TENNESSEE STATE UNIVERSITY

FINANCIAL REPORT
For the Year Ended June 30, 2018

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Management's Discussion and Analysis

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, 2018, with comparative information presented for the fiscal years ended June 30, 2017. This discussion has been prepared by management along with the financial statements and related note disclosures and should be read in conjunction with the 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 19 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, 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 and deferred inflows, 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 has been incurred but not yet expended for capital assets, such amounts are not included. The next category is restricted net position, which is sub-divided 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, and net position at June 30, 2018, and June 30, 2017.

Statement of Net Position (in thousands of dollars)		
	2018	2017
Assets:		
Current assets	24,376	37,659
Capital assets, net	160,304	162,149
Other assets	74,645	71,441
Total Assets	259,325	271,249
Deferred Outflows of Resources		
Deferred loss on debt refunding	748	937
Other deferred outflows	12,334	12,080
Total Deferred Outflows	13,082	13,017
Liabilities:		
Current liabilities	22,029	23,710
Noncurrent liabilities	63,963	63,973
Total Liabilities	85,992	87,683
Deferred Inflows of Resources		
Deferred SCA receipts	0	0
Deferred gain on debt refunding	0	0
Other deferred inflows	1,810	1,484
Total Deferred Inflows	1,810	1,484
Net Position:		
Net investment in capital assets	137,478	137,712
Restricted – nonexpendable	346	341
Restricted – expendable	6,097	4,095
Unrestricted	40,684	52,986
Total Net Position	**184,605**	**195,099**

Comparison of FY 2018 to FY 2017

- Current assets decreased due to correction of prior year error in recording accrued interest receivable and cash decreased due to the increase in operating activities.
- Deferred loss on debt refunding decreased due to the refunding of three bonds in FY 18.
- Restricted expendable net position increased due to the change in presentation of LGIP-capital project balances, which were previously presented as unrestricted. At the end of FY 18, LGIP capital project balances totaled $1.7 million.
- The $12.3 million reduction in unrestricted net position was due to the implementation of GASB 75 which created a cumulative negative adjustment to beginning net position of $4.9 million, in addition to a $5.5 million decrease in net assets from operations for the year.

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, and the expenses paid by the university, operating and nonoperating, and any other revenues, expenses, gains, or losses received or spent by the university.

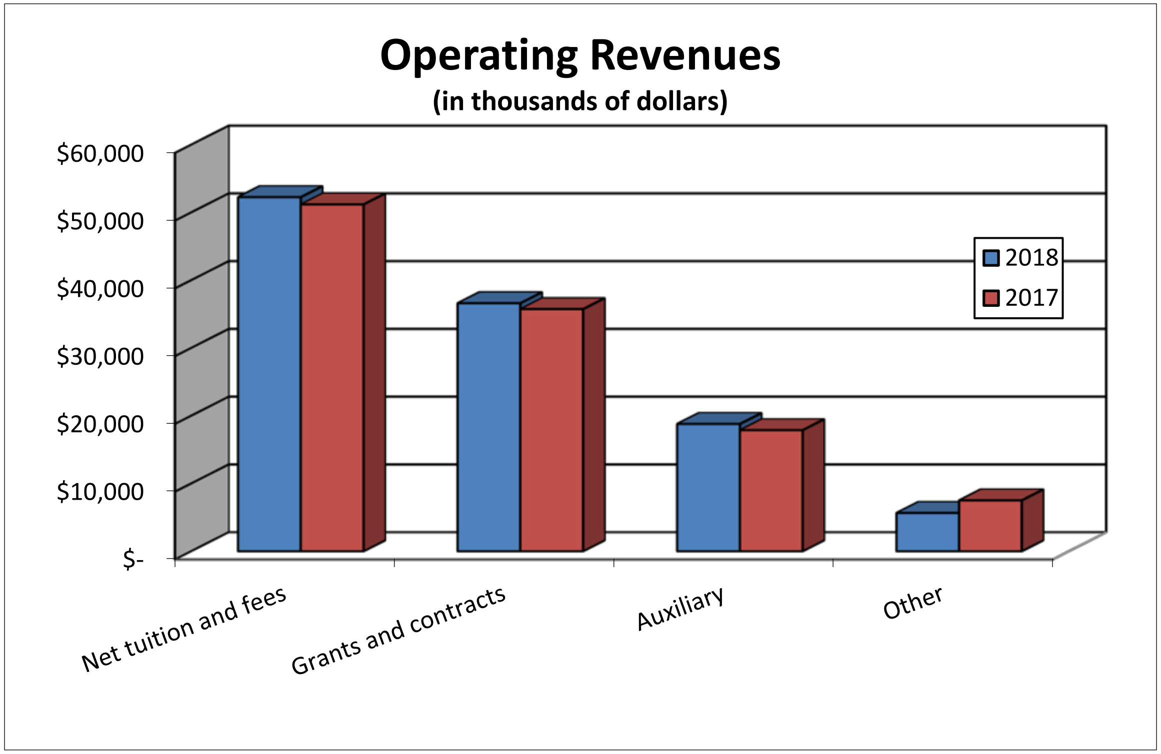
Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the university. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the 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 year ended June 30, 2018, and June 30, 2017, follows.

Statement of Revenues, Expenses, and Changes in Net Position (in thousands of dollars)		
	2018	2017
Operating revenues	113,324	112,311
Operating expenses	196,493	189,153
Operating loss	(83,169)	(76,842)
Nonoperating revenues and expenses	73,516	67,653
Income (loss) before other revenues, expenses, gains, or losses	(9,652)	(9,189)
Other revenues, expenses, gains, or losses	4,060	3,720
Increase (decrease) in net position	(5,592)	(5,469)
Net position at beginning of year	195,099	200,568
Cumulative effect adjustment	(4,902)	0
Prior period adjustment	0	0
Net position at end of year	184,605	195,099

Operating Revenues

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

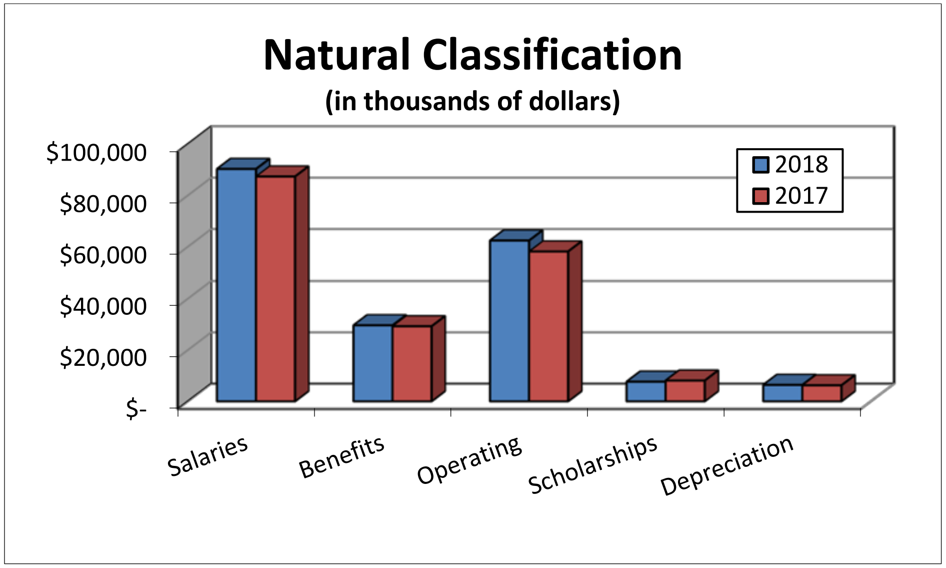


Comparison of FY 2018 to FY 2017

- Other revenues decreased due to correction of prior year error in recording interest earned on loans to students.

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:

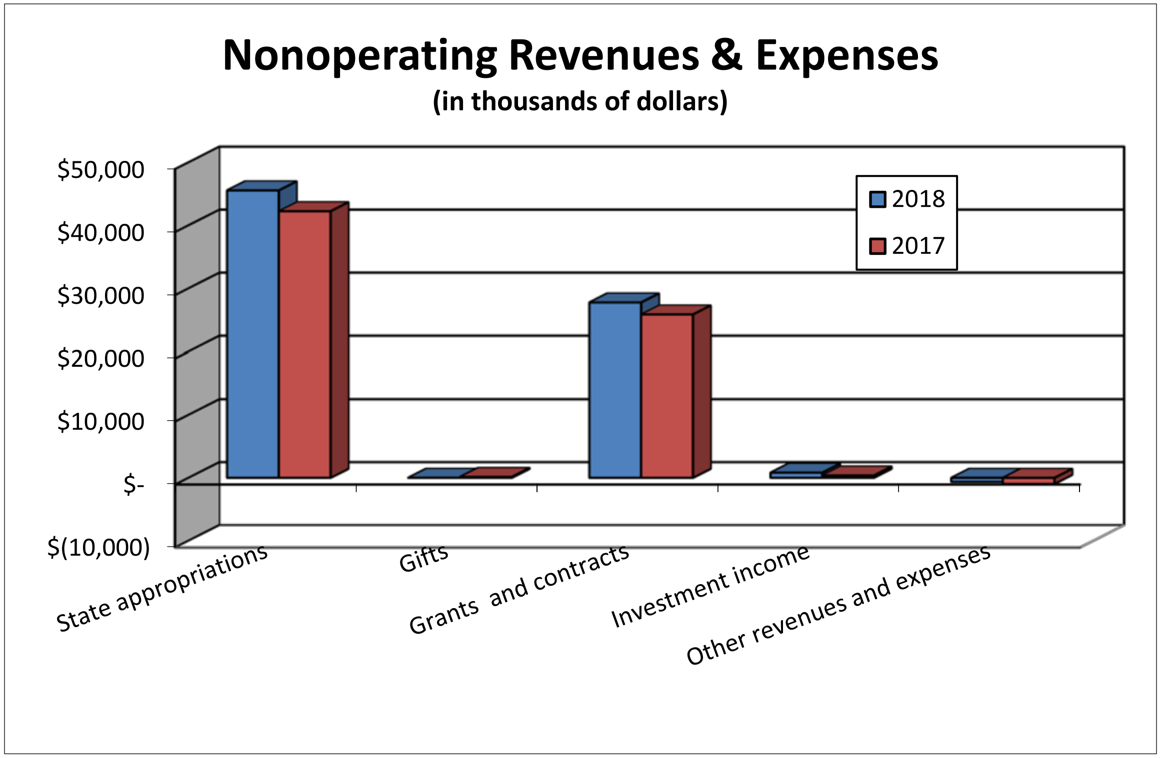


Comparison of FY 2018 to FY 2017

- No material variances were noted between fiscal year 2018 and 2017.

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:

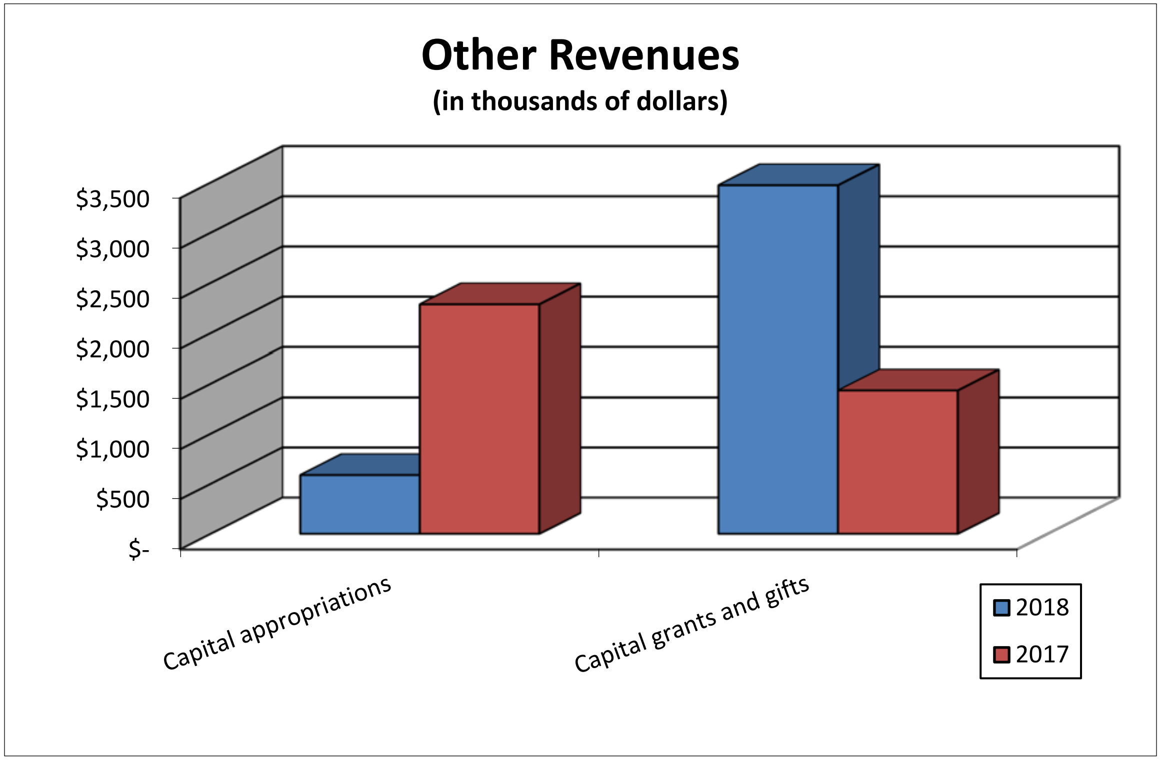


Comparison of FY 2018 to FY 2017

- No material variances were noted between fiscal year 2018 and 2017.

Other Revenues

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:



Comparison of FY 2018 to FY 2017

- The Campus Building Elevator Replacement and Roof Repair projects were completed during the fiscal year, which resulted in a reduction in capital appropriations.
- Capital grants from the U.S. Department of Education increased by $2 million for the Title III Construction Infrastructure projects.

Capital Assets and Debt Administration

Capital Assets

Tennessee State University had $160,304,305.77 invested in capital assets, net of accumulated depreciation of $189,112,234.01 at June 30, 2018; and $162,149,383.06 invested in capital assets, net of accumulated depreciation of $183,569,530.74 at June 30, 2017. Depreciation charges totaled $6,418,733.84 and $6,241,462.20 for the years ended June 30, 2018, and June 30, 2017, respectively.

Schedule of Capital Assets, Net of Depreciation (in thousands of dollars)		
	2018	2017
Land	9,801	9,700
Land improvements & infrastructure	14,829	10,378
Buildings	123,760	126,678
Equipment	8,478	7,968
Library holdings	1,181	1,211
Intangible assets	-	-
Projects in progress	2,255	6,213
Total	160,304	162,148

Significant additions to capital assets occurred in fiscal year 2018. These additions were from construction beginning on the new Health Sciences facility.

At June 30, 2018, outstanding commitments under construction contracts totaled $75,483,926.87 for various renovations and repairs of buildings and infrastructure. Future state capital outlay appropriations will fund $38,098,564.40 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 $23,574,512.41 and $25,374,460.61 in debt outstanding at June 30, 2018, and June 30, 2017, respectively. The table below summarizes these amounts by type of debt instrument.

Outstanding Debt (in thousands of dollars)		
	2018	2017
TSSBA bonds payable	$ 21,103	$ 24,328
Unamortized bond premium/discount	1,698	1,046
Revolving credit facility	774	-
Total	$ 23,575	$ 25,374

The TSSBA issued bonds with interest rates ranging from 1.02% to 5% due November 2031 on behalf of Tennessee State University. The university is responsible for the debt service of these bonds. The current portion of the $21,103,249.74 outstanding at June 30, 2018, is $2,644,901.24.

The ratings on debt issued by the Tennessee State School Bond Authority at June 30, 2018, 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

The university is not aware of any factors that will have a significant effect on the financial position or results of operations.

Tennessee State University
Unaudited Statement of Net Position
June 30, 2018

	Institution	Component Unit
ASSETS		
Current assets:		
Cash and cash equivalents (Notes 2 and 19)	$ 643,618.88	$ 3,244,761.79
Short-term investments (Notes 3 and 19)	997,225.22	3,005,574.13
Accounts, notes, and grants receivable (net) (Note 5)	19,255,316.57	3,521.43
Due from primary government	1,456,760.64	-
Due from component unit	5,404.02	-
Inventories (at lower of cost or market)	35,043.27	-
Accrued interest receivable	1,982,753.20	-
Total current assets	24,376,121.80	6,253,857.35
Noncurrent assets:		
Cash and cash equivalents (Notes 2 and 19)	55,792,074.33	2,260,834.11
Investments (Notes 3 and 19)	17,109,804.03	58,426,398.71
Accounts, notes, and grants receivable (net) (Note 5)	1,396,275.70	-
Due from primary government	97,134.51	-
Net pension asset (Note 10)	249,842.00	-
Capital assets (net) (Note 6 and 19)	160,304,305.77	6,349,771.89
Total noncurrent assets	234,949,436.34	67,037,004.71
Total assets	$ 259,325,558.14	$ 73,290,862.06
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on debt refunding	748,460.38	-
Deferred outflows related to OPEB (Note 11)	836,578.00	-
Deferred outflows related to pensions (Note 10)	11,496,750.92	-
Total deferred outflows of resources	$ 13,081,789.30	$ -
LIABILITIES		
Current liabilities:		
Accounts payable (Note 7)	$ 4,311,502.14	$ 39,324.18
Accrued liabilities	6,291,455.26	-
Due to grantors (Note 8)	281,081.48	-
Due to primary government	1,545,531.52	5,404.02
Unearned revenue	4,786,829.93	-
Compensated absences (Note 8)	1,387,196.72	-
Accrued interest payable	124,402.33	-
Long-term liabilities, current portion (Note 8)	2,644,901.24	-
Deposits held in custody for others	656,627.27	-
Total current liabilities	22,029,527.89	44,728.20

Tennessee State University
Unaudited Statement of Net Position
June 30, 2018

		Institution		Component Unit
Noncurrent liabilities:				
Accounts payable (Note 7)	`			-
Net OPEB obligation (Note 11)		12,624,884.00		-
Net pension liability (Note 10)		21,545,247.00		-
Compensated absences (Note 8)		5,425,694.62		-
Long-term liabilities (Note 8)		20,929,611.17		-
Due to grantors (Note 8)		3,437,128.74		-
Total noncurrent liabilities		63,962,565.53		-
Total liabilities	$	85,992,093.42	$	44,728.20
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to OPEB (Note 11)	$	485,129.00		-
Deferred inflows related to pensions (Note 10)		1,325,380.00		-
Total deferred inflows of resources	$	1,810,509.00	$	-
NET POSITION				
Net investment in capital assets	$	137,478,253.74	$	6,349,771.89
Restricted for:				
Nonexpendable:				
Scholarships and fellowships		346,032.68		9,281,115.50
Research		-		848,480.89
Instructional department uses		-		979,969.35
Other		-		49,608,789.70
Expendable:				
Scholarships and fellowships		218,554.71		2,534,900.14
Research		618,277.56		247,868.77
Instructional department uses		1,430,922.34		742,815.53
Loans		785,261.98		-
Capital projects		1,731,841.77		-
Pensions		249,842.00		-
Other		1,061,962.50		2,150,590.51
Unrestricted		40,683,795.74		501,831.58
Total net position	$	184,604,745.02	$	73,246,133.86

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

Tennessee State University
Unaudited Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2018

		Institution	Component Unit
REVENUES			
Operating revenues:			
Student tuition and fees (Note 12)		$ 52,264,068.09	$ -
Gifts and contributions		-	2,043,271.68
Governmental grants and contracts		35,345,130.59	4,000.00
Non-governmental grants and contracts (Includi	$ 182,279.11		
from component units)		1,268,354.86	60,000.00
Sales and services of educational activities		122,101.48	-
Sales and services of other activities		5,376,531.37	393,189.15
Auxiliary enterprises:			
Residential life (all residential life revenues are			
used as security for revenue bonds, see Notes 8 and 12)		5,201,276.78	-
Bookstore		2,390,579.32	-
Food Service		10,204,548.87	-
Other auxiliaries		994,761.00	-
Interest earned on loans to students		156,848.23	-
Total operating revenues		113,324,200.59	2,500,460.83
EXPENSES			
Operating Expenses (Note 16)			
Salaries and wages		90,319,394.10	-
Benefits		29,647,545.37	-
Utilities, supplies, and other services		62,441,347.03	1,200,040.78
Scholarships and fellowships		7,666,546.18	1,932,358.82
Depreciation expense		6,418,733.84	10,430.58
Payments to or on behalf of TSU (Note 19)		-	186,704.70
Total operating expenses		196,493,566.52	3,329,534.88
Operating income (loss)		(83,169,365.93)	(829,074.05)

Tennessee State University
Unaudited Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2018

			Institution	Component Unit
REVENUES				
NONOPERATING REVENUES (EXPENSES)				
State appropriations			45,552,832.84	-
Gifts, including	$	4,425.59		
from the component unit to TSU			11,658.09	-
Grants and contracts			27,768,968.26	-
Investment income (net of				
investment expense of	$	81,224.59		
for the institution and	$	267,914.86		
for the component unit(s))			820,457.07	3,711,257.61
Interest on capital asset-related debt			(620,614.08)	-
Bond issuance costs			(13,609.52)	-
Other non-operating revenues/(expenses)			(3,146.58)	(1,395.31)
Net nonoperating revenues			73,516,546.08	3,709,862.30
Income before other revenues, expenses gains, or losses			(9,652,819.85)	2,880,788.25
Capital appropriations			587,407.94	-
Capital grants and gifts			3,472,692.61	-
Additions to permanent endowments			-	552,406.74
Total other revenues			4,060,100.55	552,406.74
Increase (decrease) in net position			(5,592,719.30)	3,433,194.99
NET POSITION				
Net position -beginning of year			195,099,030.90	69,812,938.87
Cumulative effect of change in accounting principle (Note 18)			$ (4,901,566.58)	$ -
Net position -beginning of year restated			190,197,464.32	69,812,938.87
Net position - end of year			$ 184,604,745.02	$ 73,246,133.86

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

Tennessee State University
Unaudited Statement of Cash Flows
for the Year Ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	$	50,614,009.89
Grants and contracts		35,039,891.26
Sales and services of educational activities		122,101.48
Sales and services of other activities		5,318,495.32
Payments to suppliers and vendors		(64,473,509.24)
Payments to employees		(90,355,612.28)
Payments for benefits		(26,804,431.66)
Payments for scholarships and fellowships		(7,666,546.18)
Loans issued to students		(613,393.55)
Collection of loans from students		729,539.01
Interest earned on loans to students		2,292,910.56
Funds received for deposits held for others		337,932.16
Funds dispersed for deposits held for others		(245,055.37)
Auxiliary enterprise charges:		
Residence halls		5,201,276.78
Bookstore		2,628,296.20
Food services		10,203,359.88
Other auxiliaries		1,317,744.84
Net cash provided (used) by operating activities	$	(76,352,990.90)

Tennessee State University
Unaudited Statement of Cash Flows
for the Year Ended June 30, 2018

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

State appropriations			$	45,487,200.00
Gifts and grants received for other than capital				
or endowment purposes, including	$	186,704.70		
from the TSU Foundation to the institution				27,780,626.35
Federal/state student loan receipts				55,717,826.00
Federal/state student loan disbursements				(55,717,826.00)
Principal paid on noncapital debt				(412,817.59)
Interest paid on noncapital debt				(112,961.78)
Net cash provided (used) by non-capital financing activities			$	72,742,046.98

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital grants and gifts received	$	3,623,655.47
Purchase of capital assets and construction		(3,288,027.49)
Principal paid on capital debt and lease		(4,849,019.34)
Interest paid on capital debt and lease		(58,739.37)
Net cash provided (used) by capital and related financing activities	$	(4,572,130.73)

Tennessee State University
Unaudited Statement of Cash Flows
for the Year Ended June 30, 2018

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sales and maturities of investments	$	2,868,695.81
Income on investments		1,096,575.55
Purchase of investments		(4,322,873.65)
Net cash provided (used) by investing activities	$	(357,602.29)
Net increase (decrease) in cash and cash equivalents		(8,540,676.94)
Cash and cash equivalents - beginning of year		64,976,370.15
Cash and cash equivalents - end of year (Note 2)	$	56,435,693.21

RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Operating income/(loss)	$	(83,169,365.93)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Noncash operating expenses		6,576,265.70
Change in assets, liabilities, and deferrals:		
Receivables, net		(1,383,349.74)
Inventories		20,232.32
Prepaid items		(8,289.59)
Net pension asset		4,540,772.00
Other assets		410,583.46
Deferred outflows of resources		(381,911.25)
Accounts payable		(1,468,039.24)

Tennessee State University
Unaudited Statement of Cash Flows
for the Year Ended June 30, 2018

Accrued liabilities		5,094,186.18
Due to component unit/primary government		(191,347.34)
Unearned revenues		(549,658.42)
Compensated absences		267,771.82
Net pension liability		(1,309,236.00)
Due to grantors		(1,801,044.81)
Loans to students		2,136,062.33
Deferred inflows of resources		(5,229,499.18)
Other		92,876.79
Net cash provided (used) by operating activities	$	(76,352,990.90)
Non-cash investing, capital, and financing transactions		
Gifts in-kind - capital		(297,036.57)
Unrealized gains/(losses) on investments		(3,146.58)
Proceeds of capital debt		773,666.72
Capital appropriation		587,407.94
Purchase and construction of capital assets		(1,288,775.64)
(Other- please list separately)		
Bond refinancing		876,571.43

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

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 has limited oversight responsibilities during the transition period and continuing oversight responsibilities in the areas of budget approval and institutional debt. The 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 the Tennessee Comprehensive Annual Financial Report.

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 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 financial statements. See Note 19 for more detailed information about the component unit and how to obtain the report.

BASIS OF PRESENTATION

The university and foundation's financial statements have been prepared in conformity 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 eligibility requirements imposed by the provider 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 and exchange-like transactions. Operating revenues include 1) tuition and fees, net of scholarship discounts and allowances, 2) most 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) scholarships and fellowships, 4) depreciation, and 5) utilities, supplies, and other services.

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 whether to use restricted or unrestricted resources 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 upon 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. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' useful lives 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 of the assets, which range from 5 to 60 years.

PENSIONS

For purposes of measuring the net pension liability and/or net pension 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 plan's 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.

NET POSITION

The university's net position is classified as follows:

NET INVESTMENT IN CAPITAL ASSETS*:* 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.

RESTRICTED NET POSITION – NONEXPENDABLE: 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.

RESTRICTED NET POSITION – EXPENDABLE: Restricted expendable net position includes resources in which 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, 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 discretion of the university 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, and certain other revenues from students, are reported net of scholarship discount 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 students' 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.

2. Cash and Cash Equivalents

In addition to demand deposits and petty cash on hand, this classification includes instruments which are readily convertible to known amounts of cash and which have original maturities of three months or less. At June 30, 2018, cash and cash equivalents consists of $6,649,558.33 in bank accounts, $3,800.00 of petty cash on hand, $14,078,840.03 in the State of Tennessee Local Government Investment Pool administered by the State Treasurer, $2,190,496.52 in the LGIP Deposits – Capital Projects account, and $33,512,998.33 in money market accounts.

LGIP Deposits – 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 Local Government Investment Pool (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.

The Local Government Investment Pool (LGIP) is administered by the State Treasurer and is measured at amortized cost. The LGIP is part of the State Pooled Investment Fund. There are no minimum or maximum limitations on withdrawals with the exception of a 24-hour notification period for withdrawals of $5 million or more. The fund's required risks disclosures are presented in the *State of Tennessee's Treasurer's Report.* That report is available on the state's website at http://www.treasury.state.tn.us or by calling (615) 741-2956.

3. Investments

In accordance with GASB Statement 31, 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.

As of June 30, 2018, the university had the following 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
US Treasury	$ 1,673,243.01	$ -	$ 1,673,243.01	$ -	$ -	$ -
US Agencies	16,433,786.24	997,225.22	11,169,119.95	3,635,885.84	631,555.23	-
Total	$ 18,107,029.25	$ 997,225.22	$ 12,842,362.96	$ 3,635,885.84	$ 631,555.23	$ -

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.

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 System's policies. Under the current policy, funds other than endowments may be invested only in obligations of the United States or its agencies which are backed by the full faith and credit of the United States, repurchase agreements for United States securities, certificates of deposit in banks and savings and loan associations, banker's acceptances, commercial paper, money market mutual funds and the State of Tennessee Local Government Investment Pool. Securities are rated using Standard and Poor's, Moody's, and/or Fitch's and are presented below using the Standard and Poor's rating scale.

TBR policy restricts investments in banker's acceptances and commercial paper. The policy requires that prime banker's 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 rating services that have rated the issuer. Prime banker's 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 with the United States, or 2) arise out of storage within the United States of goods under contract of sale or expected to move into the channel or 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 shall 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. As of June 30, 2018, the university's investments were rated as follows:

Investment Type	Carrying Value	AA	Unrated
Local Government Investment Pool (LGIP) Unrated	$ 16,269,336.55	$ -	$ 16,269,336.55
US Agencies	16,179,151.05	16,179,151.05	-
Total	$ 32,448,487.60	$ 16,179,151.05	$ 16,269,336.55

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. TBR policy restricts investments in banker's acceptances, commercial paper, and money market mutual funds. The policy limits banker's acceptances to not exceed twenty percent of total investments on the date of acquisition and limits the combined amount of banker's acceptances and commercial paper to not exceed thirty-five percent of total investments at the date of acquisition. The amount invested in any one bank shall not exceed five percent of total investments on the date of acquisition. Additionally, no more than five percent 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 two percent of the issuing corporation's total outstanding commercial paper. TBR policy limits investments in money market mutual funds to not exceed ten percent of total investments on the date of acquisition.

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

Issuer	Percentage of Total Investments
Federal National Mortgage Association	20.47%
Federal Home Loan Bank	30.50%
Federal Home Loan Mortgage Corporations	34.32%

4. Fair Value Measurement

The university categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The university has the following recurring fair value measurements as of June 30, 2018:

	June 30, 2018	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 Level Value					
Debt Securities					
US Treasury	1,673,243.01	-	1,673,243.01	-	-
US Agencies	16,433,786.24	-	16,433,786.24	-	-
Total debt securities	18,107,029.25	-	18,107,029.25	-	-

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

5. Accounts, Notes, and Grants Receivable

Accounts receivable included the following:

	June 30, 2018
Student accounts receivable	$20,208,469.81
Grants receivable	8,523,818.54
Notes receivable	50,300.78
Other receivables	274,435.48
Subtotal	29,057,024.61
Less allowance for doubtful account	(9,831,285.49)
Total	$19,225,739.12

Federal Perkins Loan Program funds include the following:

	June 30, 2018
Perkins loans receivable	$5,243,801.98
Less allowance for doubtful accounts	(3,817,948.83)
Total	$1,425,853.15

6. Capital Assets

Capital asset activity for the year ended June 30, 2018, was as follows:

	Beg Balance	Additions	Transfers	Reductions	End Balance
Land	$ 9,700,408.80	$ 100,514.50	$ -	$ -	$ 9,800,923.30
Land improve & infra	51,692,898.02	-	$ 5,960,703.96	-	57,653,601.98
Buildings	242,541,939.15	1,762.50	-	-	242,543,701.65
Equipment	29,856,593.23	2,220,405.72	-	(418,560.56)	31,658,438.39
Library holdings	3,034,247.94	251,695.63		(460,616.59)	2,825,326.98
Intangible assets	2,679,599.35	-	-	-	2,679,599.35
Projects in Progress	6,213,227.31	2,002,424.78	(5,960,703.96)	-	2,254,948.13
Total	345,718,913.80	4,576,803.13	-	(879,177.15)	$349,416,539.78
Less accumulated depreciation/amortization:					
Land improve & infra.	41,314,668.21	1,509,442.57	-	-	42,824,110.78
Buildings	115,864,031.22	2,919,336.27	-	-	118,783,367.49
Equipment	21,888,398.52	1,707,422.30	-	(415,413.98)	23,180,406.84
Library holdings	1,822,833.44	282,532.70	-	(406,616.59)	1,644,749.55
Intangible assets	2,679,599.35				2,679,599.35
Total	183,569,530.74	6,418,733.84		(876,030.57)	189,112,234.01
Capital assets, net	$162,149,383.06	$(1,841,930.71)		$ (3,146.58)	$160,304,305.77

7. Accounts Payable

Accounts payable included the following:

	June 30, 2018
Vendors payable	$3,149,767.89
Other payables	1,161,734.25
Total	$4,311,502.14

8. Long-term Liabilities

Long term liability activity for the year ended June 30, 2018, was as follows:

	Beg Balance	Additions	Reductions	End Balance	Current Portion
Payables:					
TSSBA debt:					
Bonds	$ 24,328,368.15	$ 5,080,053.40	$ 8,305,171.81	$ 21,103,249.74	$ 2,644,901.24
Unamortized bond premium/discount	1,046,092.46	1,249,447.51	597,944.02	1,697,595.95	-
Revolving credit facility	-	773,666.72	-	773,666.72	
Subtotal	$ 25,374,460.61	$ 7,103,167.63	$ 8,903,115.83	$ 23,574,512.41	$ 2,644,901.24
Other Liabilities					
Comp absences	$ 6,545,119.52	$ 1,612,872.33	$ 1,345,100.51	$ 6,812,891.34	$ 1,387,196.72
Due to grantor	5,519,255.03	846,750.05	2,647,794.86	3,718,210.22	281,081.48
Subtotal	$ 12,064,374.55	$ 2,459,622.38	$ 3,992,895.37	$ 10,531,101.56	$ 1,668,278.20
Total long-term liabilities	$ 37,438,835.16	$ 9,562,790.01	$ 12,896,011.20	$ 34,105,613.97	$ 4,313,179.44

TSSBA Debt - Bonds Payable

Bonds, with interest rates ranging from 1.02% to 5%, were issued by the Tennessee State School Bond Authority. The bonds are due serially until 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, 2018, are as follows:

For the Year(s) Ending June 30	Principal	Interest	Total
2019	$ 2,644,901.24	$ 700,263.06	$ 3,345,164.30
2020	2,737,864.58	628,723.56	3,366,588.14
2021	2,207,684.04	556,187.71	2,763,871.75
2022	2,263,020.63	484,564.77	2,747,585.40
2023	2,266,614.73	408,194.02	2,674,808.75
2024-2028	7,498,541.81	1,090,027.72	8,588,569.53
2029-2032	1,484,622.71	153,274.82	1,637,897.53
Total	$ 21,103,249.74	$ 4,021,235.66	$ 25,124,485.40

TSSBA Debt – Revolving Credit Facility

The Tennessee State School Bond Authority 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 was $773,666.72 at June 30, 2018.

More detailed information regarding the bonds and the revolving credit facility can be found in the notes to the financial statements in the financial report for the Tennessee State School Bond Authority. That report is available on the state's website at https://www.comptroller.tn.gov/tssba/cafr.asp.

Refunding of Debt

On September 21, 2017, the State issued $5,015,505.21 in revenue bonds with interest rates ranging from 2 to 5 percent to advance refund $4,892,115.50 of outstanding 2007C Series bonds with interest rates of 5 percent. The net proceeds of $5,004,772.53 (after payment of $10,732.68 in underwriter's fees and issuance costs) were deposited with an escrow agent to provide for all future debt service payments on the bonds. As a result, the 2007C Series bonds are considered to be defeased and the liability for those bonds has been removed from the university's long-term liabilities.

Although the advance refunding resulted in the recognition of a deferred gain of $54,631.67 to be amortized over the next 14 years, the university in effect reduced its aggregate debt service payments by $1,601,100.59 over the next 14 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of $1,265,147.66.

On September 21, 2017, the State issued $1,313,995.70 in revenue bonds with interest rates ranging from 2 to 5 percent to advance refund $1,135,545.00 of outstanding 2012A Series bonds with interest rates ranging from 2.5 to 5 percent. The net proceeds of $1,311,124.21 (after payment of $2,871.49 in underwriter's fees and issuance costs) were deposited with an escrow agent to provide for all future debt service payments on the bonds. As a result, the 2012A Series bonds are considered to be defeased and the liability for those bonds has been removed from the university's long-term liabilities.

Although the advance refunding resulted in the recognition of a deferred gain of $8,295.55 to be amortized over the next 9 years, the university in effect reduced its aggregate debt service payments by $107,680.13 over the next 9 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of $86,922.52.

9. Pledged Revenues

The university has pledged certain revenues and fees, including state appropriations, to repay $21,103,249.74 in revenue bonds issued from May 2012 to November 2017. Proceeds from the bonds provided financing for Dormitory Renovations, Housing Phase 2, Research and Sponsored Programs Building, Housing Fire Safety Upgrade, Energy Savings Performance Contract, Hale Stadium Improvements, Student Housing, Avon Williams Campus Improvements, and Student Housing Fire Suppression Retrofit, and Dormitory Renovations. The bonds are payable through 2031. Annual principal and interest payments on the bonds are expected to require 1.88% of available revenues. The total principal and interest remaining to be paid on the bonds is $25,124,485.38. Principal and interest paid for the current year and total available revenues were $2,985,096.54 and $158,536,501.55, respectively. The amount of principal and interest paid for the current year does not include debt of $6,027,660.50 defeased through a bond refunding in 2017.

10. Pension Plans

Defined Benefit Plan

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

<u>Contributions</u> - 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 non-contributory, 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, 2018, to the Closed State and Higher Education Employee Pension Plan were $5,115,288.51, which is 18.87 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

<u>Pension liability</u> – At June 30, 2018, the university reported a liability of $21,545,247 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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 the proportion of the university's contributions during the year ended June 30, 2017, to the pension plan relative to the contributions of all participating state and higher education agencies. At the June 30, 2017, measurement date, the university's proportion was 1.203914 percent. The proportionate share from the prior year's measurement date of June 30, 2016, was 1.2526 percent.

<u>Pension expense</u> – For the year ended June 30, 2018, the university recognized a pension expense of $4,437,040.

Deferred outflows of resources and deferred inflows of resources – For the year ended June 30, 2018, 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	$ 1,705,239.00	$ 628,803.00
Net difference between projected and actual earnings on pension plan investments	78,746.00	
Changes in assumptions	3,668,889.00	
Changes in proportion of Net Pension Liability (Asset)	440,208.00	674,328.00
Contributions subsequent to the measurement date of June 30, 2017	5,115,288.51	
Total	$ 11,008,370.51	$ 1,303,131.00

Deferred outflows of resources, resulting from the university's employer contributions of $5,115,288.51 subsequent to the measurement date will be recognized as a decrease in net pension liability in the year ended June 30, 2019. 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 Ended June 30:	
2019	558,702
2020	3,550,757
2021	1,686,830
2022	(1,206,336)
2023	-
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 June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.75 to 3.45 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.25 percent

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2017, 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.

Changes of assumptions – In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

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. A blend of future capital market projections and historical market returns was used in 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 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 of 2.50 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	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 percent based on a blending of the three factors described above.

Discount rate - The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from 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 (asset) to changes in the discount rate - The following presents the university's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25 percent, as well as what the university's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.25 percent) or 1 percentage point higher (8.25 percent) 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)	*$ 44,388,002*	*$ 21,545,247*	*$ 2,339,935*

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 www.treasury.state.tn.us/tcrs.

Payable to the Pension Plan

At June 30, 2018, the university reported a payable of $411,514.15 for the outstanding amount of legally required contributions to the pension plan required for the year ended June 30, 2018.

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. The TCRS is a multiple-employer pension plan. The Closed State and Higher Education Employee 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. 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 publically available financial report that can be obtained at www.treasury.state.tn.us/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 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 service credit total 90. Members are entitled to receive unreduced service retirement benefits, which are determined by a formula multiplying the member's highest five consecutive year average compensation by 1.0 percent multiplied by the member's years of service credit. A reduced early retirement benefit is available at age 60 with 5 years of service credit or pursuant to the rule of 80 in which the member's age and service credit total 80. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service-related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost-of-living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to July 2 of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw 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. Employees contribute 5 percent of their salary to the State and Higher Education Employee Retirement 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 State and Higher Education Employee Retirement Plan are required to be paid. Employer contributions by the university for the year ended June 30, 2018, to the State and Higher Education Employee Retirement Plan were $440,493.41, which is 3.84 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

Pension Liability/(Asset) – At June 30, 2018, the university reported a liability/(asset) of $(249,842) for its proportionate share of the net pension liability/(asset). The net pension liability /(asset) was measured as of June 30, 2017, and the total pension liability/(asset) used to calculate the net pension liability/(asset) was determined by an actuarial valuation as of that date. The university's proportion of the net pension liability/(asset) was based on the proportion of the university's contributions during the year ended June 30, 2017, to the pension plan relative to the contributions of all participating state and higher education agencies. At the June 30, 2017, measurement date, the university's proportion was 1.204732 percent. The proportionate share from the prior year's measurement date of June 30, 2016, was 1.441635 percent.

Pension expense (negative pension expense) – For the year ended June 30, 2018, the university recognized a pension expense of $103,732.

Deferred outflows of resources and deferred inflows of resources – For the year ended June 30, 2018, 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	$ 9,415.00	$ 9,349.00
Net difference between projected and actual earnings on pension plan investments		12,900.00
Changes in assumptions	17,759.00	
Changes in proportion of Net Pension Liability (Asset)	20,713.00	-
Contributions subsequent to the measurement date of June 30, 2017	440,493.41	-
Total	$ 488,380.41	$ 22,249.00

Deferred outflows of resources, resulting from the university's employer contributions of $440,493.41 subsequent to the measurement date will be recognized as a decrease in net pension liability in the year ended June 30, 2019. 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 Ended June 30	
2019	$1,675.00
2020	1,675.00
2021	1,189.00
2022	(1,405.00)
2023	4,008.00
Thereafter	18,496.00

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

Actuarial assumptions – The total pension liability (asset) as of the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	Graded salary ranges from 8.75 to 3.45 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.25 percent

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2017 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.

Change of assumptions – In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; and decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent.

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. A blend of future capital market projections and historical market returns was using in 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 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 of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

Asset Class	**Long-Term Expected Real Rate of Return**	**Target Allocation**
U.S. equity	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 percent based on a blending of the factors described above.

Discount rate - The discount rate used to measure the total pension liability/(asset) was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from 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/(asset).

Sensitivity of the proportionate share of net pension liability/(asset) to changes in the discount rate - The following presents the university's proportionate share of the net pension liability/(asset) calculated using the discount rate of 7.25 percent, as well as what the university's proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.25 percent) or 1 percentage point higher (8.25 percent) 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)	*$ (31,246)*	*$ (249,842)*	*$ (412,884)*

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 www.treasury.state.tn.us/tcrs.

Payable to the Pension Plan

At June 30, 2018, the university reported a payable of $37,912.60 for the outstanding amount of legally required contributions to the pension plan required for the year ended June 30, 2018.

Total defined benefit pension expense – The total pension expense for the year ended June 30, 2018, for all defined benefit pension plans was $ 4,540,772.

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 (2) 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, 2018 were $24,870.24, which consisted of $12,435.12 from the university and $12,435.12 from the employees. Contributions for the year ended June 30, 2017 were $29,416.24, which consisted of $14,708.12 from the university and $14,708.12 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 Plan

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 35, Part 4 of the TCA. 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 10 percent of the employee's base salary up to the social security wage base and 11 percent above the social security wage base. For employees hired after June 30, 2014, plan members will contribute 5 percent to the ORP and the university will contribute 9 percent of the employee's base salary. The required contributions made to the ORP were $4,017,533.13 for the year ended June 30, 2018, and $3,977,986.28 for the year ended June 30, 2017. Contributions met the requirements for each year.

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

Deferred Compensation Plans

Employees are offered three deferred compensation plans. The university, through the State of Tennessee, provides two plans, one established pursuant to 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. IRC Sections 401(k), 403(b) and 457 establish participation, contribution, and withdrawal provisions for the plans. 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 Public Chapter No. 259 of Public Acts of 2013, employees hired after June 30, 2014, are automatically enrolled in the state's 401(k) plan and contribute 2% of their salary, with the employer contributing an additional non-matching 5% for employees who elect to be in the TCRS pension plan. 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 will vest immediately to both the employee and employer contributions. During the year ended June 30, 2018, contributions totaling $1,602,249.31 were made by employees participating in the plan, with a related match of $1,031,605.11 made by the university. During the year ended June 30, 2017, contributions totaling $1,490,659.06 were made by employees participating in the plan, with a related match of $754,945.45 made by the university.

11. <u>Other Post-Employment Benefits (OPEB)</u>

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 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 includes the 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.

Benefits provided - The EGOP is offered to provide health insurance coverage to eligible retired and disabled participants and is the only postemployment benefit provided to eligible pre-65 participants. Benefits are established and amended by an insurance committee created by Tennessee Code Annotated (TCA) 8-27-201. All retirees and disabled employees of the primary government and certain component units, who are eligible and choose coverage, and who have not yet reached the age of 65 are enrolled in this plan. All members have the option of choosing between the partnership promise, no partnership promise, standard preferred provider organization (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 percent; 20 but less than 30 years, 70 percent; and less than 20 years, 60 percent. No subsidy is provided to retirees in the health savings CDHP plan. This plan is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

Annually, an insurance committee, created in accordance with Tennessee Code Annotated (TCA) 8-27-201, establishes the required payments to the plan by member employers and employees. Active members of the Employee Group Insurance Plan and pre-age 65 retired members of the EGOP pay the same rate. Claims liabilities of the plans are periodically computed using actuarial and statistical techniques to establish premium rates.

Total OPEB Liability

Proportionate share - The university's proportion and proportionate share of the collective total OPEB liability, related to the EGOP, is 0.94% and $12,624,884.00, respectively. The proportion existing at the prior measurement date was 0.94%. The university's proportion of the collective total OPEB liability was based on a projection of its 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, 2017 and measurement date of June 30, 2017.

Actuarial assumptions - The collective total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Healthcare cost trend rates	7.5% for 2018, decreasing annually to an ultimate rate of 3.83% for 2050 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 weight derived from the current distribution of members among plans offered.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2017, valuations were the same as those employed in the July 1, 2017 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 - 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.

Discount rate - The discount rate used to measure the total OPEB liability was 3.56 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Fidelity 20-Year Municipal GO AA index.

Changes in assumptions **-** The discount rate was changed from 2.92% as of the beginning of the measurement period to 3.56% as of June 30, 2017. This change in assumption decreased the total OPEB liability.

Sensitivity of proportionate share of the collective total OPEB liability to changes in the discount rate - The following presents the university's proportionate share of the collective total OPEB liability, of the EGOP, as well as what the proportionate share of collective total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56%) or 1-percentage-point higher (4.56%) than the current discount rate. (expressed in thousands)

	1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
Proportionate share of the collective total OPEB liability	$ 13,500,994.00	$ 12,624,884.00	$ 11,803,764.00

Sensitivity of proportionate share of the collective total OPEB liability to changes in the healthcare cost trend rate - The following presents the university's proportionate share of the collective total OPEB liability of the EGOP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (6.50% decreasing to 2.83%) or 1-percentage-point higher (8.50% decreasing to 4.83%) than the current healthcare cost trend rate.

	1% Decrease (6.50% decreasing to 2.83%)	Healthcare Cost Trend Rates (7.50% decreasing to 3.83%)	1% Increase (8.50% decreasing to 4.83%)
Proportionate share of the collective total OPEB liability	$ 11,365,308.00	$ 12,624,884.00	$ 14,102,056.00

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

OPEB expense - For the fiscal year ended June, 30, 2018, the University recognized OPEB expense of $967,489.00.

Deferred outflows of resources and deferred inflows of resources - For the fiscal year ended June, 30, 2018, the university reported deferred outflows of resources and deferred inflows of resources related to OPEB paid by the EGOP from the following sources:

EGOP

	Deferred Outflows of resources	Deferred Inflows of resources
Differences between actual and expected experience	$ -	$ -
Changes of assumptions	-	485,129.00
Changes in proportion and differences between benefits paid and proportionate share of benefits paid.	-	-
Payments subsequent to the measurement date	836,578.00	-
Total	$836,578.00	$485,129.00

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

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB paid by the EGOP will be recognized in OPEB expense as follows:

EGOP

For the year ended June 30:

2019	($69,304.00)
2020	(69,304.00)
2021	(69,304.00)
2022	(69,304.00)
2023	(69,304.00)
Thereafter	(138,609.00)

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

Closed Tennessee 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 Plan (TNP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be 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 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 participates 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 Tennessee Code Annotated (TCA) 8-27-209, benefits are established and amended by cooperation of insurance committees created by TCA 8-27-201, 8-27-301 and 8-27-701. Retirees and disabled employees of the state, component units, local education agencies, and certain local governments who have reached the age of 65, are Medicare eligible and also 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 $85,232.84 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 No. 75.

In accordance with TCA 8-27-209, the state insurance committees established by TCAs 8-27-201, 8-27-301 and 8-27-701 determine the required payments to the plan by member employers and employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own developed policies.

Total OPEB Liability and OPEB Expense

Proportionate share - The primary government proportion and proportionate share of the OPEB liability related to the university's retirees participating in the TNP is 100% and $2,239,715.00, respectively. The university's proportion of the collective total OPEB liability was based on a projection of the its long-term share of contributions to the OPEB plan relative to the projected share of contributions of all participating employers, actuarially determined. There has been no change in the university's proportion since the prior measurement date. The collective total OPEB liability was determined by an actuarial valuation with a valuation date of June 30, 2017 and measurement date of June 30, 2017.

Actuarial assumptions - The collective total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

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

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2017, valuations were the same as those employed in the July 1, 2017 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 - 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.

Discount rate - The discount rate used to measure the total OPEB liability was 3.56 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Fidelity 20-Year Municipal GO AA index.

Changes in assumptions - The discount rate was changed from 2.92% as of the beginning of the measurement period to 3.56% as of June 30, 2017. This change in assumption decreased the total OPEB liability.

Sensitivity of proportionate share of the collective total OPEB liability to changes in the discount rate - The following presents primary governments 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 (2.56%) or 1-percentage-point higher (4.56%) than the current discount rate. The university does not report a proportionate share of the OPEB liability for employees in the TNP.

	1% Decrease (2.56%)	**Discount Rate (3.56%)**	**1% Increase (4.56%)**
Primary government share of the collective total OPEB liability	$2,535,791	$2,239,715	$1,988,081

OPEB expense - For the fiscal year ended June, 30, 2018, the primary government recognized OPEB expense of $96,060.00 for employees of the university participating in the TNP.

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	$ 81,189,109.87	$ (27,010,253.31)	$ (1,914,788.47)	$ 52,264,068.09
Residential life	12,813,082.72	(7,611,805.94)	-	5,201,276.78
Total	$ 94,002,192.59	$ (34,622,059.25)	$ (1,914,788.47)	$ 57,465,344.87

13. Chairs of Excellence

The university had $6,717,465.90 on deposit at June 30, 2018, with the State Treasurer for its Chairs of Excellence program. These funds are held in trust by the state and are not included in these financial statements.

14. 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, professional 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 million per occurrence. The state's management believes it is more economical to manage these risks internally and set aside assets for claim settlement in its internal service fund, the Risk Management Fund (RMF). The state purchases commercial insurance for real property, crime and fidelity coverage on the state's officials and employees, and cyber liability coverage. For property coverage, the deductible for an individual state agency is the first $25,000 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 past three fiscal years.

The university participates in the Risk Management Fund. 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. An actuarial valuation is performed as of fiscal year-end to determine the fund liability and premium allocation. Information regarding the determination of the claims liabilities and the changes in the balances of the claims liabilities for the years ended June 30, 2018, is presented in the Tennessee Comprehensive Annual Financial Report. The CAFR is available on the state's website at http://www.tn.gov/finance/fa/fa-accounting-financial/fa-accfin-cafr.html. Since the university participates in the Risk Management Fund, it is subject to the liability limitations under the provisions of the Tennessee Claims Commission Act, Tennessee Code Annotated, Section 9-8-101 et seq. Liability for negligence of the university for bodily injury and property damage is limited to $300,000 per person and $1,000,000 per occurrence. The limits of liability under workers' compensation are set forth in Tennessee Code Annotated, Section 50-6-101 et seq. Claims are paid through the state's Risk Management Fund. The amount of cash and cash equivalents designated for payment of claims held by the Risk Management Fund at June 30, 2018, was not available.

At June 30, 2018, 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 costs 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.

15. Commitments and Contingencies

Sick Leave - The university records the cost of sick leave when paid. Generally, since sick leave (earned one day per month with unlimited accumulation) is paid only when an employee dies or is absent because of illness, injury, or related family death, there is no liability for sick leave at June 30. The dollar amount of unused sick leave was $33,045,759.50 at June 30, 2018.

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 and personal property were $843,990.61 and $300,881.50, respectively for the year ended June 30, 2018. All operating leases are cancelable at the lessee's option.

Construction in Progress - At June 30, 2018, outstanding commitments under construction contracts totaled $75,483,926.87 for Gentry Drainage, Boswell Fume Hoods, ADA Adaptions, Roof Replacements, Utility Tunnel Stabilization, Campus Elevator Replacements, Health Sciences Facility, Migration Implementation, Residence Hall Balcony Repairs, Gateway Entrance, Rudolph Roof Ventilation and Fire Alarms, Agriculture Facilities Walking Horse Barn, and Residence Hall Elevator and Mechanical System Upgrade of which $38,098,564.40 will be funded b 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.

16. Natural Classifications with Functional Classifications

The university's operating expenses by functional classification for the year ended June 30, 2018, are as follows:

	Natural Classification					
Functional Classification	Salaries	Benefits	Other Operating	Scholarship	Depreciation	Total
Instruction	$40,798,024.94	$13,329,732.77	$10,109748.44	2,500,957.70	$ -	$66,738,463.85
Research	9,398,893.87	2,348,256.18	3,445,006.06	444,771.95	-	15,636,928.06
Public service	8,607,173.12	3,154.876.96	3,282,783.51	10,804.00	-	15,055,637.59
Academic support	5,374,649.56	1,904,311.70	3,479,195.42	3,500.00	-	10,761,656.68
Student services	8,617,109.94	2,805,794.76	5,682,881.92	209,707.97	-	17,315,494.59
Institutional support	7,932197.78	2,811,408.56	6,172,556.30	21,660.00	-	16,937,822.64
M&O	6,244,077.76	2,243,101.10	12,074,047.69	-	-	20,561,226.55
Scholarships & fellow.	-	-	47,173.92	4,319,457.80	-	4,366,631.72
Auxiliary	3,347,267.13	1,050,063.34	18,147,953.77	155,686.76	-	22,700,971.00
Depreciation	-	-	-	-	$6,418,733.84	6,418,733.84
Total Expenses	$90,319,394.10	$29,647,545.37	$62,441,347.03	$7,666,546.18	$6,418,733.84	$196,493,566.52

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 $$515,779.02 were reallocated from academic support to the other functional areas.

17. On-Behalf Payments

During the year ended June 30, 2018, the State of Tennessee made payments of $85,232.84 on behalf of the university for retirees participating in the Medicare Supplement Plan. The Medicare Supplement Plan is a postemployment benefit healthcare plan and is discussed further in Note 11. The plan is reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at http://www.tn.gov/finance/fa/fa-accounting/fa-accfin-cafr.html.

18. Cumulative Effect of a Change in Accounting Principle

During fiscal year 2018, the university implemented GASB Statement 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions.* This statement establishes standards for the measurement, recognition, and display of the net OPEB liability and related expenses, deferred inflows, deferred outflows, note disclosures, and required supplementary information. The implementation of GASB Statement 75 resulted in a cumulative adjustment to beginning net position of ($4,901,566.58).

19. Component Unit(s)

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 16-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 incomes 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, 2018, the Foundation made distributions of $186,704.70 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 which are readily convertible to known amounts of cash and which have original maturities of three months or less. At June 30, 2018, cash and cash equivalents consists of $5,178,660.40 in bank accounts, and $326,935.50 in money market accounts.

At June 30, 2018, $5,928,605.97 of the Foundation's bank balance of $6,493,150.04 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$5,928,605.97
Total	$5,928,605.97

Investments – The Foundation is authorized to invest funds in accordance with its board of directors' policies. In accordance with GASB Statement 31, 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.

As of June 30, 2018, the Foundation had the following 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
US Treasury	3,658,143.47	528,045.19	2,478,888.03	651,210.25	-	-
US Agencies	1,085,197.00		1,085,197.00	-	-	-
Corporate bonds	4,135,074.25	198,612.00	3,405,424.75	531,037.50	-	-
Mutual bond funds	11,449,018.04	-	-	-	-	11,449,018.04
Total Debt Instruments	20,327,432.76	726,657.19	6,969,509.78	1,182,247.75	-	11,449,018.04
Non-Fixed Income Inv.						
Corporate stocks	50,623.59					
Mutual equity funds	19,548,873.26					
Foreign stocks	1,204,955.50					
ETF	8,421,363.90					
Hedge Funds	6,986,178.01					
REITs	4,892,545.82					
Total	61,431,972.84					

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 arising from increasing interest rates.

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, and/or Fitch's and are presented below using the Standard and Poor's rating scale. As of June 30, 2018, the Foundation's investments were rated as follows:

		Credit Quality Rating									
Investment Type	Carrying Value	AAA	AA	A	BBB	BB	B	CCC	CC	C	Unrated
US Agencies	1,085,197.00		1,085,197.00	-							-
Corporate bonds	4,135,074.25	96,086.50	245,284.50	2,280,122.50	1,513,580.75						-
Mutual bond funds	11,449,018.04										11,449,018.04
Total	16,669,289.29	96,086.50	1,330,481.50	2,280,122.50	1,513,580.75						11,449,018.04

Alternative Investments.

The foundation has investments in hedge funds and real estate investment trusts. The estimated fair value of these assets is $11,878,723.83 at June 30, 2018.

The foundation believes that the carrying amount of its alternative investments is a reasonable estimate of fair value as of June 30, 2018. 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. These investments are designed to enhance diversification and provide reductions in overall portfolio volatility. These fair values are estimated using various valuation techniques.

The investments are as follows:

Hedge Funds

The following funds were purchased for the purpose of diversifying the investment portfolio against volatility in the market. The fund values are as of June 30, 2018.

Hedge Fund Managers (Strategic) Ltd. - $2,881,770.98

Radcliffe International Ultra Short Duration Select Fund - $597,606.25

Cartesian RE Offshore Fund - $403,197.01

Taconic Offshore - $634,729.00

Varadero International LTD - $637,785.00

State Street Hedged International Developed Equity Index Fund - $1,831,089.77

Real Estate Investment Trusts

Tier REIT Inc.

The value of shares for TIER REIT Inc. is estimated to be $23.78 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 $603,107.56, as of June 30, 2018.

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 $741,816.39, as of June 30, 2018.

Xenia Hotels & Resorts Inc.

The value of shares held for Xenia Hotels and Resorts, Inc. is $24.36 per share. The estimated value may not reflect the actual market value for these shares on any given date. The fund was valued at $719,350.80, as of June 30, 2018.

Highlands REIT Inc.

The value of shares for Highland REIT Inc. is estimated to be $.33 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 $77,961.60, as of June 30, 2018.

James Alpha Global Real Estate Investments

The value of shares for James Alpha Global Real Estate Investments is estimated to be $18.97 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 $375,788.02, as of June 30, 2018.

DFA Real Estate Securities Portfolio Institutional

The value of shares for DFA Real Estate Securities Portfolio Institutional is estimated to be $35.10 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 $1,053,984.29, as of June 30, 2018.

DFA International Real Estate Securities Portfolio Institutional

The value of shares for DFA International Real Estate Securities Portfolio Institutional is estimated to be $5.14 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 $960,479.63, as of June 30, 2018.

Vanguard Real Estate

The value of shares for Vanguard Real Estate is estimated to be $81.45 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 $385,665.75, as of June 30, 2018.

Fair Value Measurement - The foundation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The foundation has the following recurring fair value measurements as of June 30, 2018:

	June 30, 2018	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 Level Value					
Debt Securities					
US Treasury	$ 3,658,143.47	3,658,143.47	-	-	-
US Agencies	1,085,197.00	-	1,085,197.00	-	-
Corporate bonds	4,135,074.25	-	4,135074.25	-	-
Mutual bond funds	11,449,018.04	11,449,018.04	-	-	-
Total debt securities	**20,327,432.76**	**15,107,161.51**	**5,220,271.25**	-	-
Equity Securities					
Corporate stock	50,623.59	50,623.59		-	
ETF	8,421,363.90	8,421,363.90			
Mutual equity funds	19,548,873.26	19,548,873.26		-	
REITs	4,892,545.82		4,892,545.82	-	
Hedge funds	6,986,178.01			-	6,986,178.01
Foreign Stocks	1,204,955.50	1,204,955.50			
Total equity securities	41,104,540.08	29,225,816.25	4,892,545.82	-	6,986,178.01
Total liabilities at fair value	61,431,972.84	44,332,977.76	10,112,817.07	-	6,986,178.01

Assets and liabilities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Assets and liabilities classified in Level 2 of the fair value hierarchy are valued using various benchmarks, including the S&P 500 TR Index and Barclays Capital US Aggregate TR Index. The valuation method for assets and liabilities measured at the net asset value per share (or its equivalent) is presented on the following table.

Assets and Liabilities Measured at the NAV	**Fair Value**	**Unfunded Commitments**	**Redemption Frequency (if currently eligible)**	**Redemption Notice Period**
Hedge Fund Managers (Strategic) Ltd	$2,881,770.98	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)

Assets and Liabilities Measured at the NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Radcliffe International Ultra Short Duration Select Fund	$597,004.82	N/A	Daily	At least 40 days prior to the applicable valuation date (the day immediately preceding the applicable redemption date)

Assets and Liabilities Measured at the NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Cartesian RE Offshore Fund	$403,197.01	N/A	Daily	At least 1 day prior to the applicable valuation date (the day immediately preceding the applicable redemption date)

Assets and Liabilities Measured at the NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Taconic Offshore	$634,729.00	N/A	Daily	At least 1 day prior to the applicable valuation date (the day immediately preceding the applicable redemption date)

Assets and Liabilities Measured at the NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Varadero International Ltd	$637,785.00	N/A	Daily	At least 1 day prior to the applicable valuation date (the day immediately preceding the applicable redemption date)

Assets and Liabilities Measured at the NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
State Street Hedged International Developed Equity Index Fund	$1,831,089.77	N/A	Daily	At least 1 day prior to the applicable valuation date (the day immediately preceding the applicable redemption date)

Capital Assets - Capital asset activity for the year ended June 30, 2018, was as follows:

	Beg Balance	Additions	Transfers	Reductions	End Balance
Land	120,967.55			90,967.55	30,000.00
Buildings	285,873.35				285,873.35
Equipment	62,608.09				62,608.09
Art & historical collections	6,000,000.00				6,000,000.00
Total	6,469,448.99				6,378,481.44
Less accumulated depreciation/amortization:					
Land improve & infrastructure					
Buildings	14,958.49	6,648.22			21,606.71
Equipment	3,320.48	3,782.36			7,102.84
Total	18,278.97				28,709.55
Capital assets, net	6,451,170.02	10,430.58		90,967.55	6,349,771.89

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 permits 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-term and short-term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends, and general economic conditions. Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established.

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 values three-year rolling average has been authorized for expenditure. The remaining amount, if any, is reinvested into the endowment. At June 30, 2018, net appreciation of $733,369.66 is available to be spent, of which $699,277.81 is included in restricted net position expendable for scholarships and fellowships, $14,560.42 is included in restricted net position expendable for instructional departmental uses, $19,531.43 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, 2018, net appreciation of $248,652.86 is available to be spent, of which $248,652.86 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, 2018, net appreciation of $ 371,132.10 is available to be spent, all of which is included in restricted net position expendable for other.

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

Fiscal Year Ending June 30

	2017	2016	2015	2014
Institution's proportion of the net pension liability	1.203914%	1.252600%	1.191040%	1.216453%
Institution's proportionate share of the net pension liability	$ 21,545,247.00	$ 22,854,485.00	$ 15,355,871.00	$ 8,392,904.00
Institution's covered payroll	$ 28,892,907.00	$ 30,596,327.00	$ 31,100,135.00	$ 33,236,633.00
Instititioin's proportionate share of the net pension liability as a percentage of it's covered payroll	74.57%	77.68%	46.37%	25.25%
Plan fiduciary net position as a percentage of the total pension liability	88.88%	87.96%	91.26%	95.11%

(1) This is a ten 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 ten years of information is available.

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

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Tennessee State University's Proportionate Share of the Net Pension Liability

State and Higher Education Employee Retirement Plan Within TCRS

Fiscal Year Ending June 30

	2017	2016	2015
Institution's proportion of the net pension liability	1.204732%	1.441635%	1.527868%
Institution's proportionate share of the net pension liability	$ (249,842.00)	$ (121,450.00)	$ (42,489.00)
Institution's covered-employee payroll	$ 6,688,201.00	$ 4,472,678.00	$ 1,663,791.00
Institition's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	-3.74%	-2.76%	-2.55%
Plan fiduciary net position as a percentage of the total pension liability	131.51%	130.56%	142.55%

(1) This is a ten 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 ten years of information is available.

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

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Tennessee State University's Contributions
Closed State and Higher Education Employee Pension Plan Within TCRS
Fiscal Year Ended June 30

	Contractually Determined Contributions	Contributions in Relation to Contractually Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2018	$ 5,115,288.51	$ 5,115,288.51	$ -	$ 27,110,703.86	18.87%
2017	4,338,145.00	4,338,145.00	-	28,892,907.00	15.01%
2016	4,596,551.64	4,596,551.64	-	30,579,269.14	15.03%
2015	4,673,853.88	4,673,853.88	-	31,096,832.00	15.03%
2014	4,994,849.00	4,994,849.00	-	33,236,633.00	15.03%
2013	4,284,542.47	4,284,542.47	-	28,506,603.26	15.03%
2012	4,191,277.07	4,191,277.07	-	28,110,510.19	14.91%
2011	4,078,956.87	4,078,956.87	-	27,357,188.93	14.91%
2010	3,621,292.79	3,621,292.79	-	27,813,308.68	13.02%
2009	3,926,390.23	3,926,390.23	-	30,156,606.99	13.02%

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

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Tennessee State University's Contributions
State and Higher Education Employee Retirement Plan Within TCRS
Fiscal Year Ended June 30

	Contractually Determined Contributions	Contributions in Relation to Contractually Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2018	$ 440,493.41	$ 440,493.41	$ -	$ 11,466,707.85	3.84%
2017	246,354.00	246,354.00	-	6,688,201.00	3.68%
2016	171,892.00	171,892.00	-	4,472,677.89	3.84%
2015	33,276.00	64,389.00	(31,113.00)	1,663,791.00	3.87%

(1) This is a ten 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 ten 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.

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Tennessee State University's Contributions
Fiscal Year Ended June 30

	Civil Service Retirement System									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually determined contribution	$ 9,860.72	$ 10,669.96	$ 11,272.79	$ 17,024.05	$ 15,244.44	$ 15,233.67	$ 18,658.84	$ 19,891.24	$ 22,934.14	$ 26,290.89
Contributions	12,435.12	14,708.12	15,588.84	20,556.37	19,406.77	19,396.10	22,685.10	21,355.78	22,889.06	26,290.90
Contribution deficiency (excess)	$ (2,574.40)	$ (4,038.16)	$ (4,316.05)	$ (3,532.32)	$ (4,162.33)	$ (4,162.43)	$ (4,026.26)	$ (1,464.54)	$ 45.08	$ (0.01)
Covered-employee payroll	$ 140,867.48	$ 152,428.02	$ 161,039.91	$ 243,200.73	$ 217,777.68	$ 217,623.92	$ 266,554.92	$ 284,160.59	$ 327,630.54	$ 375,584.21
Contributions as a percentage of covered-employee payroll	8.83%	9.65%	9.68%	8.45%	8.91%	8.91%	8.51%	7.52%	6.99%	7.00%
Number of covered-employees	2	3	3	4	4	5	5	5	6	6

(1) This is a ten year schedule.
(2) Population of covered employees during the fiscal year are 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 TSU for a portion of the CSRS plan amounts.

Tennessee State University
Supplementary Information
Supplementary Schedule of Cash Flows - Component Unit
for the Year Ended June 30, 2018

		Component Unit
CASH FLOWS FROM OPERATING ACTIVITIES		
Gifts and contributions	$	2,043,271.68
Grants and contracts		64,000.00
Sales and services of other activities		393,189.15
Payments to suppliers and vendors		(1,200,040.78)
Payments for scholarships and fellowships		(1,932,358.82)
Payments to Tennessee State University		(186,704.70)
Net cash provided (used) by operating activities	$	(818,643.47)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Private gifts for endowment purposes		552,406.74
Net cash provided (used) by non-capital financing activities	$	552,406.74
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of capital assets		89,572.24
Net cash provided (used) by capital and related financing activities	$	89,572.24
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	$	10,225,233.83
Income on investments		2,612,063.47
Purchase of investments		(14,151,925.01)
Net cash provided (used) by investing activities	$	(1,314,627.71)

Tennessee State University
Supplementary Information
Supplementary Schedule of Cash Flows - Component Unit
for the Year Ended June 30, 2018

		Component Unit
Net increase (decrease) in cash and cash equivalents		(1,491,292.20)
Cash and cash equivalents - beginning of year		6,996,888.10
Cash and cash equivalents - end of year (Note 19)	$	5,505,595.90

RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Operating income/(loss)	$	(829,074.05)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Noncash operating expenses		10,430.58
Net cash provided (used) by operating activities	$	(818,643.47)

Non-cash investing, capital, and financing transactions

Unrealized gains/(losses) on investments	1,763,259.42
Gain/(loss) on disposal of capital assets	(1,395.31)

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

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