TENNESSEE STATE UNIVERSITY
Management's Discussion and Analysis

Introduction

This section of Tennessee State University's annual financial report presents a discussion and analysis of the financial performance of the university during the fiscal year ended June 30, 2020, with comparative information presented for the fiscal year ended June 30, 2019. This discussion has been prepared by management along with the financial statements and related note disclosures and should be read in conjunction with the independent auditor's report, the audited financial statements, and notes. The financial statements, notes, and this discussion are the responsibility of management.

The university has one discretely presented component unit, the Tennessee State University Foundation. More detailed information about the foundation is presented in Note 18 to the financial statements. This discussion and analysis focuses on the university and does not include the foundation.

Overview of the Financial Statements

The financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), which establishes standards for external financial reporting for public colleges and universities. The financial statements are presented on a consolidated basis to focus on the university as a whole. The full scope of the university's activities is considered to be a single business-type activity, and, accordingly, is reported within a single column in the basic financial statements.

The university's financial report includes the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. Notes to the financial statements are also presented to provide additional information that is essential to a full understanding of the financial statements.

The Statement of Net Position

The statement of net position is a point-in-time financial statement. The statement of net position presents the financial position of the university at the end of the fiscal year. To aid the reader in determining the university's ability to meet immediate and future obligations, the statement includes all assets, liabilities, deferred outflows/inflows of resources, and net position of the university and segregates the assets and liabilities into current and noncurrent components. Current assets are those that are available to satisfy current liabilities, inclusive of assets that will be converted to cash within one year. Current liabilities are those that will be paid within one year. The statement of net position is prepared under the accrual basis of accounting; assets and liabilities are recognized when goods or services are provided or received, despite when cash is actually exchanged.

From the data presented, readers of the statement are able to determine the assets available to continue the operations of the university. They are also able to determine how much the university owes vendors, lenders, and others. Net position represents the difference between the university's assets and liabilities, along with the difference between deferred outflows of resources and deferred inflows of resources, and is one indicator of the university's current financial condition.

The statement of net position also indicates the availability of net position for expenditure by the university. Net position is divided into three major categories. The first category, net investment in capital assets, represents the university's total investment in property, plant, and equipment, net of outstanding debt obligations related to these capital assets. To the extent debt or deferred inflows of resources have been incurred but not yet expended for capital assets, such amounts are not included. The next category is restricted net position, which is subdivided into two categories, nonexpendable and expendable. Nonexpendable restricted net position includes endowment and similar resources whose use is limited by donors or other outside sources and as a condition of the gift, the principal is to be maintained in perpetuity. Expendable restricted net position is available for expenditure by the university but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the resources. The final category is unrestricted net position. Unrestricted net position is available to the university for any lawful purpose of the university.

The following table summarizes the university's assets, liabilities, deferred outflows/inflows of resources, and net position at June 30, 2020, and June 30, 2019.

Summary of Net Position
(in thousands of dollars)

	2020	2019
Assets:		
Current assets	$ 37,691	$ 33,237
Capital assets, net	187,852	170,069
Other assets	67,525	67,927
Total Assets	293,068	271,233
Deferred Outflows of Resources		
Deferred amount on debt refunding	508	624
Deferred outflows of resources related to pensions	7,086	9,519
Deferred outflows of resources related to OPEB	3,015	2,973
Total Deferred Outflows of Resources	10,609	13,116
Liabilities:		
Current liabilities	26,090	28,472
Noncurrent liabilities	60,561	67,843
Total Liabilities	86,651	96,315

Deferred Inflows of Resources		
Deferred inflows of resources related to pensions	3,183	1,487
Deferred inflows of resources related to OPEB	4,947	966
Total Deferred Inflows of Resources	8,130	2,453
Net Position:		
Net investment in capital assets	158,830	140,970
Restricted – nonexpendable	360	355
Restricted – expendable	8,089	6,473
Unrestricted	41,617	37,783
Total Net Position	$208,896	$185,581

- Current assets increased $5.5 million mainly due to a large increase in students accounts receivable. More students had unpaid balances at June 30, 2020, than June 30, 2019.
- The increase in net capital assets is mainly due to an increase of $21 million in construction costs related to the new Health Sciences Facility.
- Noncurrent liabilities decreased $7.9 million for the year primarily due to pension and other postemployment benefits (OPEB) obligations. Additional information on pensions and OPEB can be found in Notes 10 and 11, respectively, to the financial statements.
- Deferred inflows of resources increased $5.6 million at June 30, 2020. This increase, particularly related to pensions and OPEB, is the result of actuarial calculations, change in assumptions and amortization of investment gains and losses, and investment experience. See additional information in the notes to the financial statements.
- Net investment in capital assets increased by $17.8 million from 2019 to 2020. This increase is primarily due to an increase in capital assets for the construction of the Health Sciences Facility.

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

The statement of revenues, expenses, and changes in net position presents the results of operations for the fiscal year. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received. The statement indicates whether the university's financial condition has improved or deteriorated during the fiscal year. The statement presents the revenues received by the university, both operating and nonoperating; the expenses paid by the university, operating and nonoperating; and any other revenues, expenses, gains, or losses received or spent by the university.

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the university. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the university. Nonoperating revenues are revenues received for which goods and services are not provided directly to the payor. Although Tennessee State

University is dependent upon state appropriations and gifts to fund educational and general operations, under GASB standards these funding sources are reported as nonoperating revenues, as is investment income. As a result, the university has historically reported an excess of operating expenses over operating revenues, resulting in an operating loss. Therefore, the "increase in net position" is more indicative of overall financial results for the year.

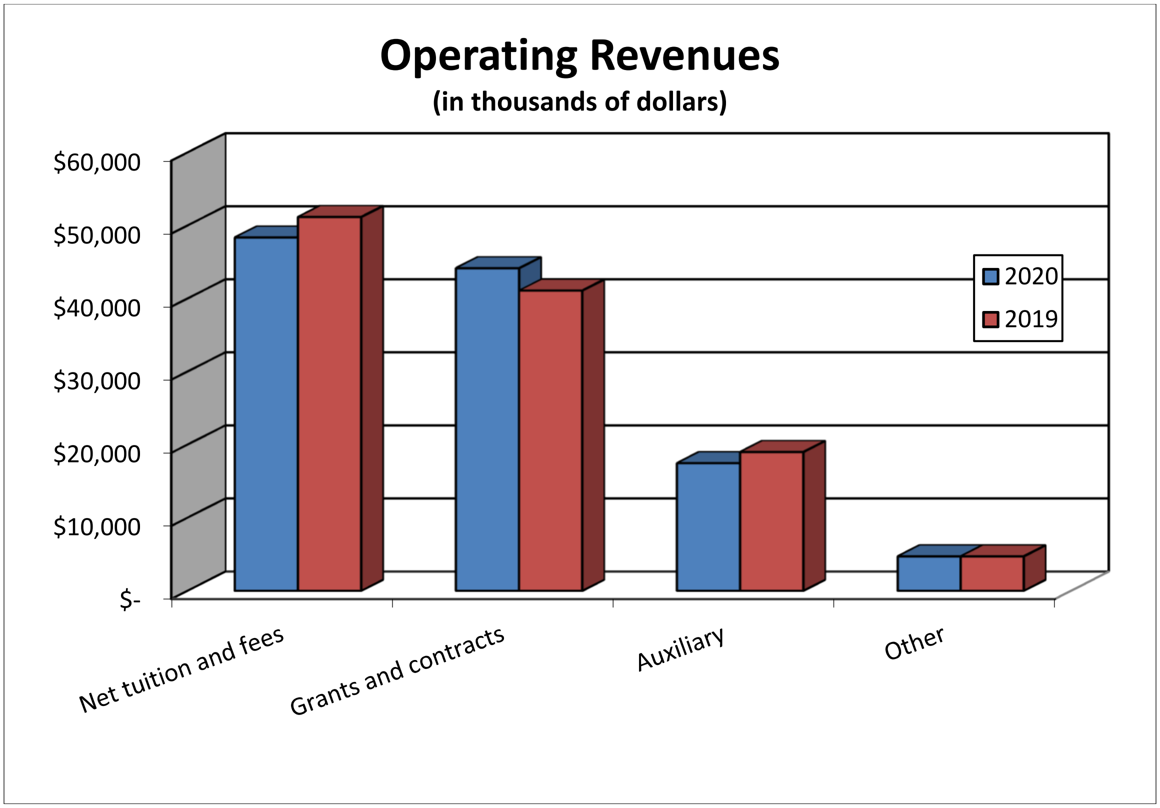
A summary of the university's revenues, expenses, and changes in net position for the years ended June 30, 2020, and June 30, 2019, follows.

Summary of Revenues, Expenses, and Changes in Net Position
(in thousands of dollars)

	2020	2019
Operating revenues	$114,662	$116,094
Operating expenses	193,115	196,645
Operating loss	(78,453)	(80,551)
Nonoperating revenues and expenses	78,945	75,278
Income (loss) before other revenues, expenses, gains, or losses	492	(5,273)
Other revenues, expenses, gains, or losses	22,823	7,261
Increase in net position	23,315	1,988
Net position at beginning of year	185,581	183,593
Net position at end of year	$208,896	$185,581

Operating Revenues

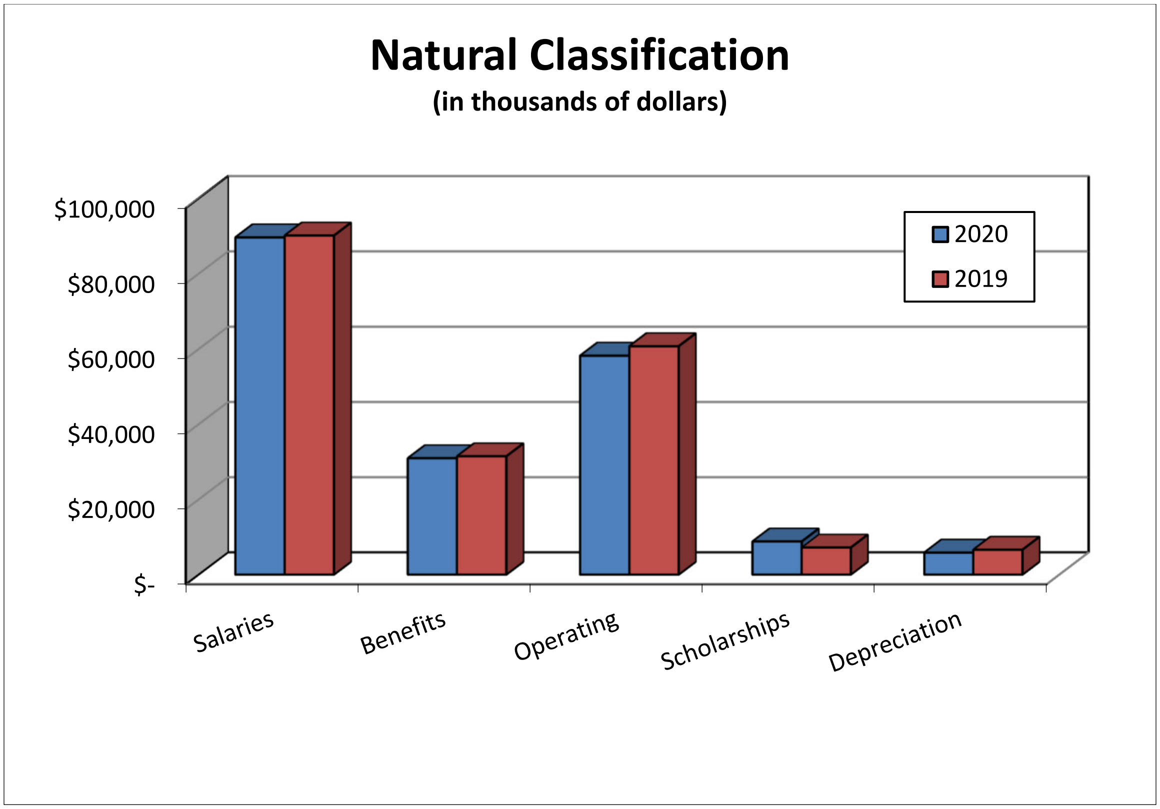
The following summarizes the operating revenues by source that were used to fund operating activities for the last two fiscal years:



- Operating grants and contracts increased $2.7 million due to an increased level of federal, state, and private externally funded projects.

Operating Expenses

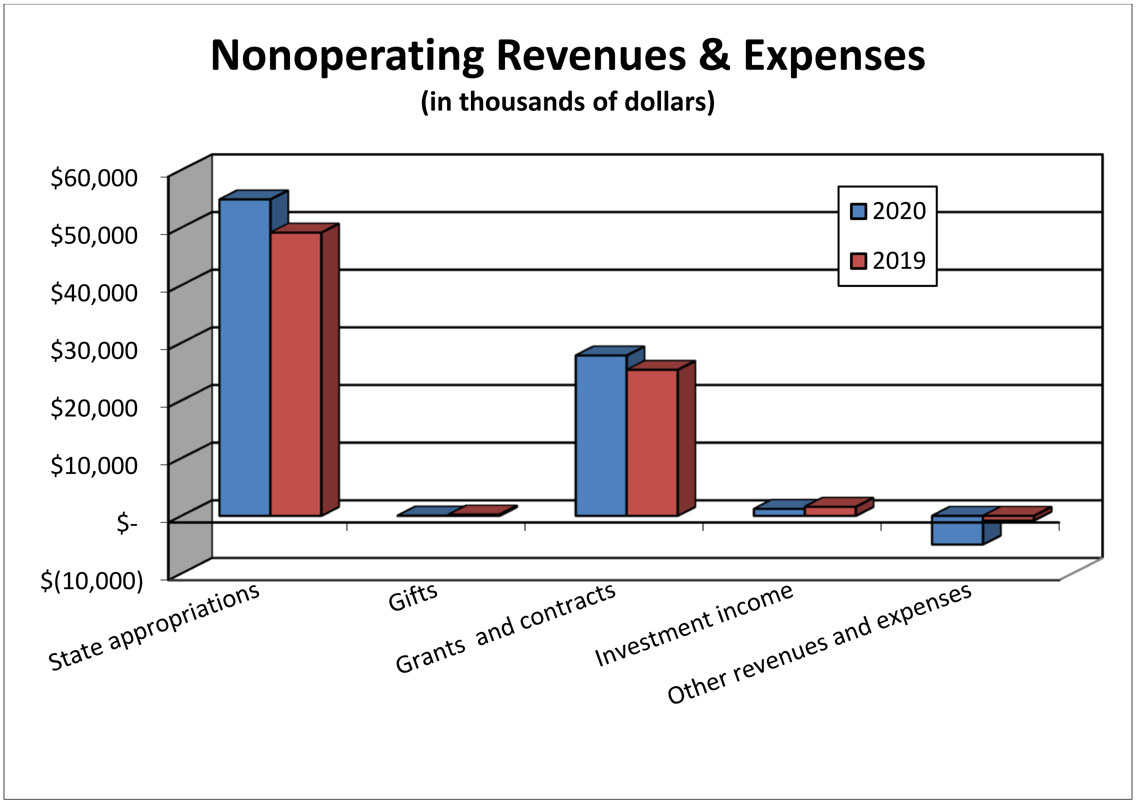
Operating expenses may be reported by nature or function. The university has chosen to report the expenses in their natural classification on the statement of revenues, expenses, and changes in net position and has displayed the functional classification in the notes to the financial statements. The following summarizes the operating expenses by natural classifications for the last two fiscal years:



- No material variances were noted between fiscal year 2020 and 2019.

Nonoperating Revenues and Expenses

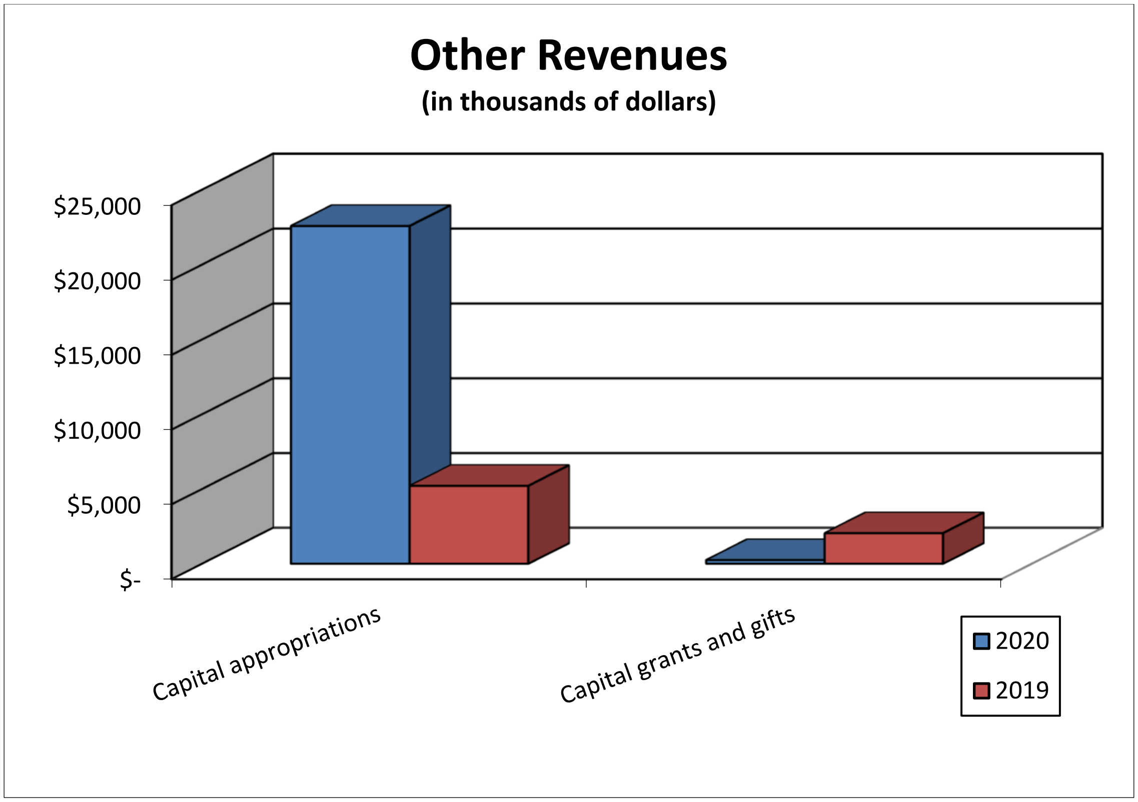
Certain revenue sources that the university relies on to provide funding for operations, including state noncapital appropriations, certain gifts and grants, and investment income, are defined by the GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the university's nonoperating revenues and expenses for the last two fiscal years:



- Unrestricted state appropriations for general operations increased by 14% and special appropriations for agricultural matching funds increased by 26% over the prior year. The Tennessee General Assembly provided additional funds to support the university's retention of qualified students from underserved populations and to expand the university's capacity into new food and agricultural research areas.
- Nonoperating grants and contracts increased in fiscal year 2020 due to the Higher Education Emergency Relief Fund grant, which did not exist in fiscal year 2019.

<u>Other Revenues</u>

This category is composed of state appropriations for capital purposes, capital grants and gifts, and additions to permanent endowments. These amounts were as follows for the last two fiscal years:



- Capital appropriations increased by $21 million due to construction in progress of the new Health Sciences Facility.
- Capital grants funded by the U.S. Department of Education and the U.S. Department of Agriculture were reduced due to no major projects in fiscal year 2020.

Capital Assets and Debt Administration

Capital Assets

Tennessee State University had $187,851,959.67 invested in capital assets, net of accumulated depreciation of $197,741,863.75 at June 30, 2020; and $170,069,314.36 invested in capital assets, net of accumulated depreciation of $194,521,963.50 at June 30, 2019. Depreciation charges totaled $5,862,544.36 and $6,627,649.19 for the years ended June 30, 2020, and June 30, 2019, respectively.

Schedule of Capital Assets, Net of Depreciation
(in thousands of dollars)

	2020	2019
Land	$ 9,801	$ 9,801
Land improvements and infrastructure	9,069	9,762
Buildings	119,212	125,983
Equipment	7,252	7,894
Library holdings	1,098	1,105
Intangible assets	-	-
Projects in progress	41,420	15,524
Total	$187,852	$170,069

Significant additions to capital assets occurred in fiscal year 2020. These additions were from the ongoing construction of the Health Sciences Facility.

At June 30, 2020, outstanding commitments under construction contracts totaled $111,750,514.38 for various renovations and repairs of buildings and infrastructure. Future state capital outlay appropriations will fund $20,841,194.84 of these costs.

More detailed information about the university's capital assets is presented in Note 6 to the financial statements.

Debt

The university had $29,529,661.19 and $29,723,064.91 in debt outstanding at June 30, 2020, and June 30, 2019, respectively. The table below summarizes these amounts by type of debt instrument.

Outstanding Debt
(in thousands of dollars)

	2020	2019
TSSBA bonds payable	$23,081	$18,458
Unamortized bond premium/discount	2,708	1,475
Revolving credit facility	3,741	9,790
Total	$29,530	$29,723

The Tennessee State School Bond Authority (TSSBA) issued bonds with interest rates ranging from 1.599% to 5.000% due serially to November 2031 on behalf of Tennessee State University. The university is responsible for the debt service of these bonds. The current portion of the $23,080,952.92 outstanding at June 30, 2020, is $2,789,382.04.

The ratings on debt issued by the TSSBA at June 30, 2020, were as follows:

Fitch	AA+
Moody's Investor Service	Aa1
Standard & Poor's	AA+

More information about the university's long-term liabilities is presented in Note 8 to the financial statements.

Economic Factors That Will Affect the Future

On December 31, 2019, China reported cases of the COVID-19 virus occurring in Wuhan City, China, to the World Health Organization (WHO). At that time, there was little confirmed evidence of human-to-human transmission and WHO did not declare the outbreak to be a public health emergency of international concern until January 31, 2020. On March 11, 2020, WHO declared COVID-19 to be a global pandemic. To help slow the transmission of the virus in Tennessee, the university took the following actions: 1) Employees whose job responsibilities allowed were instructed to begin an alternate work-from-home schedule beginning March 17, 2020. 2) TSU was on spring break the week of March 17. Spring break was extended an additional week to allow faculty to convert classes to an online format. All classes were resumed on March 30 and followed an online format until the end of the spring 2020 semester, and TSU extended the online format through the summer 2020 semester. COVID-19 could have a negative impact on the state's revenue collections, state funding for higher education, higher education enrollment, the fair value of higher education's investments, demand for on-campus housing, and interest in university programs involving international travel. The full impact of COVID-19 and the scope of any adverse impact on the university's finances and operations cannot be fully determined at this time.

TENNESSEE STATE UNIVERSITY
Statement of Net Position
June 30, 2020

	University	Component Unit
Assets		
Current assets:		
Cash and cash equivalents (Notes 2 and 18)	$ 5,023,996.12	$ 60,649.95
Investments (Notes 3, 4, and 18)	7,138.40	1,892,510.49
Accounts, notes, and grants receivable (net) (Note 5)	28,631,815.95	54,573.23
Due from State of Tennessee	2,445,041.95	-
Due from TSU Foundation	7,422.57	-
Inventories	35,031.94	-
Accrued interest receivable	1,540,717.79	-
Total current assets	37,691,164.72	2,007,733.67
Noncurrent assets:		
Cash and cash equivalents (Notes 2 and 18)	51,389,830.92	10,151,474.56
Investments (Notes 3, 4, and 18)	12,921,485.78	66,875,055.32
Investment in Tennessee Retiree Group Trust	559,018.06	-
Accounts, notes, and grants receivable (net) (Note 5)	363,931.70	-
Due from State of Tennessee	1,690,664.16	-
Capital assets (net) (Notes 6 and 18)	187,851,959.67	6,345,925.12
Net pension asset (Note 10)	600,442.00	-
Total noncurrent assets	255,377,332.29	83,372,455.00
Total assets	293,068,497.01	85,380,188.67
Deferred outflows of resources		
Deferred amount on debt refunding	507,617.98	-
Deferred outflows related to pensions (Note 10)	7,086,237.38	-
Deferred outflows related to OPEB (Note 11)	3,015,200.00	-
Total deferred outflows of resources	10,609,055.36	-
Liabilities		
Current liabilities:		
Accounts payable (Note 7)	8,182,628.46	53,227.38
Accrued liabilities	7,394,490.61	-
Due to grantor (Note 8)	308,839.55	-
Due to State of Tennessee	1,370,048.57	-
Due to TSU	-	7,422.57
Unearned revenue	3,903,924.19	-
Compensated absences (Note 8)	1,270,450.72	-
Accrued interest payable	161,083.51	-
Long-term liabilities, current portion (Note 8)	2,789,382.04	-
Deposits held in custody for others	709,298.24	-
Total current liabilities	26,090,145.89	60,649.95
Noncurrent liabilities:		
Net pension liability (Note 10)	16,065,211.00	-
Net OPEB liability (Note 11)	9,207,535.00	-
Compensated absences (Note 8)	6,192,132.67	-
Long-term liabilities (Note 8)	26,740,279.15	-
Due to grantors (Note 8)	2,355,922.71	-
Total noncurrent liabilities	60,561,080.53	-
Total liabilities	86,651,226.42	60,649.95
Deferred inflows of resources		
Deferred inflows related to pensions (Note 10)	3,182,584.00	-
Deferred inflows related to OPEB (Note 11)	4,947,362.00	-
Total deferred inflows of resources	8,129,946.00	-
Net position		
Net investment in capital assets	158,829,916.46	6,345,925.12
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	360,282.14	9,028,076.19
Research	-	930,150.98
Instructional department uses	-	1,041,722.00
Endowment for Educational Excellence	-	51,300,018.07
Other	-	240,070.15
Expendable:		
Scholarships and fellowships	799,652.38	2,763,671.05
Research	1,350,829.49	322,203.53
Instructional department uses	1,519,551.99	871,881.47
Loans	785,261.98	-
Capital projects	1,074,554.63	995,362.00
Pension	600,442.00	-
Endowment for Educational Excellence	-	407,127.27
Other	1,958,367.50	8,228,594.96
Unrestricted	41,617,521.38	2,844,735.93
Total net position	$ 208,896,379.95	$ 85,319,538.72

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

TENNESSEE STATE UNIVERSITY
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2020

	University	Component Unit
Revenues		
Operating revenues:		
Student tuition and fees (Note 12)	$ 48,346,980.09	$ -
Gifts and contributions	-	5,641,428.00
Governmental grants and contracts	42,601,552.52	50,000.00
Nongovernmental grants and contracts, including $181,398.00 from the component unit	1,545,646.14	-
Sales and services of educational activities	91,761.04	-
Sales and services of other activities	4,581,688.92	789,255.25
Auxiliary enterprises:		
Residential life (Note 12)	3,807,024.80	-
Bookstore	2,075,498.41	-
Food service	10,532,457.60	-
Other auxiliaries	1,044,269.44	-
Interest earned on loans to students	34,971.63	-
Total operating revenues	114,661,850.59	6,480,683.25
Expenses		
Operating expenses (Note 16):		
Salaries and wages	89,660,434.01	-
Benefits	30,967,862.22	-
Utilities, supplies, and other services	57,807,104.69	1,235,874.30
Scholarships and fellowships	8,816,904.74	1,924,082.65
Depreciation expense	5,862,544.36	18,881.34
Payments to or on behalf of Tennessee State University (Note 18)	-	218,963.34
Total operating expenses	193,114,850.02	3,397,801.63
Operating income (loss)	(78,452,999.43)	3,082,881.62
Nonoperating revenues (expenses)		
State appropriations	54,886,375.00	-
Gifts, including $37,565.34 from the component unit	37,565.34	-
Grants and contracts	27,805,289.99	-
Investment income (expense) (net of investment expense for the component unit of $328,332.08)	1,186,506.43	1,914,459.42
Interest on capital asset-related debt	(855,347.85)	-
Bond issuance costs	(28,062.21)	-
Other nonoperating revenues (expenses)	(4,087,051.21)	-
Total nonoperating revenues (expenses)	78,945,275.49	1,914,459.42
Income before other revenues, expenses, gains, or losses	492,276.06	4,997,341.04
Capital appropriations	22,579,120.74	-
Capital grants and gifts	243,863.81	-
Additions to permanent endowments	-	526,039.19
Total other revenues	22,822,984.55	526,039.19
Increase in net position	23,315,260.61	5,523,380.23
Net position - beginning of year	185,581,119.34	79,796,158.49
Net position - end of year	$ 208,896,379.95	$ 85,319,538.72

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

TENNESSEE STATE UNIVERSITY
Statement of Cash Flows
For the Year Ended June 30, 2020

Cash flows from operating activities	
Tuition and fees	$ 42,168,387.37
Grants and contracts, including $181,398.00 from the component unit	44,320,540.86
Sales and services of educational activities	91,761.04
Sales and services of other activities	4,586,250.49
Payments to suppliers and vendors	(57,934,061.81)
Payments to employees	(88,898,344.45)
Payments for benefits	(30,842,663.71)
Payments for scholarships and fellowships	(8,816,904.74)
Loans issued to students	(65,333.35)
Collection of loans from students	560,003.06
Interest earned on loans to students	90,176.80
Funds received for deposits held for others	69,752.70
Funds disbursed for deposits held for others	(43,901.59)
Auxiliary enterprise charges:	
Residence halls	3,802,583.80
Bookstore	2,212,532.16
Food services	10,560,204.55
Other auxiliaries	833,777.51
Other receipts (payments)	(1,397,273.43)
Net cash used for operating activities	(78,702,512.74)
Cash flows from noncapital financing activities	
State appropriations	54,931,500.00
Gifts and grants received for other than capital or endowment purposes, including $37,565.34 from the component unit	27,842,855.33
Federal student loan receipts	46,074,947.00
Federal student loan disbursements	(46,074,947.00)
Net cash provided by noncapital financing activities	82,774,355.33
Cash flows from capital and related financing activities	
Capital grants and gifts received	255,282.93
Purchases of capital assets and construction	(1,855,276.81)
Principal paid on capital debt	(2,737,864.00)
Interest paid on capital debt	(1,481,014.98)
Bond issuance costs paid on new debt issue	(28,062.21)
Net cash used for capital and related financing activities	(5,846,935.07)
Cash flows from investing activities	
Proceeds from sales and maturities of investments	14,378,226.00
Income on investments	1,060,387.43
Purchase of investments	(9,742,104.00)
Net cash provided by investing activities	5,696,509.43
Net increase in cash and cash equivalents	3,921,416.95
Cash and cash equivalents - beginning of year	52,492,410.09
Cash and cash equivalents - end of year	$ 56,413,827.04

TENNESSEE STATE UNIVERSITY
Statement of Cash Flows
For the Year Ended June 30, 2020

Cash flows from operating activities	
Tuition and fees	$ 42,168,387.37
Grants and contracts, including $181,398.00 from the component unit	44,320,540.86
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Funds disbursed for deposits held for others	(43,901.59)
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Net cash provided by investing activities	5,696,509.43
Net increase in cash and cash equivalents	3,921,416.95
Cash and cash equivalents - beginning of year	52,492,410.09
Cash and cash equivalents - end of year	$ 56,413,827.04

Note 1. Summary of Significant Accounting Policies

Reporting Entity

The university is a part of the State University and Community College System of Tennessee (the system). The Focus on College and University Success Act of 2016 removed the six universities from the governance of the Tennessee Board of Regents, but they remain part of the system. The universities have their own local governing boards that provide governance, approve policies, set tuition and fee rates, and hire presidents. The system had limited oversight responsibilities during the transition period and has continuing oversight responsibilities in the areas of budget approval and institutional debt. This system is a component unit of the State of Tennessee because the state appoints a majority of the system's governing body and provides significant financial support; the system is discretely presented in Tennessee's *Comprehensive Annual Financial Report*. That report is available at https://www.tn.gov/finance/rd-doa/fa-accfin-ar.html.

The financial statements present only that portion of the system's activities that is attributable to the transactions of Tennessee State University.

The Tennessee State University Foundation is considered a component unit of the university. Although the university does not control the timing or amount of receipts from the foundation, the majority of resources, or income thereon, that the foundation holds and invests are restricted to the activities of the university by its donors. Because these restricted resources held by the foundation can only be used by, or for the benefit of, the university, the foundation is considered a component unit of the university and is discretely presented in the university's financial statements. See Note 18 for more detailed information about the component unit.

Basis of Presentation

The university and the foundation's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to governmental colleges and universities engaged in business-type activities as prescribed by the Governmental Accounting Standards Board (GASB).

Basis of Accounting

For financial statement purposes, the university is considered a special-purpose government engaged only in business-type activities. Accordingly, the financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. 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 of the provider's eligibility requirements have been met. All significant internal activity has been eliminated.

The university has classified its revenues and expenses as either operating or nonoperating according to the following criteria: Operating revenues and expenses are those that have the characteristics of exchange transactions. Operating revenues include (1) tuition and fees, net of scholarship discounts and allowances; (2) certain federal, state, local, and private grants and contracts; (3) sales and services of auxiliary enterprises, net of scholarship discounts and allowances; and (4) interest on institutional loans. Operating expenses include (1) salaries and wages; (2) employee benefits; (3) utilities, supplies, and other services; (4) scholarships and fellowships; and (5) depreciation.

Nonoperating revenues and expenses include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other activities that are defined as nonoperating by GASB Statement 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments,* such as state appropriations and investment income.

When both restricted and unrestricted resources are available for use, it is the university's policy to determine which to use first, depending upon existing facts and circumstances.

Cash Equivalents

This classification includes instruments that are readily convertible to known amounts of cash and have original maturities of three months or less.

Inventories

Inventories are valued at the lower of cost or market. Textbooks included in the inventory are recorded on a first-in, first-out basis. All other items are maintained on an average cost or first-in, first-out basis.

Compensated Absences

The university's employees accrue annual and sick leave at varying rates, depending on length of service or classification. Some employees also earn compensatory time.

The amount of the liabilities for annual leave and compensatory time and their related benefits are reported in the statement of net position. There is no liability for unpaid accumulated sick leave since the university's policy is to pay this only if the employee is sick or upon death.

Capital Assets

Capital assets, which include property, plant, equipment, library holdings, works of art, historical treasures/collections, and intangible assets, are reported in the statement of net position at historical cost or at acquisition value at date of donation, less accumulated depreciation/amortization. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful life are not capitalized.

A capitalization threshold of $100,000 is used for buildings, and $50,000 is used for infrastructure. Equipment is capitalized when the unit acquisition cost is $5,000 or greater. The capitalization threshold for additions and improvements to buildings and land is set at $50,000. The capitalization threshold for intangible assets is set at $100,000. The capitalization threshold for art, historical treasures/collections, and similar assets is set at $5,000.

These assets, with the exception of works of art and historical treasures/collections deemed inexhaustible and land, are depreciated/amortized using the straight-line method over the estimated useful lives, which range from 5 to 60 years.

Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Closed State and Higher Education Employee Pension Plan and the State and Higher Education Employee Retirement Plan in the Tennessee Consolidated Retirement System (TCRS) and additions to/deductions from the plans' fiduciary net positions have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Closed State and Higher Education Employee Pension Plan and the State and Higher Education Employee Retirement Plan. Investments are reported at fair value.

Other Postemployment Benefits

For purposes of measuring the net other postemployment benefits (OPEB) liability, as well as deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the closed Employee Group OPEB Plan and additions to/deductions from the plan's fiduciary net position has been determined on the same basis as they are reported by the State of Tennessee Postemployment Benefits Trust. For this purpose, benefits are recognized when due and payable in accordance with the benefit terms of the Closed Employee Group OPEB Plan. Investments are reported at fair value.

Net Position

The university's net position is classified as follows:

<u>Net investment in capital assets</u> – This represents the university's total investment in capital assets, net of accumulated depreciation and net of outstanding debt obligations and deferred outflows/inflows of resources related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

<u>Nonexpendable restricted net position</u> – Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity,

and invested for the purpose of producing present and future income, which may be expendable or added to principal.

Expendable restricted net position – Expendable restricted net position includes resources that the university is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Unrestricted net position – Unrestricted net position represents resources derived from student tuition and fees; state appropriations; sales and services of educational departments; sales and services of other activities; and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the university and may be used at the university's discretion to meet current expenses for any purpose. The auxiliary enterprises are substantially self-supporting activities that provide services for students, faculty, and staff.

Scholarship Discounts and Allowances

Student tuition and fee revenues, as well as certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the university and the amount that is paid by the student and/or third parties making payments on the student's behalf. Certain governmental grants, such as Pell grants and other federal, state, or nongovernmental programs, are recorded as either operating or nonoperating revenues in the university's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the university has recorded a scholarship discount and allowance.

Note 2. Cash and cash equivalents

This classification includes demand deposits and petty cash on hand. At June 30, 2020, cash consisted of $19,075,505.83 in bank accounts, $3,800.00 of petty cash on hand, $11,050,652.36 in the Local Government Investment Pool (LGIP) administered by the State Treasurer, $1,317,065.55 in LGIP deposits for capital projects, and $24,966,803.30 in money market accounts.

The LGIP is administered by the State Treasurer and is measured at amortized cost. The LGIP is part of the State Pooled Investment Fund. The fund's required risk disclosures are presented in the *State of Tennessee Treasurer's Report*. That report is available on the state's website at https://treasury.tn.gov.

LGIP deposits for capital projects – Payments related to the university's capital projects are made by the State of Tennessee's Department of Finance and Administration. The university's estimated local share of the cost of each project is held in a separate LGIP account. As expenses are incurred, funds are withdrawn from the LGIP account by the system and transferred to the Department of Finance and Administration. The funds in the account are not available to the university for any other purpose until the project is completed and the system releases any remaining funds.

Note 3. Investments

In accordance with GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended, and GASB Statement 72, *Fair Value Measurement and Application,* as amended, investments are reported at fair value, including those with a maturity date of one year or less at the time of purchase, unless otherwise noted.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a debt investment. The university does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

At June 30, 2020, the university had the following debt investments and maturities:

		Investment Maturities (in Years)				
Investment Type	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10	No Maturity Date
U.S. Treasury	$ 1,736,375.90	$ -	$1,736,375.90	$ -	$ -	$ -
U.S. agencies	11,192,248.28	7,138.40	3,285,547.34	7,255,494.08	644,068.46	-
Total debt investments	$12,928,624.18	$7,138.40	$5,021,923.24	$7,255,494.08	$644,068.46	$ -

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The university is authorized by statute to invest funds in accordance with the policy of its governing board. Under the current policy, funds other than endowments may be invested only in obligations of the United States or its agencies backed by the full faith and credit of the United States; repurchase agreements for United States securities; certificates of deposit in banks and savings and loan associations; bankers' acceptances; commercial paper; money market mutual funds; and the State of Tennessee Local Government Investment Pool. Securities are rated by Standard and Poor's, Moody's Investors Service, and/or Fitch Ratings and are presented below using the Standard and Poor's rating scale.

The policy restricts investments in bankers' acceptances and commercial paper. The policy requires that prime bankers' acceptances must be issued by domestic banks with a minimum AA rating or foreign banks with a AAA long-term debt rating by a majority of the ratings services that have rated the issuer. Prime bankers' acceptances are required to be eligible for purchase by the Federal Reserve System. To be eligible, the original maturity must not be more than 270 days, and it must (1) arise out of the current shipment of goods between countries or within the United States, or (2) arise out of storage within the United States of goods that are under contract of sale or are expected to move into the channel of trade within a reasonable time and that are secured throughout their life by a warehouse receipt or similar document conveying title to the underlying goods.

The policy requires that prime commercial paper be limited to that of corporations that meet the following criteria: (1) Senior long-term debt, if any, should have a minimum rating of A1 or equivalent, and short-term debt should have a minimum rating of A1 or equivalent, as provided by a majority of the rating services that rate the issuer. If there is no long-term debt rating, the short-term debt rating must be A1 by all rating services (minimum of two). (2) The rating should be based on the merits of the issuer or guarantee by a nonbank. (3) A financial review should be made to ascertain the issuer's financial strength to cover the debt. (4) Commercial paper of a banking institution should not be purchased. Prime commercial paper shall not have a maturity that exceeds 270 days.

At June 30, 2020, the university's investments were rated as follows:

		Credit Quality Rating	
Investment Type	Balance	AA	Unrated
LGIP (amortized cost)	$12,367,717.91	$ -	$12,367,717.91
U.S. agencies	11,158,275.48	11,158,275.48	-
Total	$23,525,993.39	$11,158,275.48	$12,367,717.91

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the university's investment in a single issuer. The policy restricts investments in bankers' acceptances, commercial paper, and money market mutual funds. The policy limits bankers' acceptances to not exceed 20% of the total investments on the date of acquisition and limits the combined amount of bankers' acceptances and commercial paper to not exceed 35% of the total investments at the date of acquisition. The amount invested in any one bank shall not exceed 5% of total investments on the date of acquisition. Additionally, no more than 5% of total investments at the date of acquisition may be invested in the commercial paper of a single issuer. The policy further limits the total holdings of an issuer's commercial paper to not more than 2% of the issuing corporation's total outstanding commercial paper. The policy limits investments in money market mutual funds to not exceed 10% of total investments on the date of acquisition.

More than 5% of the university's investments were invested in the following single issuers:

Issuer	Percentage of Total Investments June 30, 2020
Federal National Mortgage Association	29.28%
Federal Home Loan Mortgage Corporations	49.52%

Note 4. Fair Value Measurement

The university categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The university has the following recurring fair value measurements as of June 30, 2020:

	June 30, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at the Net Asset Value (NAV)
Assets by Fair Value Level					
Debt securities:					
U.S. Treasury	$ 1,736,375.90	$ -	$ 1,736,375.90	$ -	$ -
U.S. agencies	11,192,248.28	-	11,192,248.28	-	-
Total assets at fair value	$12,928,624.18	$ -	$12,928,624.18	$ -	$ -

Assets classified in Level 2 of the fair value hierarchy are valued using a third-party investment manager (Wellspring Financial Solutions of Raymond James and Associates, Inc.).

Note 5. Receivables

Receivables at June 30, 2020, included the following:

Student accounts receivable	$25,452,964.00
Grants receivable	10,068,159.49
Notes receivable	51,104.03
Other receivables	408,838.66
Subtotal	35,981,066.18
Less allowance for doubtful accounts	(7,378,024.43)
Total receivables	$28,603,041.75

Federal Perkins Loan Program funds at June 30, 2020, included the following:

Perkins loans receivable	$4,069,080.29
Less allowance for doubtful accounts	(3,676,374.39)
Total	$ 392,705.90

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Additions	Transfers	Reductions	Ending Balance
Land	$ 9,800,923.30	$ -	$ -	$ -	$ 9,800,923.30
Land improvements and infrastructure	54,166,932.82	-	-	-	54,166,932.82
Buildings	247,685,526.08	-	36,530.39	4,109,969.60	243,612,086.87
Equipment	32,036,340.15	1,544,271.82	-	2,298,660.28	31,281,951.69
Library holdings	2,697,552.91	255,925.00	-	321,065.44	2,632,412.47
Intangible assets	2,679,599.35	-	-	-	2,679,599.35
Projects in progress	15,524,403.25	25,932,044.06	(36,530.39)	-	41,419,916.92
Total	364,591,277.86	27,732,240.88	-	6,729,695.32	385,593,823.42
Less accumulated depreciation/amortization:					
Land improvements and infrastructure	44,405,008.52	692,943.83	-	-	45,097,952.35
Buildings	121,702,454.34	3,128,023.67	-	430,533.71	124,399,944.30
Equipment	24,142,734.25	1,778,335.62	-	1,891,044.96	24,030,024.91
Library holdings	1,592,167.04	263,241.24	-	321,065.44	1,534,342.84
Intangible assets	2,679,599.35	-	-	-	2,679,599.35
Total	194,521,963.50	5,862,544.36	-	2,642,644.11	197,741,863.75
Capital assets, net	$170,069,314.36	$21,869,696.52	$ -	$4,087,051.21	$187,851,959.67

Note 7. Accounts Payable

Accounts payable at June 30, 2020, included the following:

Vendors payable	$6,938,511.44
Other payables	1,244,117.02
Total accounts payable	$8,182,628.46

Note 8. Long-term Liabilities

Long-term liabilities activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
TSSBA debt:					
Bonds	$18,458,348.50	$7,360,469.00	$2,737,864.58	$23,080,952.92	$2,789,382.04
Unamortized bond premium/discount	1,474,940.18	1,617,593.21	384,415.09	2,708,118.30	-
Revolving credit facility	9,789,776.23	2,900,813.74	8,950,000.00	3,740,589.97	-
Subtotal	29,723,064.91	11,878,875.95	12,072,279.67	29,529,661.19	2,789,382.04
Other liabilities:					
Compensated absences	7,058,867.68	1,670,003.54	1,266,287.83	7,462,583.39	1,270,450.72
Due to grantor	3,376,565.15	308,765.15	1,020,568.04	2,664,762.26	308,839.55
Subtotal	10,435,432.83	1,978,768.69	2,286,855.87	10,127,345.65	1,579,290.27
Total long-term liabilities	$40,158,497.74	$13,857,644.64	$14,359,135.54	$39,657,006.84	$4,368,672.31

TSSBA Debt – Bonds

Bonds, with interest rates ranging from 1.599% to 5.000%, were issued by the Tennessee State School Bond Authority (TSSBA). The bonds are due serially to November 2031 and are secured by pledges of the facilities' revenues to which they relate and certain other revenues and fees of the university, including state appropriations; see Note 9 for further details.

Debt service requirements to maturity for the university's portion of TSSBA bonds at June 30, 2020, are as follows:

Year Ending June 30	Principal	Interest	Total
2021	$ 2,789,382.04	$ 909,668.74	$ 3,699,050.78
2022	2,874,549.63	808,215.12	3,682,764.75
2023	2,909,503.73	700,483.91	3,609,987.64
2024	2,414,442.52	602,131.54	3,016,574.06
2025	2,523,000.73	511,302.49	3,034,303.22
2026–2030	8,789,268.15	1,112,223.66	9,901,491.81
2031–2032	780,806.12	39,546.82	820,352.94
Total	$23,080,952.92	$4,683,572.28	$27,764,525.20

TSSBA Debt – Revolving Credit Facility

The Tennessee State School Bond Authority (TSSBA) receives loans from the revolving credit facility to finance the costs of various capital projects during the construction phase. When projects are placed in service, TSSBA issues long-term, fixed-rate debt to finance the project over its useful payback period and repays the revolving credit facility debt. The total outstanding loans from the revolving credit facility for the university were $3,734,677.75 at June 30, 2020. In addition, the university has expended $5,912.22 on projects that TSSBA has not yet withdrawn from the revolving credit facility.

More detailed information regarding the bonds and revolving credit facility can be found in the notes to the financial statements in the financial report for the TSSBA. That report is available on the state's website at https://www.comptroller.tn.gov/boards/tennessee-state-school-bond-authority/investor-information/tssba-financial-reports.html.

Note 9. Pledged Revenues

The university has pledged certain revenues and fees, including state appropriations, to repay $23,080,952.92 in revenue bonds issued from May 2012 to August 2019 (see Note 8 for further detail). Proceeds from the bonds provided financing for Housing Phase 2, Research and Sponsored Program Building, Housing Fire Safety Upgrade, Energy Savings Performance Contract, Hale Stadium Improvements, Student Housing, Avon Williams Campus Improvements, Student Housing Fire Suppression Retrofit, and Health Services Facility. The bonds are payable through 2031. Annual principal and interest payments on the bonds are expected to require 2.19% of available revenues. The total principal and interest remaining to be paid on the bonds is $27,764,525.20. Principal and interest paid for the current year and total available revenues were $3,594,558.11 and $163,991,801.33, respectively.

Note 10. Pension Plans

Defined Benefit Plans

Closed State and Higher Education Employee Pension Plan

General Information About the Pension Plan

Plan description – State employees and higher education employees with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014, are provided with pensions through the Closed State and Higher Education Employee Pension Plan. This plan is a component of the Public Employee Retirement Plan, an agent, multiple-employer defined benefit pension plan. The Closed State and Higher Education Employee Pension Plan stopped accepting new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, a new agent defined benefit retirement plan, the State and Higher

Education Employee Retirement Plan, became effective for state employees and higher education employees hired on or after July 1, 2014.

The TCRS was created by state statute under Title 8, Chapters 34–37, *Tennessee Code Annotated*. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at https://treasury.tn.gov/tcrs.

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

Average of member's highest compensation for 5 consecutive years (up to Social Security integration level)	x	1.50%	x	Years of Service Credit	x	105%

Plus:

Average of member's highest compensation for 5 consecutive years (over the Social Security integration level)	x	1.75%	x	Years of Service Credit	x	105%

A reduced early retirement benefit is available at age 55 and vested. Members are vested with 5 years of service credit. Service-related disability benefits are provided regardless of length of service. Five years of service are required for non-service-related disability eligibility. The service-related and non-service-related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10% and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost-of-living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to July 2 of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than 0.5%. A 1% COLA is granted if the CPI change is between 0.5% and 1%. A member who leaves employment may withdraw employee contributions, plus any accumulated interest.

Contributions – Contributions for state employees and higher education employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. The university's employees are noncontributory, as are most members in the Closed State and Higher Education Employee Pension Plan. State and higher education agencies make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Closed State and Higher Education Employee Pension Plan are required to be paid. Employer contributions by the university for the year ended June 30, 2020, to the Closed State and Higher Education Employee Pension Plan were $4,878,655.96, which is 19.66% of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year and the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension liability – At June 30, 2020, the university reported a liability of $16,065,211 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The university's proportion of the net pension liability was based on a projection of the university's contributions during the year ended June 30, 2019, to the pension plan relative to the contributions of all participating state and higher education agencies. At the June 30, 2019, measurement date, the university's proportion was 1.137630%. The proportion measured as of June 30, 2018, was 1.170750%.

Pension expense – For the year ended June 30, 2020, the university recognized a pension expense of $6,176,561.

Deferred outflows of resources and deferred inflows of resources – For the year ended June 30, 2020, the university reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 755,275.00	$ 253,977.00
Net difference between projected and actual earnings on pension plan investments	-	2,113,070.00
Changes in assumptions	1,155,630.00	-
Changes in proportion of net pension liability	-	725,974.00
TSU's contributions subsequent to the measurement date of June 30, 2019	4,878,655.96	-
Total	$6,789,560.96	$3,093,021.00

Deferred outflows of resources, resulting from the university's employer contributions of $4,878,655.96 subsequent to the measurement date, will be recognized as a decrease in net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	
2021	$ 1,106,339
2022	$(1,618,304)
2023	$ (601,645)
2024	$ (68,506)
2025	$ -
Thereafter	$ -

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

Actuarial assumptions – The total pension liability as of the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4%
Investment rate of return	7.25%, net of pension plan investment expenses, including inflation
Cost-of-living adjustment	2.25%

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

The actuarial assumptions used in the June 30, 2019, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016, actuarial experience study. This return was selected from a range of values developed using historical market returns and future capital market projections. The future capital market projections were produced using a building-block method in which a best estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best estimates are combined to produce the future capital market projection by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5%. The best estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return	Target Allocation
U.S. equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25% based on a comparison of historical market returns and future capital market projections.

Discount rate – The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all state and higher education agencies will be made at the actuarially determined contribution rate in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of net pension liability to changes in the discount rate – The following presents the university's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the university's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
University's proportionate share of the net pension liability (asset)	$38,769,376	$16,065,211	$(2,404,816)

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report at https://treasury.tn.gov/tcrs.

Payable to the Pension Plan

At June 30, 2020, the university reported a payable of $394,785.82 for the outstanding amount of legally required contributions to the pension plan required for the year ended June 30, 2020.

State and Higher Education Employee Retirement Plan

General Information About the Pension Plan

Plan description – State employees and higher education employees with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014, are provided with pensions through the Closed State and Higher Education Employee Pension Plan, an agent plan within the Public Employee Retirement Plan administered by the TCRS. TCRS is a multiple-employer pension plan. The Closed State and Higher Education Pension Plan was closed effective June 30, 2014, and covers employees hired before July 1, 2014. Employees hired after June 30, 2014, are provided with pensions through a legally separate plan referred to as the State and Higher Education Employee Retirement Plan, an agent plan within the Public Employee Retirement Plan administered by the TCRS. The TCRS was created by state statute under Title 8, Chapters 34–37, *Tennessee Code Annotated*.

Benefits provided – Title 8, Chapters 34–37, *Tennessee Code Annotated,* establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the State and Higher Education Employee Retirement Plan are eligible to retire at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and years of service total 90. Members are entitled to receive unreduced service retirement benefits, which are determined by a formula multiplying the member's highest five consecutive years' average compensation by 1% multiplied by the member's years of service credit. A reduced early retirement is available at age 60 with 5 years of service credit or pursuant to the rule of 80 in which a member's age and years of service total 80. Service-related disability benefits are provided regardless of length of service. Five years of service are required for non-service-related disability eligibility. The service-related and non-service-related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10% and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost-of-living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to July 2 of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than 0.5%. A 1% COLA is granted if the CPI change is between 0.5% and 1%. A member who leaves employment may withdraw employee contributions, plus any accumulated interest.

Contributions – Contributions for state and higher education employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. University employees contribute 5% of their salary to the State and Higher Education Employee Retirement Plan. The higher education institutions make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the State and Higher Education Employee Retirement Plan are required to be paid. Employer contributions by the university for the year ended June 30, 2020, to the State and Higher Education Employee Retirement Plan were $239,579.42, which is 1.73% of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year and the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension asset – At June 30, 2020, the university reported an asset of $600,442 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2019, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The university's proportion of the net pension asset was based on a projection of the university's contributions during the year ended June 30, 2019, to the pension plan relative to the contributions of all participating state and higher education agencies. At the June 30, 2019, measurement date, the university's proportion was 1.447632%. At the June 30, 2018, measurement date, the university's proportion was 1.480061%.

Pension expense – For the year ended June 30, 2020, the university recognized a pension expense of $193,188.

Deferred outflows of resources and deferred inflows of resources – For the year ended June 30, 2020, the university reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 13,387.00	$19,476.00
Net difference between projected and actual earnings on pension plan investments	-	24,801.00
Changes in assumptions	16,597.00	-
Changes in proportion of net pension asset	27,113.00	45,286.00
TSU's contributions subsequent to the measurement date of June 30, 2019	239,579.42	-
Total	$296,676.42	$89,563.00

Deferred outflows of resources, resulting from the university's employer contributions of $239,579.42 subsequent to the measurement date, will be recognized as a decrease in net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	
2021	$ (9,518)
2022	$(12,636)
2023	$ (6,131)
2024	$ (2,564)
2025	$ 360
Thereafter	$ (1,977)

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

Actuarial assumptions – The total pension liability as of the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4%
Investment rate of return	7.25%, net of pension plan investment expenses, including inflation
Cost-of-living adjustment	2.25%

Mortality rates were developed by the actuary using the results of the actuarial experience study performed for the period July 1, 2012, through June 30, 2016, and were adjusted for expected future improvements in life expectancy. Mortality assumptions utilize the RP-2014 industry standard base table adjusted for TCRS experience, with generational mortality improvement.

The actuarial assumptions used in the June 30, 2019, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016, actuarial experience study. This return was selected from a range of values developed using historical market returns and future capital market projections. The future capital market projections were produced using a building-block method in which a best estimate of expected real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best estimates are combined to produce the future capital market projection by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5%. The best estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return	Target Allocation
U.S. equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25% based on a comparison of historical market returns and future capital market projections.

Discount rate – The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all state and higher education agencies will be made at the actuarially determined contribution rate in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of net pension asset to changes in the discount rate – The following presents the university's proportionate share of the net pension asset calculated using the discount rate of 7.25%, as well as what the university's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
University's proportionate share of the net pension asset (liability)	$(98,364)	$600,442	$1,126,134

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report at https://treasury.tn.gov/tcrs.

Payable to the Pension Plan

At June 30, 2020, the university reported a payable of $20,882.76 for the outstanding amount of legally required contributions to the pension plan required for the year ended June 30, 2020.

Total Defined Benefit Pension Expense

The total pension expense for the year ended June 30, 2020, for all state government defined benefit pension plans was $6,369,749.

Federal Retirement Program

Plan description – The university contributes to the Federal Retirement Program, a cost-sharing, multiple-employer, defined benefit pension plan administered by the Civil Service Retirement System (CSRS) for participants employed prior to January 1, 1987, and the Federal Employees Retirement System (FERS) for participants employed after December 31, 1986. Both CSRS and FERS provide retirement, death, and disability benefits as well as annual cost-of-living adjustments to plan members and beneficiaries. All regular full-time employees of the Tennessee State University Agricultural Extension Service who hold federal appointments for 51% or more of their time are required to participate in either one of the two Federal Retirement Programs. For both systems, benefit provisions are established by federal statutes. Federal statutes are amended by the U.S. Congress. Two of the university's extension employees currently participate in CSRS.

The CSRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Office of Personnel Management, Retirement Information Office, P.O. Box 45, Boyers, Pennsylvania, 16017-0045, or by calling (202) 606-0500. Additionally, the financial statements can be found at https://www.opm.gov/news/reports-publications/publications-database/publication-listings.

Funding Policy – Participating employees and the university are required to contribute to the CSRS plan. Contribution requirements are established and may be amended by federal statutes. The university was required to contribute 7% of covered payroll to the CSRS plan, and employees were required to contribute 7% of covered payroll. Contributions for the year ended June 30, 2020, were $25,986.00, which consisted of $12,993.00 from the university and $12,993.00 from the employees. Contributions for the year ended June 30, 2019, were $25,487.82, which consisted of $12,743.91 from the university and $12,743.91 from the employees. Contributions met the requirements for each year. No payables were outstanding at year end, as all contributions were paid within the fiscal year.

Defined Contribution Plans

Optional Retirement Plans

Plan description – The university contributes to the Optional Retirement Plan (ORP). The ORP, administered by the Tennessee Treasury Department, is a defined contribution plan. The ORP was established by state statute in Title 8, Chapter 25, Part 2, *Tennessee Code Annotated*. This statute also sets out the plan provisions. The plan provisions are amended by the Tennessee General Assembly. The ORP was designed to provide benefits at retirement to faculty and staff 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.

Funding policy – For employees employed prior to July 1, 2014, plan members are noncontributory. The university contributes an amount equal to 10% of the employee's base salary up to the social security wage base and 11% above the social security wage base. For employees hired after June 30, 2014, plan members will contribute 5% to the ORP and the university will contribute 9% of the employee's base salary. Pension expense equaled the required contributions made to the ORP and was $3,844,638.40 for the year ended June 30, 2020, and $3,837,660.61 for the year ended June 30, 2019. Contributions met the requirements for each year.

Members are immediately 100% 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.

Payable to the plan – At June 30, 2020, the university reported a payable of $306,713.39 for the outstanding amount of legally required contributions to the plan required for the year ended June 30, 2020.

Deferred Compensation Plans

Employees are offered three deferred compensation plans. The university, through the State of Tennessee, provides two plans, one established pursuant to the *Internal Revenue Code* (IRC), Section 457, and the other pursuant to IRC, Section 401(k). The third plan is administered by the university and was established in accordance with IRC, Section 403(b). The plans are outsourced to third-party vendors, and the administrative costs assessed by the vendors of these plans are the responsibility of plan participants. Section 401(k), Section 403(b), and Section 457 plan assets remain the property of the contributing employees; therefore, they are not presented in the accompanying financial statements. Sections 401(k), 403(b), and 457 establish participation, contribution, and withdrawal provisions for the plans. Participation in the 403(b) and the 457 plans is voluntary for employees. The university provides up to a $50 monthly employer match for employees who participate in the state's 401(k) plan. Employees hired before July 1, 2014, voluntarily participate in the state's 401(k) plan. Pursuant to Chapter 259 of the Public Acts of 2013, employees hired after June 30, 2014, are automatically enrolled in the state's 401(k) plan if they elect to be in the TCRS pension plan. Employees contribute 2% of their salary, with the employer contributing an additional non-matching 5%. Employees may opt out of the 2% auto enrollment. Such contribution rates may only be amended by the Tennessee General Assembly. There are certain automatic cost controls and unfunded liability controls in the defined benefit plan where the employees participate that may impact the non-matching 5% employer contribution to the 401(k) plan.

Employees are immediately vested in both the employee and employer contributions in all plans. The IRC establishes maximum limits that an employee can contribute to these plans. The employee may increase, decrease, or stop contributions at any time for all three plans.

During the year ended June 30, 2020, contributions totaling $1,884,000.87 were made by employees participating in the 401(k) plan, and the university recognized pension expense of $1,587,275.25 for employer contributions. During the year ended June 30, 2019, contributions totaling $1,746,664.95 were made by employees participating in the 401(k) plan, and the university recognized pension expense of $1,196,889.57 for employer contributions.

At June 30, 2020, the university reported a payable of $85,552.32 for the outstanding amount of legally required contributions to the plan required for the year ended June 30, 2020.

Note 11. Other Postemployment Benefits

Closed State Employee Group OPEB Plan

General Information About the OPEB Plan

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

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

Contributions – Annually, an insurance committee, created in accordance with Title 8, Chapter 27, Section 201, *Tennessee Code Annotated*, establishes the required contributions to the plan by member employees through the premiums established to approximate claims cost for the year. Pre-age 65 retired members of the EGOP pay a premium based on a blended rate that considers the cost of active and retired employees as well as their individual years of service. Therefore, retirees pay either 20%, 30%, 40%, or 100% of the appropriate premium rate. These payments are deposited into the OPEB Trust. Employers contribute to the OPEB Trust based on an actuarially determined contribution (ADC) rate calculated in a manner to meet the funding goals of the state. The total ADC rate for plan employers for the year ended June 30, 2020, was $145.4 million. The university's share of the ADC was $1,621,304. During the fiscal year, the university contributed $1,621,304 to the OPEB Trust. The Tennessee General Assembly has the authority to change the contribution requirements of the employees participating in the EGOP.

Net OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

Proportionate share – The university's proportionate share of the collective net OPEB liability related to the EGOP was $9,207,535. At the June 30, 2019, measurement date, the university's proportion of the collective net OPEB liability was 0.97%. The proportion existing at the prior measurement date was 1.03%. This resulted in a change in proportion of (0.06)% between the current and prior measurement dates. The university's proportion of the collective net OPEB liability was based on a projection of the long-term share of contributions to the OPEB plan relative to the projected share of contributions of all participating employers, actuarially determined. The collective total OPEB liability was determined by an actuarial valuation with a valuation date of June 30, 2019, and a measurement date of June 30, 2019.

OPEB expense – For the year ended June 30, 2020, the university recognized OPEB expense of $484,970.

Deferred outflows of resources and deferred inflows of resources – For the year ended June 30, 2020, the university reported deferred outflows of resources and deferred inflows of resources related to OPEB paid by the EGOP from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 586,272
Changes in assumptions	503,228	2,199,377
Net difference between actual and projected investment earnings	6,760	-
Changes in proportion and differences between benefits paid and proportionate share of benefits paid	883,908	2,161,713
Contributions subsequent to the measurement date	1,621,304	-
Total	$3,015,200	$4,947,362

Deferred outflows of resources, resulting from the university's employer contributions of $1,621,304 subsequent to the measurement date, will be recognized as a decrease in net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30	
2021	$(586,506)
2022	$(586,506)
2023	$(586,506)
2024	$(586,506)
2025	$(588,193)
Thereafter	$(619,249)

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

Actuarial assumptions – The collective total OPEB liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.2%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4%

Healthcare cost trend rates	6.03% for 2020, decreasing annually to an ultimate rate of 4.50% for 2029 and later years
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this valuation, a weighted average has been used with weights derived from the current distribution of members among plans offered.

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

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

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

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

Asset Class	Long-term Expected Real Rate of Return
U.S. equity	4.75%
Private equity and strategic lending	4.60%
U.S. fixed income	0.63%
Real estate	4.28%
Developed market international equity	5.63%
Emerging market international equity	5.95%

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

Changes in assumptions – The discount rate was changed from 3.62% as of the beginning of the measurement period to 6% as of June 30, 2019. This change in assumption decreased the total OPEB liability. Other minor changes in assumptions were made; however, the impact on the net OPEB liability was considered to be insignificant.

Sensitivity of the proportionate share of the collective net OPEB liability to changes in the discount rate – The following presents the university's proportionate share of the collective net OPEB liability of the EGOP, as well as what the proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (5%) or 1 percentage point higher (7%) than the current rate (expressed in thousands):

	1% Decrease (5%)	Current Discount Rate (6%)	1% Increase (7%)
University's proportionate share of the collective net OPEB liability	$9,970,680	$9,207,535	$8,493,125

Sensitivity of the proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rate – The following presents the university's proportionate share of the collective net OPEB liability of the EGOP, as well as what the proportionate share of the collective net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower (5.03% decreasing to 3.5%) or 1 percentage point higher (7.03% decreasing to 5.5%) than the current rate (expressed in thousands):

	1% Decrease (5.03% decreasing to 3.5%)	Healthcare Cost Trend Rates (6.03% decreasing to 4.5%)	1% Increase (7.03% decreasing to 5.5%)
University's proportionate share of the collective net OPEB liability	$8,192,319	$9,207,535	$10,373,721

OPEB plan fiduciary net position – Detailed information about the OPEB plan's fiduciary net position is available in the State of Tennessee's *Comprehensive Annual Financial Report* found at https://www.tn.gov/finance/rd-doa/fa-accfin-ar.html.

Closed Tennessee OPEB Plan

General Information About the OPEB Plan

Plan description – Employees of the university who were hired prior to July 1, 2015, and choose coverage, are provided with post-65 retiree health insurance benefits through the Closed Tennessee OPEB Plan (TNP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be a multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015. The State of Tennessee (primary government), as well as the Tennessee Student Assistance Corporation, the Tennessee Housing Development Agency, the University of Tennessee, and the other institutions that make up the State University and Community College System, also participate in this plan. This plan also serves eligible post-65 retirees of employers who participate in the state-administered Teacher Group Insurance and Local Government Insurance Plans.

Benefits provided – The TNP is offered to help fill most of the coverage gaps created by Medicare and is the only postemployment benefit provided to eligible post-65 retired and disabled employees of participating employers. This plan does not include pharmacy. In accordance with Title 8, Chapter 27, Section 209, *Tennessee Code Annotated*, benefits are established and amended by cooperation of insurance committees created by Sections 8-27-201, 301, and 701, *Tennessee Code Annotated*. Retirees and disabled employees of the state, component units, local education agencies, and certain local governments, who have reached the age of 65, are Medicare-eligible, and also receive a benefit from the Tennessee Consolidated Retirement System, may participate in this plan. All plan members receive the same plan benefits at the same premium rates. Many retirees receive direct subsidies toward their premium cost; however, participating employers determine their own policy in this regard. The primary government contributes to the premiums of component unit retirees based on years of service. Therefore, retirees with 30 years of service receive $50 per month; 20 but less than 30 years, $37.50; and 15 but less than 20 years, $25. The university does not provide any subsidies for retirees in the TNP. The primary government paid $76,375 for OPEB as the benefits came due during the reporting period. This plan is funded on a pay-as-you-go basis, and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement 75.

In accordance with Title 8, Chapter 27, Part 209, *Tennessee Code Annotated*, the state insurance committees established by Sections 8-27-201, 301, and 701, *Tennessee Code Annotated,* determine the required payments to the plan by member employers and employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants.

Total OPEB Liability and OPEB Expense

Proportionate share – The primary government is entirely responsible for the TNP OPEB liability associated with the university's employees. The primary government's proportionate share of the total OPEB liability associated with the university was $2,160,474. At the June 30, 2019, measurement date, the proportion of the collective total OPEB liability associated with the university was 1.23%. This represents a change of 0.16% from the prior proportion of 1.39%. The proportion of the collective total OPEB liability associated with the university was based on a projection of the long-term share of contributions to the OPEB plan relative to the projected share of contributions of all participating employers, actuarially determined. The collective total OPEB liability was determined by an actuarial valuation with a valuation date of June 30, 2019, and measurement date of June 30, 2019.

Actuarial assumptions – The total OPEB liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.2%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4%
Healthcare cost trend rates	The premium subsidies provided to retirees in the Closed Tennessee OPEB Plan are assumed to

remain unchanged for the entire projection; therefore, trend rates are not applicable.

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

Discount rate – The discount rate used to measure the total OPEB liability was 3.51%. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA as shown on the Bond Buyer GO 20-Bond Municipal Bond index.

Sensitivity of the proportionate share of the collective total OPEB liability to changes in the discount rate – The following presents the primary government's proportionate share of the university's related collective total OPEB liability, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.51%) or 1 percentage point higher (4.51%) than the current rate. The university does not report a proportionate share of the OPEB liability for employees in the TNP.

	1% Decrease (2.51%)	Current Discount Rate (3.51%)	1% Increase (4.51%)
Primary government's proportionate share of the collective total OPEB liability	$2,434,833	$2,160,474	$1,929,615

OPEB expense – For the year ended June 30, 2020, the primary government recognized OPEB expense of $64,194 for employees of the university participating in the TNP.

Total OPEB Expense

The total OPEB expense for the year ended June 30, 2020, was $549,164, which consisted of OPEB expense of $484,970 for the EGOP and $64,194 paid by the primary government for the TNP.

Note 12. Revenues

A summary of adjustments and allowances by revenue classification is presented as follows:

Revenue Source	Gross Revenue	Less Scholarship Allowances	Less Uncollectible Debts	Net Revenue
Operating revenues:				
Tuition and fees	$73,711,648.51	$27,503,729.02	$(2,139,060.60)	$48,346,980.09
Residential life	12,428,904.35	8,621,879.55	-	3,807,024.80
Total	$86,140,552.86	$36,125,608.57	$(2,139,060.60)	$52,154,004.89

Note 13. Insurance-related Activities

It is the policy of the state not to purchase commercial insurance for the risks associated with casualty losses for general liability, automobile liability, medical malpractice liability, and workers' compensation. By statute, the maximum liability for general liability, automobile liability, and medical malpractice liability is $300,000 per person and $1,000,000 per occurrence. The state's management believes it is more economical to manage these risks internally and set aside assets for claim settlement in its internal service fund, the Risk Management Fund (RMF). The state purchases commercial insurance for real property, crime and fidelity coverage on the state's officials and employees, and cyber liability coverage. For property coverage, the deductible for an individual state agency is the first $25,000 of losses. The RMF is responsible for property losses for the annual aggregate deductible of $7.5 million for perils other than earthquake and flood. Purchased insurance coverage is responsible for losses exceeding the $7.5 million annual aggregate deductible. For earthquake and flood, there is a deductible of $10 million per occurrence. The maximum insurance coverage is $750 million per year for perils other than earthquake and flood. The maximum flood insurance coverage is $50 million per occurrence, except there is only $25 million of coverage in flood zones A and V. The maximum earthquake insurance coverage is $50 million per occurrence. The amounts of settlements have not exceeded insurance coverage for each of the three past fiscal years.

The university participates in the RMF. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the university based on a percentage of the university'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. Information regarding the determination of the claims liabilities and the changes in the balances of the claims liabilities for the year ended June 30, 2020, is presented in Tennessee's *Comprehensive Annual Financial Report*. That report is available on the state's website at https://www.tn.gov/finance/rd-doa/fa-accfin-ar.html. At June 30, 2020, the RMF held $231 million in cash designated for payment of claims.

At June 30, 2020, the scheduled coverage for the university was $675,590,145 for buildings and $125,528,200 for contents.

The state has also set aside assets in the Employee Group Insurance Fund, an internal service fund, to provide a program of health insurance coverage for the employees of the state, with the risk retained by the state. The university participates in the Employee Group Insurance Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the university based on estimates of the ultimate cost of claims, including the 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.

Note 14. Commitments and Contingencies

Sick Leave

The university records the cost of sick leave when paid. The dollar amount of unused sick leave was $36,285,921.25 at June 30, 2020.

Operating Leases

The university has entered into various operating leases for buildings and equipment. Such leases will probably continue to be required. Expenses under operating leases for real property were $738,821.12 and expenses for personal property were $936,359.87 for the year ended June 30, 2020. All operating leases are cancelable at the lessee's option.

Construction in Progress

At June 30, 2020, outstanding commitments under construction contracts totaled $111,750,514.38 for new student housing, Agriculture Food Science Research Facility, ADA compliance and adaptations, tornado repairs and replacement, Health Sciences Facility, Boswell door replacement, migration implementation, multiple building upgrades, campus building envelope, multiple building fire alarms, campus HVAC repairs, power plant equipment and lighting upgrades, electrical upgrades phase 1, Harned Hall HVAC upgrade, McCord Hall fire alarm system replacement, McMinnville multiple building repairs, landscape improvements phase 1, MPE system, emergency electrical infrastructure repairs, perimeter road design, safety upgrades, and various roof replacements, of which $20,841,194.84 will be funded by future state capital outlay appropriations.

Litigation

The university is involved in several lawsuits, none of which are expected to have a material effect on the accompanying financial statements.

Note 15. Chairs of Excellence

The university had $7,448,281.79 on deposit at June 30, 2020, with the State Treasurer for its Chairs of Excellence program. These funds are held in trust by the state and are not included in the financial statements.

Note 16. Natural Classification With Functional Classifications

The university's operating expenses for the year ended June 30, 2020, are as follows:

	Natural Classification					
Functional Classification	Salaries	Benefits	Other Operating	Scholarships	Depreciation	Total
Instruction	$41,546,954.36	$13,936,523.78	$12,718,387.37	$3,255,407.85	$ -	$ 71,457,273.36
Research	8,278,862.48	2,372,662.45	2,085,969.59	501,877.50	-	13,239,372.02
Public service	8,456,951.75	3,067,134.15	2,323,570.05	68,545.00	-	13,916,200.95
Academic support	6,079,073.89	2,321,386.84	3,326,627.37	22,430.55	-	11,749,518.65
Student services	9,161,214.18	3,136,612.21	4,918,526.68	88,887.00	-	17,305,240.07
Institutional support	7,614,083.06	2,821,120.20	5,742,095.66	10,710.00	-	16,188,008.92
Maintenance and operation	5,474,593.50	2,316,669.32	10,647,936.70	-	-	18,439,199.52
Scholarships and fellowships	-	340.50	30,586.00	4,075,878.20	-	4,106,804.70
Auxiliary	3,048,700.79	995,412.77	16,013,405.27	793,168.64	-	20,850,687.47
Depreciation	-	-	-	-	5,862,544.36	5,862,544.36
Total	$89,660,434.01	$30,967,862.22	$57,807,104.69	$8,816,904.74	$5,862,544.36	$193,114,850.02

Expenses initially incurred by the academic support function as a result of providing internal services to the other functional classifications were allocated to the other functional areas by reducing the academic support function's operating expenses by the total amount of salaries, benefits, and operating expenses incurred in the provision of these services, and allocating this amount to the other functional areas' operating expenses on the basis of usage. As a result of this process, expenses totaling $494,166.70 were reallocated from academic support to the other functional areas.

Note 17. On-behalf Payments

During the year ended June 30, 2020, the State of Tennessee made payments of $76,375 on behalf of the university for retirees participating in the Closed Tennessee OPEB Plan. The Closed Tennessee OPEB Plan is a postemployment benefit healthcare plan and is discussed further in Note 11. The plan is reported in Tennessee's *Comprehensive Annual Financial Report*. That report is available on the state's website at https://www.tn.gov/finance/rd-doa/fa-accfin-ar.html.

Note 18. Component Unit

The Tennessee State University Foundation is a legally separate, tax-exempt organization supporting Tennessee State University. The foundation acts primarily as a fund-raising organization to supplement the resources that are available to the university in support of its programs. The 17-member board of the foundation is self-perpetuating and consists of graduates and friends of the university. Although the university does not control the timing or amount of receipts from the foundation, the majority of resources, or income thereon, that the foundation holds and invests are restricted to the activities of the university by the donors. Because these restricted resources held by the foundation can only be used by, or for the benefit of, the university, the foundation is considered a component unit of the university and is discretely presented in the university's financial statements.

During the year ended June 30, 2020, the foundation made distributions of $218,963.34 to or on behalf of the university for both restricted and unrestricted purposes. Complete financial statements for the foundation can be obtained from Ms. Betsy Jackson Mosley, Executive Director, 3500 John A. Merritt Boulevard, Nashville, TN 37209.

Cash and Cash Equivalents

In addition to demand deposits and petty cash on hand, this classification includes instruments that are readily convertible to known amounts of cash and that have original maturities of three months or less. At June 30, 2020, cash and cash equivalents consisted of $9,611,414.41 in bank accounts and $600,710.10 in money market accounts.

Deposits

At June 30, 2020, the foundation's bank balance was $10,204,700.72. Of that amount, $9,408,945.18 was uninsured and uncollateralized.

Investments

The foundation is authorized to invest funds in accordance with its board of directors' policies. In accordance with GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended, and GASB Statement 72, *Fair Value Measurement and Application,* as amended, investments are reported at fair value, including those with a maturity date of one year or less at the time of purchase, unless otherwise noted. The foundation is authorized to invest funds in accordance with its board of directors' policies.

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a debt investment. The foundation does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

At June 30, 2020, the foundation had the following debt investments and maturities:

		Investment Maturities (in Years)				
Investment Type	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10	No Maturity Date
U.S. Treasury	$ 4,773,199.37	$1,111,232.12	$1,396,174.44	$2,265,792.81	$ -	$ -
U.S. agencies	1,944,306.38	329,176.34	427,386.71	1,187,743.33	-	-
Corporate bonds	4,751,440.60	229,840.05	3,414,775.58	1,106,824.97	-	-
Mutual bond funds	11,884,650.86	-	-	-	-	11,884,650.86
Foreign bonds	1,198,235.88	227,793.54	970,442.34	-	-	-
Total debt investments	$24,551,833.09	$1,898,042.05	$6,208,779.07	$4,560,361.11	$ -	$11,884,650.86

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The foundation has no investment policy limiting its investment choices based on ratings issued by nationally recognized statistical rating organizations. Securities are rated using Standard and Poor's, Moody's Investors Service, and/or Fitch Ratings and are presented below using the Standard and Poor's rating scale.

At June 30, 2020, the foundation's investments were rated as follows:

		Credit Quality Rating				
Investment Type	Balance	AAA	AA	A	BBB	Unrated
U.S. agencies	$ 1,944,306.38	$ -	$1,944,306.38	$ -	$ -	$ -
Corporate bonds	4,751,440.60	162,470.32	259,262.60	2,251,756.23	2,077,951.45	-
Mutual bond funds	11,884,650.86	-	-	-	-	11,884,650.86
Foreign bonds	1,198,235.88	689,593.63	-	345,507.01	163,135.24	-
Total	$19,778,633.72	$852,063.95	$2,203,568.98	$2,597,263.24	$2,241,086.69	$11,884,650.86

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of the foundation's investment in a single issuer. The foundation places no limit on the amount it may invest in any one issuer.

At June 30, 2020, more than 5% of the foundation's investments were invested in the following single issuers:

Issuer	Percentage of Total Investments
IShares S&P 500 Index Fund G Shares	20.4%
State Street Hedged International Developed Equity Index Fund K Class	6.8%
Multi-Manager International Equity Fund P	6.7%

Alternative investments – The foundation had investments in hedge funds and real estate investment trusts. The estimated fair value of these assets was $7,395,477.18 at June 30, 2020.

The foundation believes that the carrying amount of its alternative investments is a reasonable estimate of fair value as of June 30, 2020. Because these investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed, and such differences could be material. These investments are made in accordance with the foundation's investment policy that approves the allocation of funds to various asset classes in order to ensure the proper level of diversification. These investments are designed to enhance diversification and provide reductions in overall portfolio volatility. These fair values are estimated using various valuation techniques. The following hedge funds were purchased for the purpose of diversifying the investment portfolio against volatility in the market. The fund values are as of June 30, 2020.

Hedge Fund Managers (Strategic) Ltd.	$2,975,687.34
Radcliffe International Ultra Short Duration Select Fund	1,690,798.69
Taconic Offshore	646,629.89
Varadero International Ltd.	639,225.00
NB Insurance-Linked Strategies	440,567.75
Total	$6,392,908.67

InvenTrust Properties

The value of shares for the InvenTrust Properties is estimated to be $3.14 per share (ignoring purchase price discounts for categories of purchasers). The estimated value may not reflect the actual market value for these shares on any given date. The fund was valued at $741,816.40, as of June 30, 2020.

Highlands REIT Inc.

The value of shares for Highlands REIT Inc. is estimated to be $0.36 per share (ignoring purchase price discounts for categories of purchasers). The estimated value may not reflect the actual market value for these shares on any given date. The fund was valued at $85,049.01, as of June 30, 2020.

Xenia Hotels & Resorts, Inc.

The value of shares held for Xenia Hotels and Resorts, Inc. is estimated to be $9.33 per share. The estimated value may not reflect the actual market value for these shares on any given date. The fund was valued at $47,881.56, as of June 30, 2020.

Cousins Properties Incorporated

The value of shares held for Cousins Properties Incorporated is estimated to be $29.83 per share. The estimated value may not reflect the actual market value for these shares on any given date. The fund was valued at $127,821.54, as of June 30, 2020.

Fair Value Measurement

The foundation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The university has the following recurring fair value measurements as of June 30, 2020:

	June 30, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at the Net Asset Value (NAV)
Assets by Fair Value Level					
Debt securities					
U.S. Treasuries	$ 4,773,199.37	$ 4,773,199.37	$ -	$ -	$ -
U.S. agencies	1,944,306.38	-	1,944,306.38	-	-
Corporate bonds	4,751,440.60	-	4,751,440.60	-	-
Mutual bond funds	11,884,650.86	11,884,650.86	-	-	-
Foreign bonds	1,198,235.88	-	1,198,235.88	-	-
Total debt securities	24,551,833.09	16,657,850.23	7,893,982.86	-	-
Equity securities					
Corporate stock	46,756.33	46,756.33	-	-	-
Mutual equity funds	34,312,686.86	34,312,686.86	-	-	-
Equity REITs	1,002,568.51	917,519.50	-	-	85,049.01
Exchange traded funds	2,349,093.86	2, 349,093.86	-	-	-
Hedge funds	6,392,908.67	-	-	-	6,392,908.67
Total equity securities	44,104,014.24	37,626,056.56	7,893,982.86	-	6,477,957.68
Total assets at fair value	$68,655,847.32	$54,283,906.78	$7,893,982.86	$ -	$6,477,957.68

The table above includes all investments for the foundation with the exception of the cash surrender value of life insurance of $111,718.49, which is not measured at fair value.

Assets classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Assets classified in Level 2 of the fair value hierarchy are valued using various benchmarks, including the S&P 500 TR Index and Barclays Capital U.S. Aggregate TR Index, in consultation with fund managers.

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

	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Assets and Liabilities Measured at the NAV				
Hedge Fund Managers (Strategic) Ltd.	$2,975,687.34	N/A	Quarterly (on redemption dates–January 1, April 1, July 1, and October 1–which begin on or after the first anniversary of the purchase of shares being redeemed)	At least 91 days prior to the applicable valuation date (the day immediately preceding the applicable redemption date)
Radcliffe International Ultra Short Duration Select Fund	$1,690,798.69	N/A	Monthly	At least 40 days prior to the applicable valuation date (the day immediately preceding the applicable redemption date)
Taconic Offshore	$ 646,629.89	N/A	Quarterly withdraws up to 25% of the balance as of the end of any calendar quarter of any year	60 days prior written notice, and full withdrawal with 60 days written notice as of the close of business on the Business Day immediately preceding each successive one-year anniversary. Investment anniversary is November 1, 2017.
Varadero International Ltd.	$ 639,225.00	N/A	Quarterly	May redeem all or a portion of shares as of the last calendar day of each calendar quarter upon receipt of at least 90 calendar days prior written notice.

NB Insurance-Linked Strategies	$ 440,567.75	N/A	Quarterly	May redeem all or a portion of shares as of the last calendar day of each calendar quarter upon receipt of at least 90 calendar days prior written notice.

Capital Assets

Capital asset activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Additions	Transfers	Reductions	Ending Balance
Land	$ 30,000.00	$ -	$ -	$ -	$ 30,000.00
Buildings	285,873.35	-	-	-	285,873.35
Equipment	103,608.09	-	-	-	103,608.09
Art and historical treasures	6,000,000.00	-	-	-	6,000,000.00
Total	6,419,481.44	-	-	-	6,419,481.44
Less accumulated depreciation:					
Buildings	28,254.93	6,648.22	-	-	34,903.15
Equipment	26,420.05	12,233.12	-	-	38,653.17
Total	54,674.98	18,881.34	-	-	73,556.32
Capital assets, net	$6,364,806.46	$(18,881.34)	$ -	$ -	$6,345,925.12

The foundation has elected not to capitalize the Bobby Jones Gospel Television Show Collection consisting mainly of videotapes, trophies, plaques, documents, and photos. This collection is held in TSU Library Collections. This election not to capitalize is based on the collections being held for public exhibition, education, and research in furtherance of public service rather than financial gain. The collections are protected, cared for, and preserved by custodians in the TSU Library.

Endowments

If a donor has not provided specific instructions to the foundation, the foundation's policies and procedures permit the foundation 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 foundation is required to consider its long- 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.

General endowment – The foundation 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 foundation, 3.8% of the fair value's three-year rolling average has been authorized for expenditure. The remaining amount, if any, is reinvested into the endowment. At June 30, 2020, net appreciation of $445,806.19 is available to be spent, of which $403,017.30 is included in restricted net position expendable for scholarships and fellowships, and $42,788.89 is included in restricted net position expendable for other.

Consent Decree endowment – According to the established agreement within the Consent Decree, the budget committee may appropriate for distribution each year from Consent Decree Endowment Funds, an amount up to 75% of the interest and dividend income. The remainder is to be reinvested in the corpus of the fund. At June 30, 2020, net appreciation of $53,896.87 is available to be spent, all of which is included in restricted net position expendable for scholarships and fellowships.

Title III endowment – According to the established agreement between the foundation and the Tennessee State University Title III Program, an amount up to 50% of the interest and dividend income may be allocated for distribution annually. The remainder is to be reinvested in the corpus of the fund. At June 30, 2020, net appreciation of $240,305.97 is available to be spent, all of which is included in restricted net position expendable for other.

TENNESSEE STATE UNIVERSITY
Required Supplementary Information
Schedule of Tennessee State University's Proportionate Share of the Net Pension Liability
Closed State and Higher Education Employee Pension Plan Within TCRS

	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	1.137630%	$16,065,211	$25,650,300	62.63%	91.67%
2019	1.170750%	18,912,435	27,122,822	69.73%	90.26%
2018	1.203914%	21,545,247	28,892,907	74.57%	88.88%
2017	1.252600%	22,854,483	30,596,327	74.70%	87.96%
2016	1.191040%	15,355,873	31,096,832	49.38%	91.26%
2015	1.216453%	8,392,903	33,236,633	25.25%	95.11%

1) To correspond with the measurement date, the amounts presented were determined as of June 30 of the prior fiscal year.

2) This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until 10 years of information is available.

TENNESSEE STATE UNIVERSITY
Required Supplementary Information
Schedule of Tennessee State University's Proportionate Share of the Net Pension Asset
State and Higher Education Employee Retirement Plan Within TCRS

	Proportion of the Net Pension Asset	Proportionate Share of the Net Pension Asset	Covered Payroll	Proportionate Share of the Net Pension Asset as a Percentage of Its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	1.447632%	$600,442	$13,579,603	4.42%	122.36%
2019	1.480061%	570,905	11,466,708	4.98%	132.39%
2018	1.204732%	249,842	6,688,201	3.74%	131.51%
2017	1.441635%	121,450	4,472,678	2.72%	130.56%
2016	1.527868%	42,489	1,663,791	2.55%	142.55%

1) To correspond with the measurement date, the amounts presented were determined as of June 30 of the prior fiscal year.

2) This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until 10 years of information is available.

TENNESSEE STATE UNIVERSITY
Required Supplementary Information
Schedule of Tennessee State University's Contributions
Closed State and Higher Education Employee Pension Plan Within TCRS

	Contractually Determined Contributions	Contributions in Relation to Contractually Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2020	$4,878,656	$4,878,656	$ -	$24,815,108	19.66%
2019	4,932,552	4,932,552	-	25,650,300	19.23%
2018	5,115,289	5,115,289	-	27,122,828	18.87%
2017	4,339,729	4,339,729	-	28,892,907	15.02%
2016	4,596,552	4,596,552	-	30,579,269	15.03%
2015	4,673,854	4,673,854	-	31,096,832	15.03%
2014	4,994,849	4,994,849	-	33,236,633	15.03%
2013	4,284,542	4,284,542	-	28,506,603	15.03%
2012	4,191,277	4,191,277	-	28,110,510	14.91%
2011	4,078,957	4,078,957	-	27,357,189	14.91%

Notes to Schedule:

Changes of assumptions: In 2017, the following assumptions were changed: decreased inflation rate from 3% to 2.5%; decreased the investment rate of return from 7.5% to 7.25%; decreased the cost-of-living adjustment from 2.5% to 2.25%; and decreased salary growth graded ranges from an average of 4.25% to an average of 4%.

To correspond with the reporting date, the amounts presented were determined as of June 30 of the stated fiscal year.

TENNESSEE STATE UNIVERSITY
Required Supplementary Information
Schedule of Tennessee State University's Contributions
State and Higher Education Employee Retirement Plan Within TCRS

	Contractually Determined Contributions	Contributions in Relation to Contractually Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2020	$239,579	$239,579	$ -	$13,847,373	1.73%
2019	225,442	225,442	-	13,579,603	1.66%
2018	440,493	440,493	-	11,466,708	3.84%
2017	246,338	246,338	-	6,688,201	3.68%
2016	156,296	156,296	-	4,472,678	3.49%
2015	64,389	64,389	-	1,663,791	3.87%

Notes to Schedule:

Changes of assumptions: In 2017, the following assumptions were changed: decreased inflation rate from 3% to 2.5%; decreased the investment rate of return from 7.5% to 7.25%; decreased the cost-of-living adjustment from 2.5% to 2.25%; and decreased salary growth graded ranges from an average of 4.25% to an average of 4%.

1) This is a 10-year schedule; however, contributions to this plan began in 2015. Years will be added to this schedule in future years until 10 years of information is available.

2) To correspond with the reporting date, the amounts presented were determined as of June 30 of the stated fiscal year.

TENNESSEE STATE UNIVERSITY
Required Supplementary Information
Schedule of Tennessee State University's Contributions
Civil Service Retirement System

	Contractually Determined Contributions	Contributions in Relation to Contractually Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll	Number of Covered Employees
2020	$10,209	$12,993	$(2,784)	$145,840	8.91%	2
2019	10,009	12,744	(2,735)	142,981	8.91%	2
2018	9,861	12,435	(2,574)	140,867	8.83%	2
2017	10,670	14,708	(4,038)	152,428	9.65%	3
2016	11,273	15,589	(4,316)	161,040	9.68%	3
2015	17,024	20,556	(3,532)	243,201	8.45%	4
2014	15,244	19,407	(4,163)	217,778	8.91%	4
2013	15,234	19,396	(4,162)	217,624	8.91%	5
2012	18,659	22,685	(4,026)	266,555	8.51%	5
2011	19,891	21,356	(1,464)	284,161	7.52%	5

1) This is a 10-year schedule.

2) The population of covered employees during the fiscal year is also listed to display trends.

3) The percentage of covered-employee payroll does not match the 7% required contribution due to cost-sharing agreements with Davidson County. A portion of the covered-employees payroll is paid through other entities, but the full Civil Service Retirement System (CSRS) payment is made by Tennessee State University. Davidson County is billed quarterly to reimburse the university for a portion of the CSRS plan amounts.

TENNESSEE STATE UNIVERSITY
Required Supplementary Information
Schedule of Tennessee State University's Proportionate Share of the Collective Net OPEB Liability
Closed State Employee Group OPEB Plan

	University's Proportion of the Collective Total/Net OPEB Liability	University's Proportionate Share of the Collective Total/Net OPEB Liability	University's Covered-employee Payroll	University's Proportionate Share of the Collective Total/Net OPEB Liability as a Percentage of Its Covered-employee Payroll	OPEB Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2020	0.97%	$9,207,535	$44,628,612	20.63%	18.3%
2019	1.03%	14,282,898	48,402,923	29.51%	N/A
2018	0.94%	12,624,884	52,420,006	24.08%	N/A

1) This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

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

3) During the fiscal year ended June 30, 2019, this plan transitioned from a pay-as-you-go plan to a prefunding arrangement.

TENNESSEE STATE UNIVERSITY
Required Supplementary Information
Schedule of Tennessee State University's Contributions
Closed State Employee Group OPEB Plan

	Actuarially Determined Contributions	Contributions in Relation to Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered-employee Payroll	Contributions as a Percentage of Covered-employee Payroll
2020	$1,621,304	$1,621,304	$ -	$42,540,363,	3.81%
2019	1,515,171	1,307,950	207,221	44,628,612	2.93

1) This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

2) Actuarially determined contribution rates are determined based on valuations as of June 30 two years prior to the fiscal year-end in which the contributions are reported.

TENNESSEE STATE UNIVERSITY
Required Supplementary Information
Schedule of Tennessee State University's Proportionate Share of the Collective Total OPEB Liability
Closed Tennessee OPEB Plan

	University's Proportion of the Collective Total OPEB Liability	University's Proportionate Share of the Collective Total OPEB Liability	Primary Government's Proportionate Share of the Collective Total OPEB Liability	Total OPEB Liability Associated With the University	University's Covered-employee Payroll	University's Proportionate Share of the Collective Total OPEB Liability as a Percentage of Its Covered-employee Payroll
2020	0.00%	$ -	$2,160,474	$ -	$57,528,415	0.00%
2019	0.00%	-	2,365,278	-	60,709,984	0.00%
2018	0.00%	-	2,239,715	-	59,593,144	0.00%

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

2) This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

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

TENNESSEE STATE UNIVERSITY
Supplementary Schedule of Cash Flows - Component Unit
For the Year Ended June 30, 2020

Cash flows from operating activities	
Gifts and contributions	$ 5,641,428.00
Grants and contracts	50,000.00
Sales and services of other activities	789,255.25
Payments to suppliers and vendors	(1,235,874.30)
Payments for scholarships and fellowships	(1,924,082.65)
Payments to Tennessee State University	(218,963.34)
Net cash provided by operating activities	3,101,762.96
Cash flows from noncapital financing activities	
Private gifts for endowment purposes	526,039.19
Net cash provided by noncapital financing activities	526,039.19
Cash flows from investing activities	
Proceeds from sales and maturities of investments	15,403,441.61
Income on investments	597,925.86
Purchases of investments	(18,118,882.54)
Net cash used for investing activities	(2,117,515.07)
Net increase in cash and cash equivalents	1,510,287.08
Cash and cash equivalents - beginning of year	8,701,837.43
Cash and cash equivalents - end of year	$ 10,212,124.51
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 3,082,881.62
Adjustments to reconcile operating income to net cash provided by operating activities:	
Noncash operating expenses	18,881.34
Net cash provided by operating activities	$ 3,101,762.96
Noncash investing, capital, or financing transactions	
Unrealized gains (losses) on investments	$ (1,511,519.67)