Basis)	Variance - Favorable (Unfavorable)
Sources of financial resources:			
Fund balances (budgetary basis), July 1	$ 10,000	$ 10,000	
Revenues:			
Taxes	18,100	16,981	$ (1,119)
Licenses, fines, fees, and permits	4,358	4,343	(15)
Interest on investments		702	702
Federal	7,120	1,872	(5,248)
Departmental services		537	537
Other			
Other financing sources - transfers in	28,562	28,562	
Total sources of financial resources	68,140	62,997	(5,143)
Uses of financial resources:			
Expenditures and encumbrances:			
Judicial			
Secretary of State			
Treasurer			
Commissions			
Correction			
Safety			
Agriculture			
Environment and Conservation	29,577	16,324	13,253
Wildlife Resources			
Economic and Community Development			
Commerce and Insurance			
Revenue			
Other financing uses - transfers out			
Total uses of financial resources	29,577	16,324	13,253
Fund balances (budgetary basis), June 30	$ 38,563	$ 46,673	$ 8,110

(continued on next page)

Enhanced Emergency 911 Service			Driver Education		
Budget	Actual (Budgetary Basis)	Variance - Favorable (Unfavorable)	Budget	Actual (Budgetary Basis)	Variance - Favorable (Unfavorable)
$ 51,839	$ 51,839		$ 250	$ 250	
49,200	57,268	$ 8,068	676	758	$ 82
	1,032	1,032			
	31	31			
101,039	110,170	9,131	926	1,008	82
			926	544	382
52,078	46,636	5,442			
52,078	46,636	5,442	926	544	382
$ 48,961	$ 63,534	$ 14,573	$ -	$ 464	$ 464

State of Tennessee
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
All Nonmajor Budgeted Special Revenue Funds (continued)
For the Fiscal Year Ended June 30, 2009

(Expressed in Thousands)

	Abandoned Land Program		
	Budget	Actual (Budgetary Basis)	Variance - Favorable (Unfavorable)
Sources of financial resources:			
Fund balances (budgetary basis), July 1	$ 1,079	$ 1,079	
Revenues:			
Taxes			
Licenses, fines, fees, and permits	500	13	$ (487)
Interest on investments		17	17
Federal		238	238
Departmental services		83	83
Other			
Other financing sources - transfers in			
Total sources of financial resources	1,579	1,430	(149)
Uses of financial resources:			
Expenditures and encumbrances:			
Judicial			
Secretary of State			
Treasurer			
Commissions			
Correction			
Safety			
Agriculture			
Environment and Conservation	500	282	218
Wildlife Resources			
Economic and Community Development			
Commerce and Insurance			
Revenue			
Other financing uses - transfers out			
Total uses of financial resources	500	282	218
Fund balances (budgetary basis), June 30	$ 1,079	$ 1,148	$ 69

(continued on next page)

Agricultural Non-Point Water Pollution					
Budget		Actual (Budgetary Basis)		Variance - Favorable (Unfavorable)	
$	1,888	$	1,888		
			38	$	38
	38				(38)
	2,250		2,250		
	4,176		4,176		
	2,250		2,610		(360)
	2,250		2,610		(360)
$	1,926	$	1,566	$	(360)

Regulatory Boards					
Budget		Actual (Budgetary Basis)		Variance - Favorable (Unfavorable)	
$	3,600	$	3,600		
	374		159	$	(215)
			60		60
			58		58
	3,974		3,877		(97)
	374		76		298
	374		76		298
$	3,600	$	3,801	$	201

State of Tennessee
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
All Nonmajor Budgeted Special Revenue Funds (continued)
For the Fiscal Year Ended June 30, 2009

(Expressed in Thousands)

	Salvage Title Enforcement		
	Budget	Actual (Budgetary Basis)	Variance - Favorable (Unfavorable)
Sources of financial resources:			
Fund balances (budgetary basis), July 1			
Revenues:			
Taxes			
Licenses, fines, fees, and permits	$ 1,093	$ 1,448	$ 355
Interest on investments			
Federal			
Departmental services			
Other			
Other financing sources - transfers in			
Total sources of financial resources	1,093	1,448	355
Uses of financial resources:			
Expenditures and encumbrances:			
Judicial			
Secretary of State			
Treasurer			
Commissions			
Correction			
Safety			
Agriculture			
Environment and Conservation			
Wildlife Resources			
Economic and Community Development			
Commerce and Insurance			
Revenue	1,093	968	125
Other financing uses - transfers out			
Total uses of financial resources	1,093	968	125
Fund balances (budgetary basis), June 30	$ -	$ 480	$ 480

(continued on next page)

Drycleaner's Environmental Response			Agricultural Regulatory Fund		
Budget	Actual (Budgetary Basis)	Variance - Favorable (Unfavorable)	Budget	Actual (Budgetary Basis)	Variance - Favorable (Unfavorable)
$ 2,349	$ 2,349		$ 875	$ 875	
2,520	729	$ (1,791)	2,354	3,128	$ 774
	37	37		28	28
	4	4	120		(120)
4,869	3,119	(1,750)	3,349	4,031	682
			2,474	2,635	(161)
2,520	1,850	670			
2,520	1,850	670	2,474	2,635	(161)
$ 2,349	$ 1,269	$ (1,080)	$ 875	$ 1,396	$ 521

State of Tennessee
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
All Nonmajor Budgeted Special Revenue Funds (continued)
For the Fiscal Year Ended June 30, 2009

(Expressed in Thousands)

	Tennessee Regulatory Authority Budget	Actual (Budgetary Basis)	Variance - Favorable (Unfavorable)
Sources of financial resources:			
Fund balances (budgetary basis), July 1	$ 1,218	$ 1,218	
Revenues:			
Taxes			
Licenses, fines, fees, and permits	8,900	7,027	$ (1,873)
Interest on investments			
Federal	425		(425)
Departmental services	1	(380)	(381)
Other			
Other financing sources - transfers in			
Total sources of financial resources	10,544	7,865	(2,679)
Uses of financial resources:			
Expenditures and encumbrances:			
Judicial			
Secretary of State			
Treasurer			
Commissions	9,324	7,695	1,629
Correction			
Safety			
Agriculture			
Environment and Conservation			
Wildlife Resources			
Economic and Community Development			
Commerce and Insurance			
Revenue			
Other financing uses - transfers out			
Total uses of financial resources	9,324	7,695	1,629
Fund balances (budgetary basis), June 30	$ 1,220	$ 170	$ (1,050)

(continued on next page)

Small and Minority Owned Business Assistance			Sex Offender Treatment Program		
Budget	Actual (Budgetary Basis)	Variance - Favorable (Unfavorable)	Budget	Actual (Budgetary Basis)	Variance - Favorable (Unfavorable)
$ 11,687	$ 11,687		$ 34	$ 34	
			84	112	$ 28
	149	$ 149			
500		(500)	63	63	
			178	178	
12,187	11,836	(351)	359	387	28
2,172	1,130	1,042			
			349	359	(10)
2,172	1,130	1,042	349	359	(10)
$ 10,015	$ 10,706	$ 691	$ 10	$ 28	$ 18

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
All Nonmajor Budgeted Special Revenue Funds (continued)
For the Fiscal Year Ended June 30, 2009

(Expressed in Thousands)

	Cemetery Consumer Protection		
	Budget	Actual (Budgetary Basis)	Variance - Favorable (Unfavorable)
Sources of financial resources:			
Fund balances (budgetary basis), July 1	$ 27	$ 27	
Revenues:			
Taxes			
Licenses, fines, fees, and permits	360	196	$ (164)
Interest on investments		1	1
Federal			
Departmental services			
Other			
Other financing sources - transfers in			
Total sources of financial resources	387	224	(163)
Uses of financial resources:			
Expenditures and encumbrances:			
Judicial			
Secretary of State			
Treasurer			
Commissions			
Correction			
Safety			
Agriculture			
Environment and Conservation			
Wildlife Resources			
Economic and Community Development			
Commerce and Insurance	360	202	158
Revenue			
Other financing uses - transfers out			
Total uses of financial resources	360	202	158
Fund balances (budgetary basis), June 30	$ 27	$ 22	$ (5)

Total Nonmajor Special Revenue Funds		
Budget	Actual (Budgetary Basis)	Variance - Favorable (Unfavorable)
$ 199,675	$ 199,675	
30,983	30,434	$ (549)
172,484	171,618	(866)
	4,531	4,531
59,479	38,308	(21,171)
20,854	13,184	(7,670)
37	4	(33)
33,581	33,581	
517,093	491,335	(25,758)
4,227	4,366	(139)
20,500	1,606	18,894
19,500	16,042	3,458
9,324	7,695	1,629
349	359	(10)
926	544	382
4,724	5,245	(521)
116,626	83,430	33,196
93,630	79,949	13,681
9,285	4,506	4,779
52,812	46,914	5,898
1,093	968	125
128	128	
333,124	251,752	81,372
$ 183,969	$ 239,583	$ 55,614

DEBT SERVICE FUND

The Debt Service Fund is maintained to account for accumulation of resources for and the payment of principal and interest on general long-term debt.

State of Tennessee
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
Debt Service Fund
For the Fiscal Year Ended June 30, 2009

(Expressed in Thousands)

	Debt Service Fund		
	Budget	Actual (Budgetary Basis)	Variance - Favorable (Unfavorable)
Sources of financial resources:			
Fund balances (budgetary basis), July 1	$ 7,131	$ 7,131	
Revenues:			
Taxes	344,900	344,900	
Licenses, fines, fees, and permits	2,700	2,700	
Other		970	$ 970
Other financing sources			
Transfers in	4,104	4,104	
Refunding bonds proceeds	499	499	
Bond premium	30,147	30,147	
Total sources of financial resources	389,481	390,451	970
Uses of financial resources:			
Expenditures and encumbrances:			
Debt Service	330,401	140,432	189,969
Other financing uses - transfers out	246,022	246,022	
Total uses of financial resources	576,423	386,454	189,969
Fund balances (budgetary basis), June 30	$ (186,942)	$ 3,997	$ 190,939

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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 Tennessee Board of Regents 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.

Academic Scholars Fund—This fund is used to account for the academic scholars program. An endowment was established in 1986 to provide scholarships to superior students from the interest earnings.

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, 2009

(Expressed in Thousands)

	Chairs of Excellence	Academic Scholars	Other	Total Permanent Funds
Assets				
Cash and cash equivalents	$ 5,232		$ 40,316	$ 45,548
Investments	195,174	$ 3,460		198,634
Receivables:				
Taxes			20	20
Interest	1,651			1,651
Due from component units	763			763
Total assets	$ 202,820	$ 3,460	$ 40,336	$ 246,616
Liabilities and fund balances				
Liabilities:				
Due to component units	$ 1,977			$ 1,977
Total liabilities	1,977			1,977
Fund balances:				
Reserved for:				
Expendable	100,913	$ 755	$ 1,329	102,997
Nonexpendable	99,930	2,705	39,007	141,642
Total fund balances	200,843	3,460	40,336	244,639
Total liabilities and fund balances	$ 202,820	$ 3,460	$ 40,336	$ 246,616

State of Tennessee
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Permanent Funds
For the Fiscal Year Ended June 30, 2009

(Expressed in Thousands)

	Chairs of Excellence	Academic Scholars	Other	Total Permanent Funds
Revenues				
Licenses, fines, fees and permits			$ 2,271	$ 2,271
Investment income/(loss)	$ (28,335)	$ 168	629	(27,538)
Other			51	51
Total revenues	(28,335)	168	2,951	(25,216)
Expenditures				
Education	7,777	514		8,291
Recreation and resources development			530	530
Total expenditures	7,777	514	530	8,821
Excess (deficiency) of revenues over (under) expenditures	(36,112)	(346)	2,421	(34,037)
Other financing sources (uses)				
Transfers in		402		402
Total other financing sources (uses)		402		402
Net change in fund balances	(36,112)	56	2,421	(33,635)
Fund balances, July 1	236,955	3,404	37,915	278,274
Fund balances, June 30	$ 200,843	$ 3,460	$ 40,336	$ 244,639

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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.

State Loan Program—Operated since the early 1970's through the Department of Environment and Conservation, this program has provided financial assistance to local governments and utility districts for the construction of sewage treatment, solid waste recovery and waterworks facilities. In order for these borrowing entities to generate funds necessary to repay the loans, the imposition of a user's fee by the local systems was authorized. In order to finance this program, general obligation bonds were sold which, although remaining full faith and credit obligations of the state, are being retired from resources of this fund. Future financing for this program will be generated from the sale of revenue bonds or notes by the Local Development Authority.

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

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

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

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

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

Property Utilization—This agency, a division of the Department of General Services, receives surplus federal property and redistributes it to civil defense units, health and educational institutions and other eligible donees within the state. The agency collects fees from the donees to offset operating costs. In addition, this agency handles surplus property by the various State agencies.

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 Assets
Nonmajor Enterprise Funds
June 30, 2009

(Expressed in Thousands)

Assets	State Loan Program	Energy Loan Program	Teacher Group Insurance	Local Government Group Insurance
Current assets:				
Cash and cash equivalents	$ 1,453	$ 18,019	$ 153,331	$ 23,122
Receivables:				
Accounts receivable			2,962	1,215
Loans receivable		2,535		
Total current assets	1,453	20,554	156,293	24,337
Noncurrent assets:				
Loans receivable	276	10,653		
Capital assets:				
Machinery and equipment, at cost				
Less-accumulated depreciation				
Total capital assets, net of accumulated depreciation				
Total noncurrent assets	276	10,653		
Total assets	1,729	31,207	156,293	24,337
Liabilities				
Current liabilities:				
Accounts payable and accruals	5	150	29,124	7,582
Due to other funds				
Total current liabilities	5	150	29,124	7,582
Noncurrent liabilities:				
Other noncurrent liabilities				
Total noncurrent liabilities				
Total liabilities	5	150	29,124	7,582
Net assets				
Unrestricted	1,724	31,057	127,169	16,755
Total net assets	$ 1,724	$ 31,057	$ 127,169	$ 16,755

Drinking Water	Grain Indemnity	Property Utilization	Client Protection	Total Nonmajor Enterprise Funds
$ 33,787	$ 3,250	$ 22	$ 2,263	$ 235,247
		74		4,251
3,530				6,065
37,317	3,250	96	2,263	245,563
72,211				83,140
		16		16
		(16)		(16)
		-		-
72,211		-		83,140
109,528	3,250	96	2,263	328,703
27	154	60	23	37,125
		4		4
27	154	64	23	37,129
1,777		137		1,914
1,777		137		1,914
1,804	154	201	23	39,043
107,724	3,096	(105)	2,240	289,660
$ 107,724	$ 3,096	$ (105)	$ 2,240	$ 289,660

State of Tennessee
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2009

(Expressed in Thousands)

	State Loan Program	Energy Loan Program	Teacher Group Insurance	Local Government Group Insurance
Operating revenues				
Charges for services		$ 90		
Investment income	$ 32	313		
Premiums			$ 401,098	$ 102,882
Total operating revenues	32	403	401,098	102,882
Operating expenses				
Personal services				
Contractual services			19,149	3,908
Materials and supplies				
Rentals and insurance			57	
Depreciation and amortization	17			
Benefits			392,847	95,581
Other	3		1,812	439
Total operating expenses	20		413,865	99,928
Operating income (loss)	12	403	(12,767)	2,954
Nonoperating revenues (expenses)				
Operating grants	(25)			
Interest income			2,528	284
Total nonoperating revenues (expenses)	(25)		2,528	284
Income (loss) before transfers	(13)	403	(10,239)	3,238
Transfers in				
Transfers out	(900)			
Change in net assets	(913)	403	(10,239)	3,238
Net assets, July 1	2,637	30,654	137,408	13,517
Net assets, June 30	$ 1,724	$ 31,057	$ 127,169	$ 16,755

Drinking Water	Grain Indemnity	Property Utilization	Client Protection	Total Nonmajor Enterprise Funds
$ 1,415	$ 150	$ 1,343	$ 200	$ 3,198
463				808
				503,980
1,878	150	1,343	200	507,986
		1,111		1,111
364		483	414	24,318
		205		205
		2		59
				17
				488,428
	272	50		2,576
364	272	1,851	414	516,714
1,514	(122)	(508)	(214)	(8,728)
4,789				4,764
	52		37	2,901
4,789	52		37	7,665
6,303	(70)	(508)	(177)	(1,063)
1,769		434		2,203
				(900)
8,072	(70)	(74)	(177)	240
99,652	3,166	(31)	2,417	289,420
$ 107,724	$ 3,096	$ (105)	$ 2,240	$ 289,660

State of Tennessee
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2009

(Expressed in Thousands)

	State Loan Program	Energy Loan Program	Teacher Group Insurance	Local Government Group Insurance
Cash flows from operating activities				
Receipts from customers and users			$ 403,140	$ 102,770
Receipts from interfund services provided				
Payments to suppliers			(413,608)	(98,622)
Payments to employees				
Payments for interfund services used			(1,812)	(439)
Net cash from (used for) operating activities			(12,280)	3,709
Cash flows from noncapital financing activities				
Negative cash balance implicitly repaid				
Operating grants received				
Transfers in				
Transfers out	$ (900)			
Payments to component units	(25)			
Principal payments	(1,640)			
Interest paid	(40)			
Subsidy to borrowers	(120)			
Net cash from (used for) noncapital financing activities	(2,725)			
Cash flows from investing activities				
Loans issued		$ (4,544)		
Collection of loan principal	1,507	2,167		
Interest received	32	403	2,528	284
Net cash from (used for) investing activities	1,539	(1,974)	2,528	284
Net increase (decrease) in cash and cash equivalents	(1,186)	(1,974)	(9,752)	3,993
Cash and cash equivalents, July 1	2,639	19,993	163,083	19,129
Cash and cash equivalents, June 30	$ 1,453	$ 18,019	$ 153,331	$ 23,122
Reconciliation of operating income to net cash provided (used) by operating activities				
Operating income (loss)	$ 12	$ 403	$ (12,767)	$ 2,954
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation and amortization	17			
Loss on disposal of capital assets				
Investment income	(32)	(313)		
Charges for services		(90)		
Subsidy to borrowers	3			
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable			(648)	(605)
(Increase) decrease in inventories				
Increase (decrease) in accounts payable			1,922	1,738
Increase (decrease) in due to other funds				
Increase (decrease) in unearned revenue			(787)	(378)
Total adjustments	(12)	(403)	487	755
Net cash provided by (used for) operating activities	$ -	$ -	$ (12,280)	$ 3,709

Drinking Water	Grain Indemnity	Property Utilization	Client Protection	Total Nonmajor Enterprise Funds
	$ 150	$ 1,130	$ 200	$ 507,390
		182		182
$ (1)	(118)	(114)	(391)	(512,854)
		(1,094)		(1,094)
(363)		(474)		(3,088)
(364)	32	(370)	(191)	(9,464)
		(42)		(42)
4,789				4,789
1,769		434		2,203
				(900)
				(25)
				(1,640)
				(40)
				(120)
6,558		392		4,225
(7,700)				(12,244)
4,006				7,680
1,843	52		37	5,179
(1,851)	52		37	615
4,343	84	22	(154)	(4,624)
29,444	3,166	-	2,417	239,871
$ 33,787	$ 3,250	$ 22	$ 2,263	$ 235,247
$ 1,514	$ (122)	$ (508)	$ (214)	$ (8,728)
				17
		51		51
(1,878)				(2,223)
				(90)
				3
		(32)		(1,285)
		102		102
	154	22	23	3,859
		(5)		(5)
				(1,165)
(1,878)	154	138	23	(736)
$ (364)	$ 32	$ (370)	$ (191)	$ (9,464)

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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:

Office for Information Resources—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. This fund was phased in. The first year it included only downtown Nashville office space. In fiscal year 90-91, the fund expanded to include all office and warehouse space in Davidson, Knox, Madison, Shelby, Washington, Hamilton, and Sullivan counties. In fiscal year 91-92, the fund encompassed 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 Tennessee Board of Regents 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.

Food Services—a division of the Department of General Services, is responsible for the preparation and distribution of certain food to the various state institutions. This consists of food that is cooked and then immediately frozen and is then reheated at the institution.

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.

Capitol Print Shop—a division of the Office of the Comptroller, is responsible for providing printing, mailing and other office services for the state agencies located in the Capitol.

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

Central Stores—a division of the Department of General Services, is responsible for the purchasing and distribution of office supplies to all state government and quasi-governmental entities that opt to use this service.

Records Management—a division of the Department of General Services, is responsible for the retention and disposal of official records.

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.

State of Tennessee
Combining Statement of Net Assets
Internal Service Funds
June 30, 2009

(Expressed in Thousands)

Assets	Office for Information Resources	Risk Management	Motor Vehicle Management	General Services Printing	Facilities Revolving Fund	Employee Group Insurance
Current assets:						
Cash and cash equivalents	$ 87,636	$ 127,017	$ 20,472	$ 440	$ 59,107	$ 249,672
Accounts receivable	229		99	1	427	5,727
Due from other funds	2,189					
Due from component units			7			
Inventories, at cost	1,139		6	101		
Prepaid expenses						
Total current assets	91,193	127,017	20,584	542	59,534	255,399
Noncurrent assets:						
Accounts receivable		3,148				
Due from other funds	3,277					
Deferred charges					277	
Lease receivable					2,198	
Restricted assets:						
Cash and cash equivalents					612	
Capital assets:						
Land, at cost					64,092	
Structures and improvements, at cost					505,066	
Machinery and equipment, at cost	81,344		151,200	1,729	134	
Less-accumulated depreciation	(60,928)		(87,003)	(1,320)	(223,962)	
Construction in progress					17,244	
Total capital assets, net of accumulated depreciation	20,416		64,197	409	362,574	
Total noncurrent assets	23,693	3,148	64,197	409	365,661	
Total assets	114,886	130,165	84,781	951	425,195	255,399
Liabilities						
Current liabilities:						
Accounts payable	16,012	701	1,914	95	10,283	50,247
Accrued payroll and related deductions	1,917		82	112		
Due to other funds	126	8	5	7		
Lease obligations payable				26	205	
Bonds payable					16,226	
Unearned revenue		8	1,228			38,498
Other		29,009				
Total current liabilities	18,055	29,726	3,229	240	26,714	88,745
Noncurrent liabilities:						
Lease obligations payable					735	
Commercial paper payable	38,802		2,607		6,694	
Bonds payable, net					165,856	
Payable from restricted assets					612	
Other noncurrent liabilities	2,722	64,147	169	273		
Total noncurrent liabilities	41,524	64,147	2,776	273	173,897	
Total liabilities	59,579	93,873	6,005	513	200,611	88,745
Net assets						
Invested in capital assets, net of related debt	20,416		61,590	383	173,224	
Unrestricted	34,891	36,292	17,186	55	51,360	166,654
Total net assets	$ 55,307	$ 36,292	$ 78,776	$ 438	$ 224,584	$ 166,654

	Food Services	Postal Services	Capitol Print Shop	Purchasing	Central Stores	Records Management	Division of Accounts	TRICOR	Total Internal Service Funds
	$ 2,396	$ 1,364	$ 360	$ 181	$ 323	$ 147	$ 4,672	$ 1,482	$ 555,269
		1					2	565	7,051
								337	2,526
									7
		231	9		445			3,770	5,701
		118	19						137
	2,396	1,714	388	181	768	147	4,674	6,154	570,691
									3,148
									3,277
									277
									2,198
									612
	215								64,307
	15,752								520,818
	3,016	1,997	315			219	150	9,209	249,313
	(7,997)	(1,530)	(315)			(209)	(70)	(6,184)	(389,518)
									17,244
	10,986	467	-			10	80	3,025	462,164
	10,986	467	-			10	80	3,025	471,676
	13,382	2,181	388	181	768	157	4,754	9,179	1,042,367
	679	26	24	14	191	15	35	813	81,049
	7	87	18	123	41	39	308	385	3,119
	1	6		9	3	3	22	26	216
									231
									16,226
								3	39,737
									29,009
	687	119	42	146	235	57	365	1,227	169,587
									735
									48,103
									165,856
									612
	12	302	52	275	102	68	490	956	69,568
	12	302	52	275	102	68	490	956	284,874
	699	421	94	421	337	125	855	2,183	454,461
	10,986	467				10	80	3,025	270,181
	1,697	1,293	294	(240)	431	22	3,819	3,971	317,725
	$ 12,683	$ 1,760	$ 294	$ (240)	$ 431	$ 32	$ 3,899	$ 6,996	$ 587,906

State of Tennessee
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds
For the Fiscal Year Ended June 30, 2009

(Expressed in Thousands)

	Office for Information Resources	Risk Management	Motor Vehicle Management	General Services Printing	Facilities Revolving Fund	Employee Group Insurance
Operating revenues						
Charges for services	$ 141,265	$ 39,825	$ 34,178	$ 3,542	$ 140,219	
Premiums						$ 663,100
Total operating revenues	141,265	39,825	34,178	3,542	140,219	663,100
Operating expenses						
Personal services	32,030		1,605	2,038		
Contractual services	99,100	9,344	7,023	793	75,570	30,489
Materials and supplies	39,307		13,910	850	5,763	
Rentals and insurance	27	3,205	89	101	40,586	3,652
Depreciation and amortization	7,627		14,760	151	11,768	
Benefits		30,129				639,508
Other	462		115	2	332	3,480
Total operating expenses	178,553	42,678	37,502	3,935	134,019	677,129
Operating income (loss)	(37,288)	(2,853)	(3,324)	(393)	6,200	(14,029)
Nonoperating revenues (expenses)						
Taxes		2				
Operating grants		(91)				
Insurance proceeds					17	
Interest income		2,001			965	4,248
Interest expense	(258)		(31)	(6)	(8,218)	
Total nonoperating revenues (expenses)	(258)	1,912	(31)	(6)	(7,236)	4,248
Income (loss) before contributions and transfers	(37,546)	(941)	(3,355)	(399)	(1,036)	(9,781)
Capital contributions	19				1,019	
Transfers in	35,321		5,390	309	14,553	
Transfers out	(310)					
Change in net assets	(2,516)	(941)	2,035	(90)	14,536	(9,781)
Net assets, July 1	57,823	37,233	76,741	528	210,048	176,435
Net assets, June 30	$ 55,307	$ 36,292	$ 78,776	$ 438	$ 224,584	$ 166,654

Food Services	Postal Services	Capitol Print Shop	Purchasing	Central Stores	Records Management	Division of Accounts	TRICOR	Total Internal Service Funds
$ 5,370	$ 22,587	$ 456	$ 4,268	$ 4,806	$ 1,464	$ 9,912	$ 24,228	$ 432,120
								663,100
5,370	22,587	456	4,268	4,806	1,464	9,912	24,228	1,095,220
184	2,139	484	2,559	949	817	5,595	7,531	55,931
4,779	1,701	157	1,688	736	622	4,129	5,122	241,253
3	17,951	64	601	2,792	34	101	11,186	92,562
5	17	132	8	3	42	10	918	48,795
607	199	3			6	23	740	35,884
								669,637
55			2		1	6	406	4,861
5,633	22,007	840	4,858	4,480	1,522	9,864	25,903	1,148,923
(263)	580	(384)	(590)	326	(58)	48	(1,675)	(53,703)
								2
								(91)
								17
								7,214
								(8,513)
								(1,371)
(263)	580	(384)	(590)	326	(58)	48	(1,675)	(55,074)
								1,038
		450						56,023
								(310)
(263)	580	66	(590)	326	(58)	48	(1,675)	1,677
12,946	1,180	228	350	105	90	3,851	8,671	586,229
$ 12,683	$ 1,760	$ 294	$ (240)	$ 431	$ 32	$ 3,899	$ 6,996	$ 587,906

State of Tennessee
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2009

(Expressed in Thousands)

	Office for Information Resources	Risk Management	Motor Vehicle Management	General Services Printing	Facilities Revolving Fund	Employee Group Insurance
Cash flows from operating activities						
Receipts from customers and users	$ 1,872	$ 9,996	$ 1,068	$ 36	$ 4,132	$ 262,047
Receipts from interfund services provided	141,930	29,830	32,676	3,509	135,963	420,854
Payments to suppliers	(118,852)	(36,985)	(16,090)	(1,171)	(101,292)	(701,630)
Payments to employees	(31,553)		(1,575)	(1,980)		
Payments for interfund services used	(25,312)	(5,189)	(6,789)	(687)	(17,769)	(3,480)
Net cash from (used for) operating activities	(31,915)	(2,348)	9,290	(293)	21,034	(22,209)
Cash flows from noncapital financing activities						
Negative cash balance implicitly repaid						
Operating grants received		3,396				
Transfers in	35,321		5,390	309	14,553	
Transfers out	(310)					
Tax revenues received		2				
Net cash from (used for) noncapital financing activities	35,011	3,398	5,390	309	14,553	
Cash flows from capital and related financing activities financing activities						
Purchase of capital assets	(8,932)		(6,261)	(96)	(27,395)	
Bond and commercial paper proceeds	30,620				47,441	
Proceeds from sale of capital assets			1,073		219	
Proceeds from insurance					17	
Bond issuance cost					(259)	
Principal payments	(13,000)		(3,401)	(123)	(35,202)	
Interest paid	(258)		(31)	(6)	(8,282)	
Net cash from (used for) capital and related financing activities	8,430		(8,620)	(225)	(23,461)	
Cash flows from investing activities						
Interest received		2,001			965	4,248
Net cash from (used for) investing activities		2,001			965	4,248
Net increase (decrease) in cash and cash equivalents	11,526	3,051	6,060	(209)	13,091	(17,961)
Cash and cash equivalents, July 1	76,110	123,966	14,412	649	46,628	267,633
Cash and cash equivalents, June 30	$ 87,636	$ 127,017	$ 20,472	$ 440	$ 59,719	$ 249,672
Reconciliation of operating income to net cash provided (used) by operating activities						
Operating income (loss)	$ (37,288)	$ (2,853)	$ (3,324)	$ (393)	$ 6,200	$ (14,029)
Adjustments to reconcile operating income (loss) to net cash from operating activities:						
Depreciation and amortization	7,627		14,760	150	11,768	
Loss on disposal of capital assets	405		113		53	
Bond issuance cost					274	
Capital lease executory costs paid					28	
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	35		17	4	(222)	(2,216)
(Increase) decrease in due from other funds	2,449					
(Increase) decrease in due from component units	52		(4)		98	
(Increase) decrease in inventories	(65)		(2)	(24)		
(Increase) decrease in prepaid expenses						
Increase (decrease) in accounts payable	(4,970)	520	(1,816)	(21)	2,835	(2,718)
Increase (decrease) in due to other funds	(160)	(16)	(7)	(9)		
Increase (decrease) in unearned revenue		1	(447)			(3,246)
Total adjustments	5,373	505	12,614	100	14,834	(8,180)
Net cash provided by (used for) operating activities	$ (31,915)	$ (2,348)	$ 9,290	$ (293)	$ 21,034	$ (22,209)
Noncash investing, capital and financing activities						
Contributed capital assets	$ 19				$ 1,019	
Total noncash investing, capital and financing activities	$ 19				$ 1,019	

Food Services	Postal Services	Capitol Print Shop	Purchasing	Central Stores	Records Management	Division of Accounts	TRICOR	Total Internal Service Funds
$ 2	$ 156	$ 12	$ 39	$ 7	$ 10	$ 520	$ 6,132	$ 286,029
5,368	22,432	445	4,230	4,805	1,455	9,464	17,547	830,508
(4,413)	(18,462)	(319)	(770)	(2,857)	(106)	(743)	(15,156)	(1,018,846)
(192)	(2,070)	(470)	(2,519)	(911)	(809)	(5,484)	(7,614)	(55,177)
(373)	(1,208)	(33)	(1,534)	(503)	(583)	(3,514)	(1,334)	(68,308)
392	848	(365)	(554)	541	(33)	243	(425)	(25,794)
				(218)				(218)
								3,396
		450						56,023
								(310)
								2
		450		(218)				58,893
(222)							(19)	(42,925)
								78,061
								1,292
								17
								(259)
					(6)			(51,732)
					(1)			(8,578)
(222)					(7)		(19)	(24,124)
								7,214
								7,214
170	848	85	(554)	323	(40)	243	(444)	16,189
2,226	516	275	735	-	187	4,429	1,926	539,692
$ 2,396	$ 1,364	$ 360	$ 181	$ 323	$ 147	$ 4,672	$ 1,482	$ 555,881
$ (263)	$ 580	$ (384)	$ (590)	$ 326	$ (58)	$ 48	$ (1,675)	$ (53,703)
607	199	3			6	23	740	35,883
55							24	650
								274
								28
						71	(222)	(2,533)
			1			1	(336)	2,115
				5			7	158
	(4)	3		223			895	1,026
	24	(7)						17
(6)	59	20	49	(8)	23	128	179	(5,726)
(1)	(10)		(14)	(5)	(4)	(28)	(40)	(294)
							3	(3,689)
655	268	19	36	215	25	195	1,250	27,909
$ 392	$ 848	$ (365)	$ (554)	$ 541	$ (33)	$ 243	$ (425)	$ (25,794)
								$ 1,038
								$ 1,038

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FIDUCIARY FUNDS

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

Pension and Other Employee Benefit Trust:

Pension Trust Fund—The Tennessee Consolidated Retirement System was established in July 1972 superseding seven former retirement systems. The accounts of each superseded system were transferred to the new system wherein separate accounting is maintained for assets and liabilities attributable to the various classes of members and beneficiaries. Benefits under the system are funded by contributions of members and employers. Effective July 1981, contributions of up to 5% of the retirement credible compensation of most classes of state employees, formerly paid by those employees, were assumed by the state pursuant to non-contributory legislation. The level of contributions is determined by actuarial valuation, the latest having been performed as of July 1, 2007. As of that date there were 212,725 active members and 98,230 retired members representing a 3.9% and 11.9% increase, respectively, since the previous actuarial valuation in 2003.

Employee Flexible Benefits—Established in January 1988, this fund is used to account for monies contributed by employees under the IRC Section 125 cafeteria plan.

Private-Purpose Trust Funds:

Baccalaureate Education—This trust was created by the General Assembly in 1996, for the purpose of allowing parents and other interested persons to purchase tuition units on behalf of a designated beneficiary. These units entitle the beneficiary to the payment of qualified tuition, room and board, fees, costs of books, supplies and equipment required for the enrollment or attendance at any accredited public or private, in-state or out-of-state institution. Funds in this trust may only be provided to named individuals who are participants in the program. No other State programs are supported from this trust.

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

Oak Ridge Monitoring—Created in 2000 through a consent order won by the state with the United States Department of Energy (DOE), this fund is used to account for monies paid annually through fiscal year 2014 by the federal government to the state for future expenses at the Environmental Management Waste Management Facility at Oak Ridge. After the federal landfill is closed, the income generated from the corpus is to be used for monitoring and maintenance of the facility to ensure there is no radioactive leakage.

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

Agency Funds:

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

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

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

State of Tennessee
Combining Statement of Fiduciary Net Assets
Pension and Other Employee Benefit Trust Funds
June 30, 2009

(Expressed in Thousands)

	State Employees, Teachers, Higher Education Employees Pension Plan (SETHEEPP)	Political Subdivisions Pension Plan (PSPP)	Total Pension	Other Employee Benefit Trust	Total Pension (and Other Employee Benefit) Trust Funds
Assets					
Cash and cash equivalents	$ 1,046,806	$ 211,967	$ 1,258,773	$ 706	$ 1,259,479
Receivables:					
Member contributions	19,308	4,544	23,852		23,852
Employer contributions	24,428	17,816	42,244		42,244
Accrued interest	92,607	18,601	111,208		111,208
Accrued dividends	24,654	4,952	29,606		29,606
Foreign currency	857,258	172,184	1,029,442		1,029,442
Real estate income	223	45	268		268
Investments sold	168,662	33,876	202,538		202,538
Total receivables	1,187,140	252,018	1,439,158		1,439,158
Due from other funds	8,461		8,461	283	8,744
Due from component units	8,078		8,078	6	8,084
Investments, at fair value:					
Short term securities	325,838	65,446	391,284		391,284
Government bonds	6,287,715	1,262,913	7,550,628		7,550,628
Corporate bonds	4,624,271	928,804	5,553,075		5,553,075
Corporate stocks	8,629,509	1,733,273	10,362,782		10,362,782
Real estate	997,630	200,378	1,198,008		1,198,008
Total investments	20,864,963	4,190,814	25,055,777		25,055,777
Total assets	23,115,448	4,654,799	27,770,247	995	27,771,242
Liabilities					
Accounts payable and accruals	246,573	49,491	296,064	11	296,075
Foreign currency payable	920,142	184,815	1,104,957		1,104,957
Total liabilities	1,166,715	234,306	1,401,021	11	1,401,032
Net assets					
Held in trust for:					
Pension benefits	21,948,733	4,420,493	26,369,226		26,369,226
Employees' flexible benefits				984	984
Total net assets	$ 21,948,733	$ 4,420,493	$ 26,369,226	$ 984	$ 26,370,210

State of Tennessee
Combining Statement of Changes in Fiduciary Net Assets
Pension and Other Employee Benefit Trust Funds
For the Fiscal Year Ended June 30, 2009

(Expressed in Thousands)

	State Employees, Teachers, Higher Education Employees Pension Plan (SETHEEPP)	Political Subdivisions Pension Plan (PSPP)	Total Pension	Other Employee Benefit Trust Fund	Total Pension (and Other Employee Benefit) Trust Funds
Additions					
Contributions:					
Members	$ 185,729	$ 67,830	$ 253,559	$ 8,379	$ 261,938
Employers	583,985	252,926	836,911		836,911
Total contributions	769,714	320,756	1,090,470	8,379	1,098,849
Investment income:					
Net (decrease) in fair value of investments	(4,892,001)	(963,239)	(5,855,240)		(5,855,240)
Interest	530,229	104,403	634,632		634,632
Dividends	263,105	51,806	314,911		314,911
Real estate income	57,232	11,268	68,500		68,500
Total investment (loss)	(4,041,435)	(795,762)	(4,837,197)		(4,837,197)
Less: Investment expenses	17,787	3,502	21,289		21,289
Net investment (loss)	(4,059,222)	(799,264)	(4,858,486)		(4,858,486)
Total additions	(3,289,508)	(478,508)	(3,768,016)	8,379	(3,759,637)
Deductions					
Annuity benefits:					
Retirement benefits	1,010,469	169,624	1,180,093		1,180,093
Cost of living	240,293	31,553	271,846		271,846
Death benefits	4,062	1,662	5,724		5,724
Other benefits				8,341	8,341
Refunds	16,503	15,519	32,022		32,022
Administrative expenses	3,615	3,587	7,202		7,202
Total deductions	1,274,942	221,945	1,496,887	8,341	1,505,228
Change in net assets held in trust for:					
Pension benefits	(4,564,450)	(700,453)	(5,264,903)		(5,264,903)
Employees' flexible benefits				38	38
Net assets, July 1	26,513,183	5,120,946	31,634,129	946	31,635,075
Net assets, June 30	$ 21,948,733	$ 4,420,493	$ 26,369,226	$ 984	$ 26,370,210

State of Tennessee
Combining Statement of Fiduciary Net Assets
Private-Purpose Trust Funds
June 30, 2009

(Expressed in Thousands)

	Baccalaureate Education	Children in State Custody	Oak Ridge Monitoring	Other	Total Private-Purpose Trust Funds
Assets					
Cash and cash equivalents	$ 1,398	$ 1,488	$ 10,446	$ 1,887	$ 15,219
Receivables:					
Taxes				46	46
Interest and dividends	731				731
Total receivables	731			46	777
Investments, at fair value:					
Mutual funds	75,774				75,774
Total investments	75,774				75,774
Total assets	77,903	1,488	10,446	1,933	91,770
Liabilities					
Accounts payable and accruals	851	114			965
Total liabilities	851	114			965
Net assets					
Held in trust for:					
Individuals, organizations and other governments	$ 77,052	$ 1,374	$ 10,446	$ 1,933	$ 90,805

State of Tennessee
Combining Statement of Changes in Fiduciary Net Assets
Private-Purpose Trust Funds
For the Fiscal Year Ended June 30, 2009

(Expressed in Thousands)

	Baccalaureate Education	Children in State Custody	Oak Ridge Monitoring	Other	Total Private-Purpose Trust Funds
Additions					
Contributions:					
Federal		$ 5,665	$ 1,000		$ 6,665
Private	$ 4,681			$ 444	5,125
Other		2,534		165	2,699
Total contributions	4,681	8,199	1,000	609	14,489
Investment income:					
Net (decrease) in fair value of investments	(13,521)				(13,521)
Interest	2,873	40	163	28	3,104
Total investment (loss)	(10,648)	40	163	28	(10,417)
Total additions	(5,967)	8,239	1,163	637	4,072
Deductions					
Payments made under trust agreements	6,040	6,115		466	12,621
Refunds	579	2,191			2,770
Administrative expenses	417				417
Total deductions	7,036	8,306		466	15,808
Change in net assets held in trust for: Individuals, organizations and other governments	(13,003)	(67)	1,163	171	(11,736)
Net assets, July 1	90,055	1,441	9,283	1,762	102,541
Net assets, June 30	$ 77,052	$ 1,374	$ 10,446	$ 1,933	$ 90,805

State of Tennessee
Combining Statement of Fiduciary Net Assets
Agency Funds
June 30, 2009

(Expressed in Thousands)

	Local Government	Contingent Revenue	Retiree Health Plans	Total Agency Funds
Assets				
Cash and cash equivalents	$ 273,462	$ 96,722	$ 21,486	$ 391,670
Receivables:				
Accounts		5	1,446	1,451
Taxes	356,307			356,307
Total assets	629,769	96,727	22,932	749,428
Liabilities				
Accounts payable and accruals	629,769	12,617	17,607	659,993
Amounts held in custody for others		84,110	5,325	89,435
Total liabilities	$ 629,769	$ 96,727	$ 22,932	$ 749,428

State of Tennessee
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
For the Fiscal Year Ended June 30, 2009

(Expressed in Thousands)

Local Government Fund	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
Assets				
Cash and cash equivalents	$ 304,581	$ 3,496,569	$ 3,527,688	$ 273,462
Accounts receivable	355,520	421,747	420,960	356,307
Total assets	660,101	3,918,316	3,948,648	629,769
Liabilities				
Accounts payable and accruals	660,101	2,945,644	2,975,976	629,769
Total liabilities	$ 660,101	$ 2,945,644	$ 2,975,976	$ 629,769
Contingent Revenue Fund				
Assets				
Cash and cash equivalents	$ 113,734	$ 1,164,488	$ 1,181,500	$ 96,722
Accounts receivable		5		5
Due from other funds	10,590	73	10,663	
Due from component units	72		72	
Total assets	124,396	1,164,566	1,192,235	96,727
Liabilities				
Accounts payable and accruals	23,705	362,174	373,262	12,617
Amount held in custody for others	100,691	827,057	843,638	84,110
Total liabilities	$ 124,396	$ 1,189,231	$ 1,216,900	$ 96,727
Retiree Health Plans				
Assets				
Cash and cash equivalents	$ 22,012	$ 210,001	$ 210,527	$ 21,486
Accounts receivable	1,643	4,555	4,752	1,446
Total assets	23,655	214,556	215,279	22,932
Liabilities				
Accounts payable	15,485	46,921	44,799	17,607
Amount held in custody for others	8,170	16,618	19,463	5,325
Total liabilities	$ 23,655	$ 63,539	$ 64,262	$ 22,932
Totals - All Agency Funds				
Assets				
Cash and cash equivalents	$ 440,327	$ 4,871,058	$ 4,919,715	$ 391,670
Accounts receivable	357,163	426,307	425,712	357,758
Due from other funds	10,590	73	10,663	
Due from component units	72		72	
Total assets	808,152	5,297,438	5,356,162	749,428
Liabilities				
Accounts payable and accruals	699,291	3,354,739	3,394,037	659,993
Amount held in custody for others	108,861	843,675	863,101	89,435
Total liabilities	$ 808,152	$ 4,198,414	$ 4,257,138	$ 749,428

COMPONENT UNITS

Tennessee Student Assistance Corporation—This fund is used to account for the guaranteed loans program administered by Tennessee Student Assistance Corporation (TSAC).

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

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.

Tennessee Board of Regents—The Tennessee University and Community College System was created by the General Assembly in 1972. Its member institutions (six universities, thirteen community colleges, and twenty-seven technology centers) serve the state and its citizenry by providing education opportunities, research, continuing education and public activities. As a system, the institutions span the state and operate 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	Tennessee State University, Nashville
East Tennessee State University, Johnson City	Tennessee Technological University, Cookeville
Middle Tennessee State University, Murfreesboro	University of Memphis, Memphis

COMMUNITY COLLEGES

Chattanooga State Technical Community College, Chattanooga	Nashville State Technical Community College, Nashville
Cleveland State Community College, Cleveland	Pellissippi State Technical Community College, Knoxville
Columbia State Community College, Columbia	Roane State Community College, Harriman
Dyersburg State Community College, Dyersburg	Southwest Tennessee Community College, Memphis
Jackson State Community College, Jackson	Volunteer State Community College, Gallatin
Motlow State Community College, Tullahoma	Walters State Community College, Morristown
Northeast State Technical Community College, Blountville	

TECHNOLOGY CENTERS

Athens	Crump	Hartsville	Knoxville	Memphis	Newbern	Ripley
Chattanooga	Dickson	Hohenwald	Livingston	Morristown	Oneida	Shelbyville
Covington	Elizabethton	Jacksboro	McKenzie	Murfreesboro	Paris	Whiteville
Crossville	Harriman	Jackson	McMinnville	Nashville	Pulaski	

The purpose of the technology centers is to provide occupational and technical training for current and future employees of existing and prospective industries and businesses of this state.

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 locations of its four primary campuses, various experimental stations and extension services have made the university state-wide in physical presence as well as in services. The main campus is located in Knoxville. The other primary campuses are located in Memphis, Martin and Chattanooga.

Local Development Authority—This authority was created in 1978 for the purpose of providing to local governments, through the issuing of revenue bonds or notes, the financing assistance previously provided by the State Loan Program. The Authority has also issued bonds to assist non-profit corporations in the construction of mental health, mental retardation, 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.

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 universities. Agreements are executed between the governing boards of the institutions and the TSSBA, and revenue bonds are issued using the constructed facilities as collateral. Charges levied on the universities provide the funds necessary for payment of principal and interest on bonds. In addition, the Authority issues Qualified Zone Academy Bonds, which are part of a federal government program to finance loans to qualifying K-12 schools in the state.

Certified Cotton Growers’ Organization—This organization was formed to aid in the eradication of the boll weevil. Revenues are collected from assessments on cotton growers and from state appropriations.

Access Tennessee—Established in 2007, this health insurance pool offers health insurance coverage to eligible citizens of the state who are considered uninsurable because of health conditions.

State of Tennessee
Combining Statement of Net Assets
Component Units
June 30, 2009

(Expressed in Thousands)

	Governmental Fund Types		Proprietary Fund Types			
	Tennessee Student Assistance Corporation	Tennessee CSA	Housing Development Agency	Tennessee Education Lottery	Board of Regents	University of Tennessee
Assets						
Cash and cash equivalents	$ 4,765	$ 225	$ 132,294	$ 67,671	$ 689,635	$ 748,142
Investments			167,955		365,992	626,078
Investments with fiscal agent						
Receivables, net	7,866	2,150	46,340	42,707	188,565	309,230
Due from primary government		1,979			791	1,186
Inventories, at cost					4,900	8,150
Prepayments		13		6,572	4,953	684
Loans receivable			2,002,337			
Deferred charges and other			12,945		3,994	7,497
Restricted assets:						
Cash and cash equivalents			11,115			
Investments			183,261	2,428		
Receivables, net			1,956			
Capital assets:						
Land, at cost					107,097	64,982
Infrastructure					221,490	69,202
Structures and improvements, at cost				344	1,859,272	1,707,614
Machinery and equipment, at cost		700	238	4,545	436,116	472,998
Less accumulated depreciation		(650)	(209)	(3,167)	(1,120,465)	(965,511)
Construction in progress					300,839	211,789
Total assets	12,631	4,417	2,558,232	121,100	3,063,179	3,262,041
Liabilities						
Accounts payable and accruals	4,091	1,710	62,751	33,981	128,207	133,964
Due to primary government	12	405	56	82,331	51,395	37,098
Deferred revenue	178		1,808	1,050	60,628	74,952
Other					18,377	14,500
Noncurrent liabilities:						
Due within one year	69	45	80,481	530	36,267	67,879
Due in more than one year	304	341	1,905,071	3,208	582,773	708,149
Total liabilities	4,654	2,501	2,050,167	121,100	877,647	1,036,542
Net assets						
Invested in capital assets, net of related debt		50	29	1,722	1,324,693	970,344
Restricted for:						
Debt service					17,440	668
Capital projects					11,345	122,324
Single family bond programs			492,973			
Other			15,063		145,064	340,895
Permanent and endowment:						
Expendable					11,454	24,391
Nonexpendable					235,150	450,272
Unrestricted	7,977	1,866		(1,722)	440,386	316,605
Total net assets	$ 7,977	$ 1,916	$ 508,065	$ -	$ 2,185,532	$ 2,225,499

Proprietary Fund Types					
Local Development Authority	Veterans' Homes Board	State School Bond Authority	Certified Cotton Growers'	Access Tennessee Insurance Plan	Total Component Units
$ 14,600	$ 4,913	$ 47,394	$ 470	$ 53,624	$ 1,763,733
					1,160,025
22		14			36
7	2,902	7,201	10	99	607,077
	809		21		4,786
	163				13,213
	55	24			12,301
95,916		1,030,392			3,128,645
425	42	9,021	2,231		36,155
5,744	3,163	15,391			35,413
166		38,167			224,022
					1,956
	406				172,485
	684				291,376
	31,112				3,598,342
	4,937				919,534
	(7,731)				(2,097,733)
					512,628
116,880	41,455	1,147,604	2,732	53,723	10,383,994
918	1,796	16,092	57	6,166	389,733
25	362				171,684
	377	3,658			142,651
	232				33,109
57,008	696	47,201			290,176
48,168	6,031	1,072,562			4,326,607
106,119	9,494	1,139,513	57	6,166	5,353,960
	23,455				2,320,293
	277				18,385
					133,669
					492,973
205	2,138				503,365
					35,845
					685,422
10,556	6,091	8,091	2,675	47,557	840,082
$ 10,761	$ 31,961	$ 8,091	$ 2,675	$ 47,557	$ 5,030,034

State of Tennessee
Combining Statement of Activities
Component Units
For the Year Ended June 30, 2009

(Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Component units					
Higher education institutions:					
Board of Regents	$ 2,149,012	$ 755,127	$ 473,391	$ 139,896	$ (780,598)
University of Tennessee	1,654,086	500,222	448,829	133,456	(571,579)
Total higher education institutions	3,803,098	1,255,349	922,220	273,352	(1,352,177)
Loan programs:					
Tennessee Student Assistance Corporation	75,950	11,092	7,462		(57,396)
Housing Development Agency	322,166	133,064	204,757		15,655
Local Development Authority	4,229	3,063	403		(763)
State School Bond Authority	39,480	38,979	742		241
Total loan programs	441,825	186,198	213,364		(42,263)
Lottery program	1,020,205	1,018,812	33		(1,360)
Other programs:					
Tennessee CSA	15,432	6,777	7,700		(955)
Access Tennessee Insurance Plan	48,445	23,023			(25,422)
Veterans' Homes Board	33,358	33,290	80	726	738
Certified Cotton Growers'	2,584	2,607	2,144		2,167
Total other programs	99,819	65,697	9,924	726	(23,472)
Total	$ 5,364,947	$ 2,526,056	$ 1,145,541	$ 274,078	$ (1,419,272)

General Revenues							
Payments from Primary Government	Unrestricted Grants and Contributions	Unrestricted Investment Earnings	Miscellaneous	Contributions to Permanent Funds	Change In Net Assets	Net Assets July 1	Net Assets June 30
$ 722,031	$ 117,589	$ 14,152	$ 6,653	$ 9,415	$ 89,242	$ 2,096,290	$ 2,185,532
498,787	2,962	474		17,397	(51,959)	2,277,458	2,225,499
1,220,818	120,551	14,626	6,653	26,812	37,283	4,373,748	4,411,031
57,987					591	7,386	7,977
		(52)			15,603	492,462	508,065
25					(738)	11,499	10,761
					241	7,850	8,091
58,012		(52)			15,697	519,197	534,894
		1,263			(97)	97	-
		16			(939)	2,855	1,916
23,049		754			(1,619)	49,176	47,557
1,506	62		39		2,345	29,616	31,961
2,038		148			4,353	(1,678)	2,675
26,593	62	918	39		4,140	79,969	84,109
$ 1,305,423	$ 120,613	$ 16,755	$ 6,692	$ 26,812	$ 57,023	$ 4,973,011	$ 5,030,034

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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, 2009

(Expressed in Thousands)

	Tennessee Student Assistance Corporation	Tennessee CSA	Total Governmental Fund Type Component Units
Revenues			
Interest on investments	$ 454	$ 16	$ 470
Federal	7,008		7,008
Departmental services	69,079	14,477	83,556
Total revenues	76,541	14,493	91,034
Expenditures			
Education	75,839		75,839
Health and social services		15,468	15,468
Total expenditures	75,839	15,468	91,307
Excess (deficiency) of revenues over (under) expenditures	702	(975)	(273)
Fund balances, July 1	7,648	3,227	10,875
Fund balances, June 30	$ 8,350	$ 2,252	$ 10,602
Reconciliation to net assets:			
Fund balances per above	$ 8,350	$ 2,252	$ 10,602
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		50	50
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund.	(373)	(386)	(759)
Net assets on Statement of Net Assets	$ 7,977	$ 1,916	$ 9,893

State of Tennessee
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund Type Component Units
For the Fiscal Year Ended June 30, 2009

(Expressed in Thousands)

	Housing Development Agency	Tennessee Education Lottery	Board of Regents	University of Tennessee	Local Development Authority
Operating revenues					
Charges for services	$ 133,064	$ 1,018,203	$ 935,079	$ 892,270	$ 3,063
Investment income	17,905		5,903	8,231	403
Other		609	53,024	32,553	
Total operating revenues	150,969	1,018,812	994,006	933,054	3,466
Operating expenses					
Personal services	13,743	11,215	1,306,436	1,161,256	
Contractual services	2,624	96,041			217
Mortgage service fees	7,303				
Materials and supplies	527		479,769	347,268	
Rentals and insurance	1,212	1,842			
Interest	93,103				3,361
Depreciation and amortization	743	786	88,447	86,967	78
Lottery prizes		618,662			
Nursing home services					
Scholarships and fellowships			245,139	32,505	
Benefits					
Other	3,779	11,377			173
Total operating expenses	123,034	739,923	2,119,791	1,627,996	3,829
Operating income (loss)	27,935	278,889	(1,125,785)	(694,942)	(363)
Nonoperating revenues (expenses)					
Grant income	186,450		384,759	142,217	
Grant expense	(199,132)				
Interest expense			(19,034)	(23,276)	
Interest income		1,263	(34,007)	(141,357)	
Payments from primary government	350		720,757	498,787	25
Grants and contributions				4,971	
Gifts			7,890	12,891	
Payments to primary government		(280,152)			(400)
Other		(97)	4,497	(2,815)	
Total nonoperating revenues (expenses)	(12,332)	(278,986)	1,064,862	491,418	(375)
Income (loss) before capital grants and contributions	15,603	(97)	(60,923)	(203,524)	(738)
Capital payments from primary government			122,363	105,300	
Capital grants and gifts			11,880	28,156	
Additions to permanent endowments			11,327	17,397	
Other			4,595	712	
Change in net assets	15,603	(97)	89,242	(51,959)	(738)
Net assets, July 1	492,462	97	2,096,290	2,277,458	11,499
Net assets, June 30	$ 508,065	$ -	$ 2,185,532	$ 2,225,499	$ 10,761

Veterans' Homes Board	State School Bond Authority	Certified Cotton Growers'	Access Tennessee Insurance Plan	Total Proprietary Fund Type Component Units
$ 28,084	$ 38,979	$ 2,608	$ 23,023	$ 3,074,373
	742			33,184
38				86,224
28,122	39,721	2,608	23,023	3,193,781
22,185				2,514,835
	970	2,229	997	103,078
				7,303
				827,564
				3,054
	37,456			133,920
1,274	544			178,839
				618,662
9,553				9,553
				277,644
			46,360	46,360
	510		1,088	16,927
33,012	39,480	2,229	48,445	4,737,739
(4,890)	241	379	(25,422)	(1,543,958)
5,168				718,594
				(199,132)
(277)		(355)		(42,942)
80		148	754	(173,119)
1,506		2,038	23,049	1,246,512
		1,510		6,481
62				20,843
				(280,552)
(30)		633		2,188
6,509		3,974	23,803	1,298,873
1,619	241	4,353	(1,619)	(245,085)
693				228,356
33				40,069
				28,724
				5,307
2,345	241	4,353	(1,619)	57,371
29,616	7,850	(1,678)	49,176	4,962,770
$ 31,961	$ 8,091	$ 2,675	$ 47,557	$ 5,020,141

State of Tennessee
Statement of Fiduciary Net Assets
Component Units
Tennessee Student Assistance Corporation
Federal Family Education Loan Trust
June 30, 2009

(Expressed in Thousands)

Assets		
Cash and cash equivalents	$	93,520
Receivables:		
Due from other governments		8,606
Loans		9,017
Total receivables		17,623
Total assets		111,143
Liabilities		
Accounts payable and accruals		6,469
Total liabilities		6,469
Net assets		
Held in trust for student loans	$	104,674

State of Tennessee
Statement of Changes in Fiduciary Net Assets
Component Units
Tennessee Student Assistance Corporation
Federal Family Education Loan Trust
For the Fiscal Year Ended June 30, 2009

(Expressed in Thousands)

Additions	
Federal revenue	$ 19,712
Interest income	1,639
Contribution from primary government	301
Total additions	21,652
Deductions	
Collection costs	13,721
Administrative expenses	13,030
Total deductions	26,751
Change in net assets held in trust	(5,099)
Net assets, July 1	109,773
Net assets, June 30	$ 104,674

SUPPLEMENTARY SCHEDULES

Schedule 1

Debt Service Requirements to Maturity
General Obligation Bonds
June 30, 2009

(Expressed in Thousands)

	General Long-Term Debt (Note 1)			Facilities Revolving Fund Debt (Note 3)		
For the Year Ended June 30	Principal	Interest	Total Require-ments	Principal	Interest	Total Require-ments
2010	$ 107,338	$ 54,914	$ 162,252	$ 16,961	$ 7,470	$ 24,431
2011	107,474	50,279	157,753	16,515	6,634	23,149
2012	103,227	45,839	149,066	16,455	5,882	22,337
2013	102,870	41,113	143,983	16,644	5,098	21,742
2014	97,217	36,502	133,719	16,112	4,327	20,439
2015	92,726	31,886	124,612	12,537	3,569	16,106
2016	88,535	27,693	116,228	11,371	3,100	14,471
2017	84,133	23,772	107,905	10,363	2,615	12,978
2018	76,011	21,152	97,163	9,308	2,358	11,666
2019	67,960	18,386	86,346	7,939	2,064	10,003
2020	64,717	15,630	80,347	7,522	1,761	9,283
2021	57,613	13,466	71,079	6,696	1,526	8,222
2022	57,544	11,096	68,640	6,678	1,265	7,943
2023	49,733	9,375	59,108	5,807	1,088	6,895
2024	49,572	7,346	56,918	5,799	847	6,646
2025	41,527	5,330	46,857	5,482	603	6,085
2026	41,609	3,559	45,168	5,457	390	5,847
2027	36,028	1,937	37,965	3,601	218	3,819
2028	31,252	542	31,794	2,886	97	2,983
2029	24,792	(235)	24,557	1,574	37	1,611
2030						
TOTALS	$ 1,381,878	$ 419,582	$ 1,801,460	$ 185,707	$ 50,949	$ 236,656

Note 1: General obligtion bonds principal is more than that presented in the accompanying financial statements by $25.017 million, which is a deduction from bonds payable for the deferred amount on refunding.

Note 2: Facilities Revolving Fund principal is more than that presented in the accompanying financial statements by $3.626 million, which is a deduction from bonds payable for the deferred amount on refunding.

State of Tennessee
Schedule of Outstanding Debt
All Fund Types
For the Last Five Fiscal Years

Schedule 2

(Expressed in Thousands)

	June 30				
	2005	2006	2007	2008	2009
Enterprise Funds:					
State Loan Program General Obligation Bonds	$ 5,232	$ 3,378	$ 2,534	$ 1,655	
Internal Service Funds:					
General Obligation Commercial Paper	51,650	22,899	15,541	39,819	$ 48,715
Facilities Revolving Fund General Obligation Bonds	127,717	151,829	152,191	164,545	182,081
	179,367	174,728	167,732	204,364	230,796
General Long-Term Debt:					
General Obligation Bonds	917,112	944,936	963,297	1,010,858	1,356,861
General Obligation Commercial Paper	116,925	121,726	115,283	200,807	127,593
	1,034,037	1,066,662	1,078,580	1,211,665	1,484,454
Totals for Primary Government	$ 1,218,636	$ 1,244,768	$ 1,248,846	$ 1,417,684	$ 1,715,250

State of Tennessee
Schedule of General Obligation
Commercial Paper Outstanding- By Purpose
All Fund Types
June 30, 2009

Schedule 3

(Expressed in Thousands)

General Obligation Commercial Paper - Tax Exempt	$ 162,441
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	
Purpose: To finance improvements to Mental Health and Mental Retardation Facilities and grants to local governments.	13,867
Total Outstanding	$ 176,308

State of Tennessee
Schedule of Outstanding Debt
Component Units
For the Last Five Fiscal Years

Schedule 4

(Expressed in Thousands)

	June 30				
	2005	2006	2007	2008	2009
Component units:					
Mid-Cumberland Community Services Agency notes	$ 19	$ 13			
Certified Cotton Growers' notes	21,540	19,073	$ 16,725	$ 9,294	
Local Development Authority notes	45,970	35,401	57,773	56,998	$ 53,288
Local Development Authority bonds	29,966	62,053	58,806	55,410	51,888
Tennessee Housing Development Agency bonds	1,433,430	1,568,472	1,812,267	1,952,295	1,972,561
Tennessee Housing Development Agency notes	311,900	262,395	247,675	88,720	3,250
Veterans' Homes Board loan	4,197	6,265	6,283	6,231	5,953
Tennessee State School Bond Authority bonds	520,087	582,815	604,747	696,340	945,461
Tennessee State School Bond Authority commercial paper	74,242	129,046	164,195	243,229	174,300
University of Tennessee notes	66	307	284	260	235
University of Tennessee bonds	148,995	148,333	146,471	86,518	85,118
Board of Regents notes	350	300	250	2,597	2,478
Board of Regents bonds					800
Board of Regents commercial paper				1,668	4,161
	$ 2,590,762	$ 2,814,473	$ 3,115,476	$ 3,199,560	$ 3,299,493

State of Tennessee
Comparative Schedules of Revenues by Source
General Fund
For the Fiscal Years Ended June 30, 2009 and 2008

Schedule 5

(Expressed in Thousands)

Revenues by Source	For the Year Ended June 30, 2009	For the Year Ended June 30, 2008
Taxes:		
Sales and use	$ 2,578,721	$ 2,796,552
Gasoline	9,394	9,393
Motor fuel	2,929	3,468
Gasoline inspection	897	699
Total fuel taxes	13,220	13,560
Franchise	512,080	619,878
Excise	638,483	815,299
Gross receipts	313,393	289,050
Beer	15,560	15,676
Alcoholic beverage	44,081	42,602
Mixed drink	27,047	27,460
Tobacco	30,962	30,504
Business	135,037	138,157
Insurance companies premium	379,137	382,506
Retaliatory	12,699	7,628
Workers compensation premium	44,087	49,859
Medicaid provider	20,968	12,049
Other	2,483	2,868
Total business taxes	2,176,017	2,433,536
Income	220,450	292,027
Privilege	232,530	278,875
Inheritance and estate	80,140	112,797
Other	993	2,402
Total other taxes	534,113	686,101
Total taxes	5,302,071	5,929,749
Licenses, fines, fees and permits:		
Motor vehicle registration	41,549	46,187
Motor vehicle title registration fees	7,330	8,692
Drivers licenses	24,033	24,499
Arrests, fines and fees	8,194	9,121
Regulatory board fees	119,309	121,995
Other	86,529	72,233
Total licenses, fines, fees and permits	286,944	282,727
Interest on investments	45,196	122,008
Federal - earned by state departments	8,330,499	7,202,766
Departmental services:		
Charges to the public	355,049	374,632
Interdepartmental charges	1,444,057	1,436,406
Charges to cities, counties, etc.	399,945	336,323
Total departmental services	2,199,051	2,147,361
Other	222,311	255,299
Total revenues by source	$ 16,386,072	$ 15,939,910

State of Tennessee

Schedule 6

Comparative Schedules of Expenditures by Function and Department

General Fund

For the Fiscal Years Ended June 30, 2009 and 2008

(Expressed in Thousands)

	For the Year Ended	
Expenditures by function and department	June 30, 2009	June 30, 2008
General government:		
Legislative	$ 38,013	$ 36,930
Secretary of State	39,560	58,589
Comptroller	87,455	83,754
Treasurer	46,936	50,760
Governor	3,591	3,746
Commissions	78,507	75,192
Finance and Administration	93,594	103,878
Personnel	12,494	14,168
General Services	20,478	21,481
Revenue	105,142	107,533
Miscellaneous Appropriations	29,283	35,769
Total general government	555,053	591,800
Health and social services:		
Veterans Affairs	4,605	4,851
Labor and Workforce Development	223,726	219,007
TennCare	7,688,345	7,498,387
Mental Health	300,615	315,899
Mental Retardation	858,142	866,640
Health	528,109	559,128
Human Services	2,468,255	2,038,082
Cover Tennessee	144,158	97,352
Children's Services	675,398	697,782
Total health and social services	12,891,353	12,297,128
Law, justice and public safety:		
Judicial	280,505	273,053
Correction	625,477	623,345
Probation and Paroles	78,459	79,337
Military	85,993	71,808
Bureau of Criminal Investigation	64,194	64,992
Safety	153,773	159,963
Total law, justice and public safety	1,288,401	1,272,498
Recreation and resources development:		
Agriculture	78,872	92,802
Tourist Development	17,751	18,570
Environment and Conservation	217,168	325,760
Economic and Community Development	110,228	89,963
Total recreation and resources development	424,019	527,095
Regulation of business and professions:		
Commerce and Insurance	71,045	74,262
Financial Institutions	13,655	13,474
Total regulation of business and professions	84,700	87,736
Intergovernmental revenue sharing	527,857	546,572
Total expenditures by function and department	$ 15,771,383	$ 15,322,829

STATISTICAL SECTION

STATISTICAL SECTION

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

Contents **Page**

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The State implemented GASB Statement 34 in fiscal year ended June 30, 2002; schedules presenting government-wide information include information beginning in that year.

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

(continued on next page)

	FOR THE FISCAL YEAR ENDED JUNE 30,						
	2003	2004	2005	2006	2007	2008	2009
Expenses							
Governmental activities:							
General government	$ 510,674	$ 546,996	$ 596,016	$ 705,897	$ 738,897	$ 837,250	$ 988,309
Education	4,520,624	4,692,605	5,158,369	5,449,613	5,884,841	6,464,564	6,520,569
Health and social services	9,507,209	10,583,726	11,522,061	10,170,957	10,448,373	11,125,967	11,697,900
Law, justice, and public safety	968,859	1,032,302	1,090,779	1,214,957	1,221,175	1,325,500	1,338,869
Recreation and resources development (2)	376,734	479,251	423,342	466,689	485,852	613,902	538,386
Regulation of business and professions	64,109	81,940	113,902	86,945	129,107	123,391	126,003
Transportation	726,476	787,646	698,450	671,641	835,751	808,591	979,454
Intergovernmental revenue sharing	641,271	647,654	683,925	738,349	815,832	842,096	810,063
Interest on long-term debt	50,610	51,819	42,902	49,460	50,003	51,086	51,977
Payments to fiduciary fund					25,950		
Total governmental activities expenses	17,366,566	18,903,939	20,329,746	19,554,508	20,635,781	22,192,347	23,051,530
Business-type activities:							
Employment security	767,202	639,993	476,646	452,043	467,327	541,573	1,427,713
Insurance programs	379,661	416,871	430,568	471,032	413,483	469,491	514,065
Loan programs	2,273	1,737	1,909	1,487	1,473	1,655	1,345
Other	1,802	2,037	2,498	2,496	2,595	2,744	2,265
Total business-type activities expenses	1,150,938	1,060,638	911,621	927,058	884,878	1,015,463	1,945,388
Total primary government expenses	$ 18,517,504	$ 19,964,577	$ 21,241,367	$ 20,481,566	$ 21,520,659	$ 23,207,810	$ 24,996,918
Program Revenues							
Governmental activities:							
Charges for services:							
General government	$ 273,503	$ 342,154	$ 380,679	$ 375,640	$ 524,306	$ 672,892	$ 753,066
Education	15,922	16,966	13,568	26,785	34,819	35,405	35,124
Health and social services (1)	277,184	943,040	1,027,602	692,186	521,508	548,570	615,871
Law, justice, and public safety	336,115	313,386	316,337	374,715	130,885	117,536	122,064
Recreation and resources development	114,618	124,105	140,227	138,970	153,048	142,128	142,657
Regulation of business and professions	95,953	107,355	115,556	124,435	142,805	143,646	151,095
Transportation	13,339	13,636	15,494	15,118	22,542	18,778	15,936
Operating grants and contributions	7,452,665	8,095,087	8,777,283	8,314,981	8,481,473	8,612,838	9,758,691
Capital grants and contributions	568,221	503,539	520,090	615,584	708,384	600,404	592,719
Total governmental activities program revenues	9,147,520	10,459,268	11,306,836	10,678,414	10,719,770	10,892,197	12,187,223
Business-type activities:							
Charges for services:							
Employment security	437,378	523,372	463,385	381,600	356,064	413,741	585,668
Insurance programs	385,384	422,584	462,441	479,515	438,275	480,803	504,130
Loan programs	12,590	12,733	12,878	12,970	13,803	15,137	15,684
Other	1,998	2,111	2,593	2,803	2,644	2,324	1,543
Operating grants and contributions	256,444	208,296	100,536	131,043	116,569	124,576	508,249
Total business-type activities program revenues	1,093,794	1,169,096	1,041,833	1,007,931	927,355	1,036,581	1,615,274
Total primary government program revenues	$ 10,241,314	$ 11,628,364	$ 12,348,669	$ 11,686,345	$ 11,647,125	$ 11,928,778	$ 13,802,497
Net (Expense)/Revenue							
Governmental activities	$ (8,219,046)	$ (8,444,671)	$ (9,022,910)	$ (8,876,094)	$ (9,916,011)	$ (11,300,150)	$ (10,864,307)
Businesss-type activities	(57,144)	108,458	130,212	80,873	42,477	21,118	(330,114)
Total primary government net expense	$ (8,276,190)	$ (8,336,213)	$ (8,892,698)	$ (8,795,221)	$ (9,873,534)	$ (11,279,032)	$ (11,194,421)

Schedule 1

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

(continued from previous page)

	FOR THE FISCAL YEAR ENDED JUNE 30,						
	2003	2004	2005	2006	2007	2008	2009
General Revenues and Other Changes in Net Assets							
Governmental activities:							
Taxes							
Sales and use	$ 5,478,642	$ 5,806,268	$ 6,099,159	$ 6,540,224	$ 6,819,570	$ 6,851,481	$ 6,326,857
Fuel	813,554	829,372	846,826	851,362	867,520	865,181	817,873
Business	1,981,099	2,099,081	2,311,448	2,507,653	2,799,751	2,913,227	2,671,226
Other	425,099	526,573	514,938	598,827	734,026	734,029	563,501
Grants and contributions not restricted to specific programs	149,746	152,676	46,807				
Unrestricted investment earnings	11,582	12,079	30,361	81,287	113,940	120,523	42,883
Miscellaneous	230,770	207,653	209,226	185,466	250,344	275,499	226,907
Contributions to permanent funds	381	351	468	369	270	239	217
Transfers	(18,881)	(18,829)	(21,062)	(22,783)	(5,028)	(4,110)	(3,541)
Total governmental activities	9,071,992	9,615,224	10,038,171	10,742,405	11,580,393	11,756,069	10,645,923
Business-type activities:							
Transfers	18,881	18,829	21,062	22,783	5,028	4,110	3,541
Total business-type activities	18,881	18,829	21,062	22,783	5,028	4,110	3,541
Total primary government general revenues and other changes in net assets	$ 9,090,873	$ 9,634,053	$ 10,059,233	$ 10,765,188	$ 11,585,421	$ 11,760,179	$ 10,649,464
Changes in Net Assets							
Governmental activities	$ 852,946	$ 1,170,553	$ 1,015,261	$ 1,866,311	$ 1,664,382	$ 455,919	$ (218,384)
Businesss-type activities	(38,263)	127,287	151,274	103,656	47,505	25,228	(326,573)
Total primary government	$ 814,683	$ 1,297,840	$ 1,166,535	$ 1,969,967	$ 1,711,887	$ 481,147	$ (544,957)

(1) The increase in program revenues of the health and social services function between fiscal years 2003 and 2004 resulted from the reclassification of certain revenues from operating grants and contributions to charges for services. The effect of the decrease in operating grants and contributions was neutralized by an increase in federal funding to the Tenncare program to compensate for rising healthcare costs.

(2) The increase in expenses of the recreation and resources development function between fiscal years 2007 and 2008 resulted from the acquisition of conservation easements for wilderness protection.

(3) The increase in expenses of the Employment Security program between fiscal years 2008 and 2009 was due to a significant increase in the demand for unemployment benefits.

(4) The significant increase in Operating grants and contributions revenue for both Governmental and Business-type activities between fiscal years 2008 and 2009 was due to the increase in federal funds received as a result of the American Recovery and Reinvestment Act.

Schedule 2

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

	FOR THE FISCAL YEAR ENDED JUNE 30,						
	2003	2004	2005	2006	2007	2008	2009
Governmental activities							
Invested in capital assets, net of related debt	$ 18,119,735	$ 18,691,308	$ 19,406,978	$ 20,204,007	$ 21,078,481	$ 21,796,151	$ 22,575,852
Restricted	703,010	843,889	580,840	725,209	792,542	864,270	965,292
Unrestricted (1), (2)	288,523	743,586	1,306,226	2,204,315	2,964,957	2,631,478	1,495,656
Total governmental activities net assets	19,111,268	20,278,783	21,294,044	23,133,531	24,835,980	25,291,899	25,036,800
Business-type activities							
Invested in capital assets, net of related debt						51	
Restricted	1,181,636	1,288,353	1,389,261	1,459,045	1,472,523	1,479,166	1,160,425
Unrestricted	50,992	71,562	121,928	155,800	171,183	189,717	181,936
Total business-type activities net assets	1,232,628	1,359,915	1,511,189	1,614,845	1,643,706	1,668,934	1,342,361
Primary Government							
Invested in capital assets, net of related debt	18,119,735	18,691,308	19,406,978	20,204,007	21,078,481	21,796,202	22,575,852
Restricted	1,884,646	2,132,242	1,970,101	2,184,254	2,265,065	2,343,436	2,125,717
Unrestricted	339,515	815,148	1,428,154	2,360,115	3,136,140	2,821,195	1,677,592
Total primary government net assets	$ 20,343,896	$ 21,638,698	$ 22,805,233	$ 24,748,376	$ 26,479,686	$ 26,960,833	$ 26,379,161

(1) The increase in unrestricted net assets between fiscal years 2004 and 2005 is attributable, in part, to the implementation of GASB Statement 46 which caused a reduction in restricted net assets. In addition, because the state lottery was operational for only six months during fiscal year 2004, fewer funds were restricted for lottery scholarships when compared fiscal year 2005.

(2) The increase in unrestricted net assets between fiscal years 2005 and 2006 and between 2006 and 2007 is attributable, in part, to the overall increase in the net assets resulting from governmental activities, specifically those activities associated with the General fund, which had a $698 million and $662 million increase in fund balance for 2006 and 2007, respectively.

(3) The decrease in unrestricted net assets between fiscal years 2008 and 2009 was mostly attributable to the decrease in cash and cash equivalents caused by a reduction in revenue collections from business and sales taxes and interest on investments.

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,									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Fund										
Reserved	$ 571,236	$ 534,116	$ 435,600	$ 486,319	$ 693,371	$ 594,405	$ 960,229	$ 1,143,163	$ 1,112,212	$ 1,102,819
Unreserved	371,477	461,964	195,941	202,603	658,055	737,779	1,070,124	1,549,399	1,097,767	633,699
Total general fund(1), (2)	$ 942,713	$ 996,080	$ 631,541	$ 688,922	$ 1,351,426	$ 1,332,184	$ 2,030,353	$ 2,692,562	$ 2,209,979	$ 1,736,518
All Other Governmental Funds										
Reserved	$ 617,191	$ 659,095	$ 876,919	$ 922,258	$ 1,061,453	$ 1,307,412	$ 1,166,534	$ 1,079,672	$ 1,179,711	$ 1,033,436
Unreserved, reported in:										
Special revenue funds	58	103	50	50	50	50	345,143	569,041	461,832	600,805
Debt service fund	2,750	3,407					5,377	5,398	7,131	3,997
Capital projects fund	62,243	131,833					49,749	123,205	489,173	401,019
Total all other governmental funds	$ 682,242	$ 794,438	$ 876,969	$ 922,308	$ 1,061,503	$ 1,307,462	$ 1,566,803	$ 1,777,316	$ 2,137,847	$ 2,039,257

(1) The increase in the fund balance of the general fund between fiscal years 2003 and 2004 resulted from higher revenue collections. A favorable economy caused increases in sales, excise, franchise, business, and income tax collections. However, expenditures in fiscal year 2004 did not increase at the same rate. The result was an increase of $625 million in the General Fund total fund balance. A majority of the increase in the *reserved* component was from the Reserve for Unencumbered Balance and the Reserve for Federal Tax Relief. The largest part of the increase in the *unreserved* component resulted in the Reserve for Supplemental Appropriations and the Reserve for Future Requirements.

(2) The increase in the fund balance of the general fund between fiscal years 2005 and 2006 and between 2006 and 2007 resulted from higher revenue collections. A favorable economy caused increases in sales, excise, and franchise tax collections.

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,									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Revenues										
Taxes	$ 7,240,297	$ 8,010,722	$ 7,631,768	$ 8,608,984	$ 9,272,267	$ 9,819,155	$ 10,488,650	$ 11,249,773	$ 11,333,507	$ 10,376,455
Licenses, fines, fees, and permits	307,803	325,974	547,594	567,243	590,627	624,694	637,522	660,888	672,486	677,766
Interest on investments	53,819	92,127	36,618	28,429	34,102	46,222	102,075	178,080	127,152	23,964
Federal	5,537,353	6,184,126	6,694,648	7,646,384	8,417,534	8,988,687	8,568,732	8,763,302	8,807,036	10,013,033
Departmental services	1,512,483	1,748,165	1,607,251	1,716,159	2,071,252	2,360,891	2,238,968	2,233,450	2,339,870	2,352,198
Other	352,183	356,029	444,450	384,536	488,769	502,074	491,064	537,816	570,634	535,534
Total revenues	15,003,938	16,717,143	16,962,329	18,951,735	20,874,551	22,341,723	22,527,011	23,623,309	23,850,685	23,978,950
Expenditures										
Current:										
General government	330,255	349,278	358,523	392,747	400,069	425,243	530,637	555,545	617,056	581,364
Education (1)	2,947,577	3,059,538	4,218,637	4,432,071	4,630,294	5,100,147	5,353,167	5,775,363	6,318,858	6,335,343
Health and social services	7,446,923	8,641,777	9,250,026	10,342,682	11,308,871	12,518,297	11,273,685	11,662,476	12,297,128	12,891,353
Law, justice, and public safety	872,353	897,805	914,307	970,042	1,042,510	1,109,819	1,216,756	1,275,402	1,278,752	1,294,717
Recreation and resources development	429,389	419,423	446,137	442,915	479,243	491,681	544,744	525,885	707,866	599,885
Regulation of business and professions	49,325	57,988	65,040	71,109	88,580	119,620	92,888	134,955	129,688	131,614
Transportation	1,271,170	1,269,773	1,311,654	1,357,941	1,318,913	1,411,906	1,477,504	1,541,850	1,459,231	1,593,643
Intergovernmental revenue sharing		681,151	686,515	641,271	647,654	683,925	738,349	815,832	842,096	810,063
Debt service:	123,783	122,221								
Principal			68,304	78,108	80,243	89,474	86,532	81,790	79,107	83,960
Interest			54,121	47,964	49,956	43,455	49,319	50,363	51,872	52,110
Debt issuance costs			1,282	650	1,945	2,159	1,082	1,173	980	4,362
Capital outlay	70,866	55,679	145,590	132,949	128,167	119,730	253,229	343,712	359,118	472,451
Total expenditures	13,541,641	15,554,633	17,520,136	18,910,449	20,176,445	22,115,456	21,617,892	22,764,346	24,141,752	24,850,865
Revenues over (under) expenditures	1,462,297	1,162,510	(557,807)	41,286	698,106	226,267	909,119	858,963	(291,067)	(871,915)
Other Financing Sources (Uses)										
Capital lease										
Bonds and commercial paper issued	263,146	223,408	168,017	95,195	206,933	52,979	228,409	196,290	340,021	601,664
Notes/Commercial paper redeemed	(197,728)	(79,160)	(152,091)	(3,900)	(155,796)		(109,908)	(103,498)	(129,333)	(273,443)
Insurance claim recoveries							1,670	4,013	2,361	251
Premium on bond sale		586	5,149		6,485		2,485	2,049	2,760	30,147
Refunding bonds issued						355,053				91,536
Refunding bond premium						31,929				10,670
Refunding payment to escrow						(386,261)				(101,707)
Transfers in (2)	472,275	567,901	766,097	679,743	661,064	812,886	733,813	898,244	1,526,581	1,810,209
Transfers out (2)	(1,619,425)	(1,748,989)	(787,813)	(708,252)	(691,729)	(866,136)	(808,078)	(983,418)	(1,573,375)	(1,869,463)
Total other financing sources (uses)	(1,081,732)	(1,036,254)	(641)	62,786	26,957	450	48,391	13,680	169,015	299,864
Net Change in Fund Balances	$ 380,565	$ 126,256	$ (558,448)	$ 104,072	$ 725,063	$ 226,717	$ 957,510	$ 872,643	$ (122,052)	$ (572,051)
Debt Service as a Percentage of Noncapital Expenditures			0.6720%	0.6937%	0.6691%	0.6241%	0.6566%	0.6055%	0.5620%	0.5659%

(1) The increase in expenditures in the Education function between 2001 and 2002 resulted primarily from implementing GASB Statement 34. Amounts reported as a transfer t component units in fiscal year 2001 were recorded as expenditures in fiscal year 2002.

(2) The increase in transfers in and transfers out between 2007 and 2008 was due to transfers from the General fund to the Education Trust fund for an increase in appropriatio requirements and to the Capital Projects fund for capital outlay appropriations.

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,									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Auto dealers	$ 8,110	$ 8,377	$ 8,648	$ 8,836	$ 9,430	$ 9,439	$ 9,423	$ 9,382	$ 9,496	$ 8,058
Purchases from manufacturers	4,238	4,201	3,956	3,652	3,934	4,151	4,807	4,682	4,746	4,550
Miscellaneous durable goods	12,833	13,013	12,359	12,272	12,893	14,183	15,848	17,212	17,441	16,590
Eating and drinking places	5,864	6,205	6,446	6,564	6,913	7,455	7,959	8,463	8,879	8,985
Food stores	7,891	8,132	8,095	7,983	7,852	7,937	8,196	8,419	8,984	9,097
Liquor stores	366	385	397	408	433	458	495	548	594	634
Hotels and motels	1,753	1,830	1,785	1,777	1,821	1,881	2,044	2,220	2,355	2,299
Other retail and service	20,654	21,493	21,401	21,996	23,174	24,240	25,764	27,088	28,487	28,829
Miscellaneous nondurable goods	6,169	6,335	6,310	6,262	6,282	6,564	7,067	7,334	7,804	7,926
Transportation, communication	4,449	4,684	5,136	5,723	6,017	6,410	6,677	7,346	7,680	7,912
Total taxable sales	$ 72,327	$ 74,655	$ 74,533	$ 75,473	$ 78,749	$ 82,718	$ 88,280	$ 92,694	$ 96,466	$ 94,880

Source: University of Tennessee Economic Report to the Governor

Schedule 6

STATE OF TENNESSEE
REVENUE CAPACITY - SALES AND USE TAX RATES
LAST TEN FISCAL YEARS
(expressed in thousands)

	FOR THE FISCAL YEAR ENDED JUNE 30,									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Rate applied to gross proceeds derived from the retail sale or use of tangible personal property and specific services	6.00%	6.00%	6.00%	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)	N/A	N/A	N/A	6.00%	6.00%	6.00%	6.00%	6.00%	5.50%	5.50%
Energy fuels used by manufacturers and nurserymen	N/A	N/A	N/A	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Water used by manufacturers	N/A	N/A	N/A	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Manufactured homes	N/A	N/A	N/A	3.00%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Aviation fuel	N/A	N/A	N/A	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
Common carriers	N/A	N/A	N/A	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%
Interstate telecommunication services sold to businesses	N/A	N/A	N/A	3.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
Aircraft exceeding $100,000 sales price	N/A	N/A	N/A	3.00%	N/A	N/A	N/A	N/A	N/A	N/A
Cable and wireless TV (between $15 and $27.50) and satellite services	N/A	N/A	N/A	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)	N/A	N/A	N/A	N/A	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: N/A - Not applicable because this item was not specifically identified with a rate separate from the general rate.

Schedule 7

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

	FOR THE FISCAL YEAR ENDED JUNE 30,									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Retail:										
Building materials	$ 239,702	$ 224,268	$ 233,385	$ 271,969	$ 328,562	$ 363,952	$ 405,812	$ 423,160	$ 391,271	$ 333,737
General merchandise	529,829	543,088	575,230	654,071	712,426	735,074	767,584	820,549	829,576	810,503
Food stores	465,827	469,960	465,911	478,857	485,947	494,466	508,497	526,981	529,977	520,280
Auto dealers and service stations	630,662	622,544	645,670	751,167	820,454	815,985	817,689	856,109	835,035	672,112
Apparel and accessory stores	134,972	137,616	137,851	160,688	177,017	185,683	194,946	200,131	200,745	191,132
Furniture and home furnishings	163,763	169,378	162,401	189,506	209,525	222,089	238,475	246,569	244,312	215,352
Eating and drinking places	349,475	362,716	379,566	435,505	486,680	518,689	547,547	585,490	605,544	596,893
Miscellaneous retail stores	360,992	372,632	378,101	443,114	491,443	508,694	550,340	580,936	597,649	568,197
Total retail	2,875,222	2,902,202	2,978,115	3,384,877	3,712,054	3,844,632	4,030,890	4,239,925	4,234,109	3,908,206
Services:										
Hotels and lodging places	104,569	104,794	102,036	118,247	124,795	131,675	142,333	154,081	160,909	146,253
Personal services	38,981	39,316	41,982	47,623	51,845	49,818	49,375	51,099	51,151	46,564
Business services	185,286	184,803	167,634	189,019	199,677	218,799	234,810	245,387	254,506	239,143
Auto repair, services, and parking	137,716	140,215	137,546	153,418	163,687	159,935	163,710	174,680	173,481	157,972
Miscellaneous repair services	21,454	20,282	19,809	21,914	23,606	24,873	27,100	28,387	28,441	25,321
Motion pictures	15,624	16,105	17,320	20,868	23,244	22,851	22,282	22,178	21,498	21,512
Amusement services	40,149	39,660	41,477	45,116	49,106	50,854	54,629	59,578	59,636	58,225
Health services	7,376	9,459	8,951	9,137	10,818	11,139	11,710	13,123	13,676	14,228
Other services	13,958	20,833	19,002	23,503	26,747	31,025	34,282	34,400	37,740	43,434
Total services	565,113	575,467	555,757	628,845	673,525	700,969	740,231	782,913	801,038	752,652
Non-retail, non-services:										
Agriculture, forestry, fishing	4,829	4,797	4,774	5,133	5,812	5,968	6,920	7,261	7,451	7,381
Mining	4,011	4,981	4,341	4,126	5,286	5,073	5,635	6,302	7,117	6,126
Construction	50,770	40,689	41,851	38,168	42,275	42,640	48,540	54,075	59,119	52,415
Manufacturing	233,960	232,558	209,366	236,163	261,260	289,494	312,570	305,558	299,223	256,995
Transportation	25,798	24,678	5,991	22,856	26,895	36,239	42,825	46,688	53,866	69,930
Communications	247,479	257,754	308,184	361,677	398,105	385,544	442,837	457,116	475,675	477,281
Electric, gas, and sanitary services	119,574	133,325	128,072	149,710	163,358	174,794	194,574	203,789	215,552	236,692
Wholesale trade	299,784	292,179	243,826	280,882	321,014	349,023	418,607	451,777	450,898	393,100
Finance, insurance, real estate	19,497	14,167	11,998	12,376	11,396	11,037	12,899	17,830	17,908	12,981
Total non-retail, non-services	1,005,702	1,005,128	958,403	1,111,091	1,235,401	1,299,812	1,485,407	1,550,396	1,586,809	1,512,901
County Clerk	75,020	76,608	82,391	94,705	108,781	112,753	114,767	126,081	125,355	101,136
Consumer Use Tax	N/A	N/A	N/A	104,786	4,647	5,313	7,545	5,071	4,641	5,250
Grand Total	$ 4,521,057	$ 4,559,405	$ 4,574,666	$ 5,324,304	$ 5,734,408	$ 5,963,479	$ 6,378,840	$ 6,704,386	$ 6,751,952	$ 6,280,145

Source: Revenue Collections Reports, Tennessee Department of Revenue

Note: N/A means not available.

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,									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Governmental activities debt:										
General obligation bonds	$ 983,721	$ 1,049,456	$ 1,134,881	$ 1,047,531	$ 1,141,026	$ 1,044,830	$ 1,096,765	$ 1,115,488	$ 1,175,403	$ 1,538,942
General obligation bond anticipation notes										
General obligation commercial paper	248,500	250,000	110,700	201,800	82,775	168,575	144,625	130,824	240,626	176,308
Capital leases	496	562	483	788	1,008	1,229	3,619	3,943	11,743	10,810
Total governmental activities debt	1,232,717	1,300,018	1,246,064	1,250,119	1,224,809	1,214,634	1,245,009	1,250,255	1,427,772	1,726,060
Business-type activities debt:										
General obligation bonds	20,347	17,213	13,924	11,070	8,071	5,232	3,378	2,534	1,655	-
Total business-type activities debt	20,347	17,213	13,924	11,070	8,071	5,232	3,378	2,534	1,655	-
Total primary government debt	$ 1,253,064	$ 1,317,231	$ 1,259,988	$ 1,261,189	$ 1,232,880	$ 1,219,866	$ 1,248,387	$ 1,252,789	$ 1,429,427	$ 1,726,060
Debt Ratios										
Personal income	$ 148,834,000	$ 154,416,000	$ 159,173,000	$ 165,402,000	$ 174,741,000	$ 184,637,000	$ 195,085,000	$ 205,112,000	213,124,000	N/A
Ratio of total debt to personal income	0.84%	0.85%	0.79%	0.76%	0.71%	0.66%	0.64%	0.61%	0.67%	
Population	5,689	5,747	5,790	5,842	5,893	5,963	6,039	6,157	6215	N/A
Net general bonded debt per capita	220	$ 229	$ 218	$ 216	$ 209	$ 205	$ 206	$ 203	228	
General Bonded Debt:										
General obligation bonds	$ 1,004,068	$ 1,066,669	$ 1,148,805	$ 1,058,601	$ 1,149,097	$ 1,050,062	$ 1,100,143	$ 1,118,022	$ 1,177,058	$ 1,538,942
General obligation bond anticipation notes										
General obligation commercial paper	248500	250,000	110,700	201,800	82,775	168,575	144,625	130,824	240,626	176,308
Assets restricted for debt principal										(14,509)
Total net bonded debt	$ 1,252,568	$ 1,316,669	$ 1,259,505	$ 1,260,401	$ 1,231,872	$ 1,218,637	$ 1,244,768	$ 1,248,846	$ 1,417,684	$ 1,700,741
Debt Ratios										
Ratio of net bonded debt to total of pledged revenues	69.48%	60.91%	61.03%	65.48%	70.45%	73.21%	75.68%	80.92%	71.22%	46.38%

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

Notes:
(1) N/A - not available because the source did not provide the data.
(2) See Schedule 10 for personal income and population data.
(3) Details of the state's debt can be found in Note 5H in the basic financial statements.

STATE OF TENNESSEE
DEBT CAPACITY - LEGAL DEBT SERVICE MARGIN INFORMATION
LAST TEN FISCAL YEARS
(expressed in thousands)

Calculation of 2009 pledged revenues:	Collections for Fiscal Year 2009 Portion Pledged	Collections for Fiscal Year 2009 All Governmental Fund Types	Fiscal Year 2009 Pledged Amount
Gasoline tax	29.3%	$ 601,799	$ 176,327
Petroleum products fee	100%	61,577	61,577
Motor vehicle registration fee	50%	41,744	20,872
Franchise tax	100%	530,080	530,080
		$ 1,235,200	$ 788,857

Pledged amount	$ 788,857
Legal debt service limit (pledged amount/150%)	525,905
Less: 2009 debt service required on all general long-term debt, including State Loan Program and Facilities Revolving Fund general obligations bonds	154,803
Legal debt service margin	$ 371,102

FOR THE FISCAL YEAR ENDED JUNE 30,

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Debt limit	$ 580,201	$ 534,682	$ 512,464	$ 550,211	$ 578,609	$ 594,778	$ 628,010	$ 673,748	$ 673,070	$ 525,905
Total net debt service applicable to limit	138,481	131,593	142,075	148,079	143,702	155,215	148,033	145,975	145,721	154,803
Legal debt service margin	$ 441,720	$ 403,089	$ 370,389	$ 402,132	$ 434,907	$ 439,563	$ 479,977	$ 527,773	$ 527,349	$ 371,102
Legal debt service margin as a percentage of the debt limit	76.13%	75.39%	72.28%	73.09%	75.16%	73.90%	76.43%	78.33%	78.35%	70.56%

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,									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Population	N/A	5,689	5,747	5,790	5,842	5,893	5,963	6,039	6,157	6,215
Total personal income	$ 140,395,000	$ 148,834,000	$ 154,416,000	$ 159,173,000	$ 165,622,000	$ 174,727,000	$ 184,567,000	$ 195,656,000	$ 205,112,000	$ 213,124,000
Per capita personal income	$ 25,437	$ 26,168	$ 26,842	$ 27,434	$ 28,377	$ 29,761	$ 31,127	$ 32,474	$ 33,746	$ 34,995
Unemployment rate	4.0%	4.0%	4.6%	5.2%	5.5%	5.4%	5.6%	4.5%	5.3%	7.9%

Source: Population from www.census.gov
All other from the University of Tennessee Economic Report to the Governor
Note: N/A means not available.

Schedule 11

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

	2008			1999		
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	608,900	1	21.89%	584,100	1	21.76%
Government	423,200	2	15.21%	499,800	2	18.62%
Manufacturing	368,700	3	13.25%	390,200	3	14.54%
Education and Health Services	357,600	4	12.85%	290,500	4	10.82%
Professional and Business Services	317,400	5	11.41%	275,200	5	10.25%
Leisure and Hospitality	274,000	6	9.85%	228,800	6	8.52%
Financial Activities	142,100	7	5.11%	141,900	7	5.29%
Natural Resources, Mining, and Construction	137,600	8	4.95%	128,300	8	4.78%
Other Services	103,000	9	3.70%	91,900	9	3.42%
Information	49,300	10	1.77%	53,400	10	1.99%
Total	2,781,800		100.00%	2,684,100		100.00%
	Calendar Year 2008			Calendar Year 1999		
Total State Employment	2,846,180			2,745,820		

Source: An Economic Report to the Governor of the State of Tennessee January 2009
and the Tennessee Department of Labor and Workforce Development

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	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General government	4,045	4,150	4,114	4,163	4,254	4,394	4,671	4,964	5,040	4,947
Education	941	979	955	966	1,014	1,028	1,025	1,070	1,206	1,157
Health and social services (1)	17,564	18,147	18,852	19,144	19,255	20,431	21,246	21,208	20,990	19,704
Law, justice and public safety	10,079	10,406	10,681	10,569	10,691	10,922	10,987	10,843	11,004	10,530
Recreation and resources development	3,681	3,718	3,586	3,689	3,762	3,757	3,846	3,885	3,901	3,698
Regulation of business and professions	600	624	646	668	680	718	738	776	754	708
Transportation	4,620	4,620	4,559	4,528	4,460	4,454	4,448	4,380	4,294	4,167
Total	41,530	42,644	43,393	43,727	44,116	45,704	46,961	47,126	47,189	44,911

Source: Department of Personnel

(1) In 2005, in the Department of Human Services, a TennCare appeals unit, and three new family assistance service centers were established.

Schedule 13

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

Function	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General government										
Motor pool vehicles			7,587	7,701	7,785	6,689	7,067	7,276	7,392	7,562
Buildings		62	62	61	61	108	107	107	107	107
Machinery and equipment		3,282	3,233	3,581	3,861	3,634	3,637	3,586	3,528	3,166
Education										
Number of residential schools		4	4	4	4	4	4	4	4	4
Machinery and equipment		210	167	223	228	244	219	209	240	242
Health and social services										
Buildings		417	397	391	388	342	340	339	329	320
Machinery and equipment		2,014	1,916	1,973	1,964	2,031	2,142	2,303	2,443	2,462
Law, justice and public safety										
Correctional facilities		19	19	19	19	19	19	19	19	19
Armories		89	90	90	86	86	86	86	83	83
Machinery and equipment		1,728	1,739	1,882	2,009	2,352	2,532	2,586	3,103	3,156
Recreation and resources development										
Acreage of state parks	156,643	156,643	158,252	158,581	158,723	164,251	164,399	164,537	165,486	173,878
Machinery and equipment		1,991	1,884	2,093	2,185	2,295	2,476	2,543	2,729	2,736
Regulation of business and professions										
Machinery and equipment		72	59	68	82	93	104	138	147	140
Transportation										
State highways (in miles)	14,073	14,111	14,107	14,107	14,289	14,151	14,163	13,835	13,887	13,882
Bridges, state highways	19,403	19,453	19,453	19,493	19,621	19,646	19,432	19,515	19,563	19,536
Facilities		122	120	120	120	122	122	122	122	122
Buildings		631	629	671	682	710	713	717	708	708

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

Function	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General government										
Tax returns processed (1)	2,077,000	2,148,643	2,125,072	1,999,458	2,225,891	2,013,809	2,398,453	2,502,248	2,802,574	2,802,137
New corporate charters registered	11,471	12,162	11,716	11,563	11,826	12,103	11,807	11,726	10,745	11,073
Investment return on total portfolio	5.66%	5.94%	2.67%	1.64%	1.11%	2.12%	4.11%	5.30%	2.00%	0.40%
Residential and commercial property reappraisals completed	130,668	1,435,746	475,539	256,916	265,373	1,441,168	554,798	336,050	255,250	511,050
Education										
Number of public schools (K-12)	1,611	1,623	1,646	1,659	1,677	1,693	1,699	1,714	1,718	1,736
Enrollment of public schools (K-12)	992,031	984,015	958,496	973,170	973,626	976,574	991,489	925,898	929,543	930,525
Number of high school graduates from public schools	45,825	44,873	44,622	48,341	50,203	51,436	53,960	54,191	57,486	60,371
Health and social services										
TennCare enrollees	1,340,500	1,445,900	1,428,600	1,287,600	1,336,700	1,213,800	1,187,500	1,191,233	1,208,871	1,233,208
Food stamp recipients	496,435	504,443	578,144	692,300	791,695	833,687	870,304	861,979	902,500	1,094,500
Percentage of population (4)	8.73%	8.78%	9.99%	11.85%	13.43%	13.98%	14.41%	14.00%	14.52%	
Temporary assistance recipients	144,393	153,845	163,840	68,300	73,158	72,676	70,108	64,684	60,000	60,000
Percentage of population (4)	2.54%	2.68%	2.83%	1.17%	1.24%	1.22%	1.16%	1.05%	0.97%	
Children in state custody (2)	11,217	10,819	10,259	10,345	10,869	10,467	9,700	9,048	8,149	7,202
Percentage of population (4)	0.20%	0.19%	0.18%	0.18%	0.18%	0.18%	0.16%	0.15%	0.13%	
Mental health institutes average daily census	928	985	941	958	960	888	845	808	780	688
Law, justice and public safety										
Correctional institutions average daily census	16,547	16,920	17,372	18,170	19,117	19,141	19,119	26,573	26,998	27,325
Department of Safety citations issued	406,523	415,928	415,030	388,356	423,305	453,630	472,465	403,363	380,586	358,104
Drivers licenses issued	1,261,467	1,402,735	1,281,106	1,271,141	1,334,417	1,351,241	1,711,655	1,632,164	1,600,000	1,625,939
Recreation and resources development										
Hunting/fishing licenses and boats registered	761,689	735,941	722,949	718,307	723,305	733,554	690,426 (est.)	718,397 (est.)	690,313	707,000
Wetland acres acquired	7,160	10,873	4,798	74,831	6,369	782	3,308 (est.)	891 (est.)	3,602	2,327
Number of visitors to state parks	30,182,137	28,824,110	28,821,110	26,878,838	26,702,434	27,604,112	28,859,399	29,408,099	30,672,700	28,410,067
Air pollution monitoring sites	109	104	99	92	91	86	87	86	78	89
Regulation of business and professions										
Fire safety inspections	15,189	20,087	12,574		41,402		18,418	34,976	39,518	34,241
Consumer affairs written complaints	5,111	5,017	4,660		4,747		5,528	5,420	5,797	5,481
Transportation										
Lane miles resurfaced (3)	2,412	2,748	3,483	2,194	2,238	2,188	1,632	2,408	1,968	2,893
HELP program services provided	50,451	85,267	150,086	123,809	137,615	148,805	154,362	128,006	130,062	108,460

Source: Tennessee fact book, various state agencies

Notes:
(1) Tennessee does not tax employment income.
(2) Children who are abused/dependent, neglected, delinquent, and unruly.
(3) Amounts are reported on a calendar year basis; the 2009 amount is through October 2009.
(4) Population figures used in calculating percentages are from schedule 10.
(5) Blank lines indicate that data is unavailable.

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

(expressed in thousands)

University of Tennessee

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2000	$ 410,086	$ 375,872	$ 21	$ 24,431
2001	401,918	408,671	21	16,872
2002	438,956	406,146	21	18,628
2003	413,632	409,612	-	24,804
2004	417,191	406,033	75	24,508
2005	448,955	430,412	66	25,317
2006	484,786	440,014	56	23,896
2007	532,582	471,730	45	26,652
2008	565,963	510,261	35	33,177
2009	599,973	476,333	35	43,577

University of Memphis

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2000	$ 102,186	$ 94,289	-	$ 3,054
2001	114,031	97,499	-	2,353
2002	120,196	99,786	-	3,777
2003	127,638	102,139	-	6,334
2004	140,957	100,602	-	6,291
2005	151,536	106,393	-	5,609
2006	166,652	108,395	-	4,993
2007	177,082	116,006	-	6,013
2008	188,462	123,719	-	6,280
2009	166,167	114,524	-	8,914

Austin Peay State University

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2000	$ 28,387	$ 28,001	$ 48	$ 651
2001	31,087	28,051	48	649
2002	38,957	30,484	48	649
2003	42,577	31,100	48	1,516
2004	40,120	30,712	48	1,515
2005	44,332	32,216	-	2,242
2006	50,818	32,684	-	2,104
2007	56,119	34,977	-	2,253
2008	61,033	37,180	-	2,581
2009	62,358	33,427	-	3,512

Middle Tennessee State University

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2000	$ 78,317	$ 73,273	-	$ 3,357
2001	86,328	76,159	-	4,886
2002	98,031	77,990	-	5,472
2003	108,974	82,144	-	6,537
2004	126,161	81,057	-	6,540
2005	136,192	85,305	-	6,937
2006	149,759	86,971	-	6,455
2007	158,641	94,005	-	7,875
2008	168,872	100,859	-	8,011
2009	182,576	92,908	-	12,962

East Tennessee State University

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2000	$ 64,386	$ 72,837	$ 258	$ 1,743
2001	66,727	75,937	261	1,954
2002	72,774	77,965	261	1,916
2003	76,414	79,735	319	2,608
2004	85,854	79,247	315	2,609
2005	92,599	83,221	312	2,824
2006	100,454	86,173	2,242	2,221
2007	107,798	91,709	2,070	2,895
2008	121,820	98,619	1,889	5,172
2009	128,037	92,402	1,699	9,489

Tennessee State University

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2000	$ 52,156	$ 36,337	$ 66	$ 1,470
2001	54,979	34,843	66	2,056
2002	45,119	35,067	-	2,193
2003	47,326	34,988	-	3,137
2004	54,375	34,569	-	3,136
2005	57,504	37,110	-	3,001
2006	59,847	37,864	-	2,893
2007	60,537	39,913	-	2,911
2008	61,058	46,407	-	3,506
2009	77,569	38,085	-	4,041

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

(expressed in thousands)

Tennessee Technological University

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2000	$ 33,791	$ 38,938	-	$ 1,075
2001	37,065	39,933	-	844
2002	41,311	40,392	-	639
2003	45,293	40,790	-	415
2004	47,194	40,165	-	897
2005	52,138	42,742	-	1,168
2006	56,568	43,370	-	1,042
2007	61,679	46,012	-	1,242
2008	70,801	48,812	-	1,273
2009	76,045	45,267	-	1,786

Dyersburg State Community College

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2000	$ 2,918	$ 5,666	-	-
2001	3,127	5,809	-	-
2002	3,762	5,979	-	-
2003	4,010	6,108	-	-
2004	5,219	6,035	-	-
2005	5,490	6,386	-	-
2006	5,451	6,490	-	-
2007	6,032	7,118	-	$ 117
2008	6,141	7,612	-	116
2009	6,945	7,276	-	116

Chattanooga State Technical Community College

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2000	$ 11,074	$ 20,234	$ 72	-
2001	11,650	20,684	69	$ 34
2002	13,947	21,233	70	73
2003	15,034	21,108	60	73
2004	17,297	20,802	65	73
2005	18,216	21,977	-	73
2006	19,084	22,336	-	69
2007	20,832	23,697	-	280
2008	22,190	25,074	-	489
2009	26,466	23,937	-	489

Jackson State Community College

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2000	$ 6,376	$ 9,417	-	-
2001	5,468	10,210	-	-
2002	6,773	10,477	-	-
2003	7,173	10,768	-	-
2004	8,290	10,610	-	-
2005	8,958	11,282	-	-
2006	9,280	11,480	-	-
2007	10,614	12,383	-	$ 168
2008	14,329	13,147	-	166
2009	17,309	13,365	-	166

Cleveland State Community College

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2000	$ 3,726	$ 8,843	-	-
2001	3,952	9,072	-	-
2002	4,544	9,295	-	-
2003	4,757	9,212	-	-
2004	5,631	9,053	-	-
2005	5,737	9,580	-	-
2006	6,249	9,683	-	-
2007	6,422	10,317	-	$ 169
2008	7,206	10,856	-	168
2009	8,188	10,379	-	213

Columbia State Community College

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2000	$ 6,836	$ 10,675	-	-
2001	7,294	11,016	-	-
2002	13,136	11,437	-	-
2003	14,921	11,540	-	-
2004	10,799	11,344	-	-
2005	12,133	12,839	-	$ 17
2006	13,027	12,731	-	17
2007	13,829	13,710	-	17
2008	13,829	13,710	-	18
2009	11,481	13,337	-	14

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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	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2000	$ 4,120	$ 8,094	-	-
2001	4,413	8,309	-	-
2002	5,225	8,514	-	-
2003	5,660	8,893	-	-
2004	6,369	8,747	-	-
2005	7,022	9,343	-	-
2006	7,678	9,434	-	-
2007	8,661	10,290	-	$ 171
2008	9,780	10,951	-	170
2009	10,696	10,428	-	170

Nashville State Technical Community College

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2000	$ 7,474	$ 11,655	-	-
2001	8,322	12,168	-	-
2002	8,254	12,525	-	-
2003	13,519	13,099	-	$ 13
2004	12,202	12,730	-	13
2005	13,955	13,449	-	13
2006	15,615	14,045	-	13
2007	15,828	15,185	-	13
2008	17,392	16,370	-	85
2009	19,940	15,579	-	70

Roane State Community College

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2000	$ 7,565	$ 14,879	-	-
2001	7,697	15,524	-	-
2002	8,589	15,771	-	-
2003	9,532	15,779	-	-
2004	10,964	15,518	-	-
2005	11,823	16,470	-	-
2006	12,528	16,660	-	-
2007	13,510	17,892	-	$ 330
2008	14,478	18,976	-	323
2009	15,366	18,104	-	323

Northeast State Technical Community College

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2000	$ 5,111	$ 8,946	-	-
2001	5,534	9,501	-	-
2002	6,599	9,737	-	-
2003	7,283	10,543	-	-
2004	8,910	10,391	-	-
2005	9,883	10,958	-	-
2006	10,505	11,147	-	-
2007	11,731	12,256	-	$ 212
2008	12,086	13,199	-	209
2009	13,534	12,622	-	209

Southwest Tennessee Community College

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2000	$ 10,838	$ 18,464	-	$ 56
2001	18,325	34,451	-	146
2002	19,022	35,175	-	146
2003	21,839	34,827	-	179
2004	16,472	34,191	-	179
2005	16,749	36,210	-	179
2006	18,166	36,905	-	169
2007	22,042	38,723	-	174
2008	19,577	40,131	-	175
2009	20,523	38,230	-	389

Pellissippi State Technical Community College

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2000	$ 11,429	$ 17,062	-	-
2001	12,693	17,514	-	-
2002	13,854	18,078	-	-
2003	14,393	18,247	-	-
2004	17,109	17,985	-	-
2005	17,376	18,935	-	-
2006	19,184	19,252	-	-
2007	20,801	20,657	-	$ 293
2008	23,917	22,037	-	375
2009	25,530	20,983	-	376

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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	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2000	$ 7,067	$ 14,853	-	-
2001	7,723	15,297	-	-
2002	9,600	15,689	-	-
2003	10,333	15,641	-	-
2004	12,256	15,417	-	-
2005	13,206	16,303	-	$ 17
2006	14,224	16,548	-	17
2007	14,974	17,995	-	140
2008	15,457	19,245	-	139
2009	18,782	18,363	-	139

Walters State Community College

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2000	$ 9,001	$ 14,767	-	-
2001	8,281	15,173	-	-
2002	9,381	15,595	-	-
2003	9,990	15,909	-	-
2004	11,211	15,689	-	-
2005	11,798	16,643	-	-
2006	12,740	16,860	-	-
2007	14,097	18,249	-	$ 294
2008	15,379	19,429	-	289
2009	17,859	18,576	-	289

Source: Comptroller of the Treasury,
Division of Bond Finance

STATE OF TENNESSEE
STUDENT FEES AND CHARGES
FOR INSTITUTIONS WITH TENNESSEE STATE SCHOOL BOND AUTHORITY DEBT
COMPONENT UNITS
COLLEGE AND UNIVERSITY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Schedule 16

Institution	Debt Service Fees	In-State Student Tuition	Non-Resident Student Tuition	Average Board Charge	Average Room Charge
University of Tennessee- Knoxville	$ 104	$ 6,850	$ 20,946	$ 3,174	$ 4,080
University of Tennessee- Chattanooga	300	5,656	16,854	2,856	5,200
University of Tennessee- Martin	380	5,769	17,155	2,320	3,654
Austin Peay State University	274	5,868	17,946	2,490	5,031
East Tennessee State University	180	5,593	17,671	2,728	4,376
Middle Tennessee State University	408	6,048	18,126	2,988	3,996
Tennessee State University	178	5,444	17,522	2,288	3,070
Tennessee Technological University	58	5,586	17,664	3,142	4,538
University of Memphis	204	6,524	19,406	2,940	4,410
Chattanooga State Technical Community College		2,991	11,475		
Cleveland State Community College		2,969	11,453		
Columbia State Community College		2,941	11,425		
Dyersburg State Community College		2,971	11,455		
Jackson State Community College		2,953	11,437		
Motlow State Community College		2,959	11,443		
Nashville State Technical Community College		2,925	11,409		
Northeast State Technical Community College		2,981	11,465		
Pellissippi State Technical Community College	30	2,993	11,477		
Roane State Community College		2,981	11,465		
Southwest Tennessee Community College		2,985	11,469		
Volunteer State Community College		2,961	11,445		
Walters State Community College		2,969	11,453		

Source: Comptroller of the Treasury,
Division of Bond Finance

STATE OF TENNESSEE
PRINCIPAL AMOUNT OF DEBT OUTSTANDING BY INSTITUTION
COMPONENT UNITS
COLLEGE AND UNIVERSITY FUNDS
JUNE 30, 2009

Schedule 17

Institution	First Program Bonds	Second Program Bonds	Commercial Paper	Non-Authority Debt	Total Debt
University of Tennessee	$ 2,499	$ 425,474	$ 120,742	$ 35	$ 548,750
Austin Peay State University		40,633	923		41,556
East Tennessee State University	42	119,120	2,003	1,699	122,864
Middle Tennessee State University	96	145,406	17,621		163,123
Tennessee State University	260	40,480	49		40,789
Tennessee Technological University	25	15,071	7,459		22,555
University of Memphis	47	79,175	19,831		99,053
Chattanooga State Technical Community College		2,679	73		2,752
Cleveland State Community College		613	41		654
Columbia State Community College		78			78
Dyersburg State Community College		111			111
Jackson State Community College		160			160
Motlow State Community College		164			164
Nashville State Technical Community College		759			759
Northeast State Technical Community College		563			563
Pellissippi State Technical Community College		1,956			1,956
Roane State Community College		1,586			1,586
Southwest Tennessee Community College		3,423			3,423
Volunteer State Community College		192			192
Walters State Community College		1,127			1,127
	$ 2,969	$ 878,770	$ 168,742	$ 1,734	$ 1,052,215

Source: Comptroller of the Treasury,
Division of Bond Finance

SECURITIES & EXCHANGE COMMISSION DISCLOSURES

ACKNOWLEDGEMENTS

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