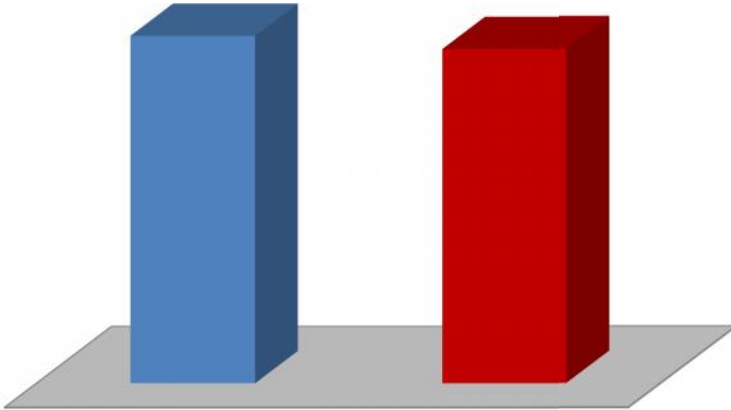


THE 7th BEST STATE

TENNESSEE IS A SUNSHINE STATE

The State
Owns
\$14 billion

The State
Owes
\$13.5 billion



THE STATE'S ASSETS EXCEED ITS BILLS

The state of Tennessee is a sunshine state because it has assets above its outstanding bills. The State has a \$533.2 million financial surplus.

Each Taxpayer's Share of This Financial Surplus is \$300

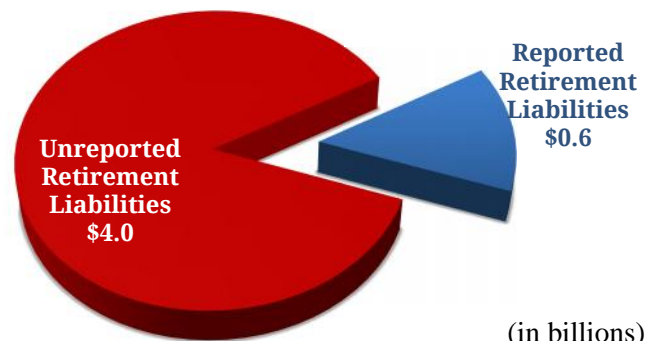
Unlike most states, Tennessee has the money need to fund State employees' retirement benefits and other outstanding bills. Tennessee is in good financial shape because the legislators and governors have only promised citizens and employees what they can afford to deliver.

Number of taxpayers based on the number of Tennessee federal tax filers with a tax liability.



86% OF RETIREMENT LIABILITIES ARE NOT CLEARLY DISCLOSED

Truth in Accounting's detailed analysis discovered a total of \$4.7 billion of retirement benefits have been promised but not funded. Because of the confusing way the State does its accounting, only \$636.2 million of these liabilities are reported on Tennessee's balance sheet.



The Institute for Truth in Accounting is committed to compelling governments to provide citizens with truthful and transparent financial information.

We call on governments to truthfully balance their budgets by including all real and certain expenses when incurred not when paid.

A transparent budget process would provide citizens with the information they need to be knowledgeable participants in their state government.

To be knowledgeable participants in their State government, citizens need to be provided with truthful and transparent financial information.

Data is derived from the state of Tennessee's June 30, 2012 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

The Financial State of Tennessee
As of June 30, 2012

The State's Assets Exceed Its Bills

Assets	\$47,657,297,000
Less: Capital Assets	\$30,355,963,000
Restricted Assets	\$3,251,518,000
Assets Available to Pay Bills	\$14,049,816,000
Less: Bills	\$13,516,604,000
Money Available to Pay Bills	\$533,212,000
Each Taxpayer's Surplus	\$300

The state of Tennessee has \$47.7 billion in assets, but most of these assets are not available to pay State bills.

The \$30.4 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of \$3.3 billion of the assets is restricted by law or contract.

That leaves \$14 billion of State's assets available to pay \$13.5 billion of bills as they come due.

Tennessee's elected officials seem to promise only the amount of benefits they can afford to pay.

Each Taxpayer's Share of the Financial Surplus is \$300

Number of taxpayers is based on the number of Tennessee federal tax filers with a tax liability.

Data is derived from the state of Tennessee's June 30, 2012 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.



The Bills the State Has Accumulated

State Bonds	\$5,756,125,000
Other Liabilities	\$4,898,820,000
Less: Debt Related to Capital Assets	\$1,805,502,000
Unfunded Pension Benefits	\$2,590,186,000
Unfunded Retirees' Health Care Benefits	\$2,076,975,000
Bills	\$13,516,604,000

The State has accumulated bonds of \$5.8 billion and other liabilities of \$4.9 billion. The calculation of assets available to pay bills does not include capital assets, so \$1.8 billion of related debt is removed from the calculation of State Bills.

Unfunded employees' retirement benefits represent 35% of State bills. These unfunded liabilities have accumulated because State employees have been promised \$2.6 billion of pension benefits and \$2.1 billion of retirees' health care benefits. Unlike most states, Tennessee has the assets needed to pay these liabilities.

Tennessee elected officials seem to promise only what they can afford.

All Retirement Liabilities Are Not Clearly Disclosed

Reported Retirement Liabilities	\$636,195,000
Unreported Retirement Liabilities	\$4,030,966,000
Total Retirement Liabilities	\$4,667,161,000

A detailed study of Tennessee's actuaries' schedules found retirement benefits totaling \$4.7 billion have been promised, but not funded. But a review of the State's balance sheet determined only \$636.2 million of these liabilities are reported. This means that \$4 billion of retirement liabilities are not reported on the State's balance sheet.